

**DYSFUNCTIONAL PERFORMANCE MEASUREMENT SYSTEM
BEHAVIOUR: ITS ETHICAL ANTECEDENTS AND INFLUENCE ON
ORGANIZATIONAL CITIZENSHIP BEHAVIOUR**

**By
NOOR LIZA BINTI ADNAN**

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ABSTRACT

The importance of the performance measurement system (PMS) in enhancing a firm's profitability and sustainability has certainly been admitted by many but it has also been associated with certain dysfunctional behaviours (DBE), like information or measures manipulation. Though some research has been conducted regarding DBE, the impact of ethics on such behaviours has been left unstudied. Hence this study attempts to investigate how ethical antecedents might affect DBE, specifically information manipulation, and if such practices may influence their tendency to display the citizenship behaviour of the organization. Based on the social learning theory, this study employed eight constructs in the formulation of its framework, namely dysfunctional PMS behaviour (DBE, the dependent construct) which is expected to be explained by the independent constructs of ethical attitude (EAT), ethical ideology (measured in two dimensions of Relativism and Idealism), code of ethics (COE), ethical work climate (measured in three dimensions of Egoism, Benevolence and Principled), and perceived ethical leadership (PEL). The influence of DBE on citizenship behaviour (OCB) as moderated by psychological collectivism (PCO) was also examined. This survey study was conducted on a sample of branch bank managers employed in the local commercial banks in Malaysia who were selected using stratified random sampling. Data were analyzed and interpreted using PLS-SEM and the SPSS software. The results demonstrated that EAT and PEL exhibited negative relationships with DBE as expected. However, contrary to the initial hypotheses, Relativism was negatively related to DBE, while Idealism and Principled climates were positively related. In contrast, Egoism and Benevolence climates, and COE were not associated with DBE. DBE also negatively affected OCB targeted at organizational members, but not those targeted at the organization itself. PCO did not moderate the DBE-OCB relationship. These findings provide some important insights to both academicians and practitioners and create a more inclusive global picture of the antecedents and influence of employees' DBE, especially in non-western countries.

Keywords: dysfunctional behaviour, performance measurement system, ethical attitude, relativism, idealism, ethical work climate, psychological collectivism, citizenship behaviour

ABSTRAK

Kepentingan sistem pengukuran prestasi (PMS) dalam mengukuhkan keberuntungan dan kemapanan sesebuah perniagaan telah diakui oleh banyak pihak, namun ia juga telah dikaitkan dengan beberapa salahlaku, seperti manipulasi maklumat. Walaupun beberapa kajian telah dijalankan berkenaan dengan salahlaku PMS ini, namun pengaruh nilai etika ke atas salahlaku hampir tidak langsung diberikan penekanan. Atas dasar berkenaan, kajian ini dijalankan untuk menyelidik bagaimana latar belakang etika mempengaruhi kejadian salahlaku PMS, khususnya manipulasi maklumat, dan juga jika amalan tersebut turut mempengaruhi kecenderungan untuk mempamerkan tingkah laku kewarganegaraan organisasi. Berdasarkan kepada teori pembelajaran sosial, kajian ini telah menggunakan lapan pemboleh ubah untuk membentuk rangka kerjanya, iaitu gelagat salahlaku PMS (DBE, sebagai pembolehubah bersandar) yang dijangkakan akan dipengaruhi oleh pembolehubah-pembolehubah bebas, iaitu sikap etika (EAT), ideologi etika (yang diukur dalam dua dimensi, iaitu Relativisme dan Idealisme), kod etika (COE), iklim etika kerja (yang diukur dalam tiga dimensi, iaitu iklim Egoisme, Kebajikan dan Berprinsip), dan akhirnya persepsi kepimpinan beretika (PEL). Sementara itu, pengaruh DBE ke atas tingkah laku kewarganegaraan organisasi (OCB) juga dikaji dengan mengambilkira kesan psikologi kolektivisme (PCO). Kaji selidik ini telah dijalankan ke atas pengurus cawangan bank-bank perdagangan tempatan di Malaysia yang telah dipilih secara rawak berlapis. Data dianalisis dan ditafsirkan menggunakan PLS-SEM dan juga perisian SPSS. Keputusan menunjukkan bahawa EAT dan PEL mempamerkan hubungan negatif dengan DBE sebagaimana dijangkakan. Namun, bertentangan dengan hipotesis awal, Relativisme menunjukkan hubungan negatif dengan DBE, manakala Idealisme dan iklim Berprinsip menunjukkan hubungan positif. Sebaliknya, iklim Egoisme dan Kebajikan, dan COE didapati tidak berkait dengan DBE. DBE juga memberikan kesan negatif ke atas OCB yang disasarkan kepada ahli organisasi, tetapi tidak kepada organisasi itu sendiri. PCO pula didapati tidak mempengaruhi hubungan DBE-OCB. Penemuan ini memberikan maklumat penting kepada ahli akademik dan pengamal industri dan mewujudkan gambaran global yang lebih inklusif tentang latarbelakang dan pengaruh DBE, terutama di negara-negara bukan barat.

Kata kunci: gelagat salahlaku, sistem pengukuran prestasi, sikap etika, relativisme, idealisme, iklim etika kerja, psikologi kolektivisme, tingkah laku kewarganegaraan organisasi

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TABLE OF CONTENTS

PERMISSION TO USE	iv
ABSTRACT.....	v
ABSTRAK.....	vi
ACKNOWLEDGEMENT	vii
TABLE OF CONTENTS.....	viii
LIST OF TABLES	xv
LIST OF TABLES (continued)	xvi
LIST OF FIGURES	xvii
ABBREVIATION.....	xviii
CHAPTER ONE: INTRODUCTION.....	1
1.0 Background of the Study	1
1.2 Problem Statement.....	3
1.3 Research Questions	8
1.4 Research Objectives.....	9
1.5 Definition of Key Terms	10
1.6 Significance of the Research.....	13
1.7 Scope of the Study	16
1.7 Organization of the Study	17

CHAPTER TWO: LITERATURE REVIEW	19
2.0 Introduction.....	19
2.1 Banking Industry in Malaysia.....	20
2.1.1 Banking Industry and Its Contribution to Malaysian Economy	21
2.1.2 The Changing Landscape of Banking Operation.....	23
2.2 Dysfunctional Behaviour: Definitions and Concepts	27
2.2.1 Types of Dysfunctional Behaviour	32
2.2.2 Antecedents of Dysfunctional Behaviour	37
2.3 Performance Measurement System (PMS): A Brief Glance	42
2.4 Ethical Antecedents	48
2.4.1 Ethics: Definitions and Concepts.....	50
2.4.2 Individual Ethical Antecedents	53
2.4.2.1 Ethical Attitude (EAT).....	55
2.4.2.2 Ethical Ideology or Ethical Orientation (EID)	60
2.4.3 Organizational Ethical Antecedents.....	64
2.4.3.1 Code of Ethics (COE)	65
2.4.3.2 Ethical Work Climate (EWC)	69
2.4.3.3 Perceptions of Ethical Leadership (PEL)	74
2.5 The Influence of Dysfunctional PMS Behaviour.....	79
2.5.1 Organizational Citizenship Behaviour (OCB).....	83
2.6 Moderating Variable: Psychological Collectivism	88
2.7 Empirical Related Studies.....	92
2.7.1 Ethical Attitude (EAT) and Dysfunctional PMS Behaviour (DBE).....	93
2.7.2 Ethical Ideology (EID) and Dysfunctional PMS Behaviour (DBE).....	96
2.7.3 Code of Ethics (COE) and Dysfunctional PMS Behaviour (DBE)	100
2.7.4 Ethical Work Climate (EWC) and Dysfunctional PMS Behaviour (DBE)	104

2.7.5	Perceptions of Ethical Leadership (PEL) and Dysfunctional PMS Behaviour	109
2.7.6	Dysfunctional PMS Behaviour (DBE) and Citizenship Behaviour (OCB) ..	115
2.7.7	The Direct and Moderating Effects of Psychological Collectivism (PCO) ..	119
2.8	Summary	124
2.9	Underpinning Theories and Theoretical Framework	125
2.9.1	Social Learning Theory (SLT)	125
2.9.2	Ethical Theories or Philosophies	127
2.9.3	The Formulation of Theoretical Framework	130
2.10	Hypotheses Development	133
2.10.1	Hypotheses Relating Personal and Organizational Ethics to DBE	134
2.10.1.1	Hypothesis Relating EAT to DBE	135
2.10.1.2	Hypotheses Relating EID to DBE	137
2.10.1.3	Hypothesis Relating COE to DBE	139
2.10.1.4	Hypotheses Relating EWC to DBE	141
2.10.1.5	Hypothesis Relating PEL to DBE	143
2.10.2	Hypotheses Relating the Influence of DBE on OCB	146
2.10.3	Hypotheses Relating to PCO as a Moderator in the DBE-OCB Relationship	147
2.11	Chapter Conclusion	151
CHAPTER 3: METHODOLOGY		153
3.1	Introduction	153
3.2	Research Design	153
3.3	Research Population	156
3.4	Research Sample and Sampling Procedure	160
3.5	Questionnaire Development	163

3.5.1	Ruler-Option Scale.....	163
3.5.2	Social Desirability Bias.....	165
3.5.3	Pre-Testing of Instrument	167
3.6	Operationalization of the Variables	168
3.6.1	Dysfunctional PMS Behaviour	169
3.6.2	Ethical Attitude (EAT).....	170
3.6.3	Ethical Ideology (EID).....	172
3.6.4	Code of Ethics (COE)	175
3.6.5	Ethical Work Climate (EWC).....	176
3.6.6	Perception of Ethical Leadership (PEL)	180
3.6.7	Organizational Citizenship Behaviour (OCB)	182
3.6.8	Psychological Collectivism (PCO)	184
3.7	Data Collection Procedures.....	186
3.8	Interview-based approach	188
3.9	Data Analysis: An Overview	190
3.9.1	Reflective Verses Formative Measurement Model.....	193
3.10	Chapter Summary	195
CHAPTER 4: DATA ANALYSIS		197
4.1	Introduction.....	197
4.2	Preliminary Analysis of the Data.....	198
4.2.1	Data Editing and Coding.....	198
4.2.2	Data Screening - Missing Values Analysis and Treatment	198
4.2.3	Data Screening - Outliers.....	201
4.2.4	Analysis of Response Rate.....	201
4.3	Non-Response Bias Test	202

4.4	Common Method Bias	204
4.5	The Respondents' Background Statistics.....	207
4.6	Goodness of Measures	208
4.6.1	Internal Consistency Reliability.....	210
4.6.2	Convergent Validity	210
4.6.3	Discriminant Validity.....	214
4.7	Descriptive Statistics of Constructs	220
4.8	The Level of Dysfunctional PMS Behaviour.....	223
4.9	Assessing Structural Model Results.....	228
4.9.1	Collinearity Assessment.....	230
4.9.2	Structural Model Path Coefficients for Hypotheses Testing and Coefficient of Determination (R^2 Value)	231
4.9.2.1	The Ethical Antecedents of DBE.....	231
4.9.2.2	The Influence of DBE.....	234
4.9.2.3	The Moderating Effects of PCO	236
4.9.3	Predictive Relevance (Q^2).....	238
4.9.4	Effect Size (F^2) and (Q^2).....	239
4.10	The Additional Analyses.....	241
4.10.1	The REL/IDEAL-DBE Relationships.....	241
4.10.2	The PRINC-DBE Relationship	244
4.10.3	The Moderating Effect of PCO	246
4.11	Summary of Hypotheses Testing	248
4.12	Chapter Summary	249
CHAPTER 5: DISCUSSION, IMPLICATIONS AND CONCLUSION		251
5.1	Introduction.....	251

5.2	Recapitulation of the Study Findings.....	251
5.3	Discussion of the Findings.....	255
5.3.1	The Level of Dysfunctional PMS Behaviour among the Malaysian Bankers	255
5.3.2	The Effect of Ethical Antecedents on Dysfunctional PMS Behaviour.....	261
5.3.2.1	The Effect of Personal Ethics on Dysfunctional PMS Behaviour.....	265
5.3.2.2	The Effect of Organizational Ethics on Dysfunctional PMS Behaviour.....	284
5.3.3	Personal Ethics Vs Organizational Ethics.....	300
5.3.4	Outcomes of Dysfunctional PMS Behaviour and the Moderating Effect of Psychological Collectivism	304
5.3.4.1	Dysfunctional Behaviour and Organizational Citizenship Behaviour	305
5.3.4.2	The Moderating Effect of Psychological Collectivism	311
5.4	Significant Implications of the Research	316
5.4.1	Theoretical Implications	316
5.4.2	Methodological Implications	321
5.4.3	Managerial Implications	324
5.5	Limitation and Future Research.....	328
5.6	Conclusion	334
5.7	Summary of the Research Study.....	338
	REFERENCES	342
	APPENDIX A: QUESTIONNAIRE.....	374
	APPENDIX B: SEMI-STRUCTURED INTERVIEW QUESTIONS	388
	APPENDIX C: INTERVIEWEES' PROFILES	390
	APPENDIX D: HARMAN'S ONE-FACTOR TEST	391
	APPENDIX E: INDEPENDENT SAMPLE T-TEST	393

APPENDIX F: LIST OF PUBLICATIONS AND PROCEEDINGS.....	395
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LIST OF TABLES

Tables	Title	Page
Table 2.1	Malaysian GDP by Sector, 1980-2005	21
Table 2.2	Malaysia Employment by Sector, 1980-2005	22
Table 2.3	A List of Hypotheses Proposed in the Study	150
Table 3.1	List of Member Banks of The Association of Banks in Malaysia and Branches Distribution by State as at 30 June 2012	157
Table 3.2	Distribution of Selected Samples After Stratification by (i) Banks and (ii) States	162
Table 3.3	Items to Measure Dysfunctional PMS Behaviour	169
Table 3.4	Items to Measure Ethical Attitude (EAT)	171
Table 3.5	Items to Measure Ethical Ideology (EID) via two Dimensions of Idealism and Relativism	174
Table 3.6	Items to Measure Code of Ethics (COE)	176
Table 3.7	Items to Measure Ethical Work Climate (EWC) via Three Dimensions of Egoism, Benevolence And Principled Climates	178
Table 3.8	Items to Measure Perceived Ethical Leadership (PEL)	181
Table 3.9	Items to Measure Organizational Citizenship Behaviour (OCB) via Two Dimensions of OCBI and OCBO	182
Table 3.10	Items to Measure Psychological Collectivism (PCO)	185
Table 3.11	Summary of Items to Measure Each Variable or Dimension and its Source.	186
Table 3.12	Rules of Thumb for Model Evaluation (For Reflective Measures Only)	194
Table 4.1	Missing Values Analysis	200
Table 4.2	Analysis of Response Rate	202
Table 4.3	Non-Response Bias Test: Independent Sample T-Test of the Variables Employed	203
Table 4.4	Common Method Bias: Correlations of Latent Variables	206
Table 4.5	Respondents Background Statistics	209
Table 4.6	Results of Measurement Model	212

LIST OF TABLES (continued)

Tables	Title	Page
Table 4.7	Loadings and cross loadings	216
Table 4.8	Fornell-Larcker Criterion	219
Table 4.9	Descriptive Statistics of Each Construct	222
Table 4.10	Classification of Respondents into Groups	223
Table 4.11	DBE Scale Items, Mean and Standard Deviation	224
Table 4.12	Level of Dysfunctional PMS Behaviour by Respondents Profile	226
Table 4.13	The List of Hypotheses Proposed in the Study	229
Table 4.14	Collinearity Assessment	230
Table 4.15	Path Coefficient and Hypotheses Testing	232
Table 4.16	Path Coefficient and Hypothesis Testing of the Moderation Effects Using Two-Stage Approach	237
Table 4.17	Results of Q^2 and R^2	239
Table 4.18	Summary of Results – Path Coefficients, f^2 and q^2	240
Table 4.19	Ethical Ideology by Taxonomy	242
Table 4.20	ANOVA for DBE by Different Ethical Taxonomy	243
Table 4.21	Idealism and Relativism by Psychological Collectivism	244
Table 4.22	DBE Scores by Rules and Cosmopolitan	245
Table 4.23	ANOVA for DBE Score by Different Reference Groups	246
Table 4.24	DBE Scores by PCO	247
Table 4.25	OCBI and OCBO Scores by PCO	248
Table 4.26	Hypotheses and Summary of Results	248
Table 5.1	Summary of the Study	338

LIST OF FIGURES

Figures	Title	Page
Figure 2.1	A Taxonomy of Ethical Ideology	63
Figure 2.2	Theoretical Ethical Climate Types	71
Figure 2.3	Dysfunctional PMS Behaviour: Its Ethical Antecedents and Influence on OCB as Moderated by PCO	132
Figure 3.1	Ruler-Option Scale	164
Figure 4.1	The Hypothesized Research Model	228
Figure 4.2	Results of the Path Analysis	235
Figure 4.3:	PCO as a Moderator in DBE-OCBI/OCBO Relationships Using Two-Stage Approach	237

ABBREVIATION

ABM	Association of Bank in Malaysia
BAFIA	Banking and Financial Institutions Act 1989
GDP	Gross Domestic Products
BNM	Bank Negara Malaysia
PLS	Partial Least Square
SEM	Structural Equation Modelling
DBE	Dysfunctional Behaviour
EAT	Ethical Attitude
EID	Ethical Ideology
REL	Relativism
IDEAL	Idealism
EWC	Ethical Work Climate
OGOISM	Egoism ethical climate
BENEV	Benevolence ethical climate
PRINC	Principled ethical climate
PEL	Perceived ethical leadership
COE	Code of Ethics
OCBI	Organizational Citizenship Behaviour targeted at organizational members
OCBO	Organizational Citizenship Behaviour targeted at organization itself
PCO	Psychological Collectivism
RO Scale	Ruler Option Scale
EPQ	Ethics Position Questionnaire
EM	Expectation–maximization

CHAPTER ONE: INTRODUCTION

1.0 Background of the Study

Performance measurement system (hereafter, PMS) is part of the management accounting control tool used for various internal business processes in an organization that becomes indispensable in any manager's everyday life. It is the back bone of an organization that determines the success or failure of all business units (Spitzer, 2007). Management needs measures and performance indicators on all critical success factors and PMS provides such information which sets the target, indicates if targets have been achieved and points out the problematic areas that need remedial actions. Hence, the information provided by PMS would facilitate effective and efficient operations and management that enables appropriate actions to be taken.

However, the information provided by PMS will only be effective and useful in decision making if it is reliable and not distorted by any kind of manipulation. Unfortunately, in the intense business competition nowadays, such a situation would prove hard to find. As argued by Argyris (1990), in its attempt to be objective and rigorous, ideals or targets set by the management accounting system (including PMS) are rarely fully achievable due to the failure of the system to account for the full complexity and uniqueness of a given context since it is formulated well ahead of time. Therefore, tension would arise in meeting the targets that would lead to embarrassment due to fear of failure, which would be seen as a threat to some (Argyris, 1990). As a result, employees will attempt to

manipulate information to deal with such embarrassment or threat, while pretending to be unaware of their responsibility and shift the guilt of their actions to others. Of course, they may genuinely feel that they are doing justice to their subordinates by reducing their job-related stress in meeting high targets set, but it is also possible that they seek to distort the picture to meet their own needs. Such a practice would produce fabricated information that is of little value to all relevant users.

Information or measures manipulation can be categorized as one form of dysfunctional behaviour (hereafter called DBE) which is also known as deviance, or counterproductive behaviour and proves to be a serious threat to the effectiveness of the PMS. Therefore, in many literatures (Argyris, 1953, 1990; Birnberg, Turopolec, & Young, 1983; Flamholtz, 1996; Merchant, 1990; Soobaroyen, 2007) dysfunctional PMS behaviour has become one of the most critical management issues facing companies in a wide range of industries including banking industry which is a result of growing ethical awareness among practitioners and educators. Though The Association of Certified Fraud Examiners reported financial statement fraud, like manipulating information to hit a personal performance goal, contributes only five percent of fraud cases in 2010, but such DBE is responsible for the largest loss at approximately 68% (Smith, 2011). Yet, despite the growing concern, dysfunctional PMS behaviour issue fails to attract the attention of organizational scientists due to its sensitive nature (Soobaroyen, 2007).

As such, this study investigates the information or measures manipulation behaviour in the context of PMS among commercial bankers in Malaysia as more than half of the companies involved in DBE in Malaysia are privately held companies in the

investment/fund/finance sector (Sadique, Roudaki, Clark, & Alias, 2010). This is a result of their effort to rank their financial institution at the top to attract deposits and investment (Brief, Dukerich, Brown, & Brett, 1996). A more thorough investigation is seen as necessary to further unearth this issue as it might shed some additional insight in curbing the issue.

1.2 Problem Statement

Banking sector is seen as fast-paced and highly competitive, especially due to its highly leveraged nature, where a failure of a single unit might result to the failure of the whole bank (Kimball, 1997). With a huge workforce scattered over wide geographical areas, bank employees in Malaysia are regularly faced with a hectic working schedule, leading to a high level of stress which may invite more DBE (Ayupp & Nguok, 2011). This is evidenced through a number of fraud cases that had been convicted in the past 30 years, which make the financial sector more vulnerable to scandals than any other sectors (Mohamad & Muhamad Sori, 2011), like the Bank Rakyat misused of fund in 1975, the Bumiputra Malaysia Finance scandal in 1983, or the RM456 million loss of Bank Islam Malaysia in 2005 (Shiong, 2006). In 1998 alone, Malaysian government had spent RM12 billion to rescue various troubled banks in the country (Shiong, 2006). This indicates a weak credit assessment and mismanagement of fund (Mohamad & Muhamad Sori, 2011) as portrayed by a high non-performing loans ratio of Malaysian banks which stood at 20.4% in 2005, as compared to the 1% to 1.5% general provision in a well managed banking institution (Shiong, 2006).

This condition has given rise to the need of a more efficient measures concerning control, performance measurement, risk management, and resource allocation (Kimball, 1997), resulting to the employment of a PMS. As PMS is expected to facilitate the monitoring of the employees' behaviour (Martinez, 2005; Nanni, Dixon, & Vollman, 1990; Otley, 1999; Waggoner, Neely, & Kennerly, 1999), it is expected to keep 'watchful eyes' on all employees (Argyris, 1953). However, as human will become dubious when 'watched' and measured, there remains a motive to paint a better picture of their performance evaluation reports (Argyris, 1953, 1990; Flamholtz, 1996; Jaworski & Young, 1992; Soobaroyen, 2007) by "... *manipulating elements of an established control system for his own purposes,*" (Jaworski & Young, 1992, p.18). These behaviours are anticipated to cover up or disguise failures, or to avoid threats and embarrassment (Argyris, 1990; Flamholtz, 1996).

Unfortunately, these fabricated reports will later be used by top management and other managers, leading to misguided decisions, like wrongly allocating resources, poor products pricing, and poor investment decisions (Argyris, 1990; Jaworski & Young, 1992; Soobaroyen, 2007). On the other hand, managers who manipulate information or measures may gain personal advantages that they do not deserve, like higher bonuses or promotions, often at the expense of others (Merchant & Van der Stede, 2007). Such behaviour, of course, would raise objectivity, honesty and integrity issues.

Unfortunately, DBE, especially the manipulation of information or performance measures, has become part of acceptable practices that is even encouraged by the top management (Argyris, 1990; Flamholtz, 1996) as companies are being more pressured to

report better financial positions (PricewaterhouseCoopers, 2009) and to hedge themselves against any uncertainty (Onsi, 1973). In the banking sector, Goetzmann et al. (2007) contended that the numerous measures proposed can be easily gamed and have been found as quite rampant among banks or financial managers (Brief et al., 1996; Foster & Young, 2010; Goetzmann et al., 2007). Furthermore, as their livelihood depends on the profit the bank makes, bank managers were reported to pursue any actions to economically show significant better portfolio scores (Goetzmann et al., 2007), or to significantly alter their ranking position (Ornelas, Farias, & Silva, 2008) so as to be recognized as the market leader in an effort to attract the investors and depositors, especially when they are under pressure (Brief et al., 1996). Hence, PMS which is supposed to monitor and regulate the managers' activities would no longer serve its purposes. Even the collapse of Britain's oldest merchant bank, Barings, was also due to the weakness of its PMS which could be manipulated (Flamholtz, 1996).

Though many factors were found to have triggered the DBE in the PMS, but the bulk of research into this matter was solely concentrated on the technical aspects towards the betterment of the system (Drongelen & Fisscher, 2003; Vakkuri & Meklin, 2006). However, Drongelen and Fisscher (2003) contended that even with a good design, effective implementation is still not guaranteed, pointing to the missing link that lies in the behavioural and motivational consequences of PMS. Though several studies have been conducted to better understand the issue (like, Brown & Stilwell, 2005; Courty & Marschke, 2008; Fisher & Downes, 2008; Jaworski & Young, 1992; Merchant, 1990; Otley, 1978; Soobaroyen, 2007; Vakkuri & Meklin, 2006), but they have been

inconclusive and predominantly linked to positive consequences, budgetary slack, or psychology-based concepts, such as job-related tension.

To fill this lacuna, Drongelen and Fisscher (2003) proposed that it is the ethical conduct of the actors of PMS that would determine the success or failure of the PMS, as they actually form the fundamental blocks underlying the design, implementation and use of the system. In their strive to ensure their periodical results compare favourably with the predicted results defined by the standard (Argyris, 1953), managers are often experiencing considerable tension in discerning 'ethical' from 'unethical' (Gupta & Sulaiman, 1996). As such, Vakkuri and Meklin (2006) posited that an effective PMS would require managers with higher order cognitive moral development, which Brown and Stilwell (2005) asserted as the key focus. However, very limited study has linked dysfunctional PMS behaviour to the ethical aspects (Brown & Stilwell, 2005; Drongelen & Fisscher, 2003), though such act may well be viewed as an ethical issue as it involves a predicament with moral component with volitions on the part of the decision-maker and consequences for others (Douglas & Wier, 2000). Two prominent professors in the area of PMS, Prof. Widener (personal communication, November 15, 2010) and Prof. Neely (personal communication, November 12, 2010), agreed that this is a very interesting area that has been understudied and might form a new dominant idea in this field.

The paucity of research is not surprising, considering the delicate nature and complexity of the issue. Measures manipulations are difficult to identify because it is typically hidden from the researcher (Courty, & Marschke, 2008; Soobaroyen, 2007) and the organization (Courty, & Marschke, 2008). Gaining honest responses also proves difficult due to its

sensitive and illicit nature (Hirst, 1983; Merchant, 1990), besides the difficulty to determine, measure and predict actual behaviour in real life (Kantor & Weisberg, 2002). Unfortunately, the issue remains important, hence, needs further probe and investigation.

Adding some spices to the study of DBE, it would be interesting to link such negative behaviour to a positive outcome (instead of negative), like organizational citizenship behaviour (hereafter, OCB), as some authors (Argyris, 1990; Flamholtz, 1996) suggested that such behaviour might stem from good intention though the outcomes might not be positive. As information or measures manipulation is such a paradox issue (ethically questionable, but acceptable and even encouraged by the management), the finding would highly contribute to the new knowledge, especially when so very few papers looking into the relationship of DBE-OCB are available in the research database with most studies were dated back to the last ten years. Thus it indicates that this is a new area worth explored that might pave a way for future research.

Spector and Fox (2010a) noted that these two opposite forms of extra-task behaviours, (i) DBE (behaviours that might harm the organization), and (ii) OCB (behaviours that might help the organization), have been dealt with separately until recently when researchers (like, Dalal, 2005) began to conceptually and empirically integrate both behaviours in their studies. The few available literatures exhibited mixed findings about the nature of DBE-OCB relationship, which suggests the possibility of a moderating variable that might influence the relationship of the two constructs. As individuals may vary in attitudes and values regarding the relationship with their colleagues, subordinates, or superiors, then considering one of the personal constructs, psychological collectivism

(hereafter, PCO) may give a better comprehension about the relationship of DBE-OCB. PCO is one of the most researched cultural and personal dimensions in management (Earley & Gibson, 1998) that explains or influences the behaviour of an individual especially the interpersonal relationship.

Nevertheless, a growing literature has documented the existence of dysfunctional PMS behaviour in several organizational contexts. With the intense competition and uncertain economic condition nowadays, manipulations, distortion or gaming activities are expected to keep on rising. Hence, it can be concluded that in spite of a long standing and regular attention paid to some of the consequences of PMS, there has been very little focus and empirical research on managers' ethical aspect and its relation to DBE as well as the impact of DBE on a positive behaviour, OCB, and the role that PCO might have on such relationship. Responses from the two prominent professors above also support the argument that there is still a wide gap in practical, theoretical and methodological aspect that needs to be filled in researching for the influence of ethics on DBE in the context of PMS, which becomes the aim of this research.

1.3 Research Questions

Upon reviewing the literature concerning this area, a few interesting questions warranting further study emerged. This research then seeks to answer these following questions:

- a. What is the level of dysfunctional PMS behaviour among the managers?
- b. To what extent does personal ethics affect dysfunctional PMS behaviour?

- i. Does ethical attitude influence the managers' decision to commit dysfunctional PMS behaviour?
 - ii. Does ethical ideology influence managers' decision to commit dysfunctional PMS behaviour?
- c. To what extent does organizational ethics affect dysfunctional PMS behaviour?
 - i. Does the code of ethics formulated by the bank influence the managers' decision to commit dysfunctional PMS behaviour?
 - ii. Does the ethical working climate perceived by the managers in an organization influence their decision to commit dysfunctional PMS behaviour?
 - iii. To what extent would a leader's ethics influence the commission of dysfunctional PMS behaviour among his/her employees?
- d. Is dysfunctional PMS behaviour related to organizational citizenship behaviour?
 - i. Is dysfunctional PMS behaviour related to organizational citizenship behaviour directed at the individuals in the organization?
 - ii. Is dysfunctional PMS behaviour related to citizenship behaviour directed at the organization itself?
- e. Does psychological collectivism moderate the relationship between dysfunctional PMS behaviour and organizational citizenship behaviour?

1.4 Research Objectives

In answering the above research questions, this research will strive to achieve the following objectives:

- a. To examine the level of dysfunctional PMS behaviour among the bank managers;
- b. To examine the extent of the relationship of personal ethics and dysfunctional PMS behaviour;
- c. To examine the extent of the relationship of organizational ethics and dysfunctional PMS behaviour;
- d. To examine the extent of the relationship between dysfunctional PMS behaviour and organizational citizenship behaviour; and
- e. To examine the moderating effect of psychological collectivism on the relationship of dysfunctional PMS behaviour and organizational citizenship behaviour.

1.5 Definition of Key Terms

Some important terms appearing repeatedly in this study are briefly defined as follows:

- a. **Dysfunctional behaviour** is defined as any voluntary acts of the employees to manipulate the elements of the performance measurement and control system so as to produce a better report, either for the benefit of the subordinates, superiors or just serving self-interest (Jaworski & Young, 1992; Soobaroyen, 2007).
- b. **Personal ethics** refers to the generally accepted principles of right and wrong governing the conduct of individuals (International Business, 2009).
- c. **Ethical attitude** refers to the perceived rightness or wrongness of a situation which might reflect a favourable, unfavourable, or neutral view, and subsequently affect one's decision whether to commit a behaviour (Kantor & Weisberg, 2002).

- d. **Ethical ideology** refers to an ethical belief that guides an individual in judging and resolving whether a behaviour is ethical or not, especially in ethically questionable issues (Forsyth, 1980; Henle, Giacalone, & Jurkiewicz, 2005).
- e. **Relativism** refers to one's belief that moral elements should be based on specific situations and individuals involved, hence no one universal moral principles should be applied across all situations (Forsyth, 1980).
- f. **Idealism** refers to one's inherent interest and concern for the welfare of others while acknowledging moral absolutes which determines their ethical decision (Forsyth, 1980).
- g. **Organizational ethics** is the capacity of an organization to reflect on ethical values in the corporate decision-making process and how managers can respond to an internal or external stimulus that contains ethical tone in management of the organization (Carroll, 1987).
- h. **Code of ethics** is a formal written document which outlines the moral standards, disseminated to employees to guide their ethical corporate behaviour in a particular organization (Schwartz, 2001).
- i. **Ethical work climate** describes the informal ethical guide in the form of perceptions, values, beliefs or norms that members of organizations hold concerning ethical procedures and policies in their organizations and subunits which are psychologically meaningful (Victor & Cullen, 1987; 1988).

- j. **Egoism ethical climate** describes a climate where maximizing self-interests become dominant consideration in identifying and solving ethical problems (Victor & Cullen, 1987; 1988).
- k. **Benevolence ethical climate** describes a climate that focuses on the maximization of joint interests or the utility of others and is also referred to as utilitarianism (Victor & Cullen, 1987; 1988).
- l. **Principled ethical climate** refers to a climate that is based on deontological theory where decision makings are governed by strong adherence to duties, rules, laws or standards (Victor & Cullen, 1987; 1988).
- m. **Perceptions of ethical leadership** describes how ethical is a leader as perceived by their subordinates as reflected through their conducts, communications, or enforcement of certain rules, resulting to such behaviours to be emulated by the followers (Brown, Trevino, & Harrison, 2005).
- n. **Organizational citizenship behaviour** refers to behaviours or actions that are regarded as extra-role and must be discretionary in nature, implying that they are not an enforceable requirement of an individual's job (Organ, 1997).
- o. **Psychological collectivism** refers to the extent to which individuals hold a general orientation toward group outcomes, a concern for the well-being of the group and its members, an acceptance of group norms, and a tendency toward cooperation in group contexts (Ramamoorthy & Carroll, 1998; Ramamoorthy & Flood, 2002).

- p. **Collectivism** is described as an orientation towards group membership and harmonious relationships by emphasizing on sharing, duties and obligations that the well-being of the group takes primacy over individual desires and pursuits (Ramamoorthy & Flood, 2002).
- q. **Individualism** has been defined as an orientation towards prioritizing self-interest or personal goals. Group cooperation is only seen as instrumental to achieving personal goals that cannot be accomplished by working alone (Ramamoorthy & Flood, 2002).

1.6 Significance of the Research

This study is motivated by several factors that are believed as important enough to add to the new knowledge, either theoretically or methodologically, and to be of pertinent relevant to the industry players.

First, this study extends prior management accounting research, generally, and specifically, PMS studies, by indulging into the more sensitive area of DBE. As the nature of the study is rather sensitive, it has failed to invite huge interest of most researchers (Soobaroyen, 2007) and available studies are found to focus mainly on the positive consequences such as performance, or motivational aspects, rendering it to be inconclusive (Hirst, 1981). Besides looking deeper into DBE, this study also links such acts to the ethical component, which has not been considered by other researchers in a manner that they should be addressed (Brown & Stilwell, 2005; Drongelen & Fisscher, 2003), though it is found as a good predictor of many ethical and unethical behaviour (Trevino & Nelson, 2004; Velasquez, 2006). Prof. Neely (personal communication,

November 12, 2010; July 9, 2011) and Prof. Widener (personal communication, November 15, 2010) acknowledged that any attempt to do so would make a prominent contribution to this area, which has been understudied. Besides, linking ethics to management accounting is seen as timely as accounting should not be regarded as only number crunching.

This far, most researches on DBE had been conducted in United States and United Kingdom, while some in Japan (like Chow, Kato, & Merchant, 1996) and a few other countries, but not in Malaysia. Since ethics problem is also prevalent in Malaysian business practices (KPMG, 2010; PricewaterhouseCoopers, 2009), then the study that links ethical aspect to the occurrence of DBE is seen as timely.

Second, previous study that tried to link ethical aspect to PMS (Drongelen & Fisscher, 2003) has not empirically tested their hypotheses. Hence, this study contributes to the theoretical perspective by establishing a conceptual framework that links ethical aspect, both at personal and organizational level, to the occurrence of DBE to empirically test its hypotheses. The model then further probes the influence of DBE on the organizational citizenship behaviour which proved to be lacking in the extant literature. Additionally, considering the moderating effect of a dispositional construct, like psychological collectivism, on the relationship of DBE and citizenship behaviour can be considered as a new contribution to the body of knowledge.

Besides, previous studies have examined the effect of both personal and situational ethics on unethical behaviour (for examples, Adams, Tashchian, & Shore, 2001; Kish-Gephart,

Harrison, & Trevino, 2010), but very few have tried to determine which would give a stronger influence. This study goes further to examine this issue, hence contribute to a new knowledge.

Third, perhaps even more important, it may also contribute to the industry players as the implication of the study should provide some insight for the actors of the PMS in the banking industry. Hence, some precautionary steps could be taken to ameliorate the effectiveness of PMS, hence reducing the possibility of DBE. Although more and extensive studies are required to gauge the depth and spread of these DBE, it could well become a bank's priority to take into consideration the motivational and behavioural aspects of PMS so that ethical values would not be sacrificed in the enthusiasm of the bank to become a market leader.

Since unethical behaviour is proved costly to banks and society, understanding the relationship between different dimension of ethical climate and behaviour, will enable the banks to influence and take prompt actions to curb unethical behaviour (Wimbush, Shepard, & Markham, 1997). A better understanding of the dynamic nature of the employees' behaviours will enhance knowledge of people's behaviour in organizational settings, hence, managers may come up with proper plans as future interventions would be undeniably crucial to increase constructive and decrease destructive acts among employees. This might become an agenda to a bank in strengthening the ethical values of its employees in their effort to emerge as a market leader.

Methodologically, this research has employed a newly-developed scale named Ruler-Option (RO) scale in its instrument. The use of such scale would greatly contribute to the new knowledge concerning this matter, especially when the results prove that the scale is able to induce the respondents to more accurately express their views, feelings, perceptions or attitude. Besides the use of PLS-SEM software (Ringle, C. M., Wende, S., & Will, A., 2005) demonstrated in this research has also enabled the analysis of the joint impact of ethical antecedent constructs and the influence of DBE on citizenship behaviour, which is not possible under SPSS package.

1.7 Scope of the Study

This study focuses on the ethical antecedents, at both personal and organizational level, that might affect the commission of dysfunctional PMS behaviour and in turn, how such behaviour may influence the citizenship behaviour among the branch bank managers across Malaysia. It also takes into consideration the moderating effect of psychological collectivism on the dysfunctional PMS behaviour- citizenship behaviour relationship. The population of the study consists of the branch bank managers attached to domestic commercial banks which are members of The Association of Banks in Malaysia (ABM), hence, it excludes those managers at the headquarters and those of foreign banks. At the time the data were collected, there were about 1871 bank branches scattered all over Malaysia and headed by a manager, contributed to a total of 1871 elements in the population.

1.7 Organization of the Study

In addition to this chapter, this thesis is made of another four more chapters. Chapter 2 introduces the topics of DBE in the context of PMS and the ethical aspects guiding the individuals' behaviours. It starts by describing the types and antecedents of DBE, which then proceeds to the ethical antecedents predicted to influence DBE. Then, its influence on citizenship behaviour is discussed as well as the moderating effect of psychological collectivism on such relationship, which is then followed by a chapter summary. Following the literature review, the conceptual model of the study is presented and elaborated based on the theories that bridge the exogenous constructs to the endogenous constructs. This chapter is then continued with the hypotheses development predicting the relationships among the constructs. A conclusion concludes the chapter.

Chapter 3 deals with the methodological aspects of the study to achieve the research objectives. This includes the detailed discussion on research design, data analysis, data collection procedures, as well as research population and sampling procedure. Justification is also made in using the PLS-SEM software. The chapter also elaborates the questionnaire design and the operationalization of the constructs before a conclusion ends the chapter.

Chapter 4 focuses on the data analysis conducted which begins with preliminary analysis of the data to the testing of the hypotheses put forth in Chapter 2. The two stage data analysis conducted, the measurement model and the structural model evaluation, are exhibited in this chapter. Besides, additional analyses conducted using SPSS to support

the discussion are also demonstrated. A summary of the results of hypotheses testing is listed towards the end of the chapter and is ended by the chapter summary.

Finally, discussions of the study's findings are made in Chapter 5. It begins with the recapitulation of the study findings. The result of each hypothesis testing is discussed and justified. Then the implications of the research, whether theoretically, methodologically and practically are put forth, followed by its limitations and potential future research. This chapter is then followed by a conclusion and ends with a chapter summary.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

The aim of this chapter is to review the state of theoretical and empirical literature pertaining to the study of dysfunctional PMS behaviour (DBE) and to demonstrate the dearth of research on the empirical implications of its consequence. Since banking sector is used as a setting, a closer look into the industry in Malaysia is considered essential prior to a deeper investigation of the occurrence of DBE in this industry. Hence, the first section of this chapter tries to fulfil this purpose.

In order to construct the theoretical framework, the literature on DBE is reviewed first. This is followed by each independent construct focused in this study. Ethics have been vastly admitted to influence DBE, which is a form of unethical behaviour (Drongelen & Fisscher, 2003; Gupta & Sulaiman, 1996; Peterson, 2002a; Victor & Cullen, 1988) but has not been sufficiently addressed in relation to the study of PMS (Brown & Stilwell, 2005). This section reviews the ethical component, both at personal and organizational level, so as to enable a comparison of a stronger predictor of DBE. At the personal level, (i) the influence of ethical attitude of the individual managers, and (ii) individual ethical ideology are looked into. On the other hand, at the organizational level, (i) the influence of code of ethics on DBE is first examined, followed by (ii) the effect of ethical work climate, and (iii) the perception of ethical leadership.

Finally, this chapter reviews the literature to see if DBE would influence the citizenship behaviour among the managers. However, considering that individuals might differ in their collectivism orientation, the effect of this construct is further examined in the relationship of DBE and citizenship behaviour. Following this, it is argued that personal and organizational ethics would influence the managers' tendency to engage in DBE, which in turn, would influence citizenship behaviour. However, this relationship shall be moderated by the level of psychological collectivism of each individual.

2.1 Banking Industry in Malaysia

Historically, a bank was associated with a place for safekeeping of valuables or money or a place where exchange of valuables or money took place. However, today, the function of a bank has changed. It is now a financial institution, which is an institution dealing in matters of finance or more precisely, in financial services. However, not all financial institutions are banks though they share the common feature as a mobilizer of fund from those with surplus funds to those short of funds (Peng, 1998). Financial institutions would include banks, finance companies, merchant banks, credit and leasing companies, national savings bank, co-operative banks, discount houses, factoring companies, etc. Peng (1998, p.12) defined a bank as *“a business unit involved principally in the collection of deposits, granting of loans, provision of liquidity, and facilitating the transfer of funds and the payment system.”*

Banking business is governed by Banking and Financial Institutions Act 1989 (BAFIA), which defined *banking business* as (1) the business of: (a) receiving deposits on current account, deposit account, savings account or other similar accounts; (b) paying or

collecting cheques drawn by or paid by customers; and (c) provision of finance, which include: the lending of money; leasing business; factoring business; the purchase of bills of exchange, promissory notes, certificates of deposits, debentures or other negotiable instruments; and the acceptance or guarantee of any liability, obligation or duty of any person; and (2) such other businesses as the Central Bank (Bank Negara Malaysia, or BNM), with the approval of the Ministry of Finance, may prescribe.

2.1.1 Banking Industry and Its Contribution to Malaysian Economy

Though in the early years, agriculture sector undeniably played a more vital role in developing and stimulating the economy of the country, but the emergence of manufacturing and service sector gradually overshadowed the role of the former sector. Service sector now plays a large influence in the country's economy. It contributed 57% to Malaysian GDP in 2010 of which 17% came from the finance sector which includes banking, insurance, real estate, stock-broking, etc (Bank Negara Malaysia, 2011). Of the 17%, RM65 billion or 6.1% was contributed by banking industry, with total loans and advances of the banking system increases by more than 12%.

Table 2.1
Malaysian GDP by sector, 1980-2005

Sector	Share of GDP (%)					
	1980	1985	1990	1995	2000	2005e
Agriculture	22.9	20.8	16.3	10.3	8.9	8.1
Mining and quarrying	10.1	10.4	9.4	8.2	7.3	7.0
Manufacturing	19.6	19.7	24.6	27.1	31.9	32.3
Construction	4.6	4.8	3.6	4.4	3.3	2.9
Services:						
<i>Private services</i>	29.8	31.4	38.0	44.1	47.1	50.0

Table 2.1 (continued)
Malaysian GDP by sector, 1980-2005

Electricity, gas & water	1.4	1.7	2.7	3.5	3.9	4.1
Transport, storage & communication	5.7	6.4	6.7	7.4	8.1	8.7
Wholesale and retail trade, hotels & restaurants	12.1	12.1	13.2	15.2	14.8	14.2
Finance, insurance, real estate & business services	5.3	5.7	8.2	10.4	12.7	15.2
Other services	5.3	5.5	7.2	7.7	7.6	7.8
<i>Government services</i>	<i>10.3</i>	<i>12.2</i>	<i>8.8</i>	<i>7.1</i>	<i>6.8</i>	<i>7.0</i>

Source: Public Bank (2005)

The table above exhibits the growth of service sector as analysed by Public Bank (2005) from the year 1980 to 2005. The expansion can obviously be seen from the 40.1% contribution to GDP in 1980 and kept steadily increasing to 57% in 2005. Financial sector, which is part of the service sector, also marked a significant improvement over the years with 5.3% in 1980 to 15.2% in 2005. Currently, Bank Negara Malaysia identifies 25 commercial banks, 17 local and seven international Islamic banks, and 15 investment banks operating in Malaysia (Business Monitor International, 2011).

Table 2.2
Malaysia employment by sector, 1980-2005

Sector	Share of Employment (%)			
	1980	1990	2000	2005e
Manufacturing	15.7	19.5	27.6	29.3
Services:				
<i>Private services</i>	<i>23.7</i>	<i>33.7</i>	<i>38.0</i>	<i>40.1</i>
Transport, storage & communication	4.4	4.4	5.0	5.3
Finance, insurance, real estate & business services	1.6	3.8	5.5	6.3
Other services	17.7	25.5	27.5	28.5
<i>Government services</i>	<i>13.7</i>	<i>12.5</i>	<i>10.6</i>	<i>9.7</i>
<i>Other sectors</i>	<i>46.9</i>	<i>34.3</i>	<i>23.8</i>	<i>20.9</i>

Source: Public Bank (2005)

In 2007, about 140,000 people were employed in the financial sector. The average salary in the industry is 2.4 times the country's per capita income, reflecting the higher skilled positions in the industry and is amongst the highest (Governor's Keynote Address, 2008). Public Bank (2005) reported an increasing rate of employees engaged in banking sector from the year 1980 to 2005. Parallel to the growth in this sector, employees engaged in the sector rose from 1.6% in 1980 to 6.3% in 2005 as exhibited in Table 2.2.

Malaysian banking sector is also backed-up by strong government supports that has implemented some reforms to strengthen the sector, hence giving it enhanced international status (Business Monitor International, 2011). The government and the central bank are seen as committed to making banking sector more competitive internationally. The combination of a sophisticated banking sector with a large Muslim population puts the country in pole position to become a centre for Islamic banking, which acts as the main trigger of the sector's growth. Malaysia is now known as a global leader in influencing industry development of shari'a-compliant banking in other aspiring countries (Business Monitor International, 2011). The progress made by the Malaysian authorities in Islamic finance places Malaysia in a better position to influence industry development in other Muslim nations.

2.1.2 The Changing Landscape of Banking Operation

However, as the operations of a bank change over time, the definition also changes. If in the olden days, banks used to function just as a place for safekeeping of valuables, but as time flies, its roles, functions and activities also change and expand to what banks are today (Peng, 1998). According to Peng, as a result of deregulation in the banking

industry, banks now are permitted to become a financial supermarket or a one-stop financial centre and offer other financial services such as credit cards, insurance, share-broking, unit and property trusts management. As such, besides expanding the types of business offered, banks also change their way of doing business. Especially felt during the economic recession in the mid 1980s, competition of banking business became extremely intense (Peng, 1998).

Hence, in order to sustain and grab the share of the smaller market, instead of just waiting for customers to come, banks now have to go out to find customers. They will need to consider themselves as part of service and hospitality industry, hence their employees have to be customer-driven which requires them to become more like a sales-person or customer-relation officer. This requires bank managers to act as bank marketers who are responsible to attract new customers to the bank (Peng, 1998; Siu & Tam, 1995). Suddenly, marketing has become the in-thing for bankers. Bankers started to formulate marketing strategies, work-out marketing plan, and going out to do marketing. As such, retail banking managers now play a pivotal role in attracting the clients to the bank through high quality service, making them the major banks' biggest competitive asset (Siu, 1998).

As the banking industry grows, operations become more complex and competition keeps increasing, workplace stress and ethical issues then begins to emerge. Ayupp and Nguok (2011) reported a moderate to high level of employees workplace stress in Malaysian banking sector. Conflicting or incompatible job demands and expectations that need to be satisfied simultaneously are a significant cause of stress for these bank managers (Ayupp

& Nguok, 2011). The authors added that subordinates, peers, bosses, and mentors, act as major source of both stress and support, and poor relationships and lack of social support significantly influence employees stress level. Eventually, employees working in a stressful environment can give rise to unethical acts in their effort to reach performance target and impress their superiors, like to claim credit for a subordinate's work, or to failure to blow the whistle (Zyl & Lazenby, 2002).

For example, Foster and Young (2010) discovered that standard performance measures in banking operations such as the Sharpe ratio, the appraisal ratio, and Jensen's alpha, can be 'gamed' by manipulating the returns distribution without generating excess returns in expectation. Making it worse, they stated that one can design performance measures that are not immune to many forms of manipulation. It was shocking when they discovered that portfolio managers with no special investment skills can generate returns over an extended period of time that look just like the returns generated by highly skilled managers without any such knowledge.

The senior level managers were also perceived by their subordinates as indifferent to the unethical aspects of the ways and means used by lower level managers in achieving organizational objectives, hence further encouraging the managers to engage in such questionable behaviours (Sulaiman & Gupta, 1997). Another shocking example is of Barings, one of Britain's oldest merchant banks, which collapsed, as a result of huge trading losses in derivatives trading by Nick Leeson, its chief Singapore trader. Leeson, in addition to poor judgment, apparently engaged in manipulating and falsification of accounts (Flamholtz, 1996). Even in Finland, the world's supposedly least corrupt

country, 24% of finance practitioners seem to condone certain unethical financial practices like insider trading (Hartikainen & Torstila, 2004).

In Malaysia, a number of fraud cases had been convicted in the past 30 years (Mohamad & Muhamad Sori, 2011). Bank Rakyat suffered from its tarnished reputation when its Chairman was found guilty of misusing the bank's fund of RM7.5 million in 1975; Bumiputra Malaysia Finance lost RM2.5 billion from non-performing loans approved upon bribery paid to the bank directors in 1983; United Malayan Banking Corporation, then the fifth largest commercial bank in Malaysia, suffered huge loss of RM1.57 billion in 1998 and later sold to RHB Capital; and more surprising, the largely government owned Bank Islam Malaysia recorded a loss of RM456 million in 2005, with a total non-performing loan of RM2.2 billion as a result of releasing bad loans due to delinquency (Shiong, 2006). In 1998 alone, Malaysian government had spent RM12 billion to rescue various troubled banks in the country (Shiong, 2006).

With such unethical cases in banking industry, Gallup Poll (2009) on its survey of 22 occupations discovered that people hardly believe that bankers are highly ethical in their profession that they are placed at the 11th in the honesty and ethical standards. The new role of a marketer that bank managers have to play adds to the negative ethical perceptions given to them as marketers has been traditionally viewed as unreliable and untrustworthy by many (Hunt & Chonko, 1984). Bank managers have to employ persuasive behaviour, or even to not being transparent, in order to win new customers (Siu, 1995, 1998; Siu & Cheng, 1998). In their study, Sulaiman and Gupta (1997) discovered that half of the bank managers in Malaysia are willing to make compromises

in their daily operating environment as they feel that ethics and economics did not go together, and as such, resorting to unethical practices may be necessary for success in business. Some of them even associated questionable behaviours and deviations from ethical norms to being intelligent and a recipe for success.

Ethical issues then are receiving increasing attention in the financial community yet there was no empirical investigation was carried out on financial ethics (Hartikainen & Torstila, 2004). Studies on ethics seem to be focused on the business students (Barnett, Bass, & Brown, 1994; Forsyth & Berger, 1982; Greenfield, Norman, & Wier, 2008) to name a few, quite a number on marketing and sales professionals (Barnett et al., 1998; Bass et al., 1998), a few on accountants (Marques & Azevedo-Pereira, 2009) but none was done on finance practitioners.

The objectives, intentions and actions of the banks have certainly affected the lives of a large part of society (Sulaiman & Gupta, 1997). As such, they opined that the degree of their moral sensitivity and ethical integrity becomes important. During the time of economic recovery where banks are working hard to maintain and trying to expand their market share, this study can be seen as timely, as it will explore if dysfunctional behaviour in PMS is also rampant in the banking sector. Besides, a look at ethical issues is also seen as necessary. The next section will discuss the DBE in PMS in more detail.

2.2 Dysfunctional Behaviour: Definitions and Concepts

In a workplace, a variety of different behaviours are exhibited and expressed, each brings about different impact to either the people or the organization or both. Though these

behaviours normally fall within the norms of the organization, but there are some that deviate from the organizational norms which normally result to negative outcomes. Many terms, like dysfunctional, deviance, antisocial, or counterproductive behaviour, have been interchangeably used to describe these behaviours. Unfortunately, the consequences of such behaviours can be far-reaching and might affect all organizational levels, including its decision-making processes, productivity, financial costs and also work relation (Appelbaum, Iaconi, & Matousek, 2007).

In a more general context, dysfunctional behaviours (the term used in this study, hereafter called DBE) are those behaviours that detract from organizational performance rather than contribute to it (Griffin & Moorhead, 2010). A behaviour is considered dysfunctional if it violates an organization's customs, policies, or internal regulations which may jeopardize the well-being of the organization or its citizens (Robinson & Bennett, 2000). Examples of DBE may include absenteeism, theft, bullying, sexual harassment, taking undue credit, or staying in the job when it is time to leave. This concept has attracted high interest among researchers and practitioners alike due to its pervasive nature and the cost it inflicts on the organization, either direct or indirect (Dunlop & Lee, 2004), causing the organizations to bear high unnecessary cost annually besides causing worries to the management (Abdul Rahim, 2008).

Though there are countless examples of DBE in an organizational context, this study more specifically focuses on DBEs occur in the PMS. This type of behaviours normally involves higher order level of dysfunctional acts like income manipulation, gaming, management myopia, income smoothing, or budgetary slack. Ironically such behaviours

may also sometimes be viewed as functional and have been accepted as normal practices in many organizations (Argyris, 1990; Flamholtz, 1996; Van der Stede, 2000). Although these kinds of dysfunctional acts are not clearly seen as legally and morally wrong as compared to other DBEs like theft, embezzlement, absenteeism or sexual harassment, but the effects of such acts might be more significant (Van der Stede, 2000), not only to the organizations concern, but also to the other stake holders, including the final consumers. Some unethical behaviours overlap with illegal behaviours, like stealing, which is an unethical act, and is also illegal. In this study, any acts which are illegal are not to be considered as they obviously violate the standard of law. Hence in this study, DBE only refers to the acts which are considered as violating the norms, but not the standard of law, that occur in the performance measurement process.

Otley (1978) argued that the accounting system (including PMS) is inadequate and is likely to induce undesirable behaviour as the appropriate behaviours necessary to achieve organizational purposes lies outside the boundary of the control system. Making it worse, behaviours actually engaged in by individual employee based on their goals seems to be far shifted from the intended behaviour. Hence, organizational reward, through the PMS, is employed to shift the employee behaviour in the intended direction. Still, as many researchers have argued, reward, which is based on performance measures considered unfair by employees, would only invite further unintended consequences (Argyris, 1990; Hirst, 1983; Patelli, 2007)

Based on the definition offered by Jaworski and Young (1992, p. 18) of DBE as “... *actions in which a subordinate (purposefully) attempts to manipulate elements of an*

established control system for his own purposes”, Soobaroyen (2007, p.104) summarized that DBE may constitute any behaviour “*but with common and underlying objectives: to use the rules and procedures to one’s advantage; or with a view to avoid a potential threat to one’s position/standing in the organizations*”. According to Jaworski and Young (1992), an employee’s behaviour is dysfunctional if he knowingly violates established control system rules and procedures. Undoubtedly, this behaviour may harm the organizations as it grants privileges to the managers’ interest in a way that do not benefit the organization (Simons, 1995).

PMS is supposed to facilitate the monitoring or regulating of the employees’ behaviour (Martinez, 2005; Nanni et al., 1990; Otley, 1999; Waggoner et al., 1999). Therefore, the system is expected to keep ‘watchful eyes’ on all employees, like the directors, managers and other supervisory personnel (Argyris, 1953). However, considering that human will become sceptical when measured, and knowing that they are to be held responsible and accountable for the outcomes, which would then reflect their work efficiency and effectiveness, there remains a motive for the managers to paint a better picture of their performance and score a favourable performance evaluation reports even if it does not represent the actual performance (Argyris, 1953, 1990; Flamholtz, 1996; Jaworski & Young, 1992; Soobaroyen, 2007). Such a situation puts managers in constant stress and tension (Argyris, 1953). Eventually, it would lead them to attempts of DBE by “*... manipulating elements of an established control system for his own purposes,*” (Jaworski & Young, 1992, p.18) as they are fully aware of the outcomes accountability of the control system.

Furthermore, to be an effective system, all major goals ought to be measured. However, most systems only account the easily measurable activities, leaving behind activities that are hard to measure (Spitzer, 2007). Hence, unmeasured goals tend to receive less attention, even if they are not totally ignored, resulting to dysfunctional effect of the control system (Flamholtz, 1996). Somehow, they are rationally expected behaviours in response to any controls and process system, which act as managers' defence mechanisms to avoid threats and embarrassment, or to cover up or disguise failures (Argyris, 1990; Flamholtz, 1996).

Such practices can have very dysfunctional effects on the decision making and evaluation processes at various levels of management. Since top management and other managers also rely on these reports to make decision and actions, devastating consequences could occur if such reports provide biased information, smoothed-out data, or favourable sets of numbers which is a product of manipulation or gaming practices. Misguided decisions could be made that would lead to wrongly allocating resources, poor products pricing, and poor investment decisions, resulting to sub-optimal performance of the whole organization (Argyris, 1990; Jaworski & Young, 1992; Soobaroyen, 2007).

Based on the literatures, in the context of this study, DBE will be defined as *“any voluntary acts of the employees to manipulate the elements of the performance measurement and control system so as to produce a better report, either for the benefit of the subordinates, superiors or just serving self-interest.”* DBE actually originated from the work of Argyris (1952, 1953) through its seminal case study-oriented paper. He pioneered a study that resulted to sustained interest in behavioural aspects of using

budgets in management accounting. His study has unearthed the effects of budget on people which could eventually lead to the unintended anticipated behaviour as a result of negative employees' perception associated with budget. He discovered that budgets actually affects people so directly that employees frequently perceive it as a basis for both rewarding (as success will invite much reward) and also penalizing (as failing to meet the target would invite much punishment).

In 1956, Ridgway made another seminal contribution by studying the dysfunctional consequences of PMS. Hopwood (1972) contributed another seminal work on the effect of evaluative style on subordinates job related tension which might lead to DBE. Otley (1978) replicated Hopwood's study but found a contradictory finding. The unequivocal findings of these two studies have invited further probes into this area and motivated others to keep exploring and developing the research issue besides introducing other variables. Birnberg, Turopolec and Young (1983) then came up with a more elaborative account of DBE in management accounting that are further discussed in the next section.

2.2.1 Types of Dysfunctional Behaviour

There are many types of DBE that have been discussed in the literature. A more general classification was put forth by Hirst (1981) who classified DBE into the forms of resistance, rigid bureaucratic behaviour, strategic behaviour and invalid data reporting. However, the most referred to is the classification made by Birnberg et al. (1983) which was then empirically tested by Jaworski and Young (1992). Other past researchers in this area seem to use the terms suggested in these two researches. Most recently, Fisher and

Downes (2008) managed to offer a more elaborative nature of data manipulation, which is one form of DBE suggested by Birnberg et al. (1983).

According to Birnberg et al. (1983), DBE can be classified into six broad categories. The first is '**smoothing**', which is altering the pre-planned free flow of data without altering the actual activities of the organization. By doing this, managers believe that they will create a perception of reality which is different and better than what they have experienced. The second, '**biasing**' involves the action of a manager to select and report indicators that are most favourable and likely to be accepted from a set of possible indicators or information. Also known as "creative accounting", it usually exists when managers are being required to provide estimates of future events, especially in the budgeting and resource allocation process.

The third form, '**focusing**', involves either intentionally enhancing certain favourable aspects of the information, or degrading or hiding the unfavourable sets. This practice is most susceptible on multiple criteria evaluation where a manager may focus only on the more favourable information, while ignoring unfavourable others even if they are also important. '**Gaming**', which is the most commonly discussed form of DBE and is also known as 'moral hazard', normally occurs in superior-subordinate relationship, where a subordinate, through his job-related acts, sends the superior a message that he wants to hear. Flamholtz (1996) termed it as 'selective attention to organizational goal' where certain organizational goals are pursued selectively while some others receive less attention or are ignored.

Next, **‘filtering’** may happen when a manager is required to file a report (especially on something that he wants to avoid filing), resulting to him filtering the data so that only the more desirable elements are communicated. Birnberg et al. (1983) posited that employees would resort to filtering when they want to shift superior’s attention from certain information. The last one, **illegal act or falsification**, would involve violation of organizational rules or public law, like the forgery of documents and reports by intentionally altering information to satisfy the required norms.

Birnberg’s et al. classification can be considered as too detail, making some types of DBE appear redundant. As such, to empirically test it, in their study, Jaworski and Young (1992) classified DBE only under two captions, which are gaming and information manipulation. They defined **‘gaming performance indicators’** as “...chooses an action which will achieve the most favourable personal outcome regardless of the action the superior prefers” (p. 18). It occurs when subordinates attempt to maximize their performance on an indicator though it is not consistent with what is desired by the firm. Fisher and Downes (2008) defined gaming as “...taking advantage of the loopholes in the rules and system under which they operate”. It is a result of subordinates’ rebel following a belief that the control system measures performance on the wrong task or only on a limited number of subordinate’s tasks.

“Information manipulation”, which has been redefined as “...subordinates alter the free flow of information, report only those aspects of an information set that is in their best interest, or in the extreme, falsify data and company records.” (p. 19). They include a few types of DBE described by Birnberg et al. (1983) earlier into this caption, which

are (i) smoothing, (ii) filtering, and (iii) falsification of information. Alternatively, Fisher and Downes (2008) separated this form of DBE into two captions, which are (i) selective presentation, and (ii) distortion. In selective presentation, significant information is hidden in a mass of trivial detail with the aim of presenting information in a manner that recipient is likely to form an incorrect understanding (Fisher & Downes, 2008). On the other hand, distortion includes *“misclassifying things, thereby taking advantage of the margin of error that categorization always allow; and more seriously, lying or falsifying data”* (Fisher & Downes, 2008, p. 248).

Though not all forms of DBE described by Birnberg et al. (1983) seem to be included under these two captions, but closer inspection exhibits that all six classifications made by Birnberg et al. (1983) have, in fact, been considered by Jaworski and Young (1992). Biasing and focusing are indeed very closely related to filtering. Hence it is fair to consider it as part of information manipulation. In 2007, Soobaroyen also used the same two classifications of DBE (gaming and information manipulation) in his study on the effect of components of control system on DBE.

Other forms of DBE that have been extensively researched are budgetary slack (like Douglas et al., 2007; Douglas & Wier, 2000; Langevin & Mendoza, 2010; Merchant, 1981; Merchant & Manzoni, 1989; Onsi, 1973; Van der Stede, 2000, to name a few) and management myopia (Chow, Kato, & Merchant, 1996; Marginson et al., 2010; Merchant, 1990; Van der Stede, 2000). Budgetary slack involves choosing a more easily attainable standard or target in the budgeting process in the hope that the lower standard will be more easily achieved hence subsequently lead to a favourable performance evaluation

(Onsi, 1973). Yet some studies argued that slack also allows some room for managers to reduce pressure for short-term result as it serves as a cushion against uncertainty in the environment (Van der Stede, 2000) and are even encouraged by some superiors so as to increase budget commitment and to reduce possibilities of DBE among employees just for the sake of meeting the budget (Merchant & Manzoni, 1989).

On the other hand, management myopia has been defined as an excessive focus on short-term financial performance, where the managers prefer to spend more time on issues that will appear in the profit and loss statement, which involves the current budgeting period (Merchant, 1990; Van der Stede, 2000) as compared to more future oriented non-financial measures (Marginson et al., 2010) like postponing or cancelling R&D investments. As performance measures influence disposition, the short-term orientation can be a direct consequence of PMS, whereby managers, who are subjected to control based upon performance measures, may be disposed to engage in short-termism (van Rinsum, 2007). This will affect investment decisions of an organization that can threaten its long-term competitive position and survival.

However, this study only focuses on one form of DBE based on classification made by Jaworski and Young (1992), which is information manipulation. This form of DBE is the most common and prevalent yet are being taken for granted as it is seen as necessary for the survival of not only the members of the organization, but also the organization itself (Argyris, 1990).

2.2.2 Antecedents of Dysfunctional Behaviour

As Argyris (1990) suggested, *“the espoused theory of accounting recommends the use of concepts, usually coordinated to numbers, that are intended to be objective. The uses of concepts are dictated by a set of rules that are defined by the professionals as rigorously as they can make them. Once formulated, the rules are intended to apply to all cases in which they are considered relevant.”* (p. 503). Alas, Argyris (1990) contended that the ideals set by the accounting system are rarely, though not impossible, fully achievable. Accounting is always claimed as being objective and rigorous, but regrettably always fall short in practice. He attributed this to the failure of the system to account for the full complexity and uniqueness of a given context since it is formulated well ahead of time. Hence, any deficiency in the system can always be expected. Therefore, tension, between those who use the claim to defend accounting and those who do not believe in the claim but have to use it is inevitably developed. More often than not, this tension would lead to embarrassment due to fear of failure, which would be seen as a threat to some.

As expected, Argyris (1990) concluded that employees will resort to human theory of control to deal with embarrassment or threat which is translated into manipulating or distorting the information, while pretending to be unaware of their responsibility of the distortion and shifting the guilt of their actions to others. Krischer, Penney, and Hunter (2010) found that DBE may function as emotion-based coping strategies to reduce emotional exhaustion by allowing them to escape evasive situations and replenish emotional resources.

Rooted from this tension, fear of embarrassment, or just the intention to paint a desired picture of their performance, several mechanisms have been suggested to trigger DBE. These factors can be categorized into three, which are: **(i) PMS properties-related factors, (ii) organizational-related factors, and (iii) individual-related factors.** Under the first category, the more embedded the PMS in an organization, the greater the tendency the employees would commit DBE (Lau, 1999), especially when it is not complemented with a high control. PMS is considered to be highly embedded if it becomes central to activities such as arguing for priorities or resources, or for obtaining rewards, or forming the basis for reviewing performance and conducting appraisals, or when tight budget target is highly emphasised (Fisher & Downes, 2008).

A PMS that fails to identify all relevant goals, hence does not seek to control them, will cause employees not to channel their efforts toward some desired but uncontrolled behaviour (Flamholtz, 1996). When employees view that the system actually emphasizes on single high priority targets at the expense of other objectives, they will form a picture of an imbalanced system. This will lead to gaming or manipulation of indicators when employees believe that the wrong tasks or only a limited number of required tasks are being measured (Hirst, 1981; Jaworski & Young, 1992; Keasey, Moon, & Duxbury, 2000). Besides, excessive performance measures may also lead to DBE as too many measures may become cumbersome and open to the issue of subjectivity (Keasey et al., 2000). As the data become more subjective, subunits would tend to bias their estimates and attempt to game the system (Birnberg et al., 1983) by focusing their attention towards the strength of the project and away from its weaknesses.

Under organizational-related factors, an organization with centralized system is more likely to encourage DBE as such a system fosters an employees' belief that PMS purely exists for the convenience of a headquarter and provides no internal benefits to their subunit (Fisher & Downes, 2008). This is especially true when there is a lack of goal congruence in the organization resulting to managers reporting information that portrays a much worse situation than it was in fact, in the hope to bolster their unit for additional resources in internal resource allocation process (Fisher & Downes, 2008). Argyris (1953) proved that budget, which is part of the PMS, will cause employees to be too departmental-centered in their outlook. This action would deprive other units of the necessary resources which might harm the performance of the whole organization (Flamholtz, 1996).

The acceptance or toleration of metric manipulation within an organizational informal culture would play a very crucial role in influencing DBE. Gupta and Sulaiman (1996) discovered that what used to be considered unethical practices by the business managers fifteen years prior to their study, have been regarded as ethical practices at the time of the study. Hence, it is of no surprise when Fisher and Downes (2008) claimed that some occupational groups do not regard some formally unethical practices as wrong. Jaworski and Young (1992) noted when one employee exhibits a dysfunctional act, it will trigger the same intention among his peers. Obviously, when an individual believes that his peers are beginning to game the system, he will start to doubt if following organization rules, procedures and guidelines is worthy as his performance evaluation might suffer if he goes against his peers. Hence it will gradually become an informal culture adopted by members of the organization.

Flamholtz (1996) opined that though the use of rewards is a powerful incentive to motivate and reinforce behaviour, but being used simplistically can lead to serious DBE. It will create a huge amount of pressure and opportunity for managers to manipulate information or cook the books (Fisher & Downes, 2008; Tang, Chen, & Sutarso, 2008) in the hope of earning higher bonus, or to misrepresent their performance and overstate their productivity when they fall short of their target (Schweitzer, Ordóñez, & Douma, 2004). Furthermore, the presence of opportunity, supported with certain incentive would also play a role (Harell & Harrison, 1994; Wells, 2001) especially when the chance and cost of being detected is low, while potential reward is high with few damaging consequences if caught (Millar & Millar, 1997). Vakkuri and Meklin (2006) opined that PMS can be seen as a medium of human action where information generated by the system will be used by the members of the organization and mediates their activities. As such, when people design, implement, modify, resist or politicize the system, they are influenced by the institutional conditions of their working environment which are embedded in their tacit knowledge, unwritten rules and procedures of an organization.

The last category that triggers DBE is associated to the employees' psychological and sociological factors. To avoid unwelcome attention that will invite hassle, close scrutiny or audit, employees may turn to 'feed the beast' mechanism, which will cause them to manipulate the measures when his team either performs very well or very badly on certain measures (Fisher & Downes, 2008). Similarly, DBE also may arise when employees believe that the measures that they are assessed against is incomplete (Hirst, 1981), inaccurate (Fisher & Downes, 2008), or consider only a limited number of their required tasks, especially the wrong tasks (Jaworski & Young, 1992). They will lose

trust in the measures and begin to rationalize that manipulating data is indeed a proper way to achieve a better performance report especially when their score is relatively low (Fisher & Downes, 2008). Wells (2001) contended that as all human have a sense of self-worth, they will seek to balance the scales once they believe they are not being fairly treated or adequately compensated. The more dissatisfied the employee, the more likely he or she will resort to unethical behaviour.

As discussed above, though many factors are found to have triggered the DBE in the PMS, to the knowledge of the researcher, very limited study has been linked to the ethical aspects, either at the organizational level or the individual level. Douglas and Wier (2000) emphasized that any kind of DBE, like gaming, information manipulation, or budgetary slack, can also be viewed as an ethical issue as they involve a predicament with moral component which involves volition on the part of the decision-maker and consequences for others. As such, one's normal position with respect to resolving ethical questions would be expected to influence one's behaviour. Therefore, the work that links PMS to ethics is seen as necessary (Drongelen & Fisscher, 2003), besides interesting and has been understudied, leaving it still wide-open (Professor Widener, personal communication, November 15, 2010). Hence is highly encouraged as it will form a new dominant idea that will fill the lack of study in this area (Professor Neely, personal communication, November 12, 2010).

Therefore to fill this lacuna, the next section examines the ethical antecedents that might influence the propensity to engage in DBE. Other factors believed to trigger DBE, like the PMS or organizational-related factors, would not be examined in this study as such

studies have been extensively conducted in the past (Drongelen & Fisscher, 2003; Vakkuri & Meklin, 2006). However, prior to further discussing how ethical antecedents might influence DBE in relation to PMS, an understanding of the concept and role of PMS is seen as crucial. Hence, the next section seeks to indulge into this matter.

2.3 Performance Measurement System (PMS): A Brief Glance

This section reviews various terms, definitions and scope that have been applied in the PMS research literature. It also looks at the literatures discussing the problems encountered in implementing the system that will lead to the temptation to manipulate the information in order to better understand the loophole in the system that encourages the occurrence of DBEs. Neely (2007) stressed that PMS has been so important in influencing the survival and success of an organization. It has been covered in diverse areas, including human resources management, management accounting and control, operation management, and marketing, to name a few. An average company with \$1 billion sales is said to spend more than 25,000 person-days for planning and measuring performance annually (Micheli & Manzoni, 2010). As such, PMS has undeniably become the fundamental system that touches and influences other systems in an organization (Spitzer, 2007).

There has been some diversity on the definitions of PMS where various authors or researchers showed lack of consensus over the definition (Franco-Santos et al., 2007). In the review of more than 300 articles, they discovered the reviewed articles gave different perspective on the concept, and no two definitions actually agree on the precise

characteristics which put a limit to the generalizability of the findings. Basically, many authors agreed that PMS involves monitoring, analyzing, using and communicating information on an activity's performance.

For example, Forza and Salvador (2000) defined a PMS as *“an information system that supports managers in the performance management process mainly fulfilling two primary functions: the first one consists in enabling and structuring communication between all the organizational units (individuals, teams, processes, functions, etc.) involved in the process of target setting. The second one is that of collecting, processing and delivering information on the performance of people, activities, processes, products, business units, etc”* (p.359). According to Ittner, Larcker, and Randall (2003), a PMS *“(1) provides information that allows the firm to identify the strategies offering the highest potential for achieving the firm's objectives, and (2) aligns management processes, such as target setting, decision-making, and performance evaluation, with the achievement of the chosen strategic objectives”* (p.715). The PMS is part of the organizational control system which is defined by Flamholtz (1996) as *“a set of mechanism – both processes and techniques – which are designed to increase the probability that people will behave in ways that lead to the attainment of organizational objectives.”* It is interesting to note that Flamholtz emphasized that the ultimate objective of the control system is not to control the specific behaviour of people per se, but rather to influence people to take actions and make decisions, which are consistent with organizational goals.

From the definitions given by the previous authors, for the purpose of this study, a PMS is defined as *“an ongoing and cyclical process embedded in an organization, aiming to*

influence the objectives and behaviour of its members so that it is aligned with the organizational objectives, hence enables an organization to plan, measure, and control its performance. It will enable the organizational objectives to be communicated clearly to the employees; allocation of resources is done accordingly; targets are set, employees are accounted for their actions where they will be evaluated against the target set, and feedback will be obtained; and performance will be rewarded accordingly, which will indirectly act as a control system that governs the operation of the whole organization.”

As part of a management control system, PMS may motivate and influence employees' behaviour as Simons(1995) postulated that the behaviour of managers may be governed by beliefs system, boundary system, diagnostic control system and interactive control system. As such, for it to function effectively, it must incorporate two necessary features, which are “performance measures” and “supporting infrastructure” (Franco-Santos et al., 2007). Performance measures, or also known as performance metrics, are a necessary requirement for a PMS to exist. Debate on what metrics to be included has been going on since the early 1980s (Neely, 2007) and has still been inconclusive (Vakkuri & Meklin, 2006). However, researchers do agree that a comprehensive PMS must have a balanced of measures so as all important aspects in a business are given proper emphasize (Bourne, Melnyk, & Faull, 2007; Ittner et al., 2003; Kaplan, 1983).

Besides performance measures, the system must be supported by infrastructure that can vary from very simplistic manual methods of recording data to sophisticated information systems and supporting procedures (Franco-Santos et al., 2007). This might include data acquisition, collation, sorting, analysis, interpretation, and dissemination (Neely, 1999),

which would require the intervention of the human resource in order to execute the whole process (Drongelen & Fisscher, 2003). Drongelen and Fisscher further added that this aspect makes the performance measurement process being filled with dilemma that poses a query as to whether the actors of PMS have carried out their roles in a morally responsible manner. This is due to the moral responsibility concept, which is in essence, *“a subjective opinion of an observer who appeals to the common-sense morality of the actor”* (Drongelen & Fisscher, 2003, p. 52).

Certainly, organizations will not employ a PMS if it could not serve some proven and well-acclaimed purposes. Though a lot of authors had suggested various reasons for employing a PMS, but they are centred around two functions put forth by Flamholtz (1996). Flamholtz suggested that the first one is known as output function, which is to generate a set of numbers, known as performance measures, that may be used to monitor the achievement of goals and standards that will provide organizational members with corrective and/or evaluative feedback. This set of numbers is the primary practical tool used in the process of PMS that tells the managers or the decision makers the achievement they have made and their effectiveness in meeting the organization's objectives (Brown & Stilwell, 2005) and helps in reducing risk as it provides information to increase certainty (Micheli & Manzoni, 2010). Due to this, managers can assess the results of their action, the effectiveness of resources allocated and the extent to which the action and the resources meet policy goals and objectives (Otley, 1999).

The second function, according to Flamholtz (1996) is known as process function, relates to the phenomena caused by the act or process of measurement per se. It deals in

behavioural aspect as a result of the system. Flamholtz argued that being a human, the mere knowledge or understanding that they will be measured or evaluated is sufficient to influence their behaviour. Thus the medium of measurement itself will act as a stimulus to certain behaviour and can be seen as both a product and medium of human action (Vakkuri & Meklin, 2006). Consequently, it would align behaviour and attitude that ultimately leads to positive effect on performance (Micheli & Manzoni, 2010) and organizational capabilities (Mohamed, Hui, Abdul Rahman, & Abdul Aziz, 2009) as it will indirectly affect intrinsic motivation and empowerment (Hall, 2008). It also influences the culture or norms adopted by members of an organization and hence would also influence the conduct of its actors (Vakkuri & Meklin, 2006). More importantly, since it is intangible in nature and embedded in an organization's culture, it becomes difficult to be imitated, hence rendering a possibility for it to become a source of sustainable competitive advantage (Flamholtz, 1996).

Though being admitted as an important tool in achieving competitive advantage, PMS is not without critics. In fact, the inappropriate implementation and use of PMS would not only waste money and resources, but would also bring detrimental and destructive effects to the organization (Grizzle, 2002; Micheli & Manzoni, 2010; Ridgway, 1956). In fact, beginning from Argyris (1953), many other researchers (Brown & Stilwell, 2005; Fisher & Downes, 2008; Serrat, 2010; van Rinsum, 2007) have highlighted their worry about the problems associated with PMS. Hence, inspite the acclaimed functions of the system, the negative outcomes have also been reported leading to the mixed findings on the effectiveness of PMS. Many authors like Soobaroyen (2007), Flamholtz (1996) and

Argyris (1990) attributed this dysfunctionality to human reactions to being measured and evaluated.

Serrat (2010) pointed that besides generating redundant performance reports, data generated by PMS are seldom used to make decisions as they are irrelevant or outdated as it is historically focused (Neely, 1999). The system might also be pervasive or excessively rigid and consist of a large number of indicators, making managers suffer from data overload (Micheli & Manzoni, 2010). Hence it fails to serve managers with predictive measures that are useful for planning and thus leaves little effect on decision-making process (Micheli & Manzoni, 2010).

Often PMS is said to have encouraged DBE (Argyris, 1953; Birnberg et al., 1983; Hopwood, 1972; Merchant, 1981, 1990; Otley, 1978; Ridgway, 1956) as it is rather punitive than supportive (Argyris, 1953). Jensen (2001) characterized it as a pressure device that invites some unfavourable reactions like encouraging managers to lie and cheat, manipulating targets and inflating results, setting colleagues against colleagues, hence creating distrust and ill will. When PMS is too pervasive, rarely reviewed or not subdivided in level of importance, or when responsibilities are not delegated, it will make employees feel frustrated especially when they are held accountable for what they cannot influence (Jensen, 2001). Besides, it may stifle innovation and learning by creating organizational inertia and ossification (Micheli & Manzoni, 2010). Sub-optimization might also occur as a result of lack of goal congruence between the goals among different departments making it department-centred, instead of organization-centred (Argyris, 1953). The use of a league table will worsen this situation (Keasey et al., 2000).

Besides motivating constructive effort, goal setting also motivates DBE when employees fall short of their goal (Schweitzer et al., 2004) as they derive some psychological rewards from claiming to have reached a goal, and incur psychological costs from admitting goal failure. They might resort to manipulation of information (Birnberg et al., 1983; Hirst, 1981; Jaworski & Young, 1992; Soobaroyen, 2007) so as to show a good picture of their performance and targets have indeed been achieved. More seriously, these acts of DBE have been accepted as a norm and even encouraged by the management (Argyris, 1990), making them no longer being considered as unethical, though, they are obviously detrimental to the organization long term success.

Although PMS is a powerful tool in ensuring every member of the organization is working towards the same mission, still, in isolation, it cannot guarantee business performance. Rather, they should be seen as part of a wider whole, and must be used in conjunctions with other mechanisms in ensuring success. Hence, behaviour of the people in the organizations and the PMS itself can be seen as closely connected. The system will influence the people's behaviour and in turn, influence the effectiveness of the system. In the end, it is the ethical stance and ethical behaviour of the people in the organizations that will determine the success and failure of the system. The next section looks into the ethical aspects believed to influence the DBE in PMS.

2.4 Ethical Antecedents

If ethics is strong enough to explain the downfall of Enron, the seventh-largest firm in US, which filed for bankruptcy after only six months being named the “most innovative

company” in America; or the inflated profit of \$9 billion by World-Com; or the shutting down of Arthur-Anderson for shredding evidence of accounting frauds (Velasquez, 2006) or Eric Chia’s mismanagement of Perwaja Steel, then surely it could be powerful enough to explain the ineffective PMS. In Malaysia, ethical problem continues to be a serious threat within corporate Malaysia with 49% of Malaysian companies surveyed experiencing at least one incident of fraud with a total loss of RM63.95 million (KPMG, 2010). In the case of PMS, its whole process is filled with ambiguity and complexities, hence will require highly ethical actors to successfully run it (Brown & Stilwell, 2005; Vakkuri & Meklin, 2006). However, unfortunately, ethics in relation to PMS have not been sufficiently discussed (Brown & Stillwell, 2005).

As Ashton (1976) argued, though the PMS can be very effective in increasing reliability of employees’ behaviour, yet, it will still bring about the occurrence of both intended and unintended consequences. Realizing and grasping this belief, Drongelen and Fisscher (2003) emphasized that the success or failure of the PMS in an organization actually stems from the ethical conduct of the actors of the system as they are the fundamental block underlying the design, implementation and use of the system. The authors named three actors involved in the performance measurement process, namely (i) evaluatees, referring to employees or subordinates whose work are being evaluated; (ii) evaluators, referring to the upper managers or supervisors with the responsibility to assess and evaluate the performance of the subordinates under them; and also (iii) assessors, who might consist of financial controllers and other officials and are supposed to form an

independent opinion about the effectiveness and efficiency of the measurement process and its outputs.

Logically, an ethical employee being instilled with high ethical value in a strong ethical work climate would not jeopardize the interest of his organization and other people related to it at the expense of his own self-interest. Instead, he would always consider the right and wrong of his actions and the consequences that his action would cause. However, since each organization might promote different type of ethical climate that may shape their employees' ethical values, and the degree of ethical values among individuals in an organization also differ and vary to certain extent, this study seeks to fill the lacuna in relation to ethical aspect and dysfunctional PMS behaviour. This section addresses the ethical antecedents that might influence the propensity to engage in DBE. It first starts by introducing ethics in general, before proceeding to the individual ethics and then narrows down to the organizational ethics-related factors.

2.4.1 Ethics: Definitions and Concepts

Management researchers began to study business ethics during the 1960s by conducting surveys of managers' attitudes towards business ethics (Trevino & Nelson, 2004). Until today, the continued interest in ethics is still on the rise and is fuelled in part by media coverage of ethical lapses in the business community or even in the government agencies. In line with a large number of business failures over the past several decades, research on the topic of ethics and individual's ethical position have been widely encouraged (Douglas, HassabElnaby, Norman, & Wier, 2007). Since ethics is the process of developing one's ability to deal with moral issues, it enables an individual to acquire the

more reflective understanding of ‘right’ and ‘wrong’ that characterizes the later post-conventional stages of moral development (Velasquez, 2006). Velasquez (2006) opined that the intense interaction and discussion with others will enable the business community or even government agencies to move beyond a simple acceptance of moral standard uncritically absorbed from family, peers, organization, nation or culture to a set of moral principles to which everybody can reasonably assent.

Velasquez (2006) defined ethics as “*the discipline that examines one’s moral standard or the moral standards of a society*” (p. 10) where moral standards is defined as “*the norms about the kinds of actions believed to be morally right and wrong as well as the values placed on the kinds of objects believed to be morally good and morally bad*” (p. 9). Therefore, ethics is concerned with how to apply the standards to our lives and whether they are reasonable or not; or whether they are supported by good or poor reasons.

Additionally, Trevino and Nelson (2004) described ‘ethics’ as a set of moral principles or values, portraying it as highly personal and very relative. As such, it could have many interpretations and may mean differently to different people. Besides, Jennings (2006) described ethics as generally accepted rules of conduct that govern society which comprises of both standards and expectations for behaviour that we have developed for nearly all aspects of life. Thus, it is important to differentiate it with law as ethical standards are certainly not the standards of laws. As ethics consists of unwritten rules developed to interact with others, they are actually of a higher standard and norms that are far beyond laws and legal rights.

Knowing the importance of embedding ethics in business, everybody, from academicians to practitioners, agrees that business will not be complete or wholesome without ethics (Douglas et al., 2007). While some people may argue that many ethical choices are clear-cut enough and as such, it reduces the need to relate ethics to business, but Trevino and Nelson (2004) emphasized that business is full of ethical dilemmas where ‘right’ or ‘wrong’ cannot be clearly determined. This is especially true in situations where two or more important values, rights, or obligations conflict and managers have to choose between equally unpleasant alternatives. Velasquez (2006, p. 12) defined business ethics as “*a specialized study of moral right and wrong that concentrates on moral standards as they apply to business institutions, organizations, and behaviour*”. To understand the issues, to know how to approach the dilemma and what to be considered in the ethical decision making process, one would normally refer to the ethical theories available.

Ethical theory is the foundation of ethical analysis that provides guidance to decision making, with each philosophy emphasizes different reasoning that can be used to reach ethically correct decisions. Major philosophical ethical theories can be divided into three (Rachels, 1993). The first one, teleological theory, looks at the consequences of an action as a determining criterion in deciding a solution to a dilemma. Next, deontological theory, looks at the act itself, whether the act is right or wrong based on certain principles or standards or duty. Lastly, virtue theory, focuses on the actor himself by examining the characteristic, motivation or intention of his action. Each theory emphasizes certain aspect of moral behaviour that is not emphasized or even omitted by others and is embraced by some philosophers and rejected by others. None of them provides perfect guidance in every situation. A more detailed explanation of these ethical philosophies are

later described in the underpinning theories section towards the formulation of the theoretical framework.

Antecedents of unethical behaviour have long focused on individual variables (Adams et al., 2001). However, some like Trevino (1986) and Kish-Gephart et al. (2010) have acknowledged that situational factors may be as important as individual characteristics, suggesting that ethical situations actually involve a combination of both individual and situational factors which may better explain ethical lapses than either factor alone. This claim has also been advocated by Victor and Cullen (1987, 1988) who recognized that individual characteristics alone are insufficient to explain moral and ethical behaviour. This is in line with social learning theory, the main theory used to support the framework in this study, which postulates that besides environmental forces believed to shape and influence an individual's behaviour, thinking, emotion, attitude or ideology would also play an imperative role. Stemming from this argument, this study intends to investigate the influence of both individual and situational ethical related factors on the DBE in the PMS in an organization. Individual ethical antecedents are first reviewed, and followed by organizational ethical antecedents.

2.4.2 Individual Ethical Antecedents

Logically, an individual's characteristics will have some impact of their ethical beliefs which determine what they believe to be right or wrong. Upon entering into an organization, an individual will carry these values with him/her. Most of these values were developed throughout their life, from the very early age until the present, based on the influence of their parents, teachers, peers, surroundings and so on. This beliefs or

values are termed as ‘definitions’ formed from cognitive learning in social learning theory which justify an act as relatively right or wrong, or good or bad.

The most extensive review on antecedents of unethical behaviour was conducted by Kish-Gephart et al. (2010) on 136 ethics studies. They discovered that four individual characteristics, namely cognitive moral development, ethical ideology, Machiavellianism and locus of control, were found to be the most potential predictors of ethical behaviour. Much earlier, Izraeli (1988) found that employees ethical attitudes could also be the best predictor of employees’ ethical behaviour, which was further supported by Kantor and Weisberg (2002). However, only ethical attitude and ethical ideology were examined in this thesis, as Machiavellianism and locus of control are individual traits rather than ethical stances, hence do not fall within the ambit of this study that aims to examine the relationship of personal ethics to DBE.

As for cognitive moral development (later, CMD), it is not investigated in this study as its content is somewhat overlaps of ethical ideology (Kish-Gephart et al., 2010). A great deal of research on organizational ethics has used this theory founded by Kohlberg in 1969 to explain why some individuals behave ethically in organizations while others do not (Adams et al., 2001). Additionally, a number of studies (like Adams & Taschian, 1995) provided evidence that CMD may not be a good predictor of ethical decisions made in work context. The authors also emphasized that ethical ideology, introduced by Forsyth (1980), represents constructs on two separate, distinct continua, as compared to CMD which is arrayed on a single progression of stages, making it more comprehensive. Furthermore, in line with the purpose of this study, ethical ideology seems more

appropriate as it focuses more on individually preferred way of thinking (Forsyth, 1980), in contrast to CMD that offers a developmental approach to the moral reasoning process. Finally, ethical ideology also is based on a more psychometrically adequate measurement device, which may be more usefully applied than Kohlberg's model when the focus is on the moral judgments of adults (Forsyth, 1980).

The next two sections discuss the individual ethical antecedents, representing 'definitions' in social learning theory, ethical attitude and ethical ideology, believed to influence one's ethical behaviour as suggested by Kish-Gephart et al. (2010), Izraeli (1988), and Kantor and Weisberg (2002).

2.4.2.1 Ethical Attitude (EAT)

As competition becomes more intense, managers may become more tempted to compromise their ethical standards, especially when the pressure to do so could come from a variety of circumstances (Longenecker, McKinney, & Moore, 2003). Pressure from superiors, or the need to exhibit outstanding performance in their performance evaluation report, may trigger the propensity to engage in DBE among the employees (Flamholtz, 1996; Jaworski & Young, 1992; Soobaroyen, 2007). However, some employees might differ in their willingness to commit such acts, depending on their moral values or the standards that they hold, which is based on their ethical attitude or ethical belief (Kantor & Weisberg, 2002; Weber & Gillespie, 1998).

As such, the role of ethical attitude in influencing unethical behaviour should not be undermined. If not properly attended, the negative ethical attitude might snowball into

major ethical crises in a workplace (Kantor & Weisberg, 2002), implying that ethical attitude might impact organizational behaviour and outcomes profoundly. Of course, instilling a strong ethical attitude is not a one-night process, as Solomon (2001, p. 444) wrote, to be ethical means *“to not blindly follow a code, but to pursue justice and truth, and to develop imagination through aesthetic and philosophical reflection, using our vast internal repertoire, and then to make a choice – a choice to say something, to do something, or to not do or say something.”*

Previous researches have also termed ‘ethical attitude’ with other different names, like ethical belief, ethical values, ethical perceptions, or moral values. However, most studies failed to provide a specific definition to what is meant by ‘ethical attitude’, and majority only assumed that it is readily understood by the readers. Only Kantor and Weisberg (2002) offered a brief description of ‘ethical attitude’ as how one perceives the rightness or wrongness of a situation. Therefore, to generate a definition for ‘ethical attitude’, the meanings of ‘attitude’ and ‘ethics’ have to be looked into separately.

Psychologyandsociety (2011) describes ‘attitude’ as an opinion, that may reflect both beliefs and feelings evolved in response to an external situation, that one has about someone or something, which can reflect a favourable, unfavourable, or neutral view. The attitude formed may be momentary or may even develop into a habitual position that may influence an individual's behaviour in a long-term. Robbins and Judge (2010) posited that attitude consists of three main components, namely (i) cognitive, that relates to the opinion or belief, (ii) affective, relates to emotion or feeling, and (iii) behaviour, that relates to intention to behave in certain way towards someone or something.

However, attitudes can be modified and in the workplace, education and training are attempts to change the negative to positive work attitude.

‘Ethics’, on the other hand, was described by Trevino and Nelson (2004) as a set of moral principles or values, which are subject to many interpretations, implying that it is highly personal and very relative, thus may mean differently to different people. Two most common ethical philosophies believed to guide an individual ethical attitude and belief are teleology and deontology. When an individual is a utilitarian or more teleological-oriented, they will form an attitude or belief that consequences of the action is a determining criterion in solving a moral dilemma. Conversely, a deontologist would look at the act itself, based on certain principles, standards or duty, to determine whether the act is right or wrong.

Thus, ‘ethical attitude’ with regard to this study may mean *“an opinion, beliefs or feelings evolved in response to morally questionable external situation, or the perceived rightness or wrongness of a situation, that one has, which might reflect a favourable, unfavourable, or neutral judgment, and subsequently affect their decision whether to commit such behaviour or not.”* As ethics is highly personal, individuals with otherwise similar characteristics might differ in their ethical attitude or beliefs and ethical judgments concerning themselves and others (Reckers, Sanders, & Roark, 1994), making managing ethics in an organization such a complex undertaking.

In their daily operations, employees are frequently confronted with ethical dilemmas where the ‘right’ or ‘wrong’ cannot be clearly determined. Managers are also often caught up in situations where two or more important values, rights, or obligations

conflicted (Trevino & Nelson, 2004). Hence those weak in ethical attitude, might resort to DBE especially if it is beneficial to their self-interest (Mitchelli & Chan, 2002). Therefore, 'business ethics' is considered as highly relevant as it offers a guide to human conduct of what constitute right or wrong, and good or bad, in a business environment (Christie, Kwon, Stoeberl, & Baumhart, 2003; Trevino & Nelson, 2004; Velasquez, 2006). Blending attitude with business ethics, thus, will result in employees possessing high degree of moral awareness and ethical intention which could lead to ethical behaviour.

Weber and Gillespie (1998) argued that it is the attitude that actually forms the belief, which later on become the foundation of ethical standards of an employee that help to guide their behaviour (Kantor & Weisberg, 2002). Robbins and Judge (2010) posited that individuals seek consistency among their attitudes and between attitude and behaviour. As such, employees would try to reconcile their divergent attitudes so as to align them with their behaviour by switching either attitude or behaviour so they would appear rational and consistent. However, cautions should be exercised when interpreting the employees' ethical attitude. Izraeli (1988) and Kantor and Weisberg (2002) discovered that employees have a tendency to rate their attitude as more ethical than their actual behaviour. Hence, even employees with strong ethical attitude would not necessarily lead to them taking ethical action.

Christie et al. (2003) postulated that ethical attitude is a learned predispositions and not inherited, and as such, it can be influenced by many factors. Most empirical researches on ethical attitude and ethical behaviour were cross-cultural oriented (Christie et al.,

2003), denoting that culture plays a prominent role in shaping ethical attitude as discovered by the studies (like Christie et al., 2003; Izraeli, 1988; Kantor & Weisberg, 2002). Besides culture, other factors like social role, institution, family and parents, peers and reference groups, and own experience (Christie et al., 2003), the degree of religiousness of the business practitioners (Emerson & Mckinney, 2010; Wong, 2008), and the love of money orientation (Emerson & Mckinney, 2010) also play a role in shaping the ethical attitude. In addition, Conroy and Emerson (2006) discovered that media attention also might influence ethical attitude following the Enron and ImClone ethical scandals, as awareness of ethical infractions seemed to have left certain effect on the attitudes of people.

Reckers et al. (1994) argued that ethical attitudes or values make ethical decision making more effective and efficient as it affects decision process by setting a limitation on choice possibilities to only alternatives that are morally acceptable, and ensuring that the immoral ones would not be consciously selected. It is somehow interesting to note that ethical attitudes or values actually play a more powerful influence in curbing unethical behaviour than do the deterrence factors (Reckers et al., 1994). As Izraeli (1988) contended, the best predictor of employees' ethical or unethical behaviour is their own attitude and belief and also the perceptions concerning their peers' behaviour. Hence, early projection of employees' ethical attitude might help the management to devise suitable ethics programs so as to reduce the unethical business conduct, and the unnecessary cost resulting from it.

2.4.2.2 Ethical Ideology or Ethical Orientation (EID)

Different people may have different judgment of what is moral and what is immoral. In general, people take particular stances regarding ethics and the position taken will influence the judgment reached. Hence, Forsyth (1980) suggested that individual variations must be taken into consideration when examining moral judgments. As a person makes a judgment based on his or her own individual ethics system, Forsyth argued that disagreement concerning morality must necessarily arise when personal ethics systems clash. Personal ethics system is an individual's stated belief or personal preferences for particular normative or prescriptive frameworks (Henle et al., 2005). In their study, Henle et al. (2005) discovered that employees differ in their decision to participate in DBE depending on their personal ethical ideology. Henle et al. (2005) defined ethical ideology as *"a system of ethics used to make moral judgments, which offers guidelines for judging and resolving behaviour that may be ethically questionable"* (p. 219). As such, given the same information, two persons who are in agreement over a political or religious issue, might reach opposite conclusion when a judgment regarding moral is to be made.

Hence, this personal ethical ideology or also known as personal moral orientation or philosophy will influence an individual's moral judgments regarding certain questionable business practices and also their decisions whether or not to engage in those practices (Forsyth, 1992). It was first coined by Schlenker and Forsyth in 1977 based on philosophical theories of deontology, teleology and ethical scepticism. Forsyth then tailored the concept to be used in business research in 1980 by developing an instrument

known as Ethical Position Questionnaire (EPQ) to measure individual ethical ideology that he believed would affect ethical perceptions, and hence, able to explain individual differences in ethical decision making. Based on the work done by him and his colleagues, Forsyth (1980) proposed that the different conceptualization of these ethical ideologies can be parsimoniously distinguished in terms of two general dimensions, which are Idealism and Relativism.

Idealism refers to one's inherent interest and concern for the welfare of others. Forsyth (1980) described Idealism as the degree to which an individual believes that "*desirable consequences can, with the right action, always be obtained*" (p. 176). Individuals with Idealistic stance acknowledge moral absolutes and this determines which behaviour that they are to engage in. High Idealism believes that it is universally wrong to harm others and one can always avoid harming others when faced with an ethical dilemma, even in cases of situational urgency.

As such, Idealists optimistically assume that by engaging in moral actions, desirable outcomes may result. However, those who are low in Idealism believe that moral action may not always result to desirable outcomes, and sometimes it is necessary to harm others so as to produce the greatest good for the greatest number of affected people (Forsyth, 1992). Due to the nature for concern of others, Idealists are more likely to judge unethical actions critically (Forsyth, 1985), hence, may be negatively related to unethical behaviour so as to protect their co-workers and employers from harm as a result of unethical behaviour (Henle et al., 2005).

On the other hand, **Relativism** refers to one's belief that moral elements should be based on specific situations and individuals involved. Forsyth (1980) defined Relativism as the extent to which an individual "*rejects the universal moral values*" (p. 175). As such, Relativists would disregard universal moral values in determining the right from wrong. They believe that moral principles guiding moral actions should be situationally determined rather than universally accepted. Since situations are in fact differ, so one must weigh each circumstance when making decisions as no moral principle can govern every situation. Therefore, they tend to weigh specific circumstances based on their personal moral values when making an ethical decision (Forsyth, 1992).

At the extremes, highly Relativistic individuals espouse moral philosophy based on scepticism, believing that moral action should depend upon the nature of certain circumstances. They believe that harm is sometimes necessary to produce good, in contrast to those low in Relativism who strongly believe and strictly adhere to universal moral absolutes. Relativism may be positively related to unethical behaviour because Relativists can easily rationalize and justify their actions as they are lack of moral guidelines (Forsyth, 1980).

When the two dimensions are dichotomized and crossed, the 2 x 2 classification of ethical ideologies was yielded (Forsyth, 1980) as depicted in Figure 2.1. Four ethical stances that might be adopted by individuals in making ethical decision emerged, namely Situationism, Absolutism, Subjectivism and Exceptionism. Forsyth (1980) explained that whether a person espouses Idealistic or non-Idealistic values, and whether they believe that moral values are universal or relative, would determine the group that a

person belongs to. This model of personal ethical ideology assumes that individuals can range from high to low in their emphasis in their principles (rule-oriented) and consequences (consequence-oriented). A Situationist is a person who is high in both Relativism and Idealism; an Absolutist scores high in Idealism but low on Relativism; a Subjectivist is highly Relativist but low in Idealism; and an Exceptionist is the person who is low in both dimensions.

	High Relativism	Low Relativism
High Idealism	<i>Situationist</i> <ul style="list-style-type: none"> – Rejects application of moral principles; – Each situation must be examined individually; – Believes that moral acts should have positive consequences for all persons affected by an action or decision; 	<i>Absolutist</i> <ul style="list-style-type: none"> – Consistent with deontologist; – Approves actions that result in positive consequences for all individuals; – Believes that actions should conform to absolute moral principles; – Condemn actions when they harm people and violate fundamental moral absolutes;
Low Idealism	<i>Subjectivist</i> <ul style="list-style-type: none"> – Rejects moral rules; – Believes that moral decisions are subjective, individualistic judgments; – Believes that negative consequences do not necessarily make an action immoral; – People should act to promote their own self-interest rather than focus on producing positive outcomes for others in general; 	<i>Exceptionist</i> <ul style="list-style-type: none"> – Compatible with rule-utilitarianism; – The morality of an action depends on the consequences produced by it - to produce the greatest good for the greatest number; – Accepts moral values in principle but willing to violate moral rules in order to circumvent negative consequences;

Figure 2.1:
A taxonomy of ethical ideology (Source: Forsyth, 1980, 1992)

Though many posited that information or measures manipulation in PMS as dysfunctional, but some also argued that it is in fact functional (Argyris, 1990; Flamholtz, 1996). As such, the decision whether to engage in such action would depend a lot on a manager's ethical ideology, through its Relativism-Idealism dimension. Hence, to what

extent will it influence a manager's decision whether or not to manipulate information would be investigated in this study.

2.4.3 Organizational Ethical Antecedents

Unethical behaviour in organizations is so ubiquitous which brought about the ideas that such behaviour may be caused by something in the organizational context itself (Kish-Gephart et al., 2010) rather than representing the behaviour of a few 'bad apples' (Adams et al., 2001) though both formal and informal control system are employed to coordinate and control the behaviour of their employees (Falkenberg & Herremans, 1995). Falkenberg and Herremans (1995) posited that a formal control system is the written procedures and policies that direct behaviour to achieve the organization's goals which is normally exercised through budget system, reward system, performance appraisal, standard operating procedures and also the code of ethics. On the other hand, informal control is the implicit and unverifiable measures comprised of common values, beliefs, and traditions that direct the behaviour of group members through subtle reading of signals relayed by supervisors and co-workers, termed as ethical work climate by Victor and Cullen (1987, 1988). As such, how ethical the leaders are as perceived by the subordinates will fall under the informal control as leaders are the role models serve as potent ethics source to influence the behaviour of the employees (Brown et al., 2005). Hence, an organization will provide a rich landscape for behavioural learning to occur as postulated by social learning theory.

Between the two forms of control, Falkenberg and Herremans (1995) opined that informal control is more powerful in controlling the behaviour of employees. Unlike

formal control system, the informal does not require specific rules to guide behaviour as the tacit rules it propagates produce an implicit philosophy or knowledge as to how organization works and what it expects. Hence, an employee can deduce an appropriate rule to govern any specific situation, making it an elegant and complete form of control. Again, Falkenberg and Herremans (1995) stressed that though both control system can be clearly differentiated theoretically, but in practice, they are rather difficult to separate as they would interact and confuse the role of each system. If the values and norms of the informal system support behaviours or values reinforced by the formal system, then such congruence would result to effective behavioural control that leads to highly ethical organization. However, problems of systems incongruence will arise when informal system encourages behaviours that are not aligned with the formally stated values and goals, confusing the employees of which values and norms to be adopted.

Since this study focuses on the ethical aspect, only code of ethics will be investigated to represent the formal control system, while other elements like budget and reward system do not fall into the ambit of this study as they are not ethically-oriented. In terms of informal control system, ethical work climate and perceptions of ethical leadership are investigated as they would set the norm that guide employees behaviour. So the next sections looks into the studies of ethical code of ethics, ethical work climate and perceived ethical leadership believed to influence the dysfunctional PMS behaviour.

2.4.3.1 Code of Ethics (COE)

Code of ethics (hereafter, COE) is not something new and has been used in companies starting in the early 1900s and has increased significantly in the 1970s (Falkenberg &

Herremans, 1995) due to the business scandals which have become more prevalent then (Adams et al., 2001). Hence growing numbers of companies found it necessary to institute the COE to guide their employees on ethical behaviours, hence symbolizing their commitment to ethical practices to both internal and external stakeholders (Murphy, 1995). In the banking sector, introducing formal ethical codes to provide a framework for rewards and punishment has been a popular measure in many countries (Kaptein, 2004). With a view to promoting higher levels of integrity and professionalism in financial institutions, Bank Negara Malaysia formulated a COE for bankers in 1989 that provides guidelines in important areas of business behaviours to be followed by all banking organizations in Malaysia (ABM, 2011). Individual banks are also encouraged to have their detailed codes in conformity with these prescribed guidelines.

COE, or sometimes called codes of conducts, or corporate code of ethics, is a “*written, distinct and formal document which consist of moral standards used to guide employee or corporate behaviour*” (Schwartz, 2001, p. 248). A more elaborative definition was offered by Kaptein and Schwartz (2008) as “*a distinct and formal document containing a set of prescriptions developed by and for a company to guide present and future behaviour on multiple issues of at least managers and employees toward one another, the company, external stakeholders and/or society in general*” (p. 113). The code clarifies the behavioural prescription of ethical conducts and in so doing, establishes standard for employees to gauge their behaviour (Sulaiman & Gupta, 1997). These behavioural prescriptions can range from general to specific and pertain to issues such as profits, product quality, labour conditions, competition, ecological environment, human rights,

conflict of interest, confidential information, corruption, fraud, and sexual harassment (Kaptein, 2011). Within the diverse set of management instrument for stimulating and monitoring responsible behaviour and preventing unethical behaviour, COE is claimed to be one of the most widely adopted instruments (Kaptein & Schwartz, 2008; Nijhof, Cludts, Fisscher, & Laan, 2003).

Basically, most researchers (like Adams et al., 2001; Lindsay, Lindsay, & Irvine, 1996; Nijhof et al., 2003; Schwartz, 2001) agreed that since the legal and market systems do not necessarily take considerations of moral impacts, enacting and enforcing COE may improve organizational ethical climate. It works as a medium to disseminate and enhance the perceptions that ethical values is indeed a crucial business success factor (Valentine, & Barnett, 2002) and acts as moral compass by which individual can self-monitor and regulate their behaviour and help to socialize and internalize new individuals into the culture (Adams et al., 2001), including the moral and values of the founders, so that it will become part of the corporate culture (Nijhof et al., 2003).

Furthermore, Lindsay et al. (1996) suggested that since companies can be held legally responsible for the employees' actions, enacting the codes is seen as a wise approach to protect the company from illegal and unethical behaviour of the employees. The code may serve as a formalized advance warning through the threat of negative sanctions which may dissuade certain employees from violating certain principles (Falkenberg & Herremans, 1995). The use of sanction may shape the changes and send messages about the expectation of standard that go beyond behaviour required by law (Kish-Gephart et

al., 2010), hence may be regarded as a serious attempt to articulate the moral climate that is part of an organization culture (Trevino & Nelson, 2004).

In a nutshell, Trevino and Nelson (2004) summarized how the COE can meet the needs of different employees within an organization. They classified employees in an organization into three groups, which are (i) the ‘good soldiers’, as those who know the rules and follow them. The code of ethics offers them support besides confirming that they are behaving in an ethical manner; (ii) the ‘loose cannons’, which refers to the new, inexperienced ones and unfamiliar with the organization’s policy. They are naive, but mean well hence the code provides guidance about expected behaviour and raises moral issue in business context; and (iii) the ‘grenades’, are those who may or may not be aware of the code of ethics, have their own agendas with no moral compass, hence strong sanction outlined in the code may serve as a warning or deterrent to act unethically.

For the code to be effective, it must go through the process of writing, communicating, embedding and enforcement. Writing it would inevitably require managers to assess the central values of their company, implying that it is not a simple task but calls for a triggering reflection on the central values of an organization (Kish-Gephart et al., 2010). The acceptable written code must be communicated to the employees, not only frequently (Kaptein, 2011), but also effectively (Steven, 2008), which signifies how serious should the employees take the code (Kaptein, 2011). Many researchers discovered and emphasized that the COE without proper and frequent communication will not function (Helin & Sandstrom, 2007; Kaptein, 2011; Weaver et al., 1999; Wood

and Rimmer, 2003) as it is not a stand-alone document, causing the employees to perceive that the code as just only a facade or hollow words (Wood, & Rimmer, 2003).

The COE could only serve its purpose when its meaning and implications for behaviour are understood; individuals are equipped to apply the code in practice; has adequate quality; can be provided when needed; and understandable, helpful and useful (Kaptein, 2011). Then only the COE will be referred to when problems or issues arise even if most employees do not read the policy manuals in their entirety (Adams et al., 2001). Additionally, it is also necessary to embed the codes in the web of organizational process and routines so that there will be a link in the reflection of the managers and employees (Nijhof et al., 2003). As a result, not only responsible individual behaviours will emerge, but also a responsible organization.

However, the authors reviewed (like Adams et al., 2001; Helin & Sandstrom, 2007; Kaptein, 2011; Lindsay et al., 1996; Nijhof et al., 2003; Schwartz, 2001) discovered mixed findings on the effectiveness of the COE to curb unethical behaviour in an organizational context. Hence, this study adds to the existing knowledge in discovering if this kind of formal control may influence the managers' propensity to engage in dysfunctional PMS behaviour. The next sections look at the informal control system, which is the ethical work climate, followed by perceived ethical leadership.

2.4.3.2 Ethical Work Climate (EWC)

With the increasing complexity of the society, ethical issues in business involve more than monetary issues to include fraud, misrepresentation, manipulation etc.

Unfortunately, the formal control system lacks the scope, flexibility and sensitivity required to grapple with the more complicated ethical issues (Kaptein, 2011). Even when formal control exists, informal gives the more dominant influence as it is the values and expectations ascertained through the informal system that are used to interpret and implement formal policies (Falkenberg & Herremans, 1995). Victor and Cullen (1987; 1988) termed this informal control system as ethical work climate (hereafter called EWC) which deals with those aspects that determine what constitute ethical behaviour at work as there is a growing belief that organizations are actually social actors responsible for the ethical and unethical behaviours of their employees. As such, it will affect a broad range of decisions as they are manifested in pervasive characteristics of organizations.

Victor and Cullen (1988) proposed EWC to better understand and manage organizational normative system which may guide ethical behaviour of the employees since EWC *“identifies the normative systems that guide organizational decision making and the systemic responses to ethical dilemmas”* (p. 123). In a way, it describes how members of organizations perceive the psychologically meaningful ethical procedures and policies existing in their organizations and its subunits (Forte, 2004). However, VanSandt, Shepard and Zappe (2006) cautioned that EWC should not be regarded as a normative construct for measuring how ethical an organization is, rather, a descriptive indicator of the prevailing mode of ethical thought within an organization. As such, organizations can use it to gauge the ethical climate of the members of the organizations, and if found not satisfactory, Cullen, Victor and Stephens (1989) suggested that organizations may begin to change it.

When introduced in 1987, Victor and Cullen based EWC construct on philosophical, sociological and psychological theories. They constructed EWC on two dimensions, the ethical criteria dimension, shown on the vertical axis, and the locus of analysis dimension, shown on the horizontal axis. Cross tabulation of these two dimensions resulted in nine theoretical ethical climate types, shown in Figure 2.2.

		LOCUS OF ANALYSIS		
		Individual	Local	Cosmopolitan
ETHICAL CRITERION	Egoism	Self -Interest	Company profit	Efficiency
	Benevolence	Friendship	Team interest	Social responsibility
	Principle	Personal morality	Company rules and procedures	Laws and professional codes

Figure 2.2
Theoretical ethical climate types (Source: Victor and Cullen, 1988)

The ethical criteria dimension, built on the premise of both moral psychology as well as moral philosophy reflects Kohlberg's three levels of individual moral development, is used to reason about situation, like outcomes, principles involved or other rules for decision making (VanSandt et al., 2006). The three ethical criteria proposed by Victor and Cullen (1987; 1988) are (i) **Egoism**, where maximizing self-interests become dominant consideration in identifying and solving ethical problems, (ii) **Benevolence**, which is also referred to as utilitarianism, that focuses on the maximization of joint

interests or the utility of others, and (iii) **Principled**, which is based on deontological theory stresses on the adherence to duties, rules, laws or standards. These are the implicit guidelines by which ethical decisions are framed. Research shows that one dominant criterion will emerge in an organization and ultimately define the organization's ethical climate (Martin & Cullen, 2006).

This locus of analysis dimension concerns with the source of moral reasoning and consideration of who or what are being affected by the event or situation in an ethically relevant way (VanSandt et al., 2006). The three loci of analysis proposed by Victor and Cullen (1987; 1988) include (i) **Individual**, where the sources resides within the individual himself in the form of personal moral beliefs; (ii) **Local**, where the important reference groups may come from within the organization itself, such as the procedures, practices or policies of the organization or its subunits; and (iii) **Cosmopolitan**, where the sources of role expectations are external to the individual or focal organization, like the body of law, or codes of conducts of any professional associations.

Victor and Cullen (1987) then cross-tabulated the two dimensions discussed above to yield nine conceptual types of EWC, which are self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules and procedures, and laws and professional codes. To empirically test these nine ethical climate types, Victor and Cullen (1988) then replicated the factor structure from their study in 1987. Using the sample of 872 employees from four selected firms, which were a small printing company, a savings and loan firm, a manufacturing plant, and a local telephone company, an empirical test was conducted. As a result, only five climate types

emerged, namely, (i) **Caring**, representing a climate emphasizes benevolent criteria, like the welfare of the team work or the interest of other employees, resulting to more motivated employees with lower turnover rate (Cullen et al., 1989). ‘Friendship’, ‘team interest’, ‘social responsibility’, and ‘efficiency’ fall under this factor. Conversely, a company low in caring could create an environment in which employees are treated in callous and potentially illegal ways.

Next, (ii) **Law and code** emerges from the previously defined ‘laws and professional codes’, portraying a more externally-oriented climate where external standards and principles are applied in choosing a course of action (Cullen et al., 1989), while (iii) **Rules** implies that internally generated rules, principles, procedures or guidelines are used to direct decision making (Cullen et al., 1989). (iv) **Instrumental** portrays a loosely controlled climate in which members function largely on their own, like salespeople who work on a commission basis, and consists of previously named ‘self-interest’ and ‘company profit’. The last, (v) **Independence** indicates a climate where individual moral judgment is foremost important.

Since members of an organization employ certain reasoning skills in making decisions, Victor and Cullen (1988) argued that these types of ethical reasoning are relatively incompatible. As benevolent people may be less amenable to arguments employing rules or principles, principled people tend to be less sensitive to particular consequences on others in defence of their belief of certain principles. This may lead to relatively distinct forms of ethical climate to be developed in different sub-units (Cullen et al., 1989; Wimbush & Shepard, 1994).

Despite the different characteristics of the climate types, Cullen et al. (1989) contended that there is no one best ethical climate type as firms can be ethical in many ways. However, the effectiveness of an ethical climate has important implications for the ethical behaviour of the organization's employees. They posited that effective climates will contribute to the quality and regularity of employees' ethical choices, where ineffective climates could lead to the predictable errors in the ethical decisions that employees make or may foster lapses in organizational control over employees' actions.

2.4.3.3 Perceptions of Ethical Leadership (PEL)

Leaders would be credited for the success of an organization, and conversely, they would also shoulder the blame for ethical failures in their organization. Unethical leaders are believed to have caused the downfall of the once strong and powerful empires, like Enron, Tyco, or Worldcom (Brown et al., 2005; Brown & Trevino, 2006; Ponnu & Tennakoon, 2009; Ruiz, Ruiz, & Martinez, 2011b; Trevino, Brown, & Hartman, 2003; Zhu, 2008). As such, perceptions of leaders' ethics are powerful enough to influence the employees' ethical behaviour, especially in today's highly competitive market where ethical values often get lost in the intense focus on the bottom line (Brown & Trevino, 2006; Brown & Stilwell, 2005; Flamholtz, 1996).

If leaders fail to portray the reputation of an ethical leader, place their self-interest ahead of others, and commit to short-term financials instead of the long-term interests, employees then would take the heed and follow suit, leading an organization to the doom of failure (Trevino, Hartman, & Brown, 2000). As such, leaders might act as a key component to avoid unnecessary costs like legal, or settlement fees, and more importantly

from irreversible impact on firm's image and culture (Brown & Trevino, 2006; Ponnu & Tennakoon, 2009).

Ethical leaders, be it the top management, or the middle managers at the supervisory level, are likely to set high standards for moral and ethical conduct and moral emulation for their employees (Treviño & Brown, 2005; Trevino et al., 2000; Zhu, 2008) as the tone set within the organization upper echelons contributes the greatest impact on the organization (Trevino et al., 2003; Trevino et al., 2000). Owing to their positions of legitimate authority, executive leaders become the most potent sources of ethical conducts (Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009), while leaders at supervisory level would influence their subordinates' ethical behaviour through direct dealings and closer relationship (Ruiz, Ruiz, & Martinez, 2011a). Besides, they also become the filter that transmit the message from the top management to the subordinates (Ruiz et al., 2011b). At whichever level, leaders would play an important role-model, or moral exemplars, whom the employees would look to for source or reference of moral conducts in establishing their own set of moral principles and ideals and subsequently, their moral behaviour (Trevino et al., 2003; Treviño & Brown, 2005).

The most referred definition of ethical leadership is the one proposed by Brown et al. (2005, p. 120) who defined ethical leadership as *“the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making.”* On closer inspection, Brown et al. (2005) have broken down the definition into four important parts. The first part is regarding *“the demonstration of*

normatively appropriate conduct through personal actions and interpersonal relationships...” which implied that ethical leaders would act as legitimate and credible role model, who conform to a complex code of morals through certain required traits like integrity, trustworthiness, and honesty, besides continuously looking for ways to focus the organization’s attention to values and ethics and to infuse the organization with principles to guide the actions of employees.

As a powerful ethics source, their every action and move would be observed and referred to (Brown et al., 2005; Brown & Trevino, 2006). By observing their leaders’ ethical actions, and the rewards and sanctions imposed by their leaders, subordinates learn and form a perception about organization’s acceptable ethical standards (Kim & Brymer, 2011; Treviño & Brown, 2005). This perception, in turn, will help to elevate followers moral awareness and moral self-actualization (Neubert et al., 2009; Trevino et al., 2003; Treviño & Brown, 2005; Trevino et al., 2000) and subsequently influence how they would behave in their daily conduct of operations (Treviño & Brown, 2005). Hence, ethical leaders will create the right conditions and organization culture to foster moral development of their followers (Zhu, 2008).

The second part, “...*the promotion of such conduct to followers through two-way communication...*” suggests that ethical leaders would also provide followers with a voice, which is a procedurally or interpersonally just process, and make ethics salient in the social environment by explicitly talking to followers about it rather than just only draw attention to it. Hence, an ethical leader must do the right things, show concern for people, always be open and approachable, and morally conduct either their personal or

professional life (Trevino et al., 2000). Besides, they are people-oriented (Trevino et al., 2003) and value each employee and respect their right to be treated with dignity rather than just as a means to an organizational end (Kim & Brymer, 2011). Hence, they are often associated with not only outcomes or consequences beneficial to or valued by their organization and stakeholders, but also the physical, social and economic environments in which it operates (Ponnu & Tennakoon, 2009).

In the third part, “...*reinforcement*...”, Brown et al. (2005) emphasized that ethical leaders set ethical standards, reward ethical conduct and discipline those who violate ethical standard which would contribute to vicarious learning. As such, they would walk their talks about ethics, hence keeping employees from becoming cynical, losing trust on them and ignoring ethical standards (Trevino et al., 2000). The last part “...*decision-making*” mirrors the fact that ethical leaders are indeed mindful of the ethical consequences of their decisions and make principled and fair choices that can be followed by others (Brown et al., 2005). They should hold on to certain values and principles, besides being objective and fair, and show concern towards society, while continuously abide to ethical decision rules (Trevino et al., 2000). This can be accomplished by frequent discussion with employees, listening to employees, act with the best interest of employees in mind, making fair decisions and disciplining violations of ethical standard (Brown et al., 2005). In turn, employees will imitate the leaders’ behaviour and become more ethical themselves.

Trevino et al. (2000) and Trevino, Brown, and Hartman (2003) argued that just by being ethical would not guarantee that employees would adopt the same ethical behaviours

themselves, as leaders would still be perceived as unethical or only ethically neutral. Hence, ethical leaders must make their expectation becomes salient and clearly understood by their followers and subsequently, to be perceived as ethical and emulated by their employees (Treviño & Brown, 2005). As such, perceived ethical leadership (hereafter called PEL) in the context of this study may be defined as *“how ethical the leader is as perceived by their subordinates as reflected through their conducts, communications, or enforcement of certain rules, that may be emulated by the followers resulting to an ethical working climate”*.

Trevino et al. (2000) proposed that this can be done via role-modeling of visible actions and frequent communication of ethics and values to the employees. As leaders are important models by virtue of their assigned role, status and success in organization, via role-modeling, ethical leaders would employ effective rewards and punishments to influence employees' ethical behaviour (Brown et al., 2005; Brown & Trevino, 2006; Trevino et al., 2003; Trevino et al., 2000). By paying attention to how members are rewarded, or punished, employees would learn about what is expected, acceptable and unacceptable, which would later regulate their own behaviour (Zhu, 2008). Indirectly, it will instil the belief in the employees' mind that ethics and values as indeed important and must be regarded as such. Then only, leaders will be perceived as highly ethical which would put them in a strong position to affect behaviour and outcomes of others, and in turn, influence employees to also act ethically.

However, Hoogervorst, Cremer and Dijke (2010) contended that like employees, leaders, are also human beings who sometimes tend to put their own self-interest before others.

They might support employees' unethical behaviour as they also might personally benefit from such unethical conducts, especially when both their interests are well-aligned and may result to positive outcomes of the departments, either financially or performance-wise. This has posed a challenge to the leaders to act ethically instead of condoning such unethical behaviour, which in a way will affect employees' moral.

Nowadays, the plethora of unethical business conducts have raised the role of leadership to become an important issue warranting further investigation (Brown et al., 2005; Zabid & Alsagoff, 1993). Though high profile corporate scandal has shaken the corporate world, but evidence showed that leaders are not that concerned about ethics as they should have been (Ponnu & Tennakoon, 2009). Academically, the study on PEL is still at infancy (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009) and the empirical research in this aspect is still very limited (Ruiz et al., 2011b). In Malaysia, Ponnu and Tennakoon (2009) argued that despite its importance, empirical research on ethical dimension of leadership and leaders ethical behaviour and influence on employees outcome is lacking. Therefore, Ruiz et al. (2011b) proposed more rigorous and systematic theoretical and empirical efforts to further advance this aspect, especially now, in the period of rising ethical problems.

2.5 The Influence of Dysfunctional PMS Behaviour

Not much research has highlighted the possible influences of DBE. The reason underlying it is quite obvious, though. Logically, any managers attempting to behave in dysfunctional manner can be considered as unethical, and hence are morally low. It can well be expected that they would try to maximise their own benefit, even at the expense

of their organization's health (Dunlop & Lee, 2004). Hence the influence would not be something that can be proud of, and those committing such acts are not likely to come forward and declare their bad deeds. As such, conducting such research would prove difficult and even if attempted, the responses obtained might be far from reliable. For these unethical managers, sanctions and punishments are better topics of discussion. However, in the case of DBE in the PMS, not all dysfunctional acts can be read as unethical and some are even encouraged by the top management (Merchant & Manzoni, 1989), as the managers who commit the offence might have strong ethical reasons to behave in such a manner.

Some researchers (Argyris, 1953, 1990; Flamholtz, 1996) argued that DBE is conducted with good intention even if the outcome might not be positive. As such, can DBE like information manipulation, gaming or slack creation also be considered as positive deviance? Positive deviance, a largely ignored possibility of workplace DBE that is beginning to attract the attention of researchers and academicians, is defined by Spreitzer and Sonenshein (2003, p. 209) as "*intentional behaviours that depart from norms of a referent group in honourable ways*". Appelbaum, Iaconi and Matousek (2007) opined that positive deviant behaviours may comprise behaviours that organizations do not authorize but help the organization reaches its financial and economic goals, are commendable, and focus on actions with laudable intentions regardless of the outcomes, like innovative behaviours, noncompliance with dysfunctional directives, and criticizing incompetent superiors.

Spreitzer and Shonenshein (2004) contended that for a DBE to be positive, it must fulfil three criteria, which are: (i) it must be voluntary rather than forced; (ii) involves a significant departure from norms and is often unexpected; and (iii) must be of an honourable intention. Though DBE does fulfil criteria (i), but it only fulfils part of criteria (ii) since it does depart from norm, but not in the unexpected manner as it is somehow anticipated. Criteria (iii) poses a big question mark, as it is always arguable that DBE is indeed committed for the benefit of the subordinates, which makes it honourable, or just merely serving self-interest. Hence, DBE might not be a positive deviance, but its honourable intention cannot just simply be put aside.

Warren's (2003) argument might justify this issue. Warren argued that deviance at one social level may also constitute conformity at another social level. For example, an individual might deviate from the formal organizational norms, but conforms to the informal norms of his workgroup. Hence, considering such a deviance as outright negative is certainly not fair as employees are often confronted with conflicting norms or roles, not to mention the competing sets of social influence and expectations (Warren, 2003). As some managers who manipulate information might have different ethical ideology with a belief that their behaviour might bring more benefits than harm to many, like their colleagues and subordinates (Brown & Stilwell, 2005; Lau, 1999; Van der Stede, 2000), then such acts cannot be considered as morally wrong (Forsyth, 1992).

Some managers might be high in Machiavellianism, which might not be necessarily unethical (Gable & Topol, 1991) and resort to DBE as a way to promote their units so as to grab a bigger share of resources (Argyris, 1990; Ashton, 1976). Again, the act cannot

be regarded as morally wrong as it might be a necessary step to promote competitiveness among the departments (Argyris, 1953, 1990; Ashton, 1976), especially when some selfishness or egoism is also important to stay ahead of competitors (Cullen et al., 1989). Some might even say that such acts would bring happiness to some, like their superiors, who have been waiting to hear the good news (Jaworski & Young, 1992; Wakefield, 2008). At certain organizations, such acts are even encouraged by the top management (Argyris, 1990; Flamholtz, 1996; Micheli & Manzoni, 2010).

Therefore, those managers who attempt the DBE can also be argued as being considerate to their subordinates and colleagues (Forsyth, 1992; Van der Stede, 2000), the ambitious high achievers with outstanding performance (Gable & Topol, 1991), brave and being risk-takers, and are more likely to bring their organization to a more developed stage. These scenarios indicate that these practices have actually already become part of how they work, hence subsequently be considered as norms. In such a case, Warren (2003) contended that departure from the rules, in this case the rules of PMS, should not indicate destructiveness as these individuals merely abide with the norms of their reference groups which have been accepted by them as moral.

In the literature of positive deviance, Spreitzer and Sonenshein (2003; 2004) proposed three influences of positive deviance. First, it is likely to promote creativity or innovation among employees as they would need some courage to depart from norms, especially in a rigid organization, for such ability to surface. Next, it might bring about corporate social responsibility that would benefit the society and potentially the organization. Lastly, positive deviance may also give rise to the discretionary behaviours that go above and

beyond the employees' role responsibilities, known as organizational citizenship behaviours. Unlike other suggested positive influences, organizational citizenship behaviour (later, OCB), is seen as very much related to DBE (Bolino, 1999) in the context of PMS, hence, is chosen to be further investigated in this thesis, as will be further elaborated in the next section.

2.5.1 Organizational Citizenship Behaviour (OCB)

Organizational citizenship behaviour (hereafter, OCB), or the “good soldier” syndrome, was introduced by Bateman and Organ in 1983. Bolino (1999) cited from Organ (1988, p. 4) who defined OCB as *“individual behaviour that is discretionary, not directly or explicitly recognized by the formal reward system, and that in aggregate promotes the effectiveness functioning of the organization,”* which turns out to be the most cited definition of OCB. OCBs, then, are behaviours or actions that are regarded as extra-role instead of in-role and must be discretionary in nature, implying that they are not an enforceable requirement of an individual's job (Organ, 1997). Therefore, committing this kind of behaviour is not usually rewarded, but, the failure to commit such act would also not generally invite punishment. Examples of OCBs include helping a colleague with their tasks, willingly participate in organization's activities, tolerate temporary inconveniences without complaints, etc.

However, following critics and comments on his early definition and so as to clarify the distinction between what is and what is not discretionary, and between what is contractual and non-contractual, Organ (1997, p. 91) has redefined the OCB to mean *“contributions to the maintenance and enhancement of the social and psychological*

context that supports task performance". Though many other terms like prosocial organizational behaviour, civic organizational behaviour, organizational spontaneity, and contextual performance, were coined by a number of researchers after the introduction of OCB by Organ and colleagues. Podsakoff, MacKenzie, Paine, and Bachrach (2000) summarized that these terms are in a way similar with Organ's, which were mostly trying to explain the same kind of extra-role behaviours in the organization. This has led to the abundance of research in this area, with each author offered their own definition but most are similar to Organ's.

The proliferation of researches in OCB may be attributed to its acclaimed contribution to organizational success. As Podsakoff et al. (2000) posited, OCBs may enhance co-worker and managerial productivity besides freeing up resources to enable more productive pursuits, hence reducing the need to devote scarce resources to purely maintenance functions. Besides, OCB helps to coordinate activities both within and across work groups, resulting to the strengthened organization's ability to attract and retain the best employees. As such it will increase the stability of the organization's performance besides allowing for a more effective adaptation to environmental changes. With such benefits it is claimed to contribute, organizations have tried to come up with various programs to encourage such behaviours among their employees.

Bolino (1999) summed up two motivational factors resulting to OCB. First, OCB might stem from employees' job attitudes, where engaging in OCBs are seen as necessary to reciprocate the actions of their organization, and second, OCBs reflect an employee's predisposition to be helpful, cooperative or conscientious. In their review of past

literatures on the antecedents of OCB, Podsakoff et al. (2000) noted that OCB is mainly triggered by employees' morale, like job satisfaction, the level of organizational commitment, their perceptions of fairness and leader supportiveness, and also the strong influence of dispositional variables, like conscientiousness, positive affectivity, and leadership behaviours. In short, OCB can be seen as a reflection of a disposition or a sense of obligation of an individual's desire to help others or the organization, hence turning them into "good soldiers" or "good citizen". On the contrary, Bolino (1999) did warn of the possibility that OCB might be motivated by the need to impress certain targeted people in an organization. The author further argued that OCBs acted out of impression management may be less likely to contribute to organization performance and might even produce other negative effects.

However, even if OCB is often described as extra-role behaviours that are not rewarded, but Podsakoff et al. (2000) noted that such behaviours did increase when employees perceive it to be contingent upon performance, as they might engage in such behaviour as a means of obtaining rewards. On the other hand, Vigoda-Gadot (2006) did warn of the possibility that employees might be forced to involuntarily perform the extra-role behaviours as a result of organization's growing pressure to stay ahead of competition that they must bow, despite no formal reward associated for such behaviour. Such behaviours might turn out to be destructive not only to the individuals, but also to the groups, and the organization in general, may be in the form of higher levels of job stress and burnout, stronger perceptions of organizational politics, higher turnover intentions, and increased negligent behaviour.

Although Podsakoff et al. (2000) have detected seven most commonly used dimensions in explaining about OCB, but Bolino (1999) argued that most empirical work on OCB is based on Organ's model, which has also gained empirical support. As cited by Bolino (1999), Organ (1988) proposed five dimensions of OCB, namely: (i) *Altruism*, which represents behaviours directed at helping a specific person at work, including a co-worker, subordinates, or a supervisor; (ii) *Generalized compliance or conscientiousness*, which describes carrying out one's duties beyond the minimum job requirements; (iii) *Sportsmanship*, which represents tolerance of nuisances on the job, like enduring inconveniences without complaining; (iv) *Courtesy*, which implies considering others' interest and alerting them prior to taking actions or making decisions that would affect their work; and lastly (v) *Civic virtue*, which are the behaviours of employees, exhibited by their active participation and involvement in company affairs.

Apart from looking at OCB from these five dimensions, Smith, Organ, and Near (1983) suggested that OCB can also be looked at from two other dimensions, namely an interpersonal dimension (termed OCBI) and an organizational dimension (OCBO). They formulated this taxonomy according to the target of the behaviour, either such act is targeted at individual employees or at the organization as a whole. In their study, supervisors were asked to describe subordinates' actions that they appreciated and regarded as helpful, but could neither use their authority to demand for it nor to promise a reward.

Two factors emerged, with one factor pointed to the quality of "altruism" (OCBI), intended to helping a specific person, whether the supervisor, a co-worker, or a client.

The other factor, then labelled “general compliance” (OCBO), was seen as a more impersonal and intended to benefit the organization as a whole, like fairly use of work time. It implied more of a “good citizen” syndrome of doing things that were “right and proper,” for the sake of the system rather than for specific individuals. Result of this study proved that these two forms of OCB are distinct (McNeely & Meglino, 1994; Podsakoff et al., 2000; Smith et al., 1983; Spector & Fox, 2002; Williams & Anderson, 1991). Hence, these two dimensions were then used by other researchers (like McNeely & Meglino, 1994; Williams & Anderson, 1991).

McNeely and Meglino (1994) suggested a possibility that the processes underlying OCB differ according to the intended beneficiary of the OCB itself, based on social exchange theory that persons will direct their reciprocation efforts to the source of any benefit they receive. In their study, they discovered that people who are empathetic by nature will resort to behaviours intend to help specific individuals (OCBI), while people who feel that they are fairly treated, with perception of reward equity and in expectation of reward, will tend to help the organization (OCBO). In such cases, any benefit received by employees would only be incidental to the ultimate aim of helping the organization. Unfortunately, McNeely and Meglino (1994) contended that prior studies have not adequately separated citizenship behaviours on the basis of their beneficiaries, hence failed to examine the possibility that different types of these behaviours may result from different antecedents or processes. This contention then forms a strong ground of why these two dimensions, OCBO and OCBI, will be employed in this study.

As this study investigates the nature of the relationship between DBE and OCB, or to what extent would those who engage in DBE also perform the extra-role behaviours, then it would be interesting to unearth the intended beneficiary of the behaviours. Do the managers who engage in information manipulation also resort to extra-role behaviours, and if so, do they target their behaviour at certain people in their organization, or the organization as a whole, or merely serving self-interest?

2.6 Moderating Variable: Psychological Collectivism

Extant literatures, though admittedly few (Dalal, 2005; Dalal, Lam, Weiss, Welch, & Hulin, 2009; like Kelloway, Loughlin, Barling, & Nault, 2002; Miles, Borman, Spector, & Fox, 2002; O'Brien & Allen, 2008; Sackett, Berry, Wiemann, & Laczko, 2006; Spector & Fox, 2010a, 2010b), exhibit mixed findings about the nature of the relationship of DBE and OCB. Though majority of the findings noted a modestly to strongly negative relationship, but some also discovered a positive or insignificant relationship. This inconsistency lends support to the need to examine the possibility of a moderating variable that might influence the relationship of the two constructs. Intuitively, individuals higher in DBE would have a lower tendency to perform OCB in an organizational context, as it is more appealing to assume that they are more self-centred, hence are more unlikely to help others by engaging in OCB. However, ignoring the fact that individuals may vary in attitudes and values regarding the relationship with their colleagues, subordinates, or superiors, may give spurious effect to this relationship. Therefore, taking into account the effect of such personal construct may give a better comprehension about the relationship of DBE-OCB.

One of these personal constructs, psychological collectivism (hereafter called PCO), is further examined in this thesis as it is one of the most researched cultural and personal dimensions in management (Earley & Gibson, 1998) that explains or influences the behaviour of an individual especially in explaining the interpersonal relationship. Its Individualism-Collectivism dichotomy (hereafter called I-C) becomes one of the most commonly used measure to differentiate and categorize social patterns and forms of interpersonal relationship (Venkatraman & Reddy, 2012). Though PCO was coined by Hofstede in 1980 as a key characteristic that differentiated national cultures, but a variety of researchers have studied PCO as an important between-culture characteristic or a within-culture individual difference with significant implications for cooperation in groups (Van Dyne, Vandewalle, Kostova, Latham, & Cummings, 2000).

PCO, through its I-C dichotomy, differentiates social pattern into two categories, namely individualism and collectivism. Individualism has been defined as “*an orientation towards self as an autonomous individual*” while collectivism is described as “*an orientation towards self as embedded in a complex web of social relationship*” (Ramamoorthy & Flood, 2002, p. 1074). People who are highly individualist draw lucid separating boundaries between the self and others, hence having a tendency to direct their behaviour to reflect individual opinions and values (Triandis (1995) as cited by Schroeder (2009)). To them, personal autonomy and responsibility would take primacy over group identification. Hence, individualism encourages individuals to prioritize self-interest or personal goals, though still encourages group cooperation in cases when such cooperation is instrumental to achieving personal goals that cannot be accomplished by working alone (Ramamoorthy & Flood, 2002).

Besides, they also emphasize personal outcome, achievement and freedom, and value competitiveness, reflecting their feeling of self-sufficiency while maintaining control over their own lives, and firmly appreciate their unique qualities they believe distinguishing them from others (Ramamoorthy & Carroll, 1998). As such, it may be expected that individualism-oriented managers are more likely to look out for their own interest and tempt to take full advantage of any opportunity that might emerge. Apart from that, Ramamoorthy and Carroll (1998) further added that this type of people also prefers individual-focused job design which emphasizes on individual incentive schemes based on individual achievements, a formal appraisal processes with feedback about performance, and a merit-based hiring and promotion.

On the contrary, Ramamoorthy and Carroll (1998) portrayed highly collectivist people as those who define themselves by their group membership and value harmonious relationships within those groups by emphasizing on sharing, duties and obligations. Their focus would be on the group goals to the extent that they are willing to submerge personal goals for the good of the whole. To ensure group harmony and quality interpersonal relationship, they would behave according to social norms, value their duty to their groups, and maintain relationships with the group even at the expense of personal benefits. As such, the well-being of the group takes primacy over individual desires and pursuits.

Hofstede (1980), as cited by Noordin and Jusoff (2010), stated that collectivists closely cooperate to accomplish the organization's goals, hence creating a sense of interdependence. Such a situation invites loyalty, and joint obligation to the system which

would lead to a more co-operative and better informal communication and co-ordination among the group members. As such, the more collectivist a person is, the better the relationship and the stronger the bond that a person would develop with their group members due to the repeated interaction that will make one views oneself as a valuable and contributing member of the organization (Van Dyne et al., 2000). As a result, the collectivist prefers group-focused job design, emphasis group achievement and group incentive scheme, informal appraisals and hiring and promoting individuals on the basis of their loyalty and seniority (Ramamoorthy & Carroll, 1998).

Individualists and collectivists would respond differently to the social environment of their workgroup (Hui & Yee, 1994). This indicates that the extent to which certain behaviours are related to individual outcomes may depend on the cultural values (either individualism or collectivism) an individual holds as one might define his/her expectations based on their social system (Erdogan & Liden, 2006). Though Singelis, Triandis, Bhawuk and Gelfand (1995) contended that collectivists behaviour can be best predicted by norms, perceived duties and obligation, but Finkelstein (2010) noted that altruistic motives also play an important role. For individualists, Singelis et al. (1995) posited that attitudes and other internal processes may most strongly influence their behaviour. For Example, Finkelstein (2010) discovered that career-related objective that emphasizes personal success, status and competitive characteristics signifies the individualism-orientation.

High collectivism is more prevalent in Turkey as well as in the east, like India and Malaysia, as compared to the west, like the US or UK, which is more individualistic

oriented. Noordin and Jusoff (2010) had conducted a study to confirm if Hofstede's finding in 1980 that Malaysia is a collectivist nation still holds true. They discovered that Malaysian managers are still basically collectivistic in nature, but they had noted a slight shift from collectivism to individualism which might be due to rapid development of the Malaysian economy that has aroused the urge to compete.

More recently, PCO construct has been adapted to the individual and conceptualized as dispositional characteristic and has been associated with OCB. In this paper, PCO is considered at the individual, psychological level rather than the country level as extant researches have shown that not only I-C among people in certain countries vary from one another, but it might also vary among people in the same country (Moorman & Blakely, 1995). Considering the varying individual cultural orientation, PCO might act a moderator in the relationship of DBE-OCB, and in such a case, might contribute to the literature in this area.

2.7 Empirical Related Studies

This section seeks to indulge into the relationship of the independent variables, namely ethical attitude, ethical ideology, code of ethics, ethical work climate and perception of ethical leadership, and the dependent variable of DBE. Subsequently, how DBE would affect OCB was also looked into, taking into consideration the moderating effect of PCO on such relationship.

2.7.1 Ethical Attitude (EAT) and Dysfunctional PMS Behaviour (DBE)

As researchers have shown that ethical decision-making and ethical behaviour actually stem from ethical attitudes (Medlin & Green, 2003, as cited from Ferrel, Gresham, & Fraedrich (1989)), a lot of studies have been conducted to investigate the nature of ethical attitude of the business people or employees in an organization (like Ferrell & Weaver, 1978; Izraeli, 1988; Kantor & Weisberg, 2002; Wong, 2008), or how ethical attitudes actually affect ethical or unethical behaviour (like Ghosh & Crain, 1995; Reckers et al., 1994; Weber & Gillespie, 1998). In examining how ethical attitude affect ethical behaviour, Mitchelli and Chan (2002) discovered that a statistically significant negative relationship did exist, though relatively weak, which seems to depend on the strengths of the ethical belief. In their study, the more wrong a person considers an action, the less likely they are to engage in it. However, the correlations are slightly stronger in situations in which the person is actively benefiting from an unethical behaviour. They noted that for people with strong ethical beliefs, aberrant behaviour will not be situational as compared to those with weak ethical beliefs, where unethical behaviour is likely to be highly correlated with the opportunity to benefit.

With the rising ethical scandals tainting the business world, one would expect that ethical attitudes of business practitioners are plummeting. Hence, Longenecker, Moore, Petty, Palich and McKinney (2006) reviewed previous articles and noted erosion in ethical attitudes and responses (for example, Vitell, Dickerson, & Festervand, 2000), though some others revealed the opposite findings. Though the results of the studies have not been completely uniform across all issues and situations, empirical evidence that ethical

standard improves over time does exist (Longenecker et al., 2006). In their study of more than 5,000 respondents consisted of business practitioners from 1985 to 2001, they noted an upward trend indicating improved ethical attitudes for firms of all sizes. However, things might be different during the economic crisis where increased corruption in both government agencies and business organizations were reported (Jaffe & Tsimmerman, 2011). Compromising one's ethics seems acceptable and ethical conducts may only emanate from fear of punishment or expectation for reward.

Ferrell and Weaver (1978) noted the differing perceptions of respondents' ethics in different situations, suggesting that employees could be more ethical in some behavioural situations than in others. Most unethical actions were perceived to involve overt deceptive acts that clearly may hurt another person or damage the organization. Conversely, any behaviour that was much simpler to rationalize and justified were viewed as only slightly unethical, hence become the activities that employees occasionally engage themselves in. In line with this finding, Kantor and Weisberg (2002) discovered that employees exhibited strong ethical attitude against 'falsifying time/quality/quantity reports', 'padding an expense account', 'passing blame for errors to an innocent co-worker', and both 'accepting and giving gifts/favours in exchange for preferential treatment'. However, employees, including managers, were of the attitude that 'taking longer than necessary to do a job', 'doing personal business on company time', and 'using company services for personal use' as morally acceptable and were exhibited as their weakest ethical attitude.

Longenecker et al (2006) also revealed that manager/owners of small business are more deeply affected by the heat of pressure to act unethically. Similar with findings by Emerson and Mckinney (2010), employees in larger organizations are less accepting of unethical behaviour, as compared to the employees in small organizations though Medlin and Green (2003) noted attitudes that were ethical than unethical in their study. Longenecker et al. (2006) attributed it to the increasing competition as a result of globalization, new technology advancement and the changing in geopolitical conditions.

Reckers et al. (1994) in their study to investigate if ethical attitude could be a possible explanatory variable of tax compliance discovered that individual ethical beliefs are highly significant in determining their decision to evade or not to evade tax. The same finding was also reported by Ghosh and Crain (1995) who revealed that a taxpayer who is more (less) ethical will have lower (greater) intention to noncompliance. From these findings, it can be concluded that when an individual perceives an action as immoral, he/she is less likely to act upon it regardless of the situation. Upon realizing the moral tone of the action, their ethical attitude would act as an alarm that affect their intention and judgment and subsequently their decision whether to engage in such behaviour (Weber & Gillespie, 1998). Conversely, individuals who do not view it as an ethical issue would be easily influenced to commit such act besides trying to justify their behaviour to reduce the feeling of guilt.

However, findings on strong ethical attitudes among employees should be interpreted with cautions as they have a tendency to rate themselves as more ethical than their peers or top management (Ferrell & Weaver, 1978; Izraeli, 1988; Kantor & Weisberg, 2002;

Weber & Gillespie, 1998). Weber and Gillespie (1998) discovered that those who are of the attitude or belief of doing something ethical would not necessarily commit the behaviour. Hence, attitude or belief might not indicate actual behaviour. As employees set the ethical standards base on their ethical attitudes to guide their ethical behaviour, Kantor and Weisberg (2002) argued that employees normally do not manage to reach the standards that they set for themselves. The result was also consistent with Izraeli (1988), whose study they had replicated.

Employees also revealed that their peers seemed to play a more influential role on their ethical attitude and behaviour, as compared to the top management or organizational policy as assumed by many (Izraeli, 1988; Kantor & Weisberg, 2002). This implies that to change employees' ethical attitude would not only involve the changing of organizational policy, but will require a more informal manner by penetrating into the climate that would be inherently absorbed by all employees which would further be part of their ethical habit as suggested by Falkenberg and Herremans (1995) and Victor and Cullen (1987, 1988). Hence, the significant role that ethical attitudes play in influencing unethical behaviour should not be undermined, especially in the context of PMS where no previous studies have been conducted to investigate the relationship.

2.7.2 Ethical Ideology (EID) and Dysfunctional PMS Behaviour (DBE)

Many researchers (like Barnett et al., 1994; Forsyth, 1980, 1992; Henle et al., 2005) have suggested that ethical ideology or moral philosophy will influence one's ethical judgement and hence subsequently influence ethical behaviour. In a business context, Barnett et al. (1994) were among the first researchers to examine the influence of ethical

ideology on ethical judgments. They discovered that individuals' ethical judgments concerning business-related issues varied as a function of their ethical ideology, which was similar with the finding by Davis, Andersen and Curtis (2001).

In their study, Henle et al. (2005) discovered that employees higher in Relativism and lower in Idealism were more likely to engage in deviant behaviour towards their organization. However, the generalizability of the finding is limited due to the small sample size and the sensitive nature of the issue that may result to underreporting as respondents might not give accurate account of their unethical behaviour. Similarly, Forsyth and Berger (1982) in their laboratory test discovered that ethical ideology is a good predictor of ethical judgment, but not of moral behaviour. However, using the students as their sample might limit the validity of the findings as students might not possess the same experience and maturity of the real managers. In examining the effect of ethical ideology on ethics sensitivity, Shaub et al. (1993) discovered that more Relativistic auditors were less likely to recognize ethical issues in an auditing scenario as compared to Idealists, though surprisingly Idealists were not as sensitive as hypothesized.

One's ethical ideology does have an important impact on earning management, which is one form of DBE (Bruns & Merchant, 1990; Elias, 2002; Greenfield et al., 2008). The higher the Relativism, the more likely the person is to engage in earning management especially when his/her professional commitment is low. In contrast, the more Idealistic an individual is, the less likely would the person engage in earning management (Elias, 2002; Greenfield et al., 2008). The same finding was discovered by Douglas and Wier (2000) in their study to explain budgetary slack creation behavior. However, caution

must be exercised as Forsyth (1992) posited that high Idealism might also be more willing to engage in DBE as Idealists emphasize the need to achieve positive humanitarian consequences, hence such acts are considered acceptable if they were meant to help others.

Additionally, a closer inspection was conducted on the effect of four ethical stances of Situationism, Absolutism, Subjectivism and Exceptionism. It was discovered that Absolutist judged ethical issues more harshly than others in their ethical judgment (Barnett, Bass, Brown, & Hebert, 1998; Bass, Barnett, & Brown, 1998; Elias, 2002; Hartikainen & Torstila, 2004), and the most strict in making moral judgment (Barnett et al., 1994; Marques & Azevedo-Pereira, 2009). On the other hand, Subjectivists are discovered to be the most lenient among the four groups (Barnett et al., 1994; Marques & Azevedo-Pereira, 2009). However, a contradictory finding was also observed. For example, Forsyth and Nye (1990) discovered that although Absolutists espouse a philosophy that condemns harming others, but they appeared to be the most likely to lie regardless of the consequences or the salience of moral norms though they are quite harsh in judging those who violate the moral absolutes.

In relation to this, Forsyth and Berger (1982) noted that following an unethical behaviour, Absolutists seem to devalue themselves most as compared to others, while Subjectivists showed some sign of fear of being detected. In contrast, Exceptionists reported increase happiness the more they cheated, and Situationists tended to be indifference. Absolutists, who were the harshest, were noted to feeling bad when attempting something immoral, causing them to be unhappy and unsatisfied with themselves.

Culture is also believed to affect a person's judgment of morality. Some studies (like, Axinn, Blair, Heorhiadi, & Thach, 2004; Forsyth, O'Boyle, & McDaniel, 2008) have revealed that what is considered moral differs from one culture to another as explained by the different levels of Idealism and Relativism that vary across regions in predictable ways. For example, the Eastern countries, like Malaysia, were found to be higher on both Idealism and Relativism. Relativism was found to be peaked in the collectivistic nations and where people expressed less traditional values and orientations (Forsyth et al., 2008). In a study using the sample of a group of MBA students, Malaysians were found to be more Relativistic and Idealistic as compared to their counterparts from USA and Ukraine (Axinn et al., 2004). The same finding was also demonstrated in the study of marketing managers from three countries of Malaysia, Australia and USA (Karande, Rao, & Singhapakdi, 2000). They were also more Situationist in nature, implying that they tend to put aside the universal moral rules if their action may bring better humanitarian consequences in a given situation (Forsyth, 1992). Hence, they may have a proclivity to commit a less ethical behaviour if it yields a positive outcome to many.

In examining their relationship with DBE, Vitell, Lumpkin and Rawwas (1991) discovered that individuals higher in Relativism and lower in Idealism (Subjectivists) were more likely of the opinion that unethical or even illegal behaviours were ethical. They used the respondents of elderly consumers in exploring their ethical ideology as consumers. The same finding was also discovered by Rawwas (1996) who replicated Vitell's et al. (1991) study on a sample of Austrian consumers. Although these studies did not directly examine the relationship between ethical ideology and unethical behaviours, but conclusion can be drawn that individuals higher (lower) in Relativism and lower

(higher) in Idealism should be less (more) likely to perceive DBE as unethical and thus are more (less) likely to engage in these behaviours.

Literature also implied that ethical ideology is most effective in predicting ethical judgment in highly unethical situations. In situations where ethical issues are vague, or when actions are not considered as highly unethical, ethical ideology may not be an important predictor to explain differences in ethical judgment. Somehow, it was worth to note that more Idealistic managers were reported feeling greater role conflict, and the conflict seemed to decrease as Relativism increases (Tsai & Shih, 2005). Hence, there is a possibility that Idealists managers are more prone to commit immoral behaviour when their roles conflicted that leads to high work stress. In a study Forsyth and Nye (1990), high Idealists did not only appear to uphold the highest moral norms, but they were also the ones who were most likely to succumb to act immorally when tempted. In such a case, there seems to some inconsistency in the findings. Though most studies demonstrated that Relativists are more prone to behave immorally, but Idealists are also revealed to act immorally. Hence, this inconsistency tends to open up an interesting avenue for further discussion and possibility. Could it be that Relativists are actually not less ethical, but they are just only more pragmatic in their judgment?

2.7.3 Code of Ethics (COE) and Dysfunctional PMS Behaviour (DBE)

Though most researchers are in agreement over the importance of code of ethics (COE) in fostering ethical behaviour in the organizations, but many also questioned its effectiveness. Mixed results were found in the previous studies which can range from counter-productive, to ineffective, to effective, and to extremely valuable (Kaptein,

2011). Helin and Sandstrom (2007) in their review of empirical studies of the code of ethics published from 1994 to 2005 summarized that rather than acting in giving operational direction to the employees, the code merely serves as window-dressing.

For example, Lindsay et al. (1996) discovered that 88% of the companies wishing to instil ethical behaviour among the employees employ COE as a tool, hence making it the most prevalent approach. However, communication of the codes, as well as, education about it is poor, while the enforcement of the code is also found to be lacking. In a study of managers of Malaysian banks by Sulaiman and Gupta (1997), though most of the respondents admitted to having formal written COE, still about 12% to 25% gave a "no" or "don't know" answer. This indicated the need for greater efforts on the part of the banks to bring about the required awareness and proper enforcement of existing ethical codes. Lindsay et al. (1996) contended that companies are actually not serious in their ethical pursuit and the compliance procedures, indicating that the code might just possibly be window dressing.

In explaining the reasons behind the ineffectiveness of the codes, most researchers attributed it to the failure in communicating and enforcing the code which are badly lag in their adoptions (Lindsay et al., 1996; Montoya & Richard, 1994; Somers, 2001). It is rarely accompanied by a proper system to ensure that the codes are known and used; or following a thorough development process (Montoya & Richard, 1994) causing the codes failure to descend down the individuals who should be implementing and enforcing them (Falkenberg & Herremans, 1995). Adams et al. (2001) revealed that most respondents had difficulty in citing specific behaviour that were required or prohibited in their

company's COE, implying that companies are still lacking in educating, providing support to employees and in developing procedure to facilitate the practice. In a nutshell, the code will be more effective with the more diverse content, the higher perceived quality of the communication activities surrounding the code, and the higher embedment of the codes in the organization by the top and middle management (Kaptein, 2011) and when certain sanctions are attached to it.

These findings somehow suggested that a mere existence of the COE will not solve the ethical problems as its mere existence would not amount to its effectiveness (Kaptein, 2011). Kish-Gephart et al. (2010) opined that it could be due to the fact that COE has been so ubiquitous that they may have lost their potency, and being regarded just as a little more than a façade. Worse still, it may even cause problems if it is not implemented in line with ethical culture (Falkenberg & Herremans, 1995; Trevino & Nelson, 2004), as when employees observe that behaviours are actually not aligned with the stated code, workers might become cynic as there appears to be misalignment between words and deeds (Trevino & Nelson, 2004). This is especially true in highly collectivistic countries with high power distance as employees would have a tendency to follow the leads of the superiors (Snell & Herndon, 2000). Besides, in crisis situation, formal policies and procedures are often forgotten and decisions are then based on what is perceived as necessary to survive by focusing on the bottom line, regardless of whether it is ethical or not (Falkenberg & Herremans, 1995).

On the other hand, some researchers, like Peterson (2002a), and Kish-Gephart et al. (2010) contended that a properly enforced ethical code of conduct can have a powerful

influence on ethical behaviour. In line with Somers (2001), Okpara (2003) did discover that respondents in organizations with formal COE were more aware of wrongdoing than were respondents in organizations without formal COE. At the very least, the presence of the code serves as a symbolic role, indicating that management places some value and importance on ethical behaviour and moral consideration in its functions (Adams et al., 2001). It will provide a supportive environment that encourages ethical behaviour which will eventually form the perceptions of the ethical values adopted by the whole organization (Valentine & Barnett, 2002). Conversely, the absence will lead managers to make decisions that are ethically inconsistent and arbitrary (Helin & Sandstrom, 2007). Adams et al. (2001) also found that on the whole, employees in companies with COE regard their co-workers as more ethical. Still, Steven (2004) contended that the code may serve as important symbolic artefact and does not contribute much other than just for that particular purpose.

Kitson (1996), in his qualitative study in a cooperative bank managers in the United Kingdom, discovered that the code has had a significant influence on the behaviour within the bank as it seems to be successful in integrating the code into its process. The managers do feel that the policy has had a major impact on their ability to attract new business amongst the target group, but only effective if it is supported by efficient, helpful and effective services provided by the bank. However, the code does not appear to have significant influence on behaviour in areas which managers regard as covered by traditional banking practices, like confidentiality. However, this study was conducted on only one acclaimed successful bank, which cannot be generalized to other banks.

Based on the above discussion, it can be seen that findings remains inconclusive regarding the impacts of the codes on behaviour. As argued by Schwartz (2001), the codes are actually not entirely useless, but the determinant factors lie in the individuals themselves. Those with positive personal values, with fear of discipline and possess organizational loyalty, would have high tendency to comply with the codes. However, high self-interest, dissatisfaction and unethical environment, have been identified as the main reasons for non-compliance. As such, again, the ethical value of the employees will be the determining factor in successful implementation of the COE. Hence, this study will add to the existing knowledge in discovering if this kind of formal control may influence the managers' propensity to engage in DBE. The next section looks at the effect of informal control system, which is the ethical work climate and the perception of ethical leadership, on the DBE.

2.7.4 Ethical Work Climate (EWC) and Dysfunctional PMS Behaviour (DBE)

The bulk of empirical research has shown that not all nine theoretically climate types have been empirically demonstrated. For example, Victor and Cullen (1988) empirically confirmed only five climate types namely Caring, Independence, Instrumental, Law and Code, and Rules. Wimbush et al. (1997) also found five climate types but with a new one named 'Service' to replace the 'Rule' climate initially found by Victor and Cullen (1988). Vardi (2001) produced only three significant climates while Trevino et al. (1998) obtained seven climates which were quite distinct from the previous model. However, Peterson (2002a) did find that the nine-dimension model provided as good or even better

fit than the five empirically derived models. Hence, there seems to be an inconsistency in factor structure across dimension proposed in Victor and Cullen's typology.

Empirically, five types of ethical climate straddle multiple loci of analysis, namely Instrumental, Caring, Independence, Law and Code, and Rules, occur most often (Simha & Cullen, 2012). Some researchers (like, Koh & Boo, 2001; Parboteeah et al., 2010; Parboteeah & Kapp, 2008) re-classified the five emergent climates into three dimensions of ethical criterion of Egoism, Benevolence and Principled. Instrumental climates are associated with the Egoism dimension at the individual and local loci of analysis. Caring climates represent Benevolence dimension at the individual and local loci of analysis; while Independence, Rules and Law and code climates are associated with the Principled dimension at all loci of analysis. However, along these three dimensions, Martin and Cullen (2006) noted blur levels of analysis with the exception of the Principled dimension. In their study, Parboteeah et al. (2010) and Parboteeah and Kapp (2008) only focused on local level as it has a more functional and salient influence on people's perception of ethical climates and reflect situations that the organization can change.

Ethical climates has been shown to relate to many organizational outcomes, like job satisfaction, organizational commitment, turnover intention, organizational citizenship behaviours (OCBO and OCBI) and dysfunctional behaviours (Martin & Cullen, 2006). Employees were reported to be more satisfied with their job when working in Benevolent and Principled climates as compared to Egoistic climates (i.e., instrumental, self-interest, company profit) which reported a negative association with job satisfaction (Elci & Alpan, 2009; Wang & Hsieh, 2012). In addition, job satisfaction is further enhanced

when there is strong support from the top management through communication and empowerment (Deshpande, 1996; Koh & Boo, 2001).

Likewise, organizational commitment was also mainly found to positively associate with Benevolent and Principled climates as opposed to the negative associations with Egoistic climates (Martin & Cullen, 2006; Schwepker, 2001; Simha & Cullen, 2012; Sims & Keon, 1997; Tsai & Huang, 2008). Correspondingly, ethical climates were also reported to have the same effect on turnover intentions, chiefly that Egoistic climates tend to encourage turnover intentions while Principled and Benevolent climates tend to reduce the intentions (DeConinck, 2011; Stewart, Volpone, Avery, & McKay, 2011). This is especially true when there is a fit between employees' preferences for an ethical climate and their present work climate that binds them to their positions (Ambrose, Arnaud, & Schminke, 2008; Sims & Keon, 1997).

In addition, Egoism suggests a weak relational contract between employee and employer and is associated with negative extra-role behaviour. In contrast, higher levels of ethical climate (Benevolence and Principled) symbolize a strong relational contract at work and are associated with positive extra-role behaviour (Leung, 2008). Such climates also give rise to covenantal relationship between the employer and the employees in an organization, where both parties mutually pledge to do whatever necessary to uphold commonly held values and engage in actions that will reinforce reciprocal ties (Barnett & Schubert, 2002). Such covenantal relationships would lead to employees feeling content and valued by the organization, which in turn may curb the unethical behaviour. In a study of nurses, Benevolence climate was also found to leave a significant positive

influence on the OCBO, while Law and Code climates promotes OCBI and Rules climates significantly influence OCBO. Conversely, Instrumental climate brings about significant negative influence on OCBI (Huang, You, & Tsai, 2012).

An additional popular and important stream of research has suggested that EWC may be a predictor of a number of ethical and unethical behaviour at work (Andreoli & Lefkowitz, 2009; Martin & Cullen, 2006; Wimbush et al., 1997). Various studies suggested that Benevolent and Principled climates are the best climates to discourage employee deviance and dysfunctional behaviours while Egoistic climates expectedly encourage such behaviours (Bulutlar & Oz, 2009; Martin & Cullen, 2006; Peterson, 2002a; Peterson, 2002b; Vardi, 2001; Wimbush et al., 1997). This implies that ethical climate do influence employees ethical behaviour, but differs in strength (Peterson, 2002a) depending on the type of deviant behaviour (Peterson, 2002b). Overall, a stronger ethical climate was related to lower employee misconduct as the more positively the employees view the organization, the less they would misbehave. An Egoistic climate, conversely, was positively related to being an accomplice, fraud and outright deception as it focuses on 'getting ahead' at the expense of Benevolence and Principled (Fritzsche, 2000; Martin & Cullen, 2006; Mayer, Kuenzi, & Greenbaum, 2010; Vardi, 2001).

Various studies have reported a negative relationship between higher ethical climates and stealing and lying (like Peterson, 2002a; Trevino et al., 1998; VanSandt et al., 2006; Victor & Cullen, 1987; Victor & Cullen, 1988; Wimbush & Shepard, 1994; Wimbush et al., 1997), falsification of reports (Martin & Cullen, 2006; Wimbush et al., 1997), being an unethical accomplice, disobeying company rules (Martin & Cullen, 2006), and

workplace deviance behaviour, including production, political, property deviance, and personal aggression (Peterson, 2002b; Wimbush et al., 1997). In addition, Bulutlar and Oz (2009) noted a positive association between workplace bullying behaviours and Egoistic climates and a negative association with Principled climates.

In addition, Benevolent and Principled climates tend to promote whistle-blowing among employees (Parboteeah & Kapp, 2008; Rothwell & Baldwin, 2007). Smith, Thompson and Iacovou (2009) noted a higher project status misreporting in Egoistic climates as compared to Principled climates, while no association was found with Benevolent climates. However, Peterson (2002a) noted that the relationship of EWC with observed unethical behaviour seems to be stronger in organizations that do not enact a COE. Organizations without COE scored higher on Egoism dimension, whereas organizations with a COE scored higher on the remaining dimensions.

Consequently, Wimbush and Shepard (1994) noted an improvement in firm performance when Benevolence and Principled are most prevalent. There tend to be less conflict between employees and managers in such climates, making ethical violations become less tempted (Schwepker, Ferrell, & Ingram, 1997). However, Cullen et al. (1989) found that a little Egoism is also important as it may become a drive to compete and survive. However, they cautioned that high Independence climate could lead to misinterpretation or conflict between various rules and regulations as employees would decide of an ethical action based on their own personal values. For example, Schwepker and Good (2007), in their study of sales managers, evinced that the pressure to achieve quota outweighs the pressure to behave ethically especially when facing with several quota failures.

However, a strong EWC in one sub-unit cannot be generalized to other sub-units in the same organization. Wimbush et al. (1997) discovered that various business units under the same organization might differ in their climate type, though Vardi (2001) noted the opposite. This might be explained by Wimbush and Shepard (1994) who noticed that ethical behaviour of subordinates will reflect the climate espoused by their immediate supervisor which was further supported by other researchers (like, Andreoli & Lefkowitz, 2009; Mulki, Jaramillo, & Locander, 2009; Shin, 2012).

As examined in this study, the ethical dimensions were found to be predictive of many types of behaviours which lend support for the notion that the climate of the organization can have a significant impact on dysfunctional behaviour. Top management may attempt to foster Benevolent and Principled climates within organizations and prevent Egoistic climates from developing (Tsai & Huang, 2008). As such, Wimbush et al. (1994) suggested that, when unethical behaviour is prevalent in an organization, then changing the EWC would be more effective than trainings or other ethical programs. However, as for the banking industry, which has been previously characterized as highly Principled (Talha, Sallehuddin, Masoud, & Said, 2013; Woodbine, 2006), the relationship between EWC and dysfunctional PMS behaviour is yet to be discovered.

2.7.5 Perceptions of Ethical Leadership (PEL) and Dysfunctional PMS Behaviour

Reviews of empirical studies pointed to a uniform finding that perceptions of poor ethical conducts of managers will promote unethical behaviour among subordinates. Premeaux and Mondy (1993) suggested that as managers are the link between top management, labour, shareholders, suppliers and customers, actions of managers will directly affect the

ethical direction and health of the organization. In their study, Ibrahim, Angelidis and Parsa (2008) explained that this chain reaction can occur in two ways. First, subordinates who perceive the unethical behaviour of their leaders and have experienced the injustice there on, might act unethically in retaliation towards injustice they have experienced or observed. Secondly, behaviour of leaders often set precedents for employees' behaviour. Unethical leaders will demonstrate that unethical behaviours are tolerated in their organizations that will later be imitated by their subordinates. Conversely, ethical managers who saliently exhibit high ethical behaviours to their subordinates and strongly discourage immoral conducts may expect highly ethical organizational members.

Reviews of literature suggested that the study on PEL is still at infancy (Mayer et al., 2009) with very limited empirical research being carried out (Ruiz et al., 2011b). Most previous empirical studies have linked PEL dimension to employees outcomes like job commitment, job satisfaction and trust in leaders (Brown et al., 2005; Kim & Brymer, 2011; Neubert et al., 2009; Ponnu & Tennakoon, 2009; Ruiz et al., 2011a, 2011b; Trevino et al., 2000), while only a few others have examined the effect of ethical leadership on followers' moral identity (Zhu, 2008), ethical climate and ethical behaviour (Mayer et al., 2010; Ponnu & Tennakoon, 2009), moral development (Jordan, Brown, Trevino, & Finkelstein, 2011; Schminke, Ambrose, & Neubaum, 2005), and the effect on different subordinate levels (Trevino et al., 2003). Though most researchers agreed on the positive effect the ethical leaders have on employees' behaviour, but a few noted contradictory findings.

Generally, most researchers (like Hoogervorst et al., 2010; Neubert et al., 2009; Ruiz et al., 2011a; Treviño & Brown, 2005) expressed their agreement that employees' perception of their ethical leadership would bring about ethical work environment that may foster ethical conducts among the employees. Moral leaders who behave in an honest, trustworthy, fair and considerate manner, would be able to create a virtuous cycle in their organization which perpetuates an ethical culture that allows subordinates to flourish in ethical manner (Neubert et al., 2009) especially when leaders' actions are always kept aligned with their level of moral development (Schminke et al., 2005). This kind of leaders plays a critical role in enhancing their subordinates' job outcomes, like job satisfaction, turnover intention or OCB (Kim & Brymer, 2011; Neubert et al., 2009; Trevino et al., 2000). Employees would feel content with their working conditions, and finally leads to high organizational commitment (Kim & Brymer, 2011; Neubert et al., 2009; Ponnu & Tennakoon, 2009; Ruiz et al., 2011b; Trevino et al., 2000). As a result, Kim and Brymer (2011) noted that the employees become proud of their organization, care about the future of the organization, share similar values with the organization, and would indirectly create an ethically strong atmosphere for the whole organization. These job outcomes would be further enhanced when managers are perceived as interactionally fair (Neubert et al., 2009).

Besides, PEL also contributes to higher trust in leaders (Ponnu & Tennakoon, 2009; Trevino et al., 2000), leading to the willingness to put extra effort into their work by becoming more dedicated (Brown et al., 2005). Subordinates may shift their perception of the relationship formed with their leaders from an economic exchange to social

exchange, making them going above and beyond the call of duty (Ponnu, & Tennakoon, 2009). As such, it increases OCB and reduces DBE (Mayer et al., 2009; Peterson, 2004) as ethical leaders place others' self-interests ahead of theirs, respect others' rights, besides treating them fairly and getting them involved in the firm's decision making process (Ponnu & Tennakoon, 2009).

Despite the positive effects, Jordan et al. (2011) posited that employees' perceptions of their leaders' ethics might differ across employees depending on their own characteristics and experience with the leader. Though Zhu (2008) discovered that PEL could promote and facilitate employees' moral identity, which can be further improved through psychological empowerment, but Trevino and Brown (2005) noticed that some employees will be less influenced by the leaders than will others. Peterson (2004) and Schminke et al. (2005) explained that those at the higher level of moral development and highly Idealistic will be less influenced to imitate their leaders as they are expected to behave in accordance with internally held principles of justice and rights and were associated with lower intentions to commit unethical acts. In such a case, Schminke et al. (2005) discovered that employee work attitudes are most positive when the followers and leaders are at par in their level of moral development.

On the other hand, as postulated by Trevino et al. (2000), simply acting ethically would not guarantee that ethical leaders be perceived as one and being emulated by the employees. Though Ruiz et al. (2011b) discovered that leaders at both levels, top management and supervisory level, do influence followers job responses, but in line with Trevino et al. (2000), they found that to leave the positive effect, ethical leaders must

exhibit both dimensions of the two pillars of a moral person and moral manager. Trevino et al. (2003) conducted a qualitative study and to their expectation, found that ethical leadership is a reputational phenomenon where it depends largely on the saliency of their ethical leadership. Supporting Trevino et al. (2000), when leaders fail to act as visible ethical role model who frequently communicates a strong ethics and values messages to their employees and hold followers accountable for their behaviour, they will be regarded as ethically neutral. This implies that followers simply do not know where such leaders stand, resulting to failure to transmit the message of ethics.

Though it was admitted that leaders at both level do influence employees' behaviour, but, contradictory findings have been reported. Ruiz et al. (2011b), for example, noted that though both levels do affect employees' ethical behaviour, but top management level leaves a stronger effect on employee job response than did supervisory level. Hence, top management's effort in making ethics perceptible was found to be sufficient to affect the behaviour of both the supervisors and subordinates, indicating that ethics interest from top manager may have a greater consequence for employees even if the greater distance separated them. Therefore, when top manager's positive moral image is perceived, followers may feel that ethics are important which may be transcendent and strongly appreciated by all employees in the organization that may create and shape the ethical climate within an organization (Ruiz et al., 2011b). Contrary to popular belief, Ruiz et al. (2011a) noted that neither supervisory leaders nor top management are influential in affecting employees' behaviour, as compared to peers.

From the view of organizational characteristics, PEL was found to be less influential in large organization or larger workgroup (Treviño & Brown, 2005; Trevino & Nelson, 2004), or in an organization with strong ethical climate (Brown & Trevino, 2006; Treviño & Brown, 2005; Trevino et al., 1998; Trevino et al., 2000). The findings seem rational as not much can a single supervisory-level leader do to change the employees conduct in a large organization (Trevino & Nelson, 2004), especially without unanimous support from the management team. Furthermore, Trevino and Brown (2005) suggested that communication of ethical standard would be more difficult in large organization (Neubert et al., 2009). Moreover, a strong ethical context may provide some kind of substitute for ethical leadership that offers ethical guidance and is simply embedded in the environment which supports and encourages ethical conduct, making ethical leaders less influential (Treviño & Brown, 2005).

Even though the positive effect of the PEL has been well-documented, but Hoogervorst, Cremer and Dijke (2010) noticed that leaders, as human beings, are not always consistent in taking proactive actions against unethical followers. Worsen the situation, followers appear to be aware of this and tend to take advantage of the situations. They can normally predict accurately when their leader will disapprove or condone an unethical behaviour. In the case they would not be held accountable for their decisions, and if the unethical act is instrumental in serving their self-interest, leaders tend to condone such act, hence promoting such acts in their organization, making unethical behaviour a never ending problem. As such, perceptions on how ethical a leader is in their conducts, whether

personally or professionally, would leave a profound effect to their followers who always observe and emulate their behaviours.

2.7.6 Dysfunctional PMS Behaviour (DBE) and Citizenship Behaviour (OCB)

Admittedly, so very few papers that looked into the relationship of DBE and OCB can be found from the published research database. This is not surprising, though, as this area seems to be a new area of interest that has just began to gain momentum, with most studies were dated back to the last ten years. These two opposite forms of extra-task behaviours, (i) DBE (behaviours that might harm the organization), and (ii) OCB (behaviours that might help the organization), have been dealt with separately until recently (Spector & Fox, 2010a), when researchers began to conceptually and empirically integrate both behaviours in their studies (Dalal, 2005) which has subsequently sparked interest in the relationship between those two behaviours. This interest is mostly triggered by an intriguing reason of the paradoxically opposite semantics of both behaviours, where OCB is intended to benefit the organization, while DBE is intended to harm it (Dalal et al., 2009).

Due to their opposite semantics, some researchers began to query the possibility of these two constructs to actually be the opposite ends of the same single continuum (Kelloway et al., 2002; Sackett et al., 2006), namely, role performance within the organization, as there is substantial content and items overlap between OCB and DBE in their currently available measures (Kelloway et al., 2002). However, a few studies conducted to explore the construct validity of self-reported DBEs and OCBs did discover that DBEs and OCBs are indeed two separate unique constructs, and are negatively correlated (like Dalal et al.,

2009; Kelloway et al., 2002; O'Brien & Allen, 2008; Sackett et al., 2006), hence eliminating the queries and fostering the integrity of the researches in this area. Besides, Dalal et al. (2009) discovered that the two behaviours are affect-driven that exhibited considerable within-person variation, with DBE exhibiting a more dynamic nature than OCB.

Models testing the relationship of these two behaviours have been developed only recently (like Dalal, 2005; Dalal et al., 2009; Kelloway et al., 2002; Lee & Allen, 2002; Miles et al., 2002; Sackett et al., 2006). Empirical studies on OCB and DBE have mostly focused not on its direct relationship, but rather on how factors like job affect or job cognition (Dalal et al., 2009; Lee & Allen, 2002), or emotion and environmental conditions (Miles et al., 2002; Spector & Fox, 2002) would affect both behaviours. In short, these studies actually focused on how the same antecedents or the possibility of different antecedents can predict both behaviours. Many of the papers published also are concept papers (Spector & Fox, 2010a, 2010b), trying to put forth their ideas that called for further empirical investigations.

However from the limited papers available, one common pattern can be seen to emerge. For example, most studies (Dalal, 2005; Dalal et al., 2009; like Kelloway et al., 2002; O'Brien & Allen, 2008; Sackett et al., 2006; Spector & Fox, 2010a, 2010b) discovered that the two behaviours are modestly to strongly negatively correlated. This indicates that when one behaviour is highly practiced, then the other behaviour is expected to decrease. Dalal et al. (2009) and Dalal (2005) also noted that the two behaviours, besides exhibiting asymmetric patterns of relationship, have also been linked in opposite

direction to the same correlates, like, job satisfaction, organizational commitment, organizational justice, and conscientiousness. Miles et al. (2002) discovered that perceived working environment would induce certain emotional reactions among the workers which would then influence behaviour. Perception of positive working environment, like satisfied employees who perceived fair treatment, are more likely to engage in OCB and less likely to engage in DBE (Spector & Fox, 2010a). However, in the case of stress as potential antecedent, Miles et al. (2002) discovered a positive relationships between stressors with both DBE and OCB.

However, there is a growing evidence that the negative relationship of DBE and OCB is an oversimplification, and there might be circumstances when the two might be positively related to each other (Spector & Fox, 2010a). This is in line with Dalal's (2005) proposition when he discovered that there are methodological moderators that have substantial effects on the observed relationship between the two and hence questioned their strong negative interrelationship. Dalal (2005) in his meta analysis study discovered that three out of four moderators, namely (i) the inclusion of antithetical and overlapping items between OCB and DBE (as the absence of OCB is not identical to the presence of DBE, or vice versa); (ii) source of ratings, whether self-ratings or supervisor ratings is used; and (iii) format of response options, whether the frequency response options or agreement-disagreement response options is used, contribute to a large negative correlations between these forms of behaviour. He discovered that when antithetical or overlapping content was eliminated, frequency responses were used, and behaviour was self-reported, the negative correlations between DBE and OCB became considerably smaller.

In response to Dalal's (2005) finding, Spector, Bauer, and Fox (2009) conducted an experiment field study based on Dalal's suggestion, and the results confirmed Dalal's findings. More interestingly, they discovered that when content overlap was avoided and response frequency was employed, there appeared to be no relationship between DBE and OCB based on supervisor reports and, surprisingly a small positive, instead of negative, relationship based on self-reports. Similarly non-significant correlation was also noted by Miles et al. (2002) who used a frequency response, avoided DBE overlap and based on job incumbents reports.

As Dalal (2005) suggested, when a strong negative relationship between OCB and DBE exists, one might expect that employees who typically engage in DBE will tend not to engage in OCB. However, this suggestion is in contrast to what Sackett et al. (2006) discovered, where some of their respondents did emerge as simultaneously good citizens, while still engage in high levels of DBE, indicating that the same actor can perform both forms of behaviour within the same environment (Dalal et al., 2009; Fox, Spector, Goh, & Bruursema, 2007; Spector et al., 2009). Furthermore, even the results of individual studies and meta-analyses revealed that the frequency of DBE and OCB within individuals is quite modestly related (Spector & Fox, 2010a). Hence, Spector and Fox (2010a) postulated that individuals do not behave exclusively in either harmful or helpful ways. As behaviour has also been shown to be discrete and episodic, and hence temporally dynamic, a person would engage in very different amounts of behaviours on different occasions (Beal, Weiss, Barros, & MacDermid, 2005).

Due to this, Dalal et al. (2009) argued that even a person with a high trait level of DBE would not harm his or her organization on every possible occasion, and at times, might even resort to OCB. Yet, no study this far have examined the within-person relationship between OCB and DBE (Dalal et al., 2009). In grasping a better understanding of this relationship, Dalal (2005) suggested that several additional issues need to be considered, like the different categories of OCB and DBE, and the reasons why an employee might engage in OCB and DBE. Sackett et al. (2006) suggested a possibility of separating OCB and DBE into two domains, where one domain deals with behaviours aimed at individuals in the organization (OCBI), while another domain aims at the organization (OCBO). This is possible as one might have a favourable attitude towards their subordinates or peers, but hold the grudge against the broader organization (Spector & Fox, 2002), hence might resort to OCB aimed at individuals, while at the same time, misbehave towards the organization.

Hence, taking information manipulation as one category of DBE, this study would try to empirically investigate how it might correlate with OCB, and to examine if the actions are targeted at specific individuals in the organization or the organization itself as distinguishing the target of the behaviour would add value to a finding, making it more meaningful (O'Brien & Allen, 2008).

2.7.7 The Direct and Moderating Effects of Psychological Collectivism (PCO)

PCO is an important cultural or personal construct that may explain or influence the behaviour of an individual, like why one resorts to OCB (like, Cohen & Avrahami, 2006; Moorman & Blakely, 1995; Van Dyne et al., 2000) and has been demonstrated to play a

moderating role in relationships among certain constructs (like, Erdogan & Liden, 2006; Hui, Cheng, & Gan, 2003). Many of these studies, like Moorman and Blakely (1995), and Cohen and Avrahami (2006) found a positive relationship between collectivism and helping behaviour, or OCB, in organizations in such a way that collectivists are more likely to contribute to the well-being of the group even if they are not directly benefitted from such aids.

Collectivists see OCBs as helpful, and being able to help the colleagues or organization is seen as necessary even if they are not required. This is in line with their collectivistic belief that helping is part of the job, not an extra-role activity (de León & Finkelstein, 2011). Cohen and Avrahami (2006) conducted a more detailed analysis on how PCO would affect the five dimensions of OCB. Using Ramamoorthy and Carroll's (1998) I-C scale, they noted that PCO was more strongly related to three dimensions of OCB, namely sportsmanship, courtesy and altruism, with employees with strong non-competitive personalities will perform more OCB.

The same finding also applies in non-organizational context as discovered by Van Dyne et al. (2000) who conducted a study on a cooperative housing society. The authors also discovered that PCO is a stronger predictor of OCB as compared to other dispositional variables like propensity to trust. Additionally, de Leon and Finkelstein (2011) revealed that collectivism and individualism are also related to other predictors of OCB, like motives for engaging in OCB and citizen role identity. Individualism is positively related to individuals with self-focused career motives, while collectivism is more closely associated with a volunteer identity, which is one form of OCB (Finkelstein, 2010).

In their study among bank employees in China, Lai, Liu, and Shaffer (2004) noted that in a group where its members has established a strong relationship, individualists are more likely than collectivists to engage in interpersonal citizenship behaviours (OCBI). However, when the relationship is rather weak, collectivists are found to exhibit more interpersonal citizenship behaviours than do individualists. The authors justified that individualists would perceive the strong bonds developed with group members as a condition to extend helping behaviour, while collectivists are more motivated and loyal to their in-groups and organization even though the relationship among members is not strong. This justification might also explain the finding by Van Dyne et al. (2000) that tenure does not affect the relationship of PCO and OCB, indicating that collectivists would extend help to group members, irrespective of how long one has been in the group.

Cohen and Avrahami (2006) also revealed that OCB is still prevalent in a collectivist orientation even when there is a sense of unjust mistreatment by the organization, as opposed to the finding by Moorman and Blakely (1995) who found that employees who view their organization as fair will be more likely to perform OCB. Edrogon and Liden (2006) who studied PCO as a moderator in employee justice perceptions to leader member exchange (LMX) relationships noted that the degree to which individuals subscribed to collectivistic values moderated the relationship between justice and LMX. This is due to the nature of collectivists, who put the primacy of group harmony and quality interpersonal relationship ahead of their perception of injustice. Considering that even a single poor quality relationship within the group may have a negative effect on the harmony and climate of the rest of the group, collectivists tend to maintain positive relations even if their leaders act unjustly. Besides, not holding strong individual

identities coupled with subscribing to stronger group identity would make organizational injustice a less relevant factor in the relationship development and maintenance process of collectivists. However, Schroeder (2009) warned that organizations perceived as unjust would invite more deviant behaviour among individualists as compared to collectivists.

Chung and Moon (2011) discovered that PCO moderates the relationship of psychological ownership and constructive deviant behaviour. Though surprisingly, both collectivistic and individualistic employees are likely to engage in interpersonal constructive behaviour, individualistic employees exhibit higher tendency to report their co-workers' wrongdoing as compared to collectivistic employees as they may have less concern about interpersonal relationships. Collectivists, on the other hand, may be more likely to feel discomfort and guilt reporting other employee's wrongdoings as it might damage interpersonal relationships that can disrupt group harmony. Hence, Erdogan and Liden (2006) suggested that they would tend to resort to soft influence tactics, like ingratiation, when they perceived interactional injustice or other deviant behaviours.

Another study by Ramamoorthy and Flood (2002) discovered that PCO does not give a direct effect to employee attitudes, like organizational commitment, teamwork obligations, external career intent, intention to exert extra effort, and tenure intent. However, they found that PCO does moderate the relationships between equity perception and extra effort intention, and teamwork obligations. As perceptions of equity increases, individualists will exert more effort in achieving their goals, in contrast to collectivists who would reduce their effort. Collectivists were reported to feel more obliged to contribute to teamwork as compared to individualists, but both tend to feel less

obliged when the level of perception of equity increases though the rate of decline of individualists was noted as more profound. The authors posited that this may be due to the high emphasize on equity in rewards may invite a counter-productive perception of teamwork concept.

However, Husted and Allen (2008) were of the opinion that psychological collectivism does influence one's decision concerning a morality of a business practice. They argued that in a collectivist environment, ones would have a higher tendency to put more weight on ethical consideration when making a business decision. As such they are more likely to relate business practices that harm any stakeholders as ethically wrong. In contrast, those in individualist cultures would be less sensitive to the ethical tone and any decisions made would probably be viewed as merely a business decision. Therefore, in collectivist cultures, though an organization may consist of people from differing personal ethical beliefs that result in various unpredictable behaviours, but still they would have high tendency to adhere to the group norms that call for the fulfilment of group expectations. However, for it to produce effects on values, self-concept, relationality and cognitive processes, an issue must be made accessible and salient to organizational members (Oyserman & Lee, 2008).

Little is known regarding the degree to which individually held cultural values, PCO, would change the extent or even the direction of the DBE-OCB relationship. PCO might be an imperative aspect in understanding how an employee reacts to organizational work processes that can affect group processes, group effectiveness, and overall organizational performance, especially in the case of a bank branch where the success of a branch would

very much depend on the unison and cooperation of its entire workforce. Besides, the construct has also been noted to influence deviant behaviour (Miles et al., 2002), making it a relevant moderator in this study. As a number of previous studies have demonstrated a significant positive effect between collectivism and OCB, this study attempts to examine if PCO may also act as a moderator that influences the relationship of another construct, namely DBE, to OCB or even to change the direction of such relationship.

2.8 Summary

The review of literature has shown that ethics may be a strong antecedent that might influence the ethical or unethical behaviour among members in an organization, hence making it a good predictor in explaining DBE in the context of PMS. Though DBE can be considered as immoral, but the reasons behind it might make the act as fairly moral. However, this aspect has not been given sufficient attention in the extant literature. As individuals hold certain ethical attitude and vary in their ethical ideology, they might have their own reason whether to engage in DBE or not. Similarly, organizational ethics would play a role in blending and shaping the individual employees into the ethical climate mould according to organization's prescription. Through its COE, employees would tangibly see and know the do's and the don'ts of the ethical practice expected from them, while the EWC would intangibly work its way into the culture and the process without employees even realizing it, but is strong enough to influence their ethical conduct. Of similar importance, the ethics of the respective leaders should not be underestimated as employees would normally look to their leaders for guiding their own behaviour. Though there is a paucity of research investigating how DBE might influence

OCB, still there is such a possibility as demonstrated by the findings of the few studies, though some inconsistencies have been noted. As such, considering the effect of individual differences, like psychological collectivism, might provide an explanation to the inconsistency in the relationship of the above two constructs.

2.9 Underpinning Theories and Theoretical Framework

This study primarily focuses on the issue of DBE in the context of PMS besides exploring how ethical antecedents might influence the occurrence of such DBE and subsequently, the influence of such behaviour on OCB. As a person's PCO might affect his/her relationship with other people, such personal construct is also examined in the relationship of DBE-OCB. Based on the literature review and research problems, an integrative framework is developed and presented in Figure 2.3. This framework is derived mainly from the social learning theory (hereafter called SLT) which posits that while environmental forces are powerful in the learning process that influence behaviour, thinking, emotion, attitude or ideology are accepted as equally important. Ethical theories, consisted of deontology, teleology, virtue, and ethical egoism are also seen as useful in providing justification over an action taken by an individual. These theories are first described in the next section before the formulation of the framework.

2.9.1 Social Learning Theory (SLT)

SLT has been in existence since the late 1800s and has been populated in both psychological and sociological disciplines. In psychological discipline, among others, Albert Bandura is considered the leading proponent of this theory (Warren, 2006).

Bandura (1977, 1986) posited that people are observant in nature and are always craving for social interactions which subsequently shape their moral values as well as their behaviour. This leads to the learning of appropriate behaviours that would tell individuals what to do, as well as what not to do, that may happen both directly through their own experience; and vicariously, by observing others. On the other hand, in sociological discipline, Akers populated this theory which proposes that the same learning process may produce both conforming and deviant behaviours (Akers & Jensen, 2006). These two approaches to SLT do not contradict each other, where Bandura's focuses on cognitive process of modelling, while Akers's view accounts for the influence of multiple groups (Warren, 2006).

Unlike Bandura (1977, 1986) who proposed that the social learning process will involve four necessary psychological mechanisms, which are attention, retention, reproduction, and motivation, Akers's theory was built on four major dimensions of *definitions*, *differential association*, *differential reinforcement*, and *imitation* (Akers & Jensen, 2006). According to Akers and Jensen (2006), *definitions* are one's own orientations, rationalizations, and other attitudes that justify an act as relatively more right or wrong, or good or bad, while *differential association* refers to both direct and indirect association, interaction, and identification with others who engage in certain kinds of behaviour, norms, values, and attitudes supportive of certain behaviour. *Differential reinforcement* refers to the consequences of a behaviour; and lastly, *imitation* refers to the engagement in behaviour after the direct or indirect observation of salient behaviours by others (Akers & Jensen, 2006).

The four major components explained above seem to complement the psychologists' perspective which incorporates both aspects of cognitive and behavioural learning in explaining what influence one's behaviour (Bandura, 1977). Cognitive learning suggests that psychological factors play a crucial role in influencing how an individual behaves, while behavioural learning assumes that it is the environment surrounding an individual that helps to shape their behaviour. As such, SLT presumes that behaviour is influenced by a combination of both psychological and environmental factors, rather than only one factor alone (Adams et al., 2001; Kish-Gephart et al., 2010), which is in line with what is hypothesized in the present study. SLT has been widely used in explaining various contemporary issues in behavioural issues, like how leaders' ethics influence followers' behaviour (like Brown et al., 2005; Brown & Trevino, 2006; Neubert et al., 2009; Ruiz et al., 2011b; Zhu, 2008), or how employees resort to DBE (Abdul Rahim, 2008; Mayer et al., 2010) or OCB (Podsakoff et al., 2000).

2.9.2 Ethical Theories or Philosophies

Premeaux (2008) suggested that each ethical philosophy focuses on certain aspects of an ethical dilemma and leads to the most ethically correct decision based on the guidelines within the philosophy itself. Major philosophical ethical theories can be divided into three which are (i) teleological theory, (ii) deontological theory, and (iii) virtue theory.

When deciding on an issue of what is right or wrong, teleologists will evaluate behaviour in terms of its social consequences and focus on the results of the decision or action (Trevino & Nelson, 2004). It holds that certain actions are right because they have positive consequences in terms of various good human desires, like happiness, friendship

or economic outcomes (Rachels, 1993). The best known teleological theory is utilitarianism, founded by Jeremy Bentham (1748 – 1832), which emphasizes that an ethical decision making should maximize benefits to society. Utilitarians believe that an act is to be right, if and only if, it will produce or is intended to produce at least the same balance of good or evil or when the outcome gives most benefit to the greatest number (Rachels, 1993; Velasquez, 2006).

Rather than focusing on consequences, deontologists ask ‘what is the right action now?’ They base their decision on what is right on broad, universal principle or values, such as honesty, promise keeping, fairness, loyalty, right, justice, compassion, and respects for persons and property (Trevino & Nelson, 2004). Deontologists believe that certain moral principles are binding, regardless of the consequences. As some focus on rights, rather than duty or principles, some actions would be considered wrong, even if the consequences are good. In this aspect, deontologists are said to protect the right of minority as compared to the consequentialists who normally disregard them.

To determine what is the right action, Emmanuel Kant, a German philosopher, provided a particular mode of deontological thinking about ethical choices known as ‘categorical imperative’. It provides a guideline of a good action or decision by asking if an action is suitable to become a universal law or principle for everyone to follow (Trevino & Nelson, 2004). Besides, some rely on western biblical tradition or moral intuition for guidance, while at the same time the golden rule of ‘do unto others as you would have them do unto you’ becomes an important guide to deontologists.

Instead of focusing on the rights or wrongs of action, or on the consequences of an action like the former two theories, virtue ethics focuses on the integrity of an actor rather than on the moral act itself. Hence, it takes into consideration primarily the actors' characters, motivations, and intentions. One's character may be assessed in terms of principles, such as honesty, or in terms of obeying certain rules and regulations, or may be in terms of consequences that his action might cause (Velasquez, 2006). Since one's character is very much influenced by their community, its highest standard value will be referred to in a particular ethical dilemma situation. Virtue ethics may be particularly useful in determining the ethics of an individual who works within a professional community that has well-developed norms and standard of conducts (Trevino & Nelson, 2004). It allows decision maker to rely on such relevant community standards without going through the complex process of deciding what is right in every situation using either deontological or teleological approach.

Overall, each theory emphasizes certain aspect of moral behaviour that is not emphasized or even omitted by others and none of them provides perfect guidance in every situation. The difficulties and exceptions inherent in each of these theories have been the subject of long and bitter debate among philosophers (Barnett et al., 1994) that have prompted other moral philosophies such as ethical scepticism. Since all theories, be it teleology, deontology or virtue, seem to centre their attention on the welfare or good of others, it is arguable if an individual can ever truly act for others in complete disregard for their own interests (Moseley, 2005). This has given rise to another theory known as ethical egoism which is a branch of ethical scepticism. Ethical egoism postulates that we have no moral duty except to do what is best for ourselves and to promote our own interest (Rachels,

1993). However, it does not suggest that one should avoid actions that help others, as often, our interest coincides with the interest of others. Hence, ethical egoism encourages a person to do what really is to his or her own best advantage over the long run, not the short run (Rachels, 1993).

2.9.3 The Formulation of Theoretical Framework

Hence, this study hypothesizes that both personal ethics (what one cognitively and affectively believes and values), and organizational ethics (values and beliefs adopted in one's social environment) would influence the occurrence of DBE among the bank managers in Malaysia which would subsequently influence their OCB orientation, and PCO is believed to moderate such relationship. This is because the potential for DBE to occur within the banks is a function of the *definitions* and *cognitive learning*, represented by ethical attitudes and ethical ideology, a manager might hold. Some adopt a stronger ethical stance and firmly refer to principles or rules in making a decision, while others might lower down their ethical standard and are of a belief that the right actions should be situationally determined.

The attitudes and ideologies are influenced by the ethical theory one subscribes to. A deontologist, who focuses on the consequences of their decisions or actions, would prioritize the welfare of others and believes that harming others can always be avoided, while a teleologist would weigh each situation in terms of the rightness or wrongness of each individual action and hence, would embrace more of Relativism ideology. However, these cognitions might inadvertently be altered so as to suit the acted behaviour, implying

that at any time, behaviour is a translation of attitude or ideology into action, making them potential predictors of ethical or unethical behaviour.

However, what a manager personally believes might not suffice to influence their decision to engage in DBE and OCB. This is because the managers are also expected to bow to the norms or accepted values in their environment, like the COE, the EWC, or the ethics of their leaders (PEL) so as not to be regarded as alien, or to avoid punishment. These situational factors represent the *behavioural learning* or *differential association* and *differential reinforcement* proposed by SLT that would subsequently influence their decision to engage in DBE. Additionally, through vicarious learning proposed by SLT, individuals in an organization will observe what others do and later imitate them (*imitation*). An individualism culture will attenuate its employees' tendency to engage in OCB, in contrast to collectivism that will ameliorate such act.

Hence, SLT and other ethical theories may bridge the independent variables and the dependent variables and the influence of the dependent variable in the following statements that may represent the underlying logic for designing and conducting the study. **If** a bank manager believes that (a) ethics and business should always go together (EAT), and (b) it is always important to obey rules and principles which can be universally applied (EID), **then** he/she would avoid from engaging in DBE, so as to restore the equilibrium of the attitudes or ideology and behaviour acquired through the cognitive learning. Similarly, **if** a bank manager believes that (a) COE provides a clear guideline in conducting his/her work, (b) there is a strong EWC surrounding his/her work

atmosphere, and (c) their leaders exhibit salient ethical conducts through role-modelling (PEL), **then** he/she would avoid DBE as a result of behavioural learning.

However, **if** a manager chooses to engage in DBE due to pressure from their head-quarter, or for personal gratification, **then** they would reduce their tendency to engage in OCB as their highly stressful and hectic working environment would promote a less concern-for-others culture. However, a collectivist would value group harmony and group achievement more than they value their personal outcomes. Hence, collectivists would put their self-interest aside, and would extend helping behaviour to others even if it means sacrificing their own energy and time. These arguments can be summarized and depicted in the following framework as shown in Figure 2.3.

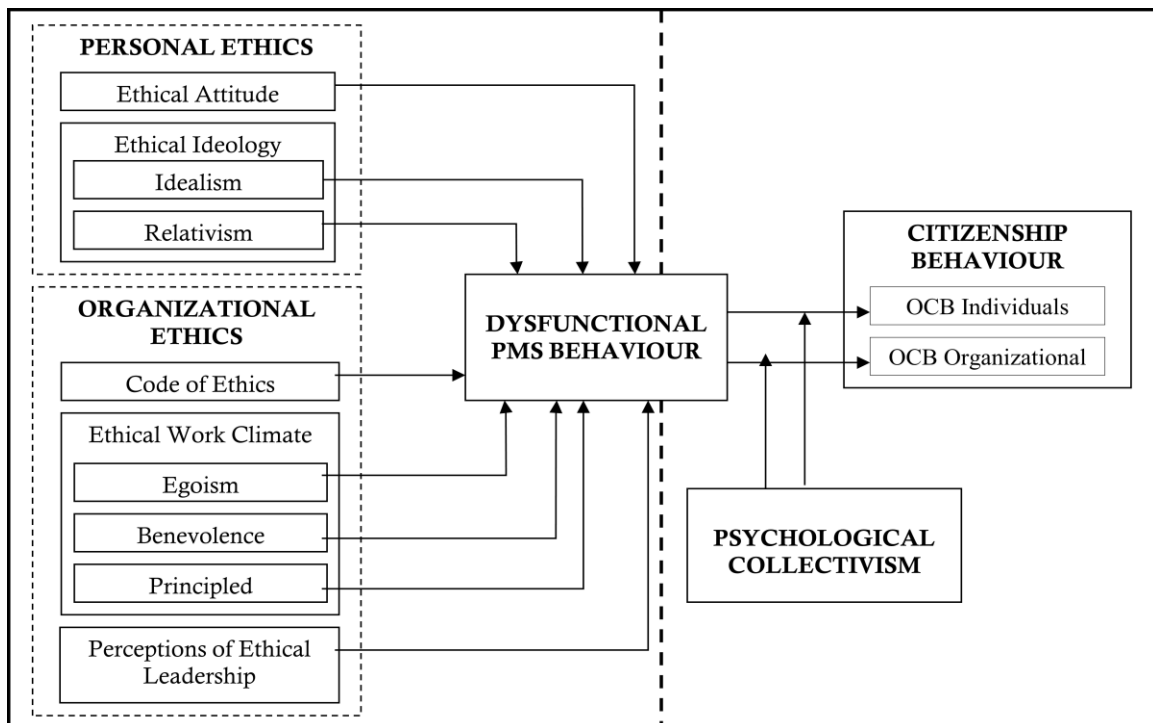


Figure 2.3:
Dysfunctional PMS behaviour: Its ethical antecedents and influence on OCB as moderated by PCO

The above theoretical framework is derived mainly from Trevino's (1986) model of ethical decision making in organizations. The original model hypothesized that ethical decision making in organizations is explained by the interaction of individual (represented by cognitions, ego strength, field dependence, and locus of control) and situational components (immediate job context and the broader organizational culture). The proposed model originally started from the reviewing of the work done by researchers like Argyris (1953), Ridgway (1956), Hopwood (1972), Birnberg et al. (1983), Jaworski and Young (1992), Van der Stede (2000), and Soobaroyen (2007) that had sparked an interest in the issue of DBE in PMS. Later, a framework proposed by Drongelen and Fisscher (2003) that relates DBE to moral responsibility of the PMS actors triggered the adaptation of Trevino's (1986) model to explain how ethics might play a crucial role in the commission of dysfunctional PMS behaviour. This model was further extended whereby it attempts to examine if DBE would influence its another form of opposite behaviour, OCB, based on the work of Spector and Fox (2010a), which proves to be lacking as it has been recently developed. As findings on DBE-OCB relationship were inconsistent, a moderating variable, PCO, is added to the model.

2.10 Hypotheses Development

The present study addresses the ethical components believed to influence DBE, and subsequently, how such DBE would influence the employees' extra-role behaviour (OCB). It is generally expected that individuals considered more ethical, working in a strong ethical climate and governed by an effective ethical procedure, will have a lower

tendency to engage in DBE than less ethical individuals. Hence, the lower the tendency, the greater the degree the individuals will exhibit the OCB.

This section describes the main hypotheses of the study which are divided into three parts. The first part is related to the personal and organizational ethics variables that might affect the occurrence of DBE. The second part theorizes the influence of DBE on OCB, while the last part proposes the moderating effect of PCO on the DBE-OCB relationship. The hypotheses are expected to answer the following research questions: (a) what is the level of DBE among the bank managers? (b) to what extent do personal and organizational ethics affect DBE? (c) to what extent would DBE influence OCB? and (d) how would PCO affect the DBE-OCB relationship?

2.10.1 Hypotheses Relating Personal and Organizational Ethics to DBE

Propositions under SLT have been applied in this research to achieve the research objectives. The theory has postulated that an individual will decide on what is an ethically right action based on their internally embedded psychological factors or definitions learned through cognitive learning, as well as the environment surrounding an individual through differential associations, differential reinforcement and imitation or behavioural learning, which helps to shape their behaviour. Hence, five ethical variables are addressed to examine their relationship with the occurrence of DBE and one variable on the influence of such behaviour.

2.10.1.1 Hypothesis Relating EAT to DBE

Ethical attitude is one of the fundamental cognitions formed in a human mind that plays a crucial role in influencing how an individual would behave (Rudolph, 2006) and is said to be the best predictor of human behaviour (Izraeli, 1988). As postulated by SLT, Akers and Jensen (2006) explained that cognitively, definitions held by an individual will form an attitude that provides a mind-set of how one would perceive the rightness or wrongness of an act. This would influence them whether or not to commit such act when an opportunity surfaces. Behaviourally, the authors added that the definitions affect the commission of DBE by acting as internal discriminative stimuli in conjunction with external discriminative stimuli, like the presence or absence of others, that provide cues or signals to the individual as to what kind of behaviour he/she would commit in that situation. As such, the more a person learns and endorses general or specific attitudes that positively approves or justifies the act of DBE, the greater the chance he/she will engage in such behaviour (Akers, Krohn, Lanza-Kaduce, & Radosevich, 1979).

In examining how ethical attitude affect ethical behaviour, researchers (Ghosh & Crain, 1995; Mitchelli & Chan, 2002; Reckers et al., 1994; Weber & Gillespie, 1998) discovered that a statistically-significant negative relationship did exist between the ethical attitude and behaviour. When employees perceives an action as immoral which involves overt deceptive acts that clearly may hurt another person or damage the organization, they would try to avoid such acts and is less likely to act upon it regardless of the situation (Ghosh & Crain, 1995; Reckers et al., 1994). Their ethical attitude would act as an alarm, affecting their judgment and subsequently their decision whether or not

to engage in such behaviour (Weber & Gillespie, 1998). Conversely, individuals who do not view it as an ethical issue would be easily influenced to commit such act while trying to justify their behaviour to reduce the feeling of guilt. However, any behaviour that were much simpler to rationalize and justified were viewed as only slightly unethical hence morally acceptable, and become the activities that employees occasionally engage.

As such, people with strong ethical beliefs are more unlikely to engage in DBE, implying that different strengths of belief may explain the correlations between attitude and behaviour (Mitchelli & Chan, 2002). This is in line with the postulation made under SLT that the more individuals define the behaviour as good (positive definition) or at least justified (neutralizing definition) rather than as undesirable (negative definition), the more likely they are to engage in it (Akers et al., 1979).

The above discussion makes it reasonable to assume that the bankers' propensity to engage in DBE is influenced by their ethical attitude, that is, their perceived rightness or wrongness in engaging in such behaviour. Those of higher ethical attitude will perceive that such action will be unfair to the organization and other stakeholders. As such, they are less motivated to indulge into such behaviour as their ethical belief motivates them to conform to their internalized norms that have been cognitively acquired, which signalling them to avoid manipulating measures or information. This argument leads to the following hypothesis:

H1: *Ethical attitude is negatively related to dysfunctional PMS behaviour.*

2.10.1.2 Hypotheses Relating EID to DBE

As one proposed definition under SLT, personal ethical ideology has been proven to give considerable impact regarding when and how an individual decides to engage in DBE (Forsyth, 1992). Akers and Jensen (2006) posited that an individual may intensely hold some of the definitions as part of a learned belief system, for instance, the definitions that favour the DBE, that form their core belief or ideology. Subsequently, the authors added that, such definition would provide a strong positive motivation for the commission of DBE, as the specific definitions orients the person to particular acts or series of acts and to define given situations as providing opportunity or lack of opportunity for the commission of DBE.

SLT postulated that through differential reinforcement, people naturally desire positive outcomes and wish to avoid negative consequences. As such, if one expects a positive outcome from a behaviour, or thinks there is a high probability of a positive outcome, then they will be more likely to engage in that behaviour. However, one's approach to judging the outcomes may depend on their ideology along the dimensions of Idealism to Relativism. One who was raised in a situation where obeying universal principles is a priority (high Idealism), would form a definition that it is always wrong to manipulate measures or information, whatever the consequence may be, hence would refrain from committing such act. As such, behaviour engaged would mirror the personal ethical ideology adopted, making it a potential predictor of DBE, like information manipulation, that involves ethically questionable activities (Barnett et al., 1994; Barnett et al., 1998; Davis et al., 2001; Forsyth & Berger, 1982; Henle et al., 2005).

Besides, one's ethical ideology does have an important impact on ethical sensitivity, judgement and behaviour. Douglas and Wier (2000) noted that Relativists were less sensitive to identify ethical tones as compared to Idealists. Barnett et al. (1994) and Forsyth and Berger (1982) discovered the significant influence that ethical ideology has on ethical judgments. Subsequently, ethical ideology has also been discovered to significantly affect DBE. Employees higher in Relativism and lower in Idealism were more likely to engage in DBE towards their organization. In contrast, the more Idealistic an individual is, the less likely would the person engage in such behaviour (Barnett et al., 1998; Bruns & Merchant, 1990; Greenfield et al., 2008; Henle et al., 2005).

In this study, it is expected that employees higher in Idealism will try to uphold the values, rules and principles in their daily pursuit, leading them to try to avoid manipulating the information at any opportunity. They are concerned with the welfare of others, and they would try to maximize the desirable outcomes of a decision or behaviour by strictly following the universal moral rules and principles based on their firm belief that the right action would lead to desirable outcomes. As such, they would try to refrain from manipulating information as it might not only hurt their organization financially, but it may leave negative consequences for other employees or consumers. Hence, those higher in Idealism will be less likely to engage in DBE as compared to those lower in Idealism. This argument leads to the next hypothesis:

H2(a): *Idealism is negatively related to dysfunctional PMS behaviour.*

On the other hand, a more pragmatic or Relativistic manager, however, would be more open to exceptions, hence tend to consider a situation more openly by taking in more

alternatives even if standards and guidelines are readily available to guide their behaviour. As previously discussed, individuals high in Relativism would not adhere to universal moral beliefs as they strongly believe that ethics should be situationally determined as no one moral rules can be applied to all situations as compared to those low in Relativism, who tend to diligently obey universal moral rules. High Relativists would evaluate each situation and make ethical decisions based on their personal values, which provides them with justifications of their actions. Due to this, the Relativists would be more likely to manipulate information as there may be an increasing likelihood of them trying to situationally justify their unethical action, leading to the following hypothesis:

H2(b): *Relativism is positively related to dysfunctional PMS behaviour.*

2.10.1.3 Hypothesis Relating COE to DBE

COE may act as cues to regulate employees' behaviour through which employees will learn the dos and the don'ts in an organization. In short, the codes serve as a guidance of what to do, a reminder to act ethically, and a warning that violations of the codes may invite certain sanctions. Hence, in the context of SLT, COE may fit the differential reinforcement dimension, in which employees' behaviours are proposed to be controlled partially through cues that suggest probable consequences of rewards or punishments that either inhibit or encourage behaviour (Akers & Jensen, 2006). Employees will learn by observing the rewards obtained for obeying the codes, or the sanction imposed following the violation of the codes, which could occur either directly or vicariously, would tactfully find its way to be embedded as values adopted among members in an

organization. Hence, a highly effective enactment of COE will not only increase the probability that the same ethical behaviour will be repeated in similar circumstances, but also brings the particular behaviour under the influence of a matching environmental cue (Akers & Jensen, 2006).

Currently, a review of literature on empirical relationship of COE and ethical behaviour can be regarded as inconclusive as mixed findings were noted ranging from ineffective to valuable. However, a conclusion can be made from the literature to suggest that the effectiveness of the COE in curbing unethical behaviour in an organization depends substantively on effective and frequent communication about the code as well as the enforcement of the enacted codes. Though mixed findings have been reported, but this study will take a positive view that enactment of COE would lead to more ethical behaviour in the banks as banks are highly structured and characterized by strict adherence to internal and external rules and procedures (Kitson, 1996; Peng, 1998). Hence it may well be expected that COE are being highly enacted and enforced in the banks. As suggested by some researchers, (like Adams et al., 2001; Kaptein, 2011; Kish-Gephart et al., 2010; Okpara, 2003; Peterson, 2002a; Somers, 2001) a properly enforced COE can have a powerful influence on employees' ethical behaviour where respondents in organizations with formal COE were more aware of wrongdoing than were respondents in organizations without formal COE (Okpara, 2003; Somers, 2001).

At the very least, the presence of the code serves as a symbolic role, indicating that management places some value and importance on ethical behaviour and moral consideration in its functions (Adams et al., 2001), thus providing a supportive

environment that encourages ethical behaviour to be adopted by the whole organization (Valentine & Barnett, 2002). Conversely, the absence will lead managers to make decisions that are ethically inconsistent and arbitrary (Helin & Sandstrom, 2007). In a banking industry, the code has been found to significantly influence behaviour, but only in areas regarded as not covered by traditional banking practices (Kitson, 1996). As such, it is reasonable to propose that information or measures manipulation would be less rampant. This argument leads to the following hypothesis:

H3: *Codes of ethics is negatively related to dysfunctional PMS behaviour.*

2.10.1.4 Hypotheses Relating EWC to DBE

Unlike COE that can be considered as a formal ethical guide, ethical work climate (EWC) is an informal cue that guides individuals on the ethical behaviours that are acceptable in an organization. Thus, it helps individuals to determine the appropriate ways to behave as posited by Bandura (1977, 1986). In this case, it may fit the postulation made in the theory of social learning that individuals learn of the acceptable and unacceptable behaviours through both methods, directly, via their own experience and vicariously, through the experiences of those around them (Bandura, 1977, 1986).

The theory proposes that most of the learning in criminal and deviant behaviour is the result of direct and indirect social interaction in which the words, responses, presence, and behaviour of other persons directly reinforce behaviour, provide the setting for reinforcement (discriminative stimuli), or serve as the conduit through which other social rewards and punishers are delivered or made available (Akers & Jensen, 2006). In this

case, the central dimension of SLT is *differential association*, or the influence of those with whom one frequently associates (Chappell & Piquero, 2004). The more one's patterns of differential association are balanced in the direction of greater exposure to deviant behaviour and attitudes, the greater the probability that the person is likely to engage in DBE (Akers & Jensen, 2006).

Through interactions with their peers and superiors, individuals develop favourable or unfavourable definitions to certain behaviour, which would then be reinforced, either positively or negatively, by the rewards or punishments that follow their behaviour. This learned behaviour would then be embedded as a climate accepted and embraced by members of the organization or its sub-unit. If the perceived climate is prone to condone DBE, then such climate may actually facilitate the occurrence of such behaviour as it would transmit the beliefs, values, and definitions that opportune them to rationalize, excuse, and justify the DBE (Chappell & Piquero, 2004). For example, in an Egoistic climate, employees tend to perceive their organizational unit as having norms and expectations that promote ethical decision making from a self-centered perspective (Simha & Cullen, 2012). Hence, behaviour that promotes self-interest (or sub-unit's interest) is the norm even to the possible detriment of others. Hence, manipulating information that may win a generous budget to the sub-unit might be seen as acceptable.

On the other hand, employees operating in Benevolent climates perceive that their decisions should be based on concern for the wellbeing of others. Hence, it is likely to promote behaviours that yield a positive outcome for the greatest number of people, whether within the organization itself or even the public at large. In such a case,

manipulating information or measures might be rationalized as bringing more harm than good to the organization, employees or even the customers for it may affect the efficiency, costing, pricing, profit, or the decisions and actions taken. This justification might refrain them to commit such behaviour.

Similarly, in a Principled climate, employees are of a belief that any decisions taken must be guided by a strong and pervasive set of local rules or standards, or external codes such as the law, or professional codes of conduct. With a strong guidance, they are unlikely to commit an act that can be considered legally wrong or even ethically questionable. Therefore, in line with the postulation made by SLT and the findings of the extant research on the influences of EWC on unethical behaviours, the following hypotheses are proposed:

H4(a): Egoistic climate is positively related to dysfunctional PMS behaviour.

H4(b): Benevolent climate is negatively related to dysfunctional PMS behaviour.

H4(c): Principled climate is negatively related to dysfunctional PMS behaviour.

2.10.1.5 Hypothesis Relating PEL to DBE

Like EWC, perceived ethical leadership (PEL) has been suggested by many as giving a strong influence on the behaviour of employees in an organization. SLT posits that individuals have a tendency to observe and emulate behaviours, known as modeling, observational learning, imitation, copying, or identification, from the perceived credible and attractive role models (Akers & Jensen, 2006). However, the theory proposes that people are selective in the behaviour they reproduce, where observers learn to appraise

models on situational cues, such as socio-economic indicators. Hence, not all models are copied, but only those whose behaviour is judged to have some usefulness. In the context of an organization, leaders may become potent candidates as they hold the authority and the controlling power, including the power to reward and punish.

SLT also proposes that once a new behavior is learned, exposure to models may inhibit or dis-inhibit previously learned responses, where it might either be strengthened or weakened by vicarious experience of a model's rewards and punishment (Akers et al., 1979) which may promote or reduce the repetitive of similar behaviour. When a modelled behaviour that is ordinarily disapproved goes unpunished, it would motivate a tendency to imitate such behaviour. As such, the repetition of a behaviour would depend on the differential reinforcement or the balanced of past, present, and anticipated future rewards and punishments for their actions. The greater the value, frequency, and probability of reward for deviant behaviour, the greater the likelihood that it will be repeated in the future (Akers and Jensen, 2006).

As such, based on SLT and the review of literatures, this study takes a view that perceived behaviour of leaders most of the time may set precedents for employees' behaviour. A review on the bulk of researches on the effect of PEL on employees' unethical behaviour has almost unanimously pointed to the relationship of a negative nature (Brown et al., 2005; Ibrahim et al., 2008; Mayer et al., 2009; Mayer et al., 2010; Neubert et al., 2009). Clearly, leaders are role-model who can influence their followers to be ethical or unethical. Leaders who engage in unethical behaviours may well be expected to create a context supporting unethical conducts, which in turn, may be

observed by the employees who are more likely to imitate the inappropriate conducts (Mayer et al., 2010). As such, if leaders are observed to condone budgetary slack creation, or performance measures manipulation, followers may learn that such behaviour is expected and acceptable especially if leaders are rewarded for such unethical conduct (Mayer et al., 2009; Neubert et al., 2009). Hence, DBE will occur more frequently in such organizations.

On the other hand, employees may be turned into highly ethical workforce who conduct their work in ethical manner if the leaders saliently exhibit and enforce practices, policies, and procedures that serve to uphold ethical conduct (Brown et al., 2005; Mayer et al., 2010; Ponnu & Tennakoon, 2009; Ruiz et al., 2011a; Treviño & Brown, 2005). When leaders make decisions with ethics in mind, ethically considering the right thing to do, regularly communicating ethics with subordinates, and rewarding and punishing employees in accordance with ethical principles, subordinate's will form a perception that upholding ethics is an important organizational outcome (Brown & Trevino, 2006; Hoogervorst et al., 2010). This, in turn, will reduce the subordinate's intention to engage in immoral behaviour (Peterson, 2004), indicating the business moral values of leaders may influence those of subordinates in the course of their interactions. These arguments, then, lend support to the following hypothesis:

H5: *Perceived ethical leadership is negatively related to dysfunctional PMS behaviour.*

2.10.2 Hypotheses Relating the Influence of DBE on OCB

SLT posited that employees who feel fairly treated, highly respected and not being pressured to perform beyond their capability, are not likely to engage in DBE and are willing to exert into extra-role behaviours so as to reciprocate their peers or organization. However, when they feel that they are being unfairly treated and being pushed to certain level that they can no longer tolerate, like being forced to achieve an impossible performance target, they might resort to DBE so as to maintain equilibrium between them and the organization (Ames, 2011). As a result, they may withhold their OCB in retaliation to such injustice (Turnipseed, 2002). Since SLT also assumes that individuals learn from their environment and imitate the behaviours of others, hence it can be concluded that an environment that encourages DBE would reduce the proclivity towards OCB and vice versa. Therefore, although contradictory findings were noted in the DBE-OCB relationship, this study proposes that the two behaviours are negatively related.

In contention, it can always be argued that managers might hold different ethical stance, which would determine whether or not they are to engage in DBE, and subsequently the OCB. As such, some managers who are less ethical might manipulate information for personal gratification, like achieving target for earning reward, for promotion, or simply for earning good reputation. Such a person can be considered as less considerate of his/her subordinates and this would influence their OCB. This assumption seems intuitively logic as one who has a proclivity to commit DBE is more likely to hold lower moral values, resulting to the fulfilling of self-interest ahead of the interest of others. One who commits DBE can be expected to be self-centred and less sensitive to the

consequences of his/her action. As OCB is a voluntary behaviour, it can well be expected that he/she would have a lower tendency to engage in OCB.

Besides, employees in the banking sector are known to face a high work-related stress with a hectic working schedule (Ayupp & Nguok, 2011) which might induce job burnout. Such a situation would promote an environment that gives primacy to completing individual's task, which would in turn, reduce the tendency to engage in OCB. In this industry also, the success of a branch would determine the future and livelihood of the branch manager and also his subordinates (Brief et al., 1996), which might be measured by the achievement of the performance target previously set. The pressure to achieve this target would invite the attempts of information manipulation, or DBE. Such DBE committed under the pressure of a hectic working environment in the banking industry would limit the desire of its employees to help others (OCBI) as they would give primacy to fulfilling their individual tasks. Similarly, when employee experiences job burnout, they will not likely to engage in extra-role behaviors towards organization (OCBO) (Aslam, Ahmad, & Anwar, 2012). This argument leads to the following hypotheses:

H6(a): *Dysfunctional PMS behaviour is negatively related to organizational citizenship behaviour targeted at individuals (OCBI).*

H6(b): *Dysfunctional PMS behaviour is negatively related to organizational citizenship behaviour targeted at organizations (OCBO).*

2.10.3 Hypotheses Relating to PCO as a Moderator in the DBE-OCB Relationship

In the previous section, DBE has been hypothesized to have a negative relationship with OCB, implying that the higher the tendency a manager to commit DBE, the less likely the

same manager would resort to helping behaviour. However, this negative relationship might be affected by individual differences, especially the attitude or values regarding the interrelationship with their colleagues, subordinates, or superiors. Therefore, considering the effect of such personal construct, like PCO, may give a better comprehension on the DBE-OCB relationship.

Through the definition dimension, SLT postulates that an individual may be embedded with cultural values that they grow up in, that would influence his/her interrelationship behaviour or how they respond to others (Bandura, 1977). Additionally, through association process (differential association), SLT also postulates that individuals would observe, learn, react or imitate, and reciprocate (Akers & Jensen, 2006). One enclosed in an individualism-oriented culture may be encouraged to prioritize personal outcome, while a collectivism-oriented culture would promote group harmony and group achievement (Ramamoorthy & Flood, 2002). Hence, these cultural values would be observed and adapted by an individual in a group, which would be embedded as acceptable norms that would later form part of the definition one might subscribe to, that would later influence his/her relationship with others.

Those high in collectivism would believe that group achievement is of paramount important and harmonious relationship among group members would take precedence over other considerations. They are generally more cooperative than individualists as they focus on work relationship that emphasizes teamwork. Besides, collectivists are also likely to engage in behaviours that are beneficial to the organization (Cohen & Avrahami, 2006; Moorman & Blakely, 1995; Van Dyne et al., 2000). They would strongly embrace

organizational norms and values and feel obligated to extend help to members in the organization even if such behaviour is not part of their job requirement. Even if a manager shows a high tendency to commit DBE, he/she would still put primacy of achieving the group success (in this case, the success of their bank branch) over their own self-interest. In such a case, engaging in OCB is seen as an active way to invite positive outcomes, like better job performance or better achievement of the bank branch. Since self-interest is not seen as utmost important, sacrificing their time and effort to engage in OCB would not amount to a matter of concern to a collectivist bank manager.

Conversely, individualists have a higher tendency to engage in behaviours that would benefit themselves due to their motivation to satisfy their own personal self-interests and immediate gratification of needs. As such they have a proclivity to withhold effort that might not be a part of their job requirement which can be considered as troublesome and is not instrumental to achieving their personal success, like by engaging in OCB. Hence, it is argued that managers high in collectivism would have greater tendency to engage in OCB. This is especially true in the case of information manipulation as it might also be considered as functional, instead of dysfunctional, and is normally attempted for the benefit of the subordinates and also the superiors as previously discussed.

As Malaysians can be considered as more collectivistic in nature (Noordin & Jusoff, 2010) and bank employees are also discovered to be collectivist (Venkatraman & Reddy, 2012), this study proposes that Malaysian bank managers are collectivism-oriented that will buffer the negative relationship between DBE and OCB. Collectivists are more likely to internalize the organization's values as their own and therefore will be more likely to

engage in OCB that requires time and energy to help others, rather than achieving personal goals. Hence, it is hypothesized that:

H7(a): *The relationship between dysfunctional PMS behaviour and OCBI is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.*

H7(b): *The relationship between dysfunctional PMS behaviour and OCBO is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.*

In short, a total of twelve hypotheses have been put forth in this study to answer the research questions: (a) what is the level of DBE among the bank managers? (b) to what extent do personal and organizational ethics affect DBE? (c) to what extent would DBE influence OCB? and (d) how would PCO affect the DBE-OCB relationship? These hypotheses are listed in Table 2.3.

Table 2.3:
A list of hypotheses proposed in the study

1	H1:	Ethical attitude is negatively related to dysfunctional PMS behaviour.
2	H2(a):	Idealism is negatively related to dysfunctional PMS behaviour.
3	H2(b):	Relativism is positively related to dysfunctional PMS behaviour.
4	H3:	Codes of ethics is negatively related to dysfunctional PMS behaviour
5	H4(a):	Egoistic climate is positively related to dysfunctional PMS behaviour.
6	H4(b):	Benevolent climate is negatively related to dysfunctional PMS behaviour.
7	H4(c):	Principled climate is negatively related to dysfunctional PMS behaviour.
8	H5:	Perceived ethical leadership is negatively related to dysfunctional PMS behaviour.
9	H6(a):	Dysfunctional PMS behaviour is negatively related to organizational citizenship behaviour targeted at individuals (OCBI).

Table 2.3: (continued)

A list of hypotheses proposed in the study

10	H6(b):	Dysfunctional PMS behaviour is negatively related to organizational citizenship behaviour targeted to organizations (OCBO).
11	H7(a):	The relationship between dysfunctional PMS behaviour and OCBI is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.
12	H7(b):	The relationship between dysfunctional PMS behaviour and OCBO is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.

2.11 Chapter Conclusion

This chapter has provided a discussion on the issue of DBE and demonstrated that ethical aspect may influence the commission of such conduct. Additionally, it also discusses the probable influence of DBE on OCB and how PCO might moderate the relationship. Further, based on the review of literatures, a model to examine the influence of personal and organizational ethics on the DBE in the context of PMS and the influence of such behaviour has been derived primarily from social learning theory. Personal ethics is examined in the perspectives of ethical attitude and ethical ideology, while the influence of organizational ethics is investigated using the proxies of code of ethics, ethical work climate and perceived ethical leadership. Then it proceeds to discuss the possibility that such dysfunctional PMS behaviour might influence the employees' tendency to extend helping behaviour, whether target at individuals in the organization or the organization itself. It proposes that such act might be moderated by one's psychological collectivism. This is then followed by the development of hypotheses so as to answer the research

questions and satisfy the objectives of the research. Overall, twelve hypotheses have been proposed and are listed in Table 2.3.

CHAPTER 3: METHODOLOGY

3.1 Introduction

This chapter describes the methods developed to investigate the influence of ethical aspect, both at individual and organizational levels, on the commission of dysfunctional PMS behaviour among the bank managers in their respective banks. The next section elaborates the research design which is followed by a discussion on research population in Section 3.3. Section 3.4 deals with research sample and sampling procedure, which is followed by the questionnaire development in Section 3.5. Section 3.6 describes the operationalization of variables while Section 3.7 describes the data collection procedure. This is then followed by Section 3.8 which briefly elaborates on data analysis. Finally Section 3.9 summarizes the methodology proposed in this chapter.

3.2 Research Design

As this study takes a positivist research paradigm that tries to explain the effect of ethics on DBE and the influence of such behaviour on OCB as moderated by PCO that has been largely ignored, then, it is more exploratory in nature. In this research, the issue being studied, dysfunctional PMS behaviour, is rather controversial – it is ethically questionable, yet often encouraged and even accepted as a norm. Therefore, there is no separating boundary that may label the deed as wrong. However, available researches using the theory of social learning mainly focused on the behaviour that can be clearly labelled as unethical, like stealing, or bullying (Brown & Trevino, 2006; Mayer et al.,

2010). As such, this study aims to gain familiarity with this paradox issue by fitting it into the social learning theory and to see if the theory may also explain the controversial behaviour, like dysfunctional PMS behaviour. This is especially true when managers may be a deontologist or teleologist that may differ their judgment.

Besides, as previously explained, the theoretical framework which is derived mainly from Trevino's (1986) model is adapted to link only the ethical aspects to dysfunctional PMS behaviour. The original model hypothesized that ethical behaviour is explained by the interaction of individual components (represented by cognitions, ego strength, field dependence, and locus of control) and situational components (immediate job context and the broader organizational culture). In this study, only ethical components were employed, divided into personal ethics (represented by ethical attitude and ethical ideology) and organizational ethics (code of ethics, ethical work climates and perceived ethical leadership). It also extends the framework by examining the effect of dysfunctional PMS behaviour on citizenship behaviour which has been admitted as a new area newly explored (like Dalal, 2005; Dalal et al., 2009; Kelloway et al., 2002; Lee & Allen, 2002; Miles et al., 2002; Sackett et al., 2006). As exploratory research is embarked to further explore an issue that has not been fully understood (Sekaran, 2003), then this study is clearly an exploratory study that tries to test the theory on a rather paradox issue. Generally, it often leads to the formation and testing of hypotheses by examining a dataset and tries to look for possible relations between variables which could also be either causal or correlational (Sekaran, 2003).

Where causal tends to address cause-and-effect or the “why” of changes in a phenomena, a correlational research aims at identifying important factors “associated with” the problem (Fawcett & Downs, 1986) that would enable us to predict one variable from the other as the two variables are correlated. For example, knowing the dimension of ethical ideology (EID) may improve our capacity to predict the commission of DBE.

Hence, a correlational design of positivism can be useful to study the DBE issue as its principal advantage is to analyze the relationships among a large number of variables in a single study. Besides, such a design is also more appropriate to study certain phenomenon that has been adequately described in the extant literatures like the phenomenon of DBE, but its relationship to other phenomena, like ethics and OCB, are not adequately known (Fawcett & Downs, 1986).

This is a field study that was conducted in a non-contrived setting, which is the respective bank in which the sample works. It would be handled without or with only minimal researchers’ interference, and would not involve any manipulations of the variables. In this study, the unit of analysis was ‘individual’ which was treated as an individual data source. Data were gathered at one point in time, making it a cross-sectional research. A correlational research also does not attempt to determine the cause-effect relationship as in causal study that requires the measurement of changes over time, hence rules out the need for a longitudinal study. Besides, cross-sectional is also cheaper to be carried out since it gathers data only once that suits the study interval.

3.3 Research Population

The study population consisted of the branch bank managers attached to domestic commercial banks which are members of The Association of Banks in Malaysia (ABM). ABM was formed in November 1973 to establish and promote a sound banking system for commercial banks in Malaysia by cooperating with Bank Negara Malaysia and relevant authorized bodies (ABM, 2011). It now has 24 member banks, comprising of eight domestic banks (reduced from nine, following the acquisition of EON Bank Group by Hong Leong Bank Berhad in May 2011) and sixteen locally incorporated foreign banks operating in Malaysia. The domestic member banks and its branches which amounted to 1871 as at 30th June 2012 (ABM, 2012) are listed in Table 3.1. Since this research tries to capture opinions, attitudes, perceptions or behaviours of a person, ‘individual’ will be the most appropriate unit of analysis.

Table 3.1

List of member bank of the Association of Banks in Malaysia and branches distribution by states as at 30 June 2012

BANK	PERLIS	KEDAH	PENANG	KELANTAN	TERENGGANU	PAHANG	PERAK	SELANGOR	KUALA LUMPUR	PUTRAJAYA	LABUAN	NEGERI SEMBILAN	MELAKA	JOHOR	SABAH	SARAWAK	TOTAL
Affin Bank Berhad	1	5	9	2	3	4	6	24	16	1	1	4	2	12	4	5	99
Alliance Bank Malaysia Berhad	-	3	7	-	2	1	2	24	18	-	1	1	2	16	17	4	98
AmBank (M) Berhad	2	5	16	2	5	9	19	38	26	-	1	7	6	23	11	17	187
CIMB Bank Berhad	2	14	29	11	10	19	25	71	54	1	1	14	10	34	14	16	325
Hong Leong Bank Berhad	2	13	29	3	4	10	25	81	55	1	1	10	8	43	13	31	329
Malayan Banking Berhad	3	14	34	9	8	16	38	88	61	1	1	13	13	51	22	23	395
Public Bank Berhad	1	11	21	5	3	13	27	50	36	1	1	9	7	28	16	22	251
RHB Bank Berhad	1	9	11	3	4	6	20	39	26	1	1	7	3	25	8	23	187
TOTAL BY STATE	12	74	156	35	39	78	162	415	292	6	8	65	51	232	105	141	1871

(Source: ABM, 2013)

This study focuses on the branch bank managers, hence excluding those at the headquarters as they hold a unique position that may open up greater possibilities of DBE. Firstly, branch bank managers are the middle managers that act as intermediary between top management located in another location and the subordinates, suppliers and customers in their respective branch (Sulaiman & Gupta, 1997). Very often, they are in dilemma in performing their role as an intermediary as sometimes their desire to satisfy one party, like the subordinates, might clash with their duty to another party (Argyris, 1953), like the top management at the head quarter. This dilemma might invite DBE among these managers as well as their assistants. Furthermore, the intermediary role can also act as an important factor in shaping the employees conduct. Ibrahim, Angelidis, and Parsa (2008) argued that perceptions of poor ethical conducts of managers might promote unethical behaviour among subordinates. So ethical actions of the branch managers will directly affect the ethical direction and health of the respective branch.

Secondly, branch bank managers play a pivotal role in providing high quality service that will attract the clients to their respective branch, which may subsequently become the major banks' competitive asset (Siu, 1998). Besides, they now act as bank marketers (Peng, 1998) who are responsible to attract new customers to the bank that would require them to be more aggressive and persuasive (Siu & Tam, 1995). With the added responsibilities, they are often in dilemma as they are often unclear about their organization mission, culture or procedures, or when their job responsibilities is not compatible with their rewards and pay, leading to an increasing workplace stress and DBE (Ayupp & Nguok, 2011). In addition, their livelihood is also very much depending

on the performance of their respective branch (Brief et al., 1996), which might further arouse the temptation to manipulate information.

Finally, according to Soobaroyen (2007), PMS considers only management-level structures by focusing on managers' interaction with controls. Choosing managers as sample is also in line with the established notion that control is one of the basic functions of management process, besides planning, organizing and leading. Therefore, Soobaroyen (2007) emphasized that managers, irrespective of his/her hierarchical level and category of responsibility centre, is the focus of most PMS studies. All these reasons make them a suitable sample for the study as such factors might act as triggers to encourage DBE.

However, to narrow down the huge population, sample managers were drawn from the list of locally incorporated and controlled commercial banks in Malaysia. Targeting the domestic commercial banks seems rational as it is a necessary means to control the large number of confounding variables that can substantively affect any results from multi-industry (Zuriekat, 2005). Though concentrating on one particular industry might put the limit to the generalizability of the finding, but it is consistent with the recommendation made by Ittner, Larcker and Randall (2003).

Besides, commercial bank is considered to be the heart of all development models as it provides the necessary funds to all sectors (Peng, 1998), hence affecting the stability in all other sectors (Safakli, 2005). Furthermore, it also constitutes the largest and most important group of financial institutions in Malaysia in terms of total assets besides

acting as an important contributor to the country's revenue (ABM, 2011). Domestic commercial banks have such a huge workforce and its operations are often spread over so many geographical areas. The banking industry typifies an environment that is fast-paced and highly competitive, whereby employees are regularly faced with a hectic working schedule (Ayupp & Nguok, 2011). With such characteristics, it can be expected that banks will have a well designed PMS to control and coordinate their operation. With such a huge workforce also, diverse behaviour can be expected especially due to its widespread location. Therefore, unintended consequence of the PMS can well be expected in such a situation, which provides a rich landscape to be studied.

3.4 Research Sample and Sampling Procedure

The choice of sample size is governed by the extent of precision and confidence desired (Sekaran, 2003), and it should be sufficient enough to approximate the character of the population satisfactorily, hence providing a credible result (Babbie, 2010). To determine the sample size, the rule of thumb of ten times the maximum number of arrowheads pointing at a latent variable anywhere in the Partial Least Square (PLS, which is described in detail in Section 3.8) path model (Hair, Hult, Ringle, & Sarstedt, 2014) was applied. In this study, the highest number of arrowheads pointed to an endogenous variable is eight, indicating eighty (8 x 10) as a minimum sample size. However, to ensure this minimal response number and taking into account that survey method has poor response rate (Mahmood & Rahman, 2007), about 700 questionnaires were distributed to selected branch bank managers.

For this study, stratified random sampling (later called SRS) seems the most suitable method as compared to simple random or systematic sampling. Besides resulting to high generalizability of findings (Sekaran, 2003), it also provides a greater degree of representativeness by decreasing the probable sampling error (Babbie, 2010). SRS would require the population to be organized into homogeneous subset (with heterogeneity between subsets), from which appropriate number of elements would be selected from, hence, ensuring the proper representation of the stratification variables (Babbie, 2010). In this study, 700 elements were selected after two stratifications. First, stratification by bank was seen as most appropriate so that all branches were proportionately included in the sample. Next, as each bank has varied number of branches scattered across different states, stratification by states was seen as essential so as to ensure representativeness of each bank by different states. The stratification resulted to the proportionate number of elements as exhibited in Table 3.2. Based on the table, samples were randomly selected by drawing slips out of a box from the stratum to represent each bank in each respective state. Each of these elements was sent a copy of the questionnaire.

Table 3.2:
Distribution of selected samples after stratification by (i) banks and (ii) states

BANK	PERLIS	KEDAH	PENANG	KELANTAN	TERENGGANU	PAHANG	PERAK	SELANGOR	KUALA LUMPUR	PUTRAJAYA	LABUAN	NEGERI SEMBILAN	MELAKA	JOHOR	SABAH	SARAWAK	TOTAL
Affin Bank Berhad	-	2	3	1	1	1	2	9	6	-	-	1	1	5	1	2	35
Alliance Bank Malaysia Berhad	-	1	3	-	1	-	1	9	6	-	-	-	1	6	6	1	35
AmBank (M) Berhad	1	2	6	1	2	3	7	14	10	-	-	3	2	9	4	6	70
CIMB Bank Berhad	1	5	11	4	4	7	9	26	20	-	-	5	4	12	5	6	119
Hong Leong Bank Berhad	1	5	11	1	1	4	10	31	21	-	-	4	3	17	5	12	126
Malayan Banking Berhad	1	6	13	3	3	6	14	33	23	-	-	5	5	19	8	8	147
Public Bank Berhad	-	4	8	2	1	5	11	20	14	-	-	4	3	11	6	9	98
RHB Bank Berhad	-	3	4	1	1	2	8	15	10	-	-	3	1	10	3	9	70
TOTAL BY STATE	4	28	59	13	14	28	62	157	110	0	0	25	20	89	38	53	700

3.5 Questionnaire Development

This section deals with the process of developing the survey questionnaire, including the justification of the choice of scale used, the steps taken to attenuate the social desirability bias and the pre-testing conducted before the instrument was ready for distribution.

3.5.1 Ruler-Option Scale

Being naturally intangible, the task of measuring attitude or belief requires a careful choice of measuring scale. Researchers are mostly concern about the scale type they use but the most frequently used scale is the Likert-scale that usually consists of a series of 7 or 5-point rating scales to reflect feelings, attitude, and opinion toward a certain issue. Though the scale can be easily administered and responded but Yusoff and Janor (2012) contended that the scale lacks measurement unit and does not conform to the requirements of any of the three measurement theories to warrant it quantitative.

Yusoff and Janor (2012) argued that all these while, the scale has been assumed to have interval properties when in fact, it is ordinal. As such, these data are actually not quantitative; in fact, they are merely coded values that represent the strength a respondent chose to mark on the scale. Hence, the application of quantitative statistical analyses is inappropriate even though it is a common practice. Furthermore, the authors stressed that Likert scales poses a problem of respondents trying to rate the middle value for all the questions. Hence, the researcher would be in a doubt whether data would represent genuine neutral stand, uncaring attitude, or insufficient knowledge on the subject matter.

To overcome this shortcoming, Yusoff and Janor (2012) had introduced a relatively new scale named Ruler-Option Scale (RO scale) which is in line with the requirement of operational measurement theory as exhibited in Figure 3.1. It consists of three components: (i) explicit instructions on the operational procedure to guide the respondents (which should be customized to the conditions of a study, making adaptation a necessary process); (ii) a continuous line in the form of a ruler that starts with 0% and ends with 100%; and (iii) three options (“I don’t know,” “I don’t care,” and “Not applicable to me”) which might distinguish the respondent who rates the middle point.


RULER	OPTIONS
	<input type="checkbox"/> I don't know <input type="checkbox"/> I don't care <input type="checkbox"/> Not applicable to me

Figure 3.1
Ruler-Option Scale

Respondents could either put a mark anywhere on the ruler or tick any one of the three options. A mark on the ruler indicates their percentage of agreement to the sentences based on their experiences. A mark on 0% indicates no agreement at all, that is based on their experiences, on every occasion that they could recall, they totally disagree with the statement. 100% indicates full agreement, meaning that, based on their experiences, on every occasion that they could recall, they fully agree with the statement.

Yusoff and Janor (2014) had empirically tested the scale and discovered that RO scale gives more mathematical information to estimate model parameters. Its measurement model had higher convergent validity; though both RO and Likert scale attained almost

the same level of discriminant and construct validity. It performed better in terms of number of items per construct, factor loadings, squared multiple correlations, higher internal reliability, higher internal consistency of the items representing a construct, and higher percentage of variance explained by the items in a construct. RO scale also reported lower mean values as compared to the 7-point Likert scale, but had higher dispersion denoting by its greater standard deviations due to more choices of response categories. In addition, RO scale proved easy to use (on the respondents' part) and to administer (on the researcher's part) (Yusoff & Janor, 2012).

Based on these arguments, this study has employed RO scale to elicit data for all variables, except demographic variables, in the hope that it would give a more accurate data that would enable correct interpretation, meaningful statements, and valid inference on the population. Besides, it is also hoped to make a significant contribution to the methodological aspect, as based on our limited knowledge, this study would be the first research conducted to employ this scale besides the said authors. However for demographic section, categorical scale or ordinal was used to obtain information on gender, age, qualification, tenure, income level, and number of employees in the branch.

3.5.2 Social Desirability Bias

In this study, data were collected via a self-report questionnaire which consisted of nine primary sections, specifically, one section for each of the eight variables and one on respondents' demographic information. Each variable was measured using the well-established instrument used by many previous researchers. However, using such questionnaire may give rise to an issue of validity. Especially in researches concerning

sensitive topic, like DBE, research participants would have a tendency to respond in a way that makes them look as good as possible. Thus, they tend to under-report behaviours deemed inappropriate and over-report behaviours viewed as appropriate (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Hence, to avoid such bias, the researcher avoided using threatening questions that might elicit socially desirable but inaccurate response. Words used in the questionnaire were carefully worded so as to encourage participants to candidly report their views, even the negative ones. Statements were written in such a way that they appear to address the managers in general, without referring to any specific individual. Whenever possible, passive statements were used instead of active ones. This would ensure that respondents do not take the questions personally (Soobaroyen, 2007). No specific reference was made to “dysfunctional behaviour” in the questionnaire as it might influence the responses. Instead, the sub-heading was referred to as “information regarding the implementation of performance measurement systems (PMS)”. As ethics is considered sensitive to many (Soobaroyen, 2007; Trevino et al., 1998), the word “ethics” was avoided as much as possible and was not made to mirror a particular individual’s ethical stance. The instrument was also accompanied with instructions that would activate concerns for responding honestly.

Besides, participants were also assured of their anonymity and the confidentiality of their responses. No item was reversely worded as it has become a Malaysian culture not to truly rate a negative statement. Therefore, to obtain more reliable responses, positive statements were used instead of the negative ones.

3.5.3 Pre-Testing of Instrument

Questionnaires must be checked for content validity so that it logically appears to accurately measure what it is intended to measure (Sekaran, 2003). It helps to determine the clarity and suitability of statements and questions and to refine and validate the instrument used in the study. Accordingly, a content validity check was carried out on the first draft of the questionnaire by five academicians (including two bank manager-turned-academicians). Items considered as inadequately matched, or redundant were either revised or dropped from the instrument. Based on the feedback, improvements were made on the content of the questionnaire, such as the choice of words, specificity, the sentence structure, and its length and presentation so as to ensure its relevance to this particular study context.

Second, the revised instrument was reviewed by two bank managers (who were excluded from the population) to ensure that it suits the context and language used matched the respondents level. Again, items flawed were either revised or removed until it reached the satisfactory level. The edited instrument was then answered by a different bank manager (who was also excluded from the population). Attempts were made to keep the questionnaire simple, short and make the layout as pleasant as possible to ensure a high response rate. Finally the revised edition was again discussed with the two bank manager-turned-academicians and appropriately edited. On top of that, the questionnaire has been designed with easy to follow instructions in order to increase response rate and to minimise measurement error. After this final revision, the instrument was ready for

distribution. Section 3.6 gives detail elaboration of the actions taken. The questionnaire and the cover letter were printed in colours so as to increase response rate.

In this study, pilot test was not conducted as it was felt that pre-testing has been adequately conducted to ensure the robustness of the instrument. Furthermore, in the context of the population in this study, the bank managers are admittedly extremely busy with their tasks. Hence, to obtain their responses would be fairly difficult that it is doubtful the minimum requirement of thirty could be met. Even if the minimum number of thirty can be met, but meaningful analysis (like exploratory factor analysis) cannot be conducted on such small dataset (Hair, Black, Babin, & Anderson, 2010). As respondents of pilot study cannot be included in the population, then it will further reduce the potential responses received for the main study which will pose a problem to the main study itself. Besides, pilot studies may induce the possibility of making inaccurate predictions or assumptions on the basis of pilot data (Teijlingen & Hundley, 2001).

In addition, the instrument which was originally in English language had not been translated into Bahasa Melayu as target respondents are well-versed in the language which has become the formal working language used in the banking industry. Therefore, translation or bilingual instrument was not seen as necessary.

3.6 Operationalization of the Variables

This section discusses how the eight variables were defined and measured in order to test the hypotheses which were developed in the previous chapter.

3.6.1 Dysfunctional PMS Behaviour

DBE was operationalized as only one dimension which covers the practice of information or measures manipulation. Information or measures manipulation refers to any alteration to the free flow of information, including distortion, filtering, selective presentation, misclassifying things, lying, or falsification of information where only an information set that is in one's best interest is reported (Fisher & Downes, 2008; Jaworski & Young, 1992). It was measured using a six-item instrument. Four items (1 to 4 listed below) were adapted from Soobaroyen (2007) who had earlier adapted from Jaworski and Young (1992), while another two items (5 and 6) were adapted from Merchant (1990). Soobaroyen's instrument showed high reliability of .82, while Merchant did not report the alpha value. Using the Ruler-Option (RO) scale, respondents were to indicate their agreement to each statement on a 101-point scale (0 = in total disagreement, to 100 = in total agreement). Original items and items retained are shown in Table 3.3.

Table 3.3:
Items to measure dysfunctional PMS behaviour

No.	Original items	Finalised items that start with <i>"In my bank, it is a common practice to..."</i>	Remark
1	Managers tend to emphasise data that reflects favourably upon them when presenting information to upper level management	... emphasize data that reflects favourably when presenting information to upper level management;	"upon them" was removed from the statement.
2	Managers tend to avoid being the bearer of bad news when presenting information to upper level management	... avoid being the bearer of bad news when presenting information to upper level management;	
3	Most managers will place high importance on their department's success in getting a generous budget	... place high importance on their branch's success in getting a generous budget or fund allocation;	

Table 3.3: (continued)

Items to measure dysfunctional PMS behaviour

No.	Original items	Finalised items that start with <i>“In my bank, it is a common practice to...”</i>	Remark
4	Managers choose to present information that makes their own performance look better.	... present information that makes performance look better.	“their own” is removed from the statement.
5	How frequently you (or someone within your organization) took the following actions in order to comply with controls: a. pull profits from future periods into the current period by deferring a needed expenditure;	... pull profits from future periods into the current period by deferring a needed expenditure;	
6	b. pull profits from future periods into the current period by accelerating a sale;	... pull profits from future periods into the current period by accelerating a sale;	

3.6.2 Ethical Attitude (EAT)

EAT was operationalized in one dimension, which describes how one perceives the rightness or wrongness of an action (Kantor & Weisberg, 2002). Many researchers believe that obtaining accurate empirical data on ethical attitudes of the respondents is difficult since business ethical decisions often involve complex, and multidimensional issues and it is also almost impossible to address and control all the variables in a questionnaire (Christie et al., 2003). In the past, vignettes have been found to be one of the most effective data collection techniques for ethics research, since they help to standardize a series of independent variables.

In this research, initially seventeen common misconducts in organization, based on short vignettes developed by Newstrom and Ruch (1975), were used to obtain data on

business-ethical attitudes. The same instrument has been frequently used (for example, by Ferrell & Weaver, 1978; Izraeli, 1988; Kantor & Weisberg, 2002) to measure ethical attitude with high reliability score (for example, Cronbach alpha ranged from .92 to .94 in Kantor and Weisberg (2002)). However, some adaptations were done to the wordings used to reflect the Malaysian context. Items that are legally wrong were dropped from the list as this study only focused on the ethically questionable conducts, excluding legally wrong conducts. After pre-testing, only twelve items were retained as explained in Table 3.4. Respondents were asked to indicate their agreement to each statement on a 101-point scale (0 = in total disagreement, to 100 = in total agreement).

Table 3.4:
Items to Measure Ethical Attitude (EAT)

No.	Original items	Finalised items that start with <i>"It is never acceptable to..."</i>	Remark
1	Accepting gifts/favors in exchange for preferential treatment	Item dropped	Too sensitive, and legally wrong
2	Passing blame for errors to an innocent co-worker	... passing blame for errors to an innocent co-worker	
3	Divulging confidential information	Item dropped	Too sensitive, and legally wrong
4	Calling in sick to take a day off	... call in sick to take a day off	
5	Pilfering organization materials and supplies	... use organization materials and supplies for personal purposes	More easily understood
6	Giving gifts/favors in exchange for preferential treatment	Item dropped	Too sensitive and legally wrong
7	Claiming credit for someone else's work	... claim credit for someone else's work	
8	Doing personal business on organization time	... do personal business on organization time	

No.	Original items	Finalised items that start with <i>"It is never acceptable to..."</i>	Remark
9	Concealing one's errors	... conceal one's errors	
10	Taking extra personal time (lunch hours, break, early departure)	... take extra personal time (lunch hours, break, early departure) without seeking superior's permission	
11	Using organization services for personal use	... use organization services for personal use	
12	Not reporting others' violations of organization policies	... not reporting others' violations of organization policies	
13	Padding expenses account up to 10%;	Item dropped	This item is more related to dysfunctional PMS behaviour.
14	Taking longer than necessary to do a job	... take longer than necessary to perform a task	
15	Falsifying time/quality/quantity reports	.. falsify time or quality or quantity reports	
16	Padding expenses account more than 10%	Item dropped	This item is more related to dysfunctional PMS behaviour.
17	Authorizing a subordinate to violate company rules	... authorize a subordinate to violate company rules	

3.6.3 Ethical Ideology (EID)

EID refers to the principles or rules that people use in judging what is right or wrong, especially in ethically questionable issues (Forsyth, 1980; Henle et al., 2005). It was operationalized in two dimensions, namely Idealism and Relativism, as suggested by Forsyth (1980). Like ethical attitude, it is often difficult to obtain accurate empirical data

on ethical ideology as it is deeply embedded in one's core belief. Forsyth (1980) developed a twenty-item ethics position questionnaire (EPQ) which has been frequently used in the study of ethical ideology (like, Davis et al., 2001; Fernando, Dharmage, & Almeida, 2008; Henle et al., 2005) which is also adapted in this study. EPQ consists of twenty items with ten items to measure each of Idealism and Relativism. Although the initial instrument consists of twenty items, but this study adapts the shortened version of fifteen items modified by Karande, Rao and Singhapakdi (2002) which exhibited high reliability of Cronbach alpha ranged from .81 to .89.

The fifteen items were then scrutinized, edited and further reviewed resulting to some items being dropped for reasons elaborated in Table 3.5. Similar to Hartikainen and Tortila (2004), pre-testing revealed that a few items seemed relatively difficult to answer as they are more complex in terms of their phrasing which might invite non-response and confound respondents. Finally, only ten items were retained - six items to measure Idealism (Items 1 to 8) and another four for Relativism (Items 9 to 15) as described in Table 3.5. The questionnaire allocates respondents to different ethical groups, by evaluating their responses and averaging their total scores in both segments. Mean scores were calculated for each scale of which higher scores indicates either greater Relativism or Idealism. Idealism and Relativism are conceptually independent, and individuals may be high or low on either dimension (Forsyth, 1992). Items in the instrument are:

Table 3.5:

Items to Measure Ethical Ideology (EID) via two Dimensions of Idealism and Relativism

No.	Original items	Finalised items	Remark
1	A person should make certain that their actions never intentionally harm another even to a small degree.	To me, any person should make sure that their actions never intentionally harm another even to a small degree.	Wordings were changed to make it more personalize
2	Risks to another should never be tolerated, irrespective of how small the risks might be.	I personally believe that risks to another should never be tolerated, irrespective of how small the risks might be.	Wordings were added to make it more personalize
3	The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.	I feel that an action that could harm an innocent other should not be done, irrespective of the benefits to be gained thereof.	The three items seemed to be redundant, hence were combined to become only one item.
4	One should never psychologically or physically harm another person.		
5	If an action could harm an innocent other, then it should not be done.		
6	One should not perform an action which might in any way threaten the dignity and welfare of another individual.	I feel that one should not perform an action which might in any way threaten the dignity and (or) welfare of another individual.	(or) was included to avoid double barrel question.
7	The dignity and welfare of people should be the most important concern in any society.	I believe that the dignity and (or) welfare of people should be the most important concern in any society.	(or) was included to avoid double barrel question.
8	It is never necessary to sacrifice the welfare of others.	I personally believe that it is never necessary to sacrifice the welfare of others.	Wordings were added to make it more personalize
9	What is ethical varies from one society to another.	Generally, what is right or wrong varies from one society to another.	Changes made so that the statement can be more easily understood.
10	Moral standards should be seen as being individualistic, what one person considers to be moral may be judged to be immoral by another person.	I believe that what is ethical (or unethical) can never be resolved since what one person considers to be moral may be judged as	The two items seemed to be redundant, hence were combined to

No.	Original items	Finalised items	Remark
11	Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.	immoral by another.	become only one item.
12	Different types of moralities cannot be compared as to “rightness.”	Item dropped.	Ambiguous.
13	Moral standards are simply personal rules which indicate how a person should behave, and are not to be applied in making judgments of others.	To me, moral standards are simply personal rules which indicate how a person should behave, hence should not to be applied in making judgments of others.	
14	Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.	Generally, ethical considerations are so complex that individuals should be allowed to formulate their own codes of rights and wrongs.	
15	Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.	Item dropped.	Ambiguous and difficult to understand.

3.6.4 Code of Ethics (COE)

COE was operationalized as one dimension that measures how well the COE in a particular bank is communicated, enforced and become useful in guiding employees' behaviour. Generally, instruments used in many of the previous studies were developed by the individual researchers to suit the objectives of their study (like, Kaptein, 2011; McCabe, Trevino, & Butterfield, 1996; Valentine & Barnett, 2002). For this study, COE was measured by an instrument developed by Schwepker et al. (1997), which was

intended to measure individuals' perceptions of COE, procedures, norms, and values that govern ethical decisions in their organizations. Though the original instrument consists of seven items, but only two items (1 and 3) were directly associated with the COE and were selected for this study. Another two items (2 and 4) were adapted from the literature on the importance of communicating and enforcing the codes to the employees. Except for Item 1 which required a "Yes" or "No" response, responses on other items were averaged, where a higher score indicates a banker's perception of a more effective COE.

Table 3.6 demonstrates the finalization of the items.

Table 3.6:
Items to Measure Code of Ethics (COE)

No.	Original items	Finalised items	Remark
1	My company has a formal, written code of ethics.	My bank has a formal, written code of ethics.	"Company" has been changed to "bank"
2	My company effectively communicates its code of ethics to all employees.	My bank effectively communicates its code of ethics to all employees.	"Company" has been changed to "bank"
3	My company strictly enforces its code of ethics.	My bank strictly enforces its code of ethics.	"Company" has been changed to "bank"
4	The code of ethics is useful in guiding employees in performing their jobs.	The code of ethics is useful in guiding employees in performing their jobs.	

3.6.5 Ethical Work Climate (EWC)

EWC refers to what employees perceive as ethically correct behaviour in an organization or subunit and how ethical issues should be handled. It was operationalized in three dimensions based on its ethical criterion of Egoism, Benevolence and Principled, as also done by Koh and Boo (2001), Parboteeah et al. (2010) and Parboteeah and Kapp (2008).

When employees perceive the organization's primary ethical climate as Egoistic, they will handle ethical dilemmas with an eye to maximizing self-interest. When the organization is characterized by a Benevolent climate, they will attempt to maximize the collective interest, whereas if the ethical climate of an organization is perceived as Principled, conformance to codes, rules, and laws will dominate their efforts. Respondents were asked to rate the extent to which they agree to the items based on *"how it really is in their bank and not how they would prefer it to be."*

To come up with an appropriate instrument to measure the three dimensions, this study referred to the 26-item Ethical Climate Questionnaire (ECQ) developed by Victor and Cullen (1988), with reliability ranged from .60 to .80 for each climate typology. ECQ appears to be the most widely investigated instrument for examining the ethical climate within organizations (Simha & Cullen, 2012). However, as including all 26 items would make a very lengthy questionnaire that might cause fatigue to respondents thus leading to non-response, only the most appropriate ones to present each of the three dimensions were retained and finalized after a series of pre-testing. In their study, Koh and Boo (2001) retained only twelve items from the 26-item instrument with the alpha values of .55, .77 and .67 for Egoism, Benevolence and Principled dimensions respectively. Similarly, Parboteeah and Kapp (2008) also used the local level as they were investigating the safety in a plant which was more related to the local level.

However, this study had tried to account for all three loci of analysis of Individual, Local and Cosmopolitan, where applicable, as it would enable a more comprehensive indication of ethical climate in the banking industry. However, Individual locus was not highly

emphasized as banking industry is known as highly regulated and governed by professional codes and laws. Initially all 26 items were included for pre-testing. However, due to certain reasons like item redundancy and confused wordings, some were dropped from the list. Finally, twelve items were retained with four items to measure each of the three dimensions, similar to the number of items retained in Koh and Boo's (2001) study. Table 3.7 gives details of actions taken.

Table 3.7:

Items to Measure Ethical Work Climate (EWC) via three Dimensions of Egoism, Benevolence and Principled

No.	Original items	Finalised items	Remark
<i>Egoism</i>			
1	In this company, people are mostly out for themselves.	Item dropped	Ambiguous.
2	In this company, people protect their own interest above other considerations.	In this bank, staffs protect their own interests above other considerations.	
3	People are concerned with the company's interests—to the exclusion of all else.	All decisions and actions in my bank are expected to contribute to the bank's interests.	Also used in Koh and Boo (2001)
4	People are expected to do anything to further the company's interests.	Staffs are expected to do anything to further the bank's interests, regardless of the consequences.	
5	Work is considered sub-standard only when it hurts the company's interests.	In this bank, works that hurts the bank's interests can never be acceptable.	Also used in Koh and Boo (2001)
<i>Benevolence</i>			
6	In this company, each person is expected, above all, to work efficiently.	Items dropped.	Statements on efficiency, were represented by Item 8.
7	The major responsibility for people in the company is to		

No.	Original items	Finalised items	Remark
	control costs.		
8	The most efficient way is always the right way, in this company.	The most efficient way is always the right way in this bank.	
9	In this company, our major concern is always what is best for the other person.	What is best for everyone in the bank is the major consideration here.	Three almost similar items, combined to only one statement.
10	In this company, people look out for each other's good.		
11	Our major consideration is what is best for everyone in this company.		
12	My organization does not consider the well-being of all employees.*	This bank is highly concerned about its staffs' wellbeing.	Also included in Koh and Boo (2001).
13	It is expected that you will always do what is right for the customer and public.	In this bank, each staff is expected to always do what is right for the customers and public.	Also included in Koh and Boo (2001).
Principled			
14	There is no room for one's own personal morals or ethics in this company.	Items dropped	Items at Individual level, deemed not appropriate for the banking industry which is known as highly governed by rules and regulations, professional codes, and legal standards.
15	Each person in this company decides for himself what is right and wrong.		
16	In this company, people are expected to follow their own personal and moral beliefs.		
17	In this company, people are guided by their own personal ethics.		
18	The most important consideration in this company is each person's sense of right and wrong.		

No.	Original items	Finalised items	Remark
19	Everyone is expected to stick by company rules and procedures.	Item dropped	Almost similar to Item 20.
20	It is very important to follow strictly the company's rules and procedures here.	Staffs fully understand that it is important to strictly follow the bank's rules and procedures.	
21	Successful people in this company go by the book.	Staffs who do not follow the bank rules and procedures are not viewed favorably in this bank.	The two items are almost similar, so replaced with another one from Koh and Boo (2001)
22	Successful people in this company strictly obey the company policies.		
23	In this company, people are expected to strictly follow legal or professional standards.	Items dropped	Almost similar to item 25.
24	In this company, the law or ethical code of their profession is the major consideration.		
25	People are expected to comply with the law and professional standards over and above other considerations.	In this bank, staffs are expected to comply with the law and professional standards over and above other considerations.	
26	The first consideration is whether a decision violates any law.	In this bank, the first consideration is whether a decision violates any law.	

3.6.6 Perception of Ethical Leadership (PEL)

PEL was operationalized as one dimension which refers to the perception of how ethical a leader is as reflected through their conducts, communications, or enforcement of certain rules, resulting to such behaviour to be emulated by their subordinates (Brown et al., 2005). It was measured using the 10-item Ethical Leadership Scale (ELS) adapted from Brown et al. (2005) who had conducted eight different studies to validate their instrument

(with reliability ranged from .91 – .94). Pre-testing was conducted which resulted to four items being dropped from the original instrument. During the pre-testing, feedback received indicated that the items were rather sensitive, especially in Malaysia where it becomes a culture that subordinates are reluctant to lowly rate their superiors for various reasons. Table 3.8 gives detailed description of the items retained. Higher score indicates greater ethical leadership behaviour.

Table 3.8:
Items to Measure Perceived Ethical Leadership (PEL)

No.	Original items	Finalised items that start with “To my knowledge, my immediate superior ...”	Remark
1	Listens to what employees have to say	... is always empathetic towards his/her subordinates.	The two items are combined to a more comprehensive sentence.
2	Has the best interest of employees in mind		
3	Makes fair and balanced decisions	... makes fair and balanced decisions.	
4	Can be trusted	Item dropped.	A very controversial item.
5	Discusses business ethics or values with employees	... discuss business ethics or values with subordinates.	
6	Sets an example of how to do things the right way in terms of ethics	... sets an example of how to do things ethically right.	
7	Disciplines employees who violate ethical standards	... disciplines employees who violate ethical standards.	
8	Conducts his/her personal life in an ethical manner	Item dropped.	A very sensitive and discrete item.
9	Defines success not just by results but also the way that they are obtained	... defines success not just by results but also the way that they are obtained	

No.	Original items	Finalised items that start with <i>“To my knowledge, my immediate superior ...”</i>	Remark
10	When making decisions, asks, “What is the right thing to do?”	Item dropped	An ambiguous and very subjective item.

3.6.7 Organizational Citizenship Behaviour (OCB)

OCB refers to behaviours or actions that are regarded as extra-role instead of in-role and must be discretionary in nature, implying that they are not part of an individual's formal specified tasks (Organ, 1997). It was operationalized in two dimensions, namely OCB directed towards fellow employees (OCBI) and OCB directed towards the organization (OCBO). In this study, the two dimensions were measured using the 16-item self-report scale previously adapted by Lee and Allen (2002) with eight items to measure each dimension. Their study showed high reliabilities of .83 (OCBI) and .88 (OCBO). Such a distinction, although different from the three-component distinction adopted by Podsakoff et al. (1997), has been adopted by many researchers (e.g., McNeely & Meglino, 1994; Williams & Anderson, 1991). After pre-testing, not many changes were done to the items and all sixteen items were retained as depicted in Table 3.9.

Table 3.9:

Items to Measure Organizational Citizenship Behaviour (OCB) via two Dimensions of OCBI and OCBO

No.	Original items	Finalised items that start with <i>“In this bank, it has been a common practice for me to ...”</i>	Remark
OCBI			
1	Help others who have been absent.	... help subordinates who have been absent.	

No.	Original items	Finalised items that start with <i>"In this bank, it has been a common practice for me to ..."</i>	Remark
2	Willingly give your time to help others who have work-related problems.	... willingly give time to help subordinates who have work-related problems.	
3	Adjust your work schedule to accommodate other employees' requests for time off.	... adjust work schedule to accommodate other employees' requests for time off.	
4	Go out of the way to make newer employees feel welcome in the work group.	... make newer employees feel welcome in the work group.	
5	Show genuine concern and courtesy toward coworkers, even under the most trying business or personal situations.	... show genuine concern toward subordinates, even under the most trying business or personal situations.	
6	Give up time to help others who have work or nonwork problems.	... give up time to help others who have work or non-work problems.	
7	Assist others with their duties.	... assist others with their duties.	
8	Share personal property with others to help their work.	... share personal belongings (like information, notes, stationary, vehicles) with others to help their work.	Longer description to clarify the statement.
OCBO			
9	Attend functions that are not required but that help the organizational image.	... attend functions that are not required but that help the organizational image.	
10	Keep up with developments in the organization.	... keep up with developments in the organization.	
11	Defend the organization when other employees criticize it.	... defend the organization when other employees criticize it.	
12	Show pride when representing the organization in public.	... show pride when representing the organization in public.	
13	Offer ideas to improve the functioning of the organization.	... offer ideas to improve the functioning of the organization.	

No.	Original items	Finalised items that start with <i>“In this bank, it has been a common practice for me to ...”</i>	Remark
14	Express loyalty toward the organization.	... express loyalty toward the organization.	
15	Take action to protect the organization from potential problems.	... take action to protect the organization from potential problems.	
16	Demonstrate concern about the image of the organization.	... demonstrate concern about the image of the organization.	

3.6.8 Psychological Collectivism (PCO)

PCO was operationalized as one dimension as the difference between the focus on self versus the group interest in a group context. It was measured using the six-item collectivism cultural scale adapted by Dorfman and Howell (1988) from Hofstede’s original cultural scale that re-aligns the national level cultural focus to the individual employee level. Erdogan and Liden (2006), who used the same scale in their study, contended that a considerable number of studies on cross-cultural topics in the workplace have adopted such a conceptualization, and found support for its relevance to various employee and organizational outcomes. Besides, the scale has been used in many studies examining I-C showing high reliability values with their study showed a Cronbach’s alpha of .86. Participants are to indicate their level of agreement with the given statements with higher score indicates more collectivism. After pre-testing, all six items were included in the study without much change as shown in Table 3.10. Only words like “To me” or “I believe” were added to make it more personal.

Table 3.10:
Items to Measure Psychological Collectivism (PCO)

No.	Original items	Finalised items	Remark
1	Group welfare is more important than individual awards.	To me, group welfare is certainly more important than individual awards.	
2	Group success is more important than individual success.	To me, group success is certainly more important than individual success.	
3	Being accepted by members of your work group is very important.	Being accepted by members of my work group is certainly very important.	
4	Employees should only pursue their goals after considering the welfare of the group.	I believe that employees should only pursue their personal goals after considering the welfare of the group.	
5	Managers should encourage group loyalty even if individuals suffer.	I feel that managers should encourage group loyalty even if individuals suffer.	
6	Individuals may be expected to give up their goals in order to benefit group success.	To me, individuals may be expected to give up their goals in order to benefit group success.	

Table 3.11 below summarizes the variables, dimensions and total number of items used to measure each dimension or variable. The complete version of questionnaire that contains all instruments to measure each variable is attached in Appendix A.

Table 3.11:

Summary of Items to Measure Each Variable or Dimension and its Source.

No.	Variables and source	Dimensions	Total number of items
1	Dysfunctional PMS behaviour (DBE) - Soobaroyen (2007) - Merchant (1980)	Only one dimension	4 2
2	Ethical attitudes (EAT) - Newstrom and Ruch (1975)	Only one dimension	15
3	Ethical Ideology (EID) - Karande, Rao and Singhapakdi (2002) who previously adapted from Forsyth (1982)	Two dimensions: - Idealism - Relativism	6 4
4	Code of Ethics (COE) - Schwepker et al. (1997) - self-developed based on literature	Only one dimension	2 2
5	Ethical Work Climate (EWC) - Victor and Cullen (1988)	Three dimensions - Egoism - Benevolence - Principled	4 4 4
6	Perceived Ethical Leadership (PEL) - Brown et al. (2005)	Only one dimension	6
7	Organizational Citizenship Behaviour (OCB) - Lee and Allen (2002)	Two dimensions - OCBI - OCBO	8 8
8	Psychological Collectivism (PCO) - Dorfman and Howell (1988)	Only one dimension	6

3.7 Data Collection Procedures

This study employed a mail survey, which is the most commonly used method to collect data (Babbie, 2010). Considering a low response rate of 20 to 25% in Malaysia (Mahmood & Rahman, 2007), the number of questionnaires sent must be higher than the intended sample size. Therefore, by early April 2013, 700 questionnaires were sent to the

selected elements. A set of a questionnaire, a cover letter and a self-addressed, stamped envelope was sent to each selected branch bank managers using the address obtained from the respective bank websites. The cover letter explained the purpose of study and politely asked respondents to complete the questionnaire on their own convenience and to return it accordingly by the middle of May 2013. It also guaranteed that responses would only be used for academic purposes and would be treated with utmost confidentiality and only aggregated data would be analyzed and published. Respondents were not compensated for their participation, however they were given a small token of appreciation.

However, as the middle of May approached, only 121 responses were received with about 32 of them were returned either completely unfilled, incomplete or exhibited straight-lining. Hence only 89 were found usable. Another set of questionnaire with a reminder letter was sent at the end of May 2013 to obtain more response. This was also complemented with phone calls to selected branch. Some explained that they had not received any questionnaire, some said that they were not authorized to answer the questionnaire, while some just attributed their non-responsive to their busy schedule. However, encouraging responses were received after the phone calls with some asked for more time due to their busy commitments.

Extra effort was also put forth to obtain better responses. Besides the mailed questionnaire, a few bank regional managers were contacted to gain their cooperation to email the softcopy of the questionnaire to the list of selected branch bank managers within their authority. As the same manager might receive both hard copy and soft copy

of the same questionnaire, a special note to remind them to answer in only either one mode was attached so that there would be no possibility of the same person to answer twice though such possibility was very remote.

At the end of June, another 143 questionnaires were received, but 15 of them had to be discarded due to multiple reasons. Eventually, out of 264 total questionnaires received, only 217 were found to be usable, resulting to a 31% response rate, which was higher than the expected rate in Malaysia of 20-25%. This sample size is considered adequate as it exceeded the minimum size of eighty explained above. A non-response bias test was conducted to ensure that there were no significant differences in the results obtained from the early and late respondents, with the late respondents being used as proxy for non-respondents (Hair et al., 2010).

3.8 Interview-based approach

To clarify the non-supported findings, this study employs the semi-structured interview approach. This follow-up interview was carried out to obtain the clarification of the issues on the questionnaire so that justifications made can be supported by first-hand information obtained from the interview. All the insignificant results were identified as issues to be clarified. Jamil (2008) also used the same approach to clarify the insignificant relationship in her study.

For this purpose, five branch bank managers were selected to be interviewed. Three of them are the branch bank managers located around Dungun, Terengganu, while another two are in Kerteh, Terengganu. As the branches are located in two similar districts, they

are all graded as “C” grade branches as the grade is normally determined by their locality. These branches were chosen as they are located in close proximity to the researcher that would facilitate the process. Three of them are males, while the remaining two are females. All of them are Malay Muslims with three of them fall within 40 to 45 years of age and the other two are in the age group of 46 to 50 years old. Appendix C exhibits the interviewees’ profile. They were all contacted by phone to obtain prior agreement to participate in the study, after which the appointments were made. Only then the face-to-face interviews were conducted in their office. The interviews lasted within half-an-hour to one hour.

Face-to-face interview would make it easier for the respondent to either clarify some answer or ask for further clarification for some ambiguous items, besides enabling the interviewer to further probe for more information about a particular response (Lavrakas, 2008). However, the author also warned that face-to-face interviews may be rather inconvenient as it demands the on-de-spot answers that may give participant less space to give accurate answers. Similarly, privacy issues remain an important concern in face-to-face interviews. Especially in such sensitive issues such as dysfunctional PMS behaviour and ethics, it certainly is difficult to ask direct questions and expect honest responses. However, this study has tried to use indirect questions, asked in such subtle manner while avoiding sensitive words so that participants would not feel offended by the questions. Though such a problem has been anticipated by the researcher, but such barrier would limit the accuracy or the directness of the questions asked, leading to the answers that may not directly relate to the issues being discussed, especially relating to very sensitive

issues. However, this research has managed to obtain some accurate responses to verify the rather less sensitive issues.

The semi-structured interview questions (refer to Appendix B) were designed based on the results obtained from the first stage (questionnaire survey) and these included open-questions in order for participants to answer them without any restriction. For the structured questions, the answers for the interviews were circled on the appropriate words, while answers for unstructured questions were jotted down throughout the interview process. Though the researcher does not have a proper training in shorthand, but notes taking practices have helped the researcher to develop such skills that enables her to use the skill for limited statement.

Following previous studies (like, Cresswell, 2003; Jamil, 2008), the interview data were analyzed using a procedure called content analysis. Content analysis is one of the formal procedures to clarify the meaning and interpret qualitative data using key themes, patterns and ideas within the data (Cresswell, 2003). No statistical analysis was conducted because the data obtained in this study is merely to clarify and further explain the first phase's results. Besides, interview questions were not asking for quantitative data. Furthermore, five respondents would not generate sufficient data for conducting statistical analysis.

3.9 Data Analysis: An Overview

A few types of analysis were employed in this study. First, descriptive analysis was conducted to present the distribution of variables used in the model that described the

characteristics and properties of the data collected. Even though it was not necessary in the testing of hypotheses, description of the samples, like age, gender, race, religion and location, as well as the means, modes, range, and standard deviations, are vital in order to support and clarify the results from the multivariate analysis. Forza (2002) argued that such analysis would give preliminary indications of how well the coding and entering of data have been done, how good the scales are and if there is a suspicion of poor content validity or systematic bias.

Second, this study employed the structural equation modelling (SEM), the second-generation technique, in analyzing the data and testing the hypotheses in order to overcome the weaknesses of the first-generation methods. SEM enables researchers to incorporate unobservable variables measured indirectly by indicator variables besides accounting for measurement error in observed variables (Hair et al., 2014). There are two types of SEM. The first one, covariance-based SEM (CB-SEM, like AMOS), is primarily used in confirmatory studies that determine how well a proposed model can estimate the covariance matrix for a sample data set. The second one is known as PLS-SEM (or PLS path modeling) and is primarily used to develop theories in exploratory research by focusing on explaining the variance in the dependent variables (Hair et al., 2014). Both methods differ from a statistical point of view, hence neither is appropriate for all situations. Hence, researchers need to apply the SEM technique that best suits their research objectives, data characteristics and model setup.

In this research, structural equation modelling with Partial Least Squares path modeling (or PLS-SEM) is deemed appropriate based on a few arguments. First, this doctoral

research is more exploratory in nature, which employs five independent variables (exogenous construct) to explain the variance in a dependent variable (endogenous construct). Next, this study employs a relatively new scale known as RO scale which is a continuous scale that provides the most information and enables the interpretation of the magnitude of the differences in values directly (Yusoff & Janor, 2014). Hence, it is an equidistant scale, which makes PLS-SEM analysis the most appropriate technique (Hair et al., 2014).

Next, as data from studies in human behaviour are more prone to be non-normally distributed (Pallant, 2001), PLS-SEM makes an excellent choice of analysis technique as it generally makes no assumptions about data distributions (Hair et al., 2014). The authors posited that PLS-SEM's statistical properties provide very robust model estimations with data that have normal as well as extremely non-normal distributional properties. Besides, it can be used in estimation of complex models almost any size, including those with dozens of constructs and hundreds of indicator variables which is often impossible in CB-SEM.

It also exhibits a higher level of statistical power and not being affected by data inadequacies as long as missing values are below a reasonable level. It can also handle both formative and reflective measurement models as well as single-item measures. Sample size is also not an issue in PLS-SEM as it generally achieves high levels of statistical power with small sample sizes, but larger samples sizes increase the precision (i.e., consistency) of its estimations. In short, as long as appropriate data meet minimum sample size requirements, the complexity of the structural model is virtually unrestricted.

The unique features of PLS facilitate the analysis of complex models even under circumstances that would cause other methods to fail to produce reasonable results.

The software package SmartPLS Version 2.0 (Ringle, C., Wende, S., & Will, A., 2005) and SPSS software version 19 were used to analyze the data. A PLS model is analyzed and interpreted in two stages. First, the measurement model is tested to ensure its reliability and validity. Measurement properties of multi-item constructs, including reliability, convergent and discriminant validity, were examined by conducting CFA using PLS. This first stage is based on the logic that there is little reason to use the measures to examine the structural relationships if we are not confident that they represent the constructs of interest. Second, only when the measures are shown to be adequate, an assessment of the structural model estimates is analyzed for hypotheses testing and justification. The rules of thumb for the evaluation of the reflective measurement models and the structural model are summarized in Table 3.12. Finally, SPSS analysis using independent sample T-test, ANOVA and correlation were also carried out to support the PLS analysis.

3.9.1 Reflective Verses Formative Measurement Model

In PLS-SEM, there are two types of measurement models, namely reflective and formative measurement models (Hair et al., 2014). In reflective measurement model, indicators (or items) represent the effect or manifestations of an underlying constructs. Therefore indicators associated with a particular construct should be highly correlated with each other. Individual items should be interchangeable and any single construct can

be left out without changing the meaning of the construct. On the other hand, formative models are based on the assumption that the indicators cause the construct, hence each indicator captures a specific aspect of the construct's domain. In short, the indicators determine the meaning of the construct, implying that omitting one indicator potentially alters the nature of the construct.

In this study, indicators in the survey instrument are all adapted from previous studies. The indicators for each construct are caused by that particular construct, hence are highly correlated with each other. In the previous studies, some indicators are used interchangeably and some of them are included in one study and left out in another study without changing the meaning of the construct. These characteristics indicate that this study adopts a reflective measurement model instead of a formative measurement. Hence, it will require the assessment of a reflective model which is guided by the rules of thumb outlined in Table 3.12.

Table 3.12
Rules of Thumb for Model Evaluation (for Reflective Measures only)

Reflective Measurement Models	
Internal consistency reliability	Composite reliability should be higher than 0.70 (in exploratory research, 0.60 to 0.70 is considered acceptable).
Indicator reliability	Indicator loadings should be higher than 0.70.
Convergent validity	The average variance extracted (AVE) should be higher than 0.50.
Discriminant validity	<ul style="list-style-type: none"> – The AVE of each latent construct should higher than the construct's highest squared correlation with any other latent construct (Fornell–Larcker criterion). – An indicator's loadings should be higher than all of its cross loadings.
Multicollinearity	Each indicator's variance inflation factor (VIF) value should be less than 5.

Structural Model	
The level of R^2	Values of 0.75, 0.50, or 0.25 for endogenous latent variables in the structural model can be described as substantial, moderate, or weak, respectively.
Path coefficients' significance	<ul style="list-style-type: none"> – Use bootstrapping with 5,000 as the minimum number of bootstrap samples and the number of cases should be equal to the number of observations in the original sample. – Critical t-values for a two-tailed test are 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.58 (significance level = 1%). – Critical t-values for a one-tailed test are 1.28 (significance level = 10%), 1.65 (significance level = 5%), and 2.33 (significance level = 1%).
Effect sizes f^2	Values of f^2 of 0.02, 0.15 and 0.35, respectively denoting small, medium and large effects.
Predictive relevance	<ul style="list-style-type: none"> – Use blindfolding to obtain cross-validated redundancy measures for each construct. Make sure the number of valid observations is not a multiple integer number of the omission distance d. Choose values of d between 5 and 10. – Resulting Q^2 values of larger than zero indicate that the exogenous constructs have predictive relevance for the endogenous construct under consideration. – Effect sizes q^2 - Values of q^2 of 0.02, 0.15 and 0.35, respectively denoting small, medium and large effects.

Source: (Hair, Joe F., Ringle, Christian M., & Sarstedt, Marko, 2011)

3.10 Chapter Summary

This chapter describes the research design, the population and sampling procedures, the questionnaire development and the measurement of each variable which were employed in this study, the data collection procedures, as well as the data analysis. This study aims to investigate the extent of the relationship between personal and organizational ethics and dysfunctional PMS behaviour, and there from to see if such DBE would influence the proclivity of OCB among the managers. In order to achieve the objectives, questionnaires were mailed to obtain data relating to personal and organizational ethics,

information or measures manipulation, citizenship behaviour, psychological collectivism as well as demographic information from the pool of 700 potential samples of branch bank managers of locally incorporated and controlled commercial banks. This has resulted to 217 usable responses. Each variable was measured using the adapted questionnaires based on the well-established instruments which had gone through a series of pre-testing. PLS-SEM 2.0 was employed to analyze the data besides SPSS version 19.

CHAPTER 4: DATA ANALYSIS

4.1 Introduction

The aims of this chapter are to present the results of the questionnaire survey data analysis and the testing of the hypotheses formulated for the study to achieve the research objectives that aim to examine the relationship between ethical antecedents and dysfunctional PMS behaviour as well as the influence of such behaviour on organizational citizenship behaviour as moderated by psychological collectivism. The chapter is divided into several sections. The discussion started with the preliminary analysis of the data (Section 4.2), followed by the none-response bias test (Section 4.3) and the common method bias test (Section 4.4). The analysis of the profile of the respondents was done in Section 4.5. Section 4.6 describes details of goodness of measures used in the measurement model that was followed by the descriptive statistics of the constructs in Section 4.7. Section 4.8 specifically details out further analysis to explain the level of dysfunctional PMS behaviour among the bank managers. This is followed by Section 4.9 that addresses the evaluation of structural model which includes its collinearity assessment, coefficient of determination, path coefficients as well as the models predictive relevance and effect sizes. Then Section 4.10 demonstrates the additional analyses conducted to further support the discussion. A summary of hypotheses testing is shown in Section 4.11, and followed by a chapter summary in Section 4.12 which ends the chapter.

4.2 Preliminary Analysis of the Data

Before proceeding to statistical analysis, the raw data is screened to ascertain the accuracy of the input data, any missing observations and outliers.

4.2.1 Data Editing and Coding

The returned questionnaires were checked for completeness and consistency. Incomplete and inconsistent questionnaires were excluded. Missing values and outliers were checked. A closer inspection of the 264 returned questionnaires was conducted. After considering the incomplete and inconsistent questionnaires, 47 out of the total questionnaires received were discarded due to one or more multiple reason(s). Some were rejected due to important missing data, like demographic information, or entire sections of the survey had been left incomplete, while some others were due to straight lining. An observation was removed from the data file when missing data on a questionnaire exceeded 25% as suggested by Sekaran (2003).

Then, the raw data were manually entered into a data file in SPSS whereby all question items were pre-coded with numerical values. Frequency analyses were conducted for each variable to screen for out-of-range values. Any out of range values were revisited and corrected where appropriate.

4.2.2 Data Screening - Missing Values Analysis and Treatment

Data screening is necessary in ensuring that data are correctly entered, and free from outliers. Thus, the data file was thoroughly examined. In PLS-SEM, confirmation to

normality is not important as it is a non-parametric analysis, hence it was not addressed at this early stage, though extreme violation might distort the analysis (Hair et al., 2014).

Missing data occurs when respondents failed to answer one or more items in the survey. One advantage of using RO scale is the ability to avoid middle point rating and respondents rating the score that does not correspond to their actual feeling due to lack of options given (Yusoff & Janor, 2014). RO scale provides the respondents with three options (“I don’t know,” “I don’t care,” and “Not applicable to me”), coded 101, 102 and 103 respectively, which would be treated as missing values (besides the missing values set by the system). This would avoid respondents from giving any score just for the sake of answering the items. Hence, a thorough analysis of the missing values could be carried out so that the reasons for missing values could be determined. The screening of the data indicates that there was a minimal amount of missing data (about 3.8%). Table 4.1 gives detail description of the missing values.

From Table 4.1, it can be seen that 88.1% of the total missing values consist of those ticking any one of the options given. 58.2% admitted to ‘not knowing’ as a reason they did not tick any score, while another 28.2% reported that the statements were not applicable to them. A very remote 1.7% said that they did not care. As the scores of those ticking ‘do not know’, ‘do not care’ or ‘not applicable to me’ were treated as missing values, and hence not being included in the analysis, then it may well be assumed that only scores that depicted the respondents’ true views were accounted for and analyzed. Hence, RO scale might induce the respondents to more accurately express their views, feelings, perceptions or attitude.

Table 4.1
Missing values analysis

Options for missing values	Total	Percentage
101 – I don't know	341	58.2%
102 - I don't care	10	1.7%
103 - Not applicable to me	165	28.2%
Total ticking the options	516	88.1%
Missing values set by the system	70	11.9%
Total missing values	586	100%

Since PLS-SEM requires data to be free from missing values, then missing values treatment was conducted. However, as there was minimal missing data, the choice of method may not have any significant influence on the results because each method has their advantages and disadvantages (Hair et al., 2010). First, the most recent approach of expectation–maximization (EM) was used to replace the missing values. However, the result was haywire. A few missing values were replaced with values exceeding the maximum values of 100 while some were replaced with values less than minimum possible score of 0 (negative values). This might be due to the scale used with values range from 0 – 100. Therefore, another missing values treatment was conducted.

Next a multiple imputation method was conducted to treat the missing data. Again, some of the numbers generated exceeded the maximum of 100, hence, this method also proved unfruitful for this data. Finally, a more traditional method of replacing missing values with series mean was used which generated more valid scores of 0 to 100. This method is widely used methods to treat missing data as it is based on valid responses that make the mean the best single replacement of missing data (Hair et al., 2010).

4.2.3 Data Screening - Outliers

Outliers for each indicator items were detected by inspecting the Boxplot as suggested by Pallant (2001). The author further suggested changing the value of outliers to a less extreme value, thus including the person in the analysis but not allowing the score to distort the statistics. Field (2011) proposed the value to be changed to a higher value plus one. In this study, not all values were changed, rather only extreme values (those scattered close to stars in the boxplot) were changed and the less extreme ones were retained. In the end, about 157 changes were made to the values considered as outliers to the total of 15,407 values (71 items included in the instrument x 217 respondents), which amount to 1.02% changes.

After the evaluation of measurement model, outliers were once again checked for each constructs using standardized latent variable scores for each case. Any scores exceeding the values of ± 3 are considered as outliers. If one case is detected having outliers for two or three constructs out of eight constructs, this case should be considered to be removed from the dataset (Hair et al., 2014). However, in this study, only fifteen cases were detected having outliers in only one out of twelve constructs (or dimensions), while one case in two constructs. Hence, no serious outliers were detected and therefore, no case was removed from the dataset.

4.2.4 Analysis of Response Rate

In order to achieve an adequate response rate, 700 questionnaires were distributed to the selected branch bank managers as explained in the sampling procedure section. Of the

700 surveys, 264 were returned, equivalent to a 37.7% response rate. However, 47 surveys were discarded due to multiple reasons, resulting to an effective sample of 217 usable completed surveys (31% usable response rate) as exhibited in Table 4.2. The response rate in this research was considered appropriate based on the following reasons. First, the rate of 31% is within the common range of 21 to 50 percent response rate reported in the business ethics research (Randall & Gibson, 1990). Secondly, the rate is higher than other research carried out in the Malaysian environment of about 20 – 25% (Mahmood & Rahman, 2007).

Table 4.2
Analysis of Response Rate

	No	%
Total number of questionnaires mailed	700	100
Non response	436	62.3
Total number of questionnaires returned	264	37.7
Less: Questionnaires discarded for various reasons	(47)	6.7
Total usable questionnaires	217	31

4.3 Non-Response Bias Test

A total of 700 questionnaires were mailed out in early April 2013. Table 4.2 shows the analysis of response rate of the survey. From the questionnaires received, 217 questionnaires were fit for further analysis, recording a response rate of 31% (refer to Table 4.2). A non-response bias test was conducted by comparing early and late respondents, where late respondents were being used as proxy for non-respondents. This test was carried out to determine if there were any difference in the response of respondents and non-respondents. Those responding to the questionnaire before the first

reminder were categorised as early respondents, while those responding after the first reminder were classified as the late respondents as commonly used by other researchers (like, Mustapha, 2009). In this study, 89 questionnaires were received before the reminder (41%) and the balance of 128 (59%) were received after the reminder and hence be categorized as late respondents, which were treated as similar to non-respondents.

An independent sample t-test was carried out to determine whether there were significant differences between the mean scores of variables employed in this study received before and after the reminders were sent. The results (shown in Table 4.3) indicate that there are no significant differences in the two groups being considered as p-values for all variables or dimensions are above .05 (range from .130 to .998). Therefore, it can be concluded that non-response bias would not be an issue in this study.

Table 4.3:
Non-Response Bias Test: Independent Sample t-test of the Variables Employed

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
COE	Equal variances assumed	.278	.598	-.544	215	.587
	Equal variances not assumed			-.537	180.744	.592
PEL	Equal variances assumed	.671	.414	-.030	215	.976
	Equal variances not assumed			-.030	177.768	.976
EAT	Equal variances assumed	.106	.745	.536	215	.593
	Equal variances not assumed			.535	188.244	.593
IDEAL	Equal variances assumed	.041	.841	.306	215	.760
	Equal variances not assumed			.306	190.896	.760
REL	Equal variances assumed	.835	.362	-.729	215	.467
	Equal variances not assumed			-.719	180.211	.473
DBE	Equal variances assumed	.000	.998	.496	215	.620
	Equal variances not assumed			.495	187.924	.621
OCBI	Equal variances assumed	2.312	.130	.954	215	.341
	Equal variances not assumed			.976	203.077	.330

Table 4.3:

Non-Response Bias Test: Independent Sample t-test of the Variables Employed

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
OCBO	Equal variances assumed	.851	.357	.802	215	.424
	Equal variances not assumed			.818	202.051	.414
BENEV	Equal variances assumed	.746	.389	.230	215	.818
	Equal variances not assumed			.229	184.692	.819
PRINC	Equal variances assumed	.003	.956	1.130	215	.260
	Equal variances not assumed			1.126	186.817	.262
EGOISM	Equal variances assumed	1.957	.163	.577	215	.564
	Equal variances not assumed			.590	202.563	.556
PCO	Equal variances assumed	.059	.809	-.272	215	.786
	Equal variances not assumed			-.270	184.955	.787

4.4 Common Method Bias

Common method bias is a critical problem for the measurement validity in self-report research, especially when key informant method was used to obtain measurement scores for both independent and dependent variables. Although several efforts have been taken to reduce such bias during instrument development stage, the potential common method variance may not be completely eliminated.

Harman's one-factor test was performed to examine the presence of common method bias. First, the researcher performed an exploratory factor analysis by entering all measurement items under one common variable. Podsakoff and Organ (1986) claimed that if the variables all load on one factor or one factor explains the majority of the variance (50% or more), common method variance may be a problem. The results showed that it required six factors together to account for more than 50% of the total

variance, and the first (largest) factor only account for 22.7% variance. Thus, neither a single factor nor a general factor accounts for the majority of the covariance in the measures (please refer to Appendix D).

Second, common method bias might exist when any two or more constructs correlate at 0.90 or more (Bagozzi, Fornell, & Larcker, 1981). Table 4.4 provides a summary of the results from correlational analysis that depicts the strength of the relationship among all variables employed in the study. As shown in Table 4.4, latent variables correlations exhibit that no two constructs correlate more than 0.57. Although many of the variables are found to significantly correlate with one another, but the association is rather weak. As such, overall correlation values generally indicate weak associations between variables. In general, this indicates that all variables (or dimensions) need to be addressed separately. Hence, they do suggest that common method bias is not of great concern and thus is unlikely to confound the interpretations of results.

Table 4.4

Correlations of Latent Variables

	BENEV	COE	DBE	EAT	EGOISM	IDEAL	OCBI	OCBO	PCO	PEL	PRINC	REL
BENEV	1											
COE	.430**	1										
DBE	.064	.092	1									
EAT	.246**	.382**	-.120*	1								
EGOISM	.309**	.112	-.111	.127*	1							
IDEAL	.210**	.364**	.161**	.359**	-.042	1						
OCBI	.294**	.178**	-.229**	.238**	.307**	.203**	1					
OCBO	.400**	.435**	.105	.376**	.142*	.386**	.507**	1				
PCO	.336**	.316**	.018	.290**	.186**	.253**	.295**	.352**	1			
PEL	.262**	.387**	-.125*	.209**	.152*	.169**	.445**	.466**	.318**	1		
PRINC	.578**	.447**	.225**	.403**	.202**	.422**	.288**	.478**	.359**	.244**	1	
REL	.329**	.097	-.269**	.092	.424**	.014	.344**	.102	.340**	.230**	.210**	1

**Correlation is significant at the 0.01 level (1-tailed); *Correlation is significant at the 0.05 level (1-tailed); N=217

4.5 The Respondents' Background Statistics

This section presents the profiles of the respondents. As mentioned in Chapter Three, the unit of analysis is the branch bank managers attached to local commercial banks drawn from ABM as at 30th June 2012. However, responses received from some banks revealed that, due to their tight schedules, some bank managers delegate the task of answering the questionnaire to their executives, who would logically be younger than the intended managers. As a result, about 18.4% was found to be in the age category of 30 to 35 years-old, which represents the youngest age group. Majority (46.1%) fall within the age group of 35 to 45 years old, while another 32.7% are within the age range of 45 to 55. Only 2.3% are more than 55 years of age. Somehow the age of the respondents denotes the position held as one needs to reach certain age level to be a branch bank manager.

Male constitutes a bigger share of 61.3% of the respondent as opposed to female of only 38.7%. This depicts the gender proportion of middle managers in banking industry that consists of more males than females. It was in line with another study conducted on bank managers in Pakistan which showed a proportion of 59% to 41% of males to females (Fatima, Atif, Saqib, & Haider, 2012).

Majority (48.4%) hold a bachelor degree, 31.8% have a diploma or other qualification, like STPM. Only 7.8% possess a masters degree, 11.1% have professional qualification and none of them have a PhD. 72.4% of the respondents are Muslims followed by Buddhists at 17.1% which explains the 70.5% Malay and 22.6% Chinese. 43.3% has been working for more than 15 years, depicting the respondents' seniority as managers, with 33.6% has been holding the same post for more than seven years. About 38.7%

earns more than RM75,000 a year. 73.6% are reported to be working in urban areas and only 40.2% claims to hold discretionary power in running their respective branches. Majority of the branches (64.1%) are rated with good performance by the internal auditors. Table 4.5 exhibits the details of the respondents' background statistics.

4.6 Goodness of Measures

The two main criteria used to test the goodness of measures are validity and reliability. Validity is a test of how well a developed instrument measures the particular concept that it intends to measure, whereas reliability is a test of how consistently a measuring instrument measures whatever concept it is measuring (Field, 2011). One of the biggest advantages of SEM is its ability to assess the construct validity through the use of confirmatory factor analysis (CFA). Construct validity testifies how well the results obtained from the use of measure fit the theories around which the test is designed (Field, 2011). This can be done by examining two important components known as convergent and discriminant validity.

However, in PLS-SEM, the elements of the model are separately evaluated based on certain quality criteria, depending on whether it is a reflective or formative measurement model. As this study employs a reflective measurement model for all its constructs, its assessment includes composite reliability to evaluate internal consistency, individual indicator reliability, and average variance extracted (AVE) to evaluate convergence validity. Besides, the Fornell-Larcker criterion and cross-loadings are used to assess discriminant validity.

Table 4.5
Respondents Background Statistics

Description		Frequency	Percentage (%)	Description		Frequency	Percentage (%)
Gender	Male	133	61.3	Work tenure	< 5 years	58	26.7
	Female	84	38.7		5 ≤ 10 yrs	27	12.4
Age	30 ≤ 35	40	18.4		11 ≤ 15 yrs	38	17.5
	36 ≤ 45	100	46.1		16 ≤ 20 yrs	48	22.1
	46 ≤ 55	71	32.7		> 20 years	46	21.2
	56 and above	5	2.3	Job tenure	< 3 years	84	38.7
Qualification	Masters	17	7.8		3 ≤ 6 yrs	59	27.2
	Professional	24	11.1		> 6 yrs	73	33.6
	Bachelor	105	48.4	Income/year	< RM50,000	74	34.1
	Diploma/Others	69	31.8		50,000 – 75,000	60	27.6
Religion	Islam	157	72.4		75,001 – 100,000	46	21.2
	Buddha	37	17.1		100,001 & above	36	16.6
	Hindu	9	4.1	Location	Urban area	156	73.6
	Christian	12	5.5		Non-urban area	56	26.4
	Others	1	0.5	Discretionary power	Yes	86	40.2
Race	Malay	153	70.5		No	128	59.8
	Chinese	49	22.6	Branch performance as measured by internal auditor	Excellent	44	20.3
	Indian	12	5.5		Good	139	64.1
	Others	2	0.9		Fair	21	9.7
					Poor	2	0.9

4.6.1 Internal Consistency Reliability

This is the first criterion to be evaluated which provides an estimate of the reliability based on the inter-correlations of the observed indicator variables, which is traditionally denoted by Cronbach's alpha. However, Cronbach's alpha assumes that all indicators are equally reliable besides being sensitive to the number of items in the scale and tends to underestimate the internal consistency reliability (Hair et al., 2014). The authors claimed that this weakness gives rise to a more appropriate measure of internal consistency reliability referred to as composite reliability (CR) that takes into account the different outer loadings of each indicator variables. Composite reliability varies between 0 to 1 with higher values indicate higher levels of reliability. The values of 0.60 to 0.70 are acceptable in exploratory research while 0.70 to 0.90 are expected in more advanced stages of researches (Hair et al., 2014). Hence, values less than 0.60 indicate a lack of internal consistency reliability. CR values obtained from this study for all its constructs or dimensions as shown in Table 4.6 range from 0.798 to 0.943 exceeding the value of 0.70 indicating that all indicators are highly reliable (Hair et al., 2010).

4.6.2 Convergent Validity

For reflective indicators, convergent validity is the degree to which an indicator correlates positively with alternative indicators of the same constructs, as they are treated as different approaches to measure the same construct. Hair et al. (2010) suggested that convergence validity can be assessed by examining factor loadings of the indicators, as well as the average variance extracted (AVE).

Higher factor loadings on a construct indicate that the associated indicators have much in common. The desired values should be higher than 0.70 and conversely, indicators with factor loadings below 0.40 should be eliminated. However, indicators with loadings between 0.40 to 0.70 should be considered for removal only when deleting the indicators leads to an increase in composite reliability and AVE above its threshold level (Hair et al., 2014). On the other hand, AVE is the grand mean value of the squared loadings of the indicators associated with the construct. An AVE value of 0.50 or higher indicates that the construct explains more than half of the indicator variance of its indicators that justifies its acceptable level.

In this study, as shown in Table 4.6, the factor loadings for each indicator retained ranged from 0.623 to 0.932. Though indicators with values less than 0.70 should be removed, but Hair et al. (2014) also warn of the effect of such removal to the content validity. Therefore in this study, as the CR and AVE values of the constructs have already exceeded the threshold level and the removal of the indicators might affect the content validity of the constructs, the indicators with the values of less than 0.70 were retained. Similarly, all constructs exhibited satisfactory AVE values exceeding 0.5 threshold level, ranging from 0.501 to 0.878.

Table 4.6
Results of Measurement Model

Constructs	Items	Loadings	t-values ^a	AVE	Composite Reliability	Number of indicators ^b
Ethical Attitude (EAT)	C28_1	0.830	3.133**	0.625	0.943	10 (12)
	C30_1	0.755	2.836**			
	C31_1	0.851	3.368**			
	C32_1	0.844	4.757**			
	C33_1	0.713	3.082**			
	C34_1	0.714	2.643**			
	C35_1	0.858	3.744**			
	C36_1	0.833	4.345**			
	C37_1	0.756	3.247**			
	C38_1	0.729	2.868**			
Idealism (IDEAL)	A05_1	0.932	13.411**	0.854	0.921	2 (6)
	A06_1	0.917	11.375**			
Relativism (REL)	A13_1	0.906	28.792**	0.782	0.878	2 (4)
	A14_1	0.863	17.915**			
Code of ethics (COE)	A02_1	0.866	4.668**	0.807	0.926	3 (3)
	A03_1	0.921	5.059**			
	A04_1	0.909	4.109**			
Egoism (EGOISM)	D43_1	0.815	3.276**	0.570	0.798	3 (4)
	D46_1	0.725	3.030**			
	D49_1	0.721	2.873**			
Benevolence (BENEV)	D39_1	0.810	2.236**	0.682	0.811	2 (4)
	D42_1	0.841	2.439**			
Principled (PRINC)	D40_1	0.680	6.712**	0.501	0.801	4 (4)
	D45_1	0.711	7.101**			
	D47_1	0.761	10.739**			
	D50_1	0.677	6.878**			
Perceived Ethical leadership (PEL)	B21_1	0.926	5.268**	0.712	0.937	5 (6)
	B22_1	0.932	5.667**			
	B23_1	0.837	5.307**			
	B24_1	0.887	5.697**			
	B25_1	0.688	3.681**			
	B26_1	0.766	4.732**			

Table 4.6 (continued)
Results of Measurement Model

Constructs	Items	Loadings	t-values ^a	AVE	Composite Reliability	Number of indicators ^b
Dysfunctional behaviour (DBE)	F67_1	0.901	43.443**	0.732	0.942	6 (6)
	F68_1	0.884	38.461**			
	F69_1	0.876	27.573**			
	F70_1	0.895	48.444**			
	F71_1	0.786	20.390**			
	F72_1	0.781	18.822**			
Organizational citizenship behaviour towards individuals (OCBI)	E51_1	0.623	8.885**	0.594	0.897	6 (8)
	E53_1	0.764	17.055**			
	E55_1	0.798	20.132**			
	E56_1	0.829	23.191**			
	E57_1	0.804	20.845**			
	E58_1	0.790	18.704**			
Organizational citizenship behaviour towards organization (OCBO)	E60_1	0.740	13.110**	0.715	0.937	6 (8)
	E62_1	0.849	22.674**			
	E63_1	0.831	17.625**			
	E64_1	0.894	43.188**			
	E65_1	0.875	27.694**			
	E66_1	0.873	25.742**			
Psychological collectivism (PCO)	A15_1	0.791	13.895**	0.602	0.817	3 (6)
	A16_1	0.871	27.590**			
	A17_1	0.650	7.488**			

^a t-values > 1.645* (p<.05); t-values > 2.33** (p<.01)

^b Final items numbers (initial numbers)

Table 4.6 summarizes the results of the measurement model. The results show that all the twelve constructs (or dimensions) of benevolence (BENEV), code of ethics (COE), dysfunctional behaviour (DBE), ethical attitude (EAT), Egoism (EGOISM), Idealism (IDEAL), Principled (PRINC), citizenship behaviour towards individuals (OCBI), citizenship behaviour towards organization (OCBO), psychological collectivism (PCO), perceived Ethical leadership (PEL), and Relativism (REL) are valid measures of their respective constructs (or dimensions) based on their parameter estimates and are shown to be statistically significant. Shown in the table also is the number of items/indicators per construct. Numbers in parenthesis indicate the initial number of items. To fulfil the criterion, some of the indicators were deleted and numbers outside the parenthesis indicate the number of indicators retained. Although a few items were deleted to measure some particular constructs, this should not be a major concern because such removals did not significantly change the content of the construct as it is conceptualized.

4.6.3 Discriminant Validity

To ensure that a construct is truly distinct from other constructs by empirical standards, a test on discriminant validity was then conducted by examining the correlations between the measures of potentially overlapping constructs. The first method involves examining the cross loadings of the indicators. Indicators should load more strongly on their own constructs in the model. The presence of cross loadings that exceed the indicators' factor loadings represents a discriminant validity problem (Hair et al., 2014). Another method to assess discriminant validity is the Fornell-Larcker criterion which compares the square root of the AVE values with the latent variable correlations (Hair et al., 2014). The

square root of each construct's AVE should be greater than its highest correlation with any other constructs.

The loadings and cross loadings in this study show that each construct (or dimension) is unique and captures phenomena not presented by other constructs (or dimensions) in the model as they seem to load highest on their associated construct (or dimension) as shown in Table 4.7. In addition, as shown in Table 4.8, the correlation values for each construct with other constructs are less than the square root of AVE by the indicators measuring that construct, indicating adequate discriminant validity.

Table 4.7

Loadings and cross loadings

	BENEV	COE	DBE	EAT	EGOISM	IDEAL	OCBI	OCBO	PCO	PEL	PRINC	REL
A02_1	0.396	0.866	0.050	0.294	0.063	0.312	0.168	0.360	0.295	0.330	0.351	0.068
A03_1	0.372	0.921	0.094	0.338	0.073	0.306	0.136	0.357	0.312	0.336	0.425	0.109
A04_1	0.408	0.908	0.113	0.335	0.153	0.369	0.162	0.456	0.245	0.238	0.408	0.088
A05_1	0.192	0.366	0.163	0.340	-0.063	0.932	0.207	0.390	0.254	0.133	0.389	-0.022
A06_1	0.200	0.316	0.149	0.254	-0.012	0.917	0.147	0.319	0.219	0.128	0.392	0.041
A13_1	0.328	0.109	-0.261	0.109	0.349	-0.037	0.356	0.117	0.259	0.257	0.185	0.906
A14_1	0.250	0.067	-0.218	0.123	0.402	0.061	0.257	0.052	0.341	0.158	0.197	0.862
A15_1	0.292	0.307	-0.132	0.249	0.233	0.108	0.254	0.251	0.791	0.308	0.236	0.351
A16_1	0.264	0.230	0.054	0.195	0.155	0.201	0.228	0.346	0.871	0.313	0.299	0.250
A17_1	0.227	0.181	0.134	0.207	0.025	0.303	0.200	0.242	0.650	0.043	0.290	0.174
B21_1	0.092	0.195	-0.188	0.103	0.119	0.083	0.422	0.297	0.228	0.926	0.061	0.226
B22_1	0.208	0.265	-0.170	0.175	0.173	0.114	0.377	0.355	0.301	0.932	0.142	0.260
B23_1	0.245	0.353	-0.085	0.145	0.153	0.125	0.325	0.406	0.237	0.837	0.192	0.125
B24_1	0.229	0.344	-0.098	0.153	0.090	0.174	0.398	0.399	0.256	0.887	0.195	0.192
B25_1	0.321	0.453	-0.024	0.248	0.133	0.211	0.318	0.427	0.278	0.689	0.352	0.188
B26_1	0.309	0.391	-0.050	0.259	0.126	0.186	0.431	0.504	0.336	0.766	0.313	0.201
C28_1	0.260	0.374	-0.079	0.830	0.050	0.347	0.216	0.388	0.281	0.119	0.383	0.055

Table 4.7 (continued)
Loadings and cross loadings

	BENEV	COE	DBE	EAT	EGOISM	IDEAL	OCBI	OCBO	PCO	PEL	PRINC	REL
C30_1	0.114	0.215	-0.001	0.755	-0.023	0.307	0.136	0.275	0.180	0.150	0.300	0.001
C31_1	0.212	0.294	-0.094	0.851	0.092	0.285	0.220	0.380	0.193	0.200	0.280	0.075
C32_1	0.225	0.242	-0.223	0.844	0.141	0.229	0.233	0.246	0.196	0.126	0.235	0.110
C33_1	0.138	0.324	-0.055	0.713	0.091	0.275	0.173	0.238	0.285	0.120	0.326	0.083
C34_1	0.224	0.427	-0.029	0.714	0.034	0.304	0.101	0.311	0.235	0.085	0.357	-0.023
C35_1	0.267	0.285	-0.104	0.858	0.178	0.329	0.211	0.256	0.238	0.089	0.428	0.133
C36_1	0.185	0.267	-0.199	0.833	0.239	0.193	0.200	0.255	0.220	0.168	0.226	0.178
C37_1	0.199	0.409	-0.071	0.756	0.139	0.316	0.169	0.347	0.240	0.193	0.389	0.061
C38_1	0.157	0.325	-0.030	0.729	0.076	0.342	0.201	0.374	0.291	0.169	0.312	0.027
D39_1	0.810	0.219	0.050	0.159	0.274	0.103	0.231	0.196	0.243	0.105	0.435	0.298
D40_1	0.509	0.478	0.152	0.345	0.120	0.321	0.198	0.319	0.233	0.187	0.680	0.150
D42_1	0.841	0.487	0.054	0.265	0.230	0.242	0.251	0.462	0.310	0.250	0.508	0.250
D43_1	0.238	0.105	-0.105	0.175	0.815	-0.045	0.241	0.139	0.154	0.149	0.143	0.336
D45_1	0.439	0.349	0.152	0.286	0.171	0.276	0.226	0.393	0.328	0.247	0.711	0.134
D46_1	0.275	0.134	-0.069	0.115	0.725	-0.055	0.218	0.137	0.143	0.093	0.236	0.325
D47_1	0.411	0.272	0.168	0.240	0.063	0.320	0.187	0.342	0.298	0.137	0.761	0.116
D49_1	0.187	0.034	-0.085	0.100	0.721	0.003	0.248	0.041	0.118	0.093	0.093	0.296

Table 4.7 - continued
Loadings and cross loadings

	BENEV	COE	DBE	EAT	EGOISM	IDEAL	OCBI	OCBO	PCO	PEL	PRINC	REL
D50_1	0.285	0.190	0.183	0.177	0.203	0.280	0.175	0.314	0.156	-0.046	0.677	0.202
E51_1	0.122	0.018	-0.274	0.059	0.167	-0.025	0.624	0.114	0.127	0.262	0.028	0.291
E53_1	0.212	0.050	-0.202	0.159	0.276	0.106	0.764	0.291	0.199	0.295	0.127	0.289
E55_1	0.235	0.246	-0.096	0.244	0.170	0.324	0.798	0.583	0.252	0.362	0.373	0.245
E56_1	0.271	0.148	-0.190	0.223	0.268	0.180	0.829	0.440	0.281	0.353	0.260	0.275
E57_1	0.286	0.229	-0.119	0.238	0.194	0.262	0.804	0.512	0.265	0.406	0.358	0.257
E58_1	0.213	0.100	-0.217	0.229	0.344	0.057	0.790	0.312	0.219	0.346	0.139	0.264
E60_1	0.357	0.318	0.066	0.253	0.177	0.321	0.557	0.740	0.267	0.389	0.452	0.094
E62_1	0.357	0.426	0.057	0.326	0.134	0.349	0.371	0.849	0.255	0.361	0.378	0.096
E63_1	0.318	0.352	0.009	0.239	0.110	0.331	0.499	0.831	0.223	0.434	0.363	0.135
E64_1	0.344	0.392	0.109	0.299	0.092	0.329	0.390	0.894	0.322	0.330	0.419	0.102
E65_1	0.325	0.410	0.151	0.317	0.096	0.333	0.344	0.875	0.335	0.337	0.392	0.052
E66_1	0.356	0.355	0.146	0.339	0.116	0.307	0.379	0.873	0.386	0.304	0.432	0.054
F67_1	0.007	0.122	0.901	-0.111	-0.146	0.226	-0.237	0.144	0.004	-0.131	0.236	-0.290
F68_1	0.065	0.080	0.884	-0.184	-0.046	0.116	-0.302	0.042	0.008	-0.216	0.219	-0.169
F69_1	0.039	0.084	0.876	-0.063	-0.064	0.158	-0.188	0.101	0.000	-0.115	0.202	-0.266
F70_1	0.070	0.134	0.895	-0.076	-0.195	0.259	-0.180	0.162	0.004	-0.118	0.281	-0.295
F71_1	0.060	0.036	0.786	-0.252	-0.068	0.013	-0.145	0.052	0.028	-0.119	0.105	-0.144
F72_1	0.093	0.050	0.781	-0.250	-0.052	0.025	-0.152	0.085	0.077	-0.079	0.105	-0.212

Table 4.8
Fornell-Larcker criterion

	BENEV	COE	DBE	EAT	EGOISM	IDEAL	OCBI	OCBO	PCO	PEL	PRINC	REL
BENEV	0.826											
COE	0.434	0.899										
DBE	0.063	0.104	0.855									
EAT	0.260	0.363	-0.172	0.790								
EGOISM	0.304	0.117	-0.117	0.177	0.755							
IDEAL	0.212	0.370	0.169	0.324	-0.042	0.924						
OCBI	0.292	0.170	-0.240	0.251	0.312	0.193	0.771					
OCBO	0.404	0.443	0.118	0.354	0.140	0.385	0.486	0.845				
PCO	0.336	0.309	0.021	0.277	0.183	0.257	0.293	0.365	0.776			
PEL	0.218	0.322	-0.154	0.175	0.152	0.141	0.439	0.413	0.298	0.844		
PRINC	0.573	0.446	0.233	0.364	0.199	0.422	0.276	0.482	0.354	0.174	0.708	
REL	0.330	0.102	-0.273	0.130	0.421	0.009	0.351	0.099	0.334	0.239	0.215	0.884

Diagonals (in bold) represent the squared average variance extracted while the other entries represent the correlations

4.7 Descriptive Statistics of Constructs

The descriptive statistics (mean, standard deviation, median, mode, minimum and maximum) of constructs or dimensions are presented in Table 4.9. Exhibited also are the skewness and kurtosis values for each construct. As illustrated, skewness fall within the range of -1.57 to 0.44, while kurtosis values are within the range of -.59 to 2.16, indicating that the dataset do not violate the normality assumption. Though PLS-SEM does not require data to be normally distributed, but a highly skewed data can cause issues in the estimation of significance levels (Hair et al., 2014). Therefore, normality test was conducted in this study, and the results show that normality would not influence the estimation of significance levels.

In general, the bankers seemed to be more Idealistic ($m=90.58$, $sd=10.21$) than Relativistic ($m=65.54$, $sd=24.64$). They deemed to hold high ethical attitude ($m=89.24$, $sd=11.86$) and were more collectivist in nature ($m=80.76$, $sd=12.66$). They were more prone to help the organization itself ($m=82.91$, $sd=13.38$), rather than the organizational members ($m=76.35$, $sd=15.05$). Majority felt that the code of ethics has been effective in guiding them to perform their jobs ethically ($m=85.82$, $sd=13.03$). Each of the three items to measure COE scored the mean values within the range of 83 to 88. Generally, the bankers felt that their leaders have exhibited a good level of ethical leadership ($m=76.12$, $sd=15.17$) for them to emulate. In terms of ethical work climate, banking industry can be categorized as highly principled ($m=83.83$, $sd=11.25$) which was in line with findings from previous literatures (Kitson, 1996; Peng, 1998). They scored less on benevolent aspect ($m=74.98$, $sd=16.23$) and were relatively less egoistic ($m=66.07$,

sd=18.20). However, the standard deviations suggested reasonably high variability in respondents' perceptions of the caring and egoistic climate of their respective banks.

Table 4.9
Descriptive Statistics of Each Construct

		BENEV	COE	DBE	EAT	EGOISM	IDEAL	OCBI	OCBO	PCO	PEL	PRINC	REL
N	Valid	217	217	217	217	217	217	217	217	217	217	217	217
	Missing	0	0	0	0	0	0	0	0	0	0	0	0
Mean		74.98	85.82	40.44	89.24	66.07	90.58	76.35	82.91	80.76	76.12	83.83	65.54
Median		75.12	89.27	37.51	92.68	67.97	94.95	79.41	84.17	82.43	80.00	84.67	70.00
Mode		90.00 ^a	100.00	10.00	100.00	66.07	100.00	100.00	100.00	100.00	90.00	100.00	100.00
Std. Deviation		16.23	13.03	26.19	11.86	18.20	10.21	15.05	13.38	12.66	15.17	11.25	24.64
Skewness		-.575	-.981	.440	-1.573	-.941	-1.082	-.897	-1.000	-.567	-.864	-.655	-.732
Std. Error of Skewness		.165	.165	.165	.165	.165	.165	.165	.165	.165	.165	.165	.165
Kurtosis		-.160	.314	-.586	2.156	1.305	.241	.860	1.456	-.045	.331	.201	-.109
Std. Error of Kurtosis		.329	.329	.329	.329	.329	.329	.329	.329	.329	.329	.329	.329
Minimum		24.96	47.06	.00	47.03	.00	62.52	22.98	26.57	40.86	30.00	48.56	.00
Maximum		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

a. Multiple modes exist. The smallest value is shown

4.8 The Level of Dysfunctional PMS Behaviour

In order to answer the first research question on “what is the level of dysfunctional behaviour among the bank managers?”, a reference to Table 4.9 was made. For ease of interpretation, the range from 0 to 100 was categorized into equal sized categories of low, moderate and high. Therefore, scores of less than 33.3 were considered as low; scores of 66.7 and greater were considered high; and those in between were considered moderate. With the mean value of 40.44 out of possible 100 (with higher score indicates more dysfunctional), it can be concluded that most respondents were not highly prone to manipulate PMS information or measures. On average, they seemed to moderately agree to such practice. However, with the rather high standard deviation (26.19) and a wide range of score from minimum 0 to maximum 100, this matter should invite further probe.

For further analysis, based on the same classification also, the respondents were then divided into three different groups of low, moderate and high level of DBE. As shown in Table 4.10, about 42.9% of them (n=93, m=16.38) could be classified into low DBE group, another 38.9% (n=83, m=47.20) belonged to the moderate DBE group and only 18.9% (n=41, m=81.29) were classified into the group of high DBE.

Table 4.10:
Classification of Respondents into DBE Groups

Groups of respondents	Frequency	Percent	Mean	SD
Low DBE	93	42.9	16.38	10.12
Moderate DBE	83	38.2	47.20	9.51
High DBE	41	18.9	81.29	11.46
Total	217	100.0	40.44	26.18

A close scrutiny on each item of DBE was conducted as shown in Table 4.11. For each item, mean values ranged from 33.79 to 44.80. Items (1), (3) and (4) were closely valued at 44 and seemed to be the highest scores. This can be interpreted that the bankers moderately agreed that it has become their common practice to emphasize data that reflects favourably when presenting information to upper level management, place high importance on the branch's success in getting a generous budget or fund allocation, and present information that makes performance look better.

Table 4.11:
DBE scale items, mean and standard deviation

No.	Items that start with: <i>"In my bank, it is a common practice to..."</i>	Mean	Standard deviation
1.	... emphasize data that reflects favourably when presenting information to upper level management	44.80	32.01
2.	... avoid being the bearer of bad news when presenting information to upper level management;	40.80	29.77
3.	... place high importance on the branch's success in getting a generous budget or fund allocation	43.97	32.30
4.	... present information that makes performance look better;	44.51	32.86
5.	... pull profits from future periods into the current period by deferring a needed expenditure;	33.79	28.04
6.	... pull profits from future periods into the current period by accelerating a sale;	34.81	28.42

They also moderately agreed to avoid being the bearer of bad news when presenting information to upper level management (m=40.8). However, they were less agreeable to the profits pulling practices as shown for items (5) (m=33.79) and (6) (m=34.81). In terms of the standard deviation, it is worth noting that all values were rather high, ranging from 28.04 to 32.86. Such a diverse opinion implies that the bankers were not of the same opinion regarding these practices. Though RO scale has a tendency to generate high

standard deviation, but judging from the minimum and maximum scores themselves, respondents did have diverse opinion of the practice.

Although it is not stated as the objective of the present study, it is more meaningful to explore if the level of DBE differs across profiles of the respondents. This is investigated in the following section to further understand the commission of such behaviour among the Malaysian bankers. *Independent sample t-test* was used to evaluate the differences in the level of DBE in terms of gender and whether or not the respondents hold any discretionary power in running their respective branches. The results tabulated in Table 4.12 showed that there was no statistically significant difference ($F=6.08$; $p=.914$) in the mean scores of DBE between males (40.58) and females (40.20). As for power discretion, the mean for DBE scores were also found not to show any significant difference ($F=7.345$; $p=.235$) between those having discretionary power (mean=43.23) as compared to those not having such power (mean=38.69).

The differences in the level of DBE among the bankers were then further explored in terms of age, academic qualification, race, religion, annual income, working tenure in the banking industry and in holding the present post, the branch performance as valued by the internal auditors and the number of staff in each branch. *Analysis of variance (ANOVA)* was used to test the differences between these variables. Table 4.12 summarizes the results of the test. It was found that level of DBE did not vary by age ($F=.479$; $p=.697$), academic qualifications ($F=1.30$; $p=.275$), length of experience holding the present post ($F=2.123$; $p=.122$), religion ($F=2.365$; $p=.054$), race ($F=0.834$; $p=.476$), and number of staffs in a branch ($F=1.182$; $p=.309$).

However, there was a statistically significant difference in DBE scores for the five tenure groups [$F=5.372$; $p=.000$]. The effect size, calculated using eta squared, was moderate at 0.09. Post-hoc comparisons using the Tukey HSD test indicated that the mean score for those working for more than 20 years ($m=52.99$, $sd=26.1$) was significantly different from two groups of those working from 10 to 15 years ($m=35.71$, $sd=29.92$, $p=.017$) and 15 to 20 years ($m=30.43$, $sd=25.20$, $p=.000$).

Annual income also appeared to have a statistically significant difference in DBE scores [$F=4.304$; $p=.006$] at a medium effect size of 0.06. Post-hoc comparisons using the Tukey HSD test indicated that the mean score for those earning between RM50,000 to RM75,000 ($m = 31.45$, $sd = 27.39$) was significantly different from two groups of those earning RM75,001 to RM100,000 ($m=44.78$, $sd=28.96$, $p=.042$) and more than RM100,000 ($m=49.18$, $sd=26.14$, $p=.007$). Similarly, branch performance as measured by the internal auditor also appeared to have significant difference in their scores of DBE [$F=3.432$; $p=.018$]. The mean score of those branches in a group reported as having excellent performance ($m=29.60$, $sd=22.27$, $p=.021$) was significantly different than those of good performance ($m=42.80$, $sd=27.50$).

Table 4.12:

Level of Dysfunctional PMS Behaviour by Respondents Profile

Independent Variable	Categories	<i>M</i>	<i>SD</i>	F-value (p value)
Gender	Male	40.58	27.63	6.08 (.917)
	Female	40.20	23.90	
Age	30 ≤ 35	38.38	16.54	.479 (.697)
	36 ≤ 45	38.83	26.75	
	46 ≤ 55	42.82	29.70	
	56 and above	46.18	21.13	

Table 4.12:

Level of Dysfunctional PMS Behaviour by Respondents Profile

Independent Variable	Categories	M	SD	F-value (p value)
Academic qualification	Masters Professional Bachelor/Diploma/Others	45.25 48.70 37.95	19.60 30.17 26.08	1.30 (.275)
Working tenure in banking industry	Less than 5 years 5 ≤ 10 years 11 ≤ 15 years 16 ≤ 20 years > 20 years	43.30 37.34 35.71 30.43 52.99	20.55 25.44 29.92 25.20 26.10	5.372 (.000)*
Length of experience in the present post	Less than 3 years 3 ≤ 6 years > 6 years	45.03 37.10 37.91	24.95 23.27 29.38	2.123 (.122)
Annual income	Less than RM50,000 RM50,000 - RM75,000 RM75,001 - RM100,000 RM100,001 and above	40.99 31.45 44.78 49.18	21.41 27.39 28.96 26.14	4.304 (.006)*
Religion	Islam Buddha Hindu Christian Others	41.15 33.41 32.84 58.49 45.04	25.30 25.47 26.70 34.20 -	2.365 (.054)
Race	Malay Chinese Indian Others	41.48 38.80 31.58 56.09	25.29 29.38 26.47 .17	0.834 (.476)
Power discretion	Yes No	38.68 43.23	24.17 29.21	1.531 (.217)
Branch performance	Excellent Good Fair Poor	29.60 42.80 47.44 47.27	22.27 27.50 25.44 1.48	3.432 (.018)*
No of staffs	Less than 17 18 to 22 23 and above	38.13 37.56 44.20	25.49 28.12 27.81	1.182 (.309)

**significant at 0.05*

4.9 Assessing Structural Model Results

Once the constructs or dimensions are confirmed to be reliable and valid, the next step is to address the structural model or inner model. This involves examining the model's predictive capabilities and the relationships between the constructs or dimensions. Eventually it will determine how well empirical data support the theory/concept and if the theory/concept has been empirically confirmed. The hypothesized research model is depicted in Figure 4.1.

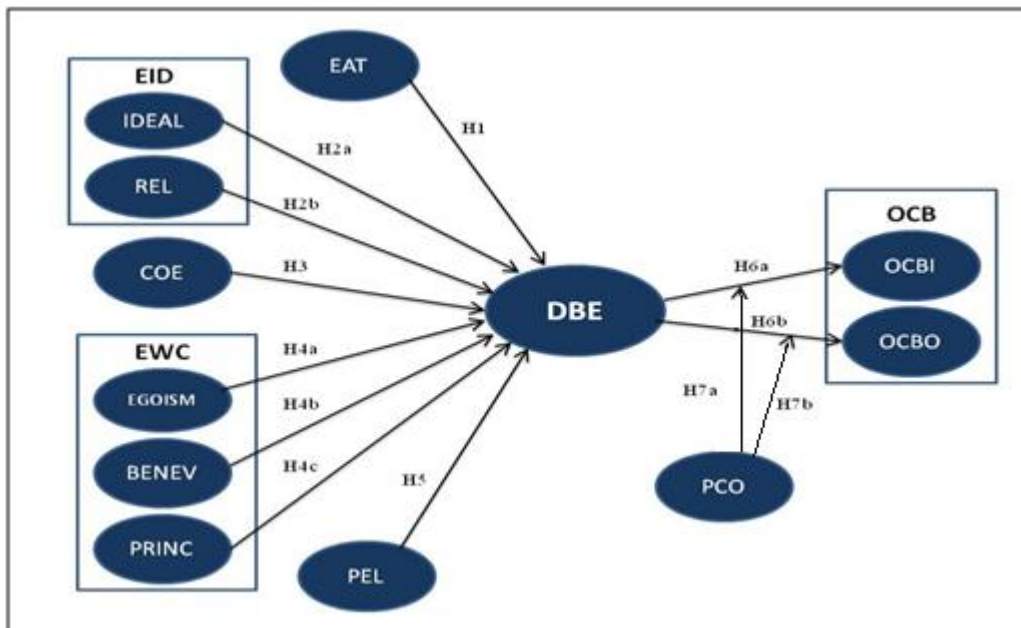


Figure 4.1:
The hypothesized research model

In this research, twelve hypotheses were developed in order to answer the research questions addressed in Chapter One. These hypotheses were grouped into three main categories as listed in Table 4.13 and illustrated in Figure 4.1 in order to test: 1) ethical antecedents of dysfunctional behaviour; 2) its influence on citizenship behaviour; and 3) the moderating effect of psychological collectivism on such relationship.

Table 4.13:
A List of Hypotheses Proposed in the Study

Ethical antecedents of dysfunctional behaviour		
1	H1:	<i>Ethical attitude is negatively related to dysfunctional behaviour.</i>
2	H2(a):	<i>Idealism is negatively related to dysfunctional behaviour.</i>
3	H2(b):	<i>Relativism is positively related to dysfunctional behaviour.</i>
4	H3:	<i>Codes of ethics is negatively related to dysfunctional behaviour</i>
5	H4(a):	<i>Egoistic climate is positively related to dysfunctional behaviour.</i>
6	H4(b):	<i>Benevolent climate is negatively related to dysfunctional behaviour.</i>
7	H4(c):	<i>Principled climate is negatively related to dysfunctional behaviour.</i>
8	H5:	<i>Perceived ethical leadership is negatively related to dysfunctional behaviour.</i>
The influence of dysfunctional behaviour on citizenship behaviour		
9	H6(a):	<i>Dysfunctional behaviour is negatively related to organizational citizenship behaviour targeted at individuals (OCBI).</i>
10	H6(b):	<i>Dysfunctional behaviour is negatively related to organizational citizenship behaviour targeted at organizations (OCBO).</i>
The moderating effect of psychological collectivism		
11	H7(a):	<i>The relationship between dysfunctional behaviour and OCBI is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.</i>
12	H7(b):	<i>The relationship between dysfunctional behaviour and OCBO is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.</i>

The key criteria for assessing the structural model in PLS-SEM are the significance of the path coefficients, the level of the R^2 values, the f^2 effect size, the predictive relevance (Q^2), and the q^2 effect size (Hair et al., 2014). However, before the assessment of the structural model, an examination for multicollinearity must be conducted as the estimations of path coefficients might be biased if it involves significant levels of collinearity among the predictor constructs.

4.9.1 Collinearity Assessment

In order to conduct the collinearity analysis, unstandardized latent variable scores were extracted from the PLS-SEM report and imported to SPSS software package. A multiple regression analysis was then run with a set of predictor constructs as independent variables and a dependent variable. The only result that is important to assess collinearity issues are the tolerance and VIF values. In the context of PLS-SEM, a tolerance value of 0.20 or lower and a VIF value of 5 respectively indicate a potential collinearity problem (Hair, J.F, Ringle, C.M, & Sarstedt, M, 2011).

Table 4.14:
Collinearity Assessment

First Set			Second Set		
Constructs	Tolerance	VIF	Constructs	Tolerance	VIF
BENEV	.566	1.766	DBE	.881	1.135
COE	.628	1.593	OCBI	.648	1.542
EAT	.752	1.329	OCBO	.654	1.528
EGOISM	.771	1.297	PCO	.857	1.167
IDEAL	.734	1.363			
PRINC	.807	1.239			
PEL	.528	1.893			
REL	.754	1.327			
^a Dependent variable: DBE			^b Dependent variable: EAT		

In this study, two separate regressions for each part of the model using SPSS Statistics and collinearity diagnostics were requested. Specifically, the following sets of (predictor) constructs were assessed: (i) BENEV, COE, EAT, EGOISM, IDEAL, PRINC, PEL, and REL as predictors of DBE; and (ii) DBE, OCBO, OCBI and PCO as predictors of EAT.

Table 4.14 shows the tolerance and VIF values of the analysis. As exhibited, all tolerance values are above 0.20 and the VIF values are all well below 5. Therefore, collinearity among the predictor constructs is not an issue in the structural model.

4.9.2 Structural Model Path Coefficients for Hypotheses Testing and Coefficient of Determination (R^2 Value)

This section describes the evaluation of the structural model which was divided into three parts, namely on the ethical antecedents of DBE, its influence on OCBI and OCBO, and lastly on the moderation effect of PCO on the DBE-OCBI and DBE-OCBO relationships.

4.9.2.1 The Ethical Antecedents of DBE

The primary evaluation criteria for the structural model are the R^2 measures and the level and significance of the path coefficients. Though the judgment of what R^2 value is high depends on the discipline of study, but in marketing research, values of 0.75, 0.50, or 0.25 for endogenous latent variables in the structural model can be described as substantial, moderate, or weak, respectively (Hair, Joe F. et al., 2011), which is also adopted in this study. The results of the path analysis conducted are presented in Figure 4.2 and Table 4.15. The R^2 value was 0.26 in the first part of the model suggesting that 26% of the variance in DBE can be explained by ethical attitude, ethical ideology, code of ethics, ethical work climate and perceived ethical leadership. This value can be considered as rather weak.

Table 4.15
Path Coefficient and Hypotheses Testing

Hypotheses	Relationship	Coefficient	SE	<i>t</i> value	Decision
H1	EAT -> DBE	-0.306	0.093	3.305**	Supported
H2(a)	IDEAL -> DBE	0.112	0.062	1.821*	Not supported
H2(b)	REL -> DBE	-0.287	0.067	4.299**	Not supported
H3	COE -> DBE	0.093	0.073	1.265	Not supported
H4(a)	EGOISM -> DBE	0.003	0.065	0.049	Not supported
H4(b)	BENEV -> DBE	0.011	0.082	0.129	Not supported
H4(c)	PRINC -> DBE	0.335	0.082	4.106**	Not supported
H5	PEL -> DBE	-0.139	0.076	1.825*	Supported
H6(a)	DBE -> OCBI	-0.264	0.071	3.704**	Supported
H6(b)	DBE -> OCBO	0.057	0.066	0.860	Not supported
H7(a)	DBE * PCO -> OCBI	0.157	0.223	0.701	Not supported
H7(b)	DBE * PCO -> OCBO	0.209	0.252	0.828	Not supported

^a *t*-values > 1.645* (*p*<.05); *t*-values > 2.33** (*p*<.01)

A closer look shows that EAT was significantly negatively related to DBE ($\beta = 0.306$, $p < .01$) and so was PEL ($\beta = 0.139$, $p < .05$), thus lending support to hypotheses H1 and H5. However, all other relationships in the first part of the model were not supported. For H2(a), instead of a negative relationship as hypothesized, a significant positive relationship emerged ($\beta = 0.112$, $p < .05$). Conversely, a significant positive relationship ($\beta = 0.287$, $p < .01$) emerged between REL-DBE instead of a negative hypothesized. Similarly, PRINC was unpredictably positively related to DBE ($\beta = 0.335$, $p < .01$) though

it was initially negatively hypothesized. COE, EGOISM and BENEV were all found not to be significantly related to DBE.

Hence it can be seen that a Principled climate (PRINC = 0.335) appeared to be the strongest predictor of DBE, followed by one's ethical attitude (EAT = 0.306), level of Relativism (REL = 0.287), the perception of how ethical one's leader is (PEL = 0.139) and lastly, one's Idealism (IDEAL = 0.112). In contrast, the code of ethics (COE = 0.039), the degree of Egoism dimension (EGOISM = 0.003) and Benevolence dimension (BENEV = 0.011) have very little influence on DBE.

From the analysis, it can be seen that all two constructs measuring personal ethics, ethical attitude (EAT) and ethical ideology (EID) through its two dimensions of Idealism (IDEAL) and Relativism (REL), appeared to have significant relationship with DBE. In contrast, on the organizational ethics constructs, only principled dimension (PRINC) in the ethical work climate (EWC) and perceived ethical leadership (PEL) were found to significantly relate to DBE. Therefore, it can be concluded that personal ethics is a stronger predictor of DBE. This suggest that it is not the ethics of an organization that strongly influence an employee to manipulate information or performance measures, but rather their personal ethics (their ethical attitude or values and norms of the rightness or wrongness of an action and the ideology that they hold) that would more strongly influence their decision to manipulate information or measures in the PMS process.

4.9.2.2 The Influence of DBE

For the second part of the model on the outcome of DBE, the R^2 values of .170 and .181 denote that 17% and 18.1% of the variance in OCBI and OCBO can be explained by dysfunctional PMS behaviour, respectively. DBE was found to be significantly negatively related to OCBI ($\beta = 0.264$, $p < .01$), but not significantly related to OCBO. Hence, there was a support for H6(a) but not for H6(b). From this result, it can be concluded that DBE would more strongly influence one's proclivity to extend helping behaviour towards individuals in the organization (OCBI = 0.264), rather than towards the organization itself (OCBO = 0.057) which plays a very small influence.

The bootstrapping procedure with the minimum number of bootstrap samples of 5,000, and 217 as the number of cases was conducted to assess the path coefficients' significance. The results indicate that four significant relationships were detected at p-values less than 0.01 (EAT/REL/PRINC – DBE, and DBE-OCBI) and two at p-value less than 0.05 (IDEAL/PEL – DBE).

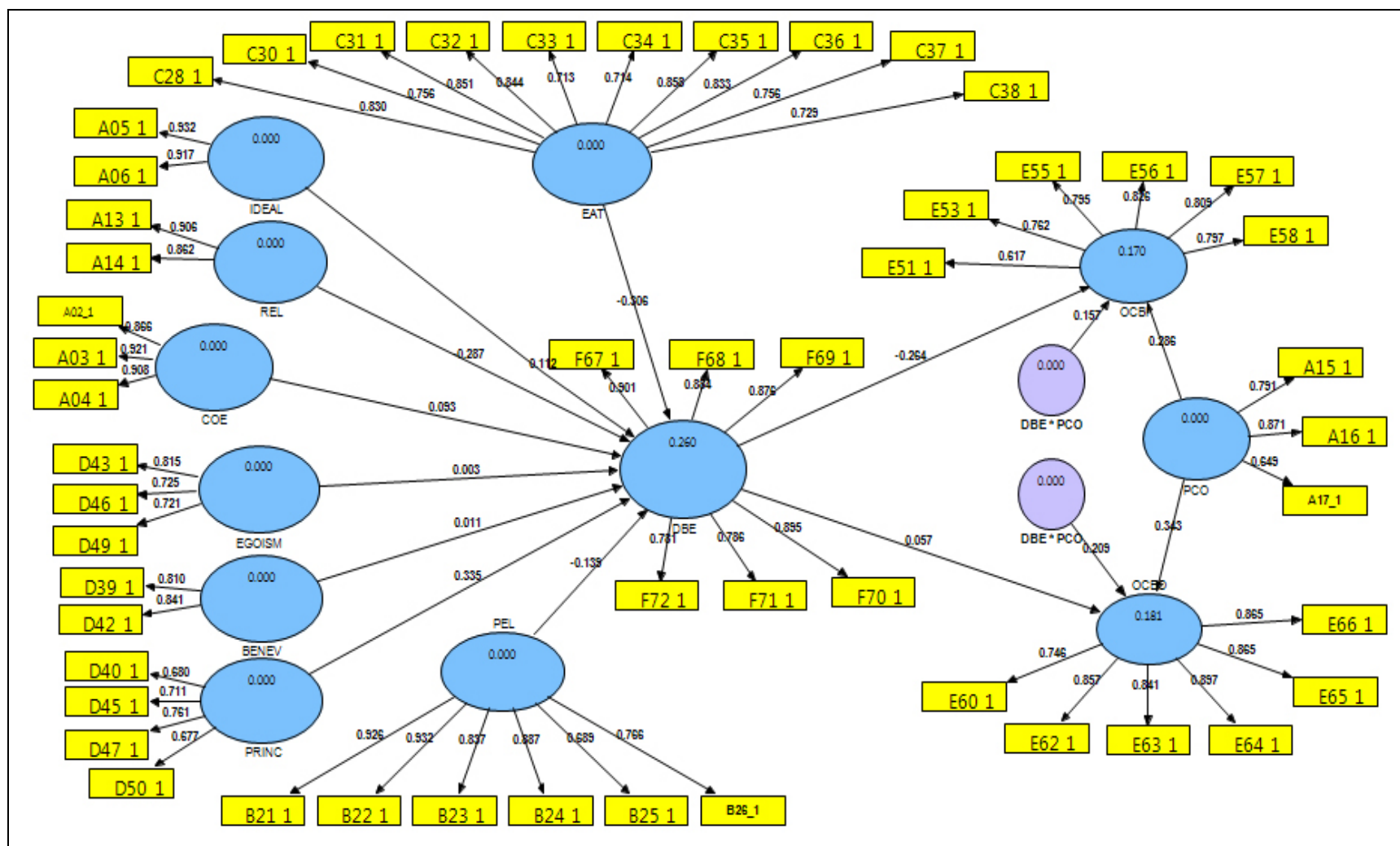


Figure 4.2:
Results of the Path Analysis

4.9.2.3 The Moderating Effects of PCO

Using PLM-SEM also, to test the moderation effect, the product indicator interaction approach, which involves multiplying each (mean-centred) indicator of the exogenous latent variable with each indicator of the moderator variable, was used. The results indicated that there were positive interaction terms of DBE * PCO on both OCBI (0.157) and OCBO (0.209), indicating that if the PCO becomes higher or increase, the relationship between DBE with both OCBI and OCBO would increase by the size of their interaction terms respectively. However, the t-values for both relationships indicated that PCO did not significantly moderate the DBE-OCBO or DBE-OCBI relationship.

However, product indicator interaction approach would result to the model to become more complex and require a much higher sample size. This is due to the high number of product indicators of the interaction term which would lead to high standard error (Hair et al., 2014). This was proven by the standard errors for the interaction effects of DBE * PCO -> OCBI and DBE * PCO -> OCBO (0.223 and 0.252 respectively) which were much higher than other relationships that ranged from 0.062 to 0.093.

To overcome this problem, modelling moderating effects using the two-stage approach was applied. The two-stage moderation approach makes use of the latent variable scores for each construct instead of their respective indicators score, making each construct a single item construct. This has somehow reduced the complexity of the model. The model is exhibited in Figure 4.3 and its result is tabulated in Table 4.16.

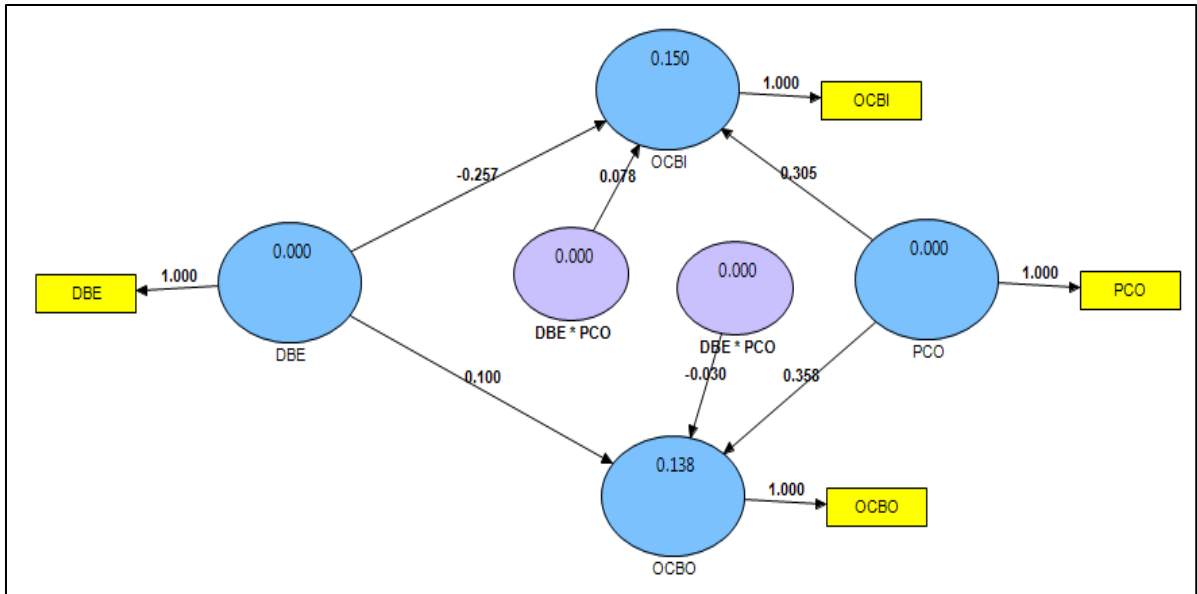


Figure 4.3:
PCO as a Moderator in DBE-OCBI/OCBO Relationships Using Two-Stage Approach

The results indicate that instead of a positive interaction term of DBE * PCO on OCBO as obtained in the earlier analysis, the two-stage analysis gave out a negative interaction term of -0.030 (earlier 0.209) while the interaction term with OCBI still remained positive though at a much lower value of 0.078 (earlier 0.157) as summarized in Table 4.16. However, the t-values for both relationships indicated that PCO did not significantly moderate the DBE-OCBO or DBE-OCBI relationships. Thus the two-stage analysis confirms the results of the earlier analysis that PCO does not play a role in influencing the DBE-OCB relationship as initially hypothesized, hence rejecting both hypotheses 7(a) and 7(b).

Table 4.16
Path Coefficient and Hypothesis Testing of the Moderation Effects Using Two-Stage Approach

Hypotheses	Relationship	Coefficient	SE	t value	Decision
H7(a)	DBE * PCO -> OCBI	0.078	0.078	1.006	Not supported
H7(b)	DBE * PCO -> OCBO	-0.030	0.073	0.415	Not supported

4.9.3 Predictive Relevance (Q^2)

In addition to evaluating the magnitude of the R^2 values as a criterion of predictive accuracy, Q^2 value was also examined as an indicator of the model's predictive relevance. The Q^2 measure applies a sample re-use technique that omits part of the data matrix and uses the model estimates to predict the omitted part (Hair et al., 2014). Specifically, when a PLS-SEM model exhibits predictive relevance, it accurately predicts the data points of the indicators in reflective measurement models of multi-item as well as single-item endogenous constructs. For SEM models, Q^2 values greater than zero indicate the path model's predictive relevance for a particular construct, while values of zero or below indicate a lack of predictive relevance. As a relative measure, values of 0.02, 0.15, and 0.35 indicate that an exogenous construct has a small, medium, or large predictive relevance for a selected endogenous construct (Hair et al., 2014).

The Q^2 value can be calculated by using two different approaches. The cross-validated redundancy (F^2) approach uses the path model estimates of both the structural model and the measurement model. An alternative method, the cross-validated communality (H^2) approach, uses only the construct scores estimated for the target endogenous construct to predict the omitted data points. This study employed the first approach as recommended by Hair et al. (2014) as it includes the key element of the path model to predict eliminated data points.

In this study, a blindfolding procedure with the omission distance of $D=8$ was conducted to obtain the Q^2 values of DBE construct followed by other endogenous constructs of OCBI and OCBO. The values obtained are tabulated in Table 4.17. All values obtained

are greater than 0, implying that the model seems to have adequate predictive relevance for the endogenous constructs. The model has medium predictive relevance for DBE construct but exhibited small predictive relevance for OCBI and OCBO constructs.

Table 4.17
Results of Q^2 and R^2

Endogenous constructs	Q^2	R^2
DBE	0.188	0.260
OCBI	0.101	0.170
OCBO	0.126	0.181

4.9.4 Effect Size (F^2) and (Q^2)

The f^2 effect size is a measure of the impact of a specific predictor construct (or exogenous construct) on an endogenous construct. It measures the change in R^2 value when a specific exogenous construct is omitted from the model, hence indicating if this exogenous construct has a substantial impact of the endogenous construct. On the other hand, q^2 effect size measures the change in Q^2 value when a specific exogenous construct is omitted from the model, hence indicating if this exogenous construct has a predictive relevance on the endogenous construct and is the final assessment of a model.

However, PLS-SEM software does not produce the f^2 and q^2 values. This requires a manual calculation of the value by taking into account the R^2 (or Q^2 to calculate q^2) values when the exogenous construct is included or omitted from the model. According to a guideline suggested by Cohen (1988), f^2 and q^2 values of 0.02 to 0.15 can be considered as having small effect, more than 0.15 to 0.35 denoting medium effect while

values more than 0.35 implying large effect. Only those exogenous constructs with significant relationship with the endogenous constructs are looked into. The f^2 and q^2 values obtained from this model are depicted in Table 4.18.

Table 4.18
Summary of Results – Path Coefficients, f^2 and q^2

Exogenous constructs	DBE			OCBI			OCBO		
	β	f^2	q^2	β	f^2	q^2	β	f^2	q^2
EAT	0.306	0.089	0.068						
REL	-0.287	0.082	0.059						
IDEAL	0.112	0.014	0.011						
PRINC	0.335	0.084	0.058						
PEL	-0.139	0.022	0.017						
DBE				-0.264	0.230	0.055	0.057	0.176	0.042

Referring to f^2 , these values implied that all exogenous constructs in the first part of the model (EAT, REL, IDEAL, PRINC and PEL) only give very small impact to the endogenous construct of DBE. PRINC, the strongest predictor of DBE, though demonstrated a significant relationship with DBE, but only give a small impact ($f^2 = 0.084$), while EAT and REL only gave a value of 0.089 and 0.082 respectively. This result showed that though these exogenous constructs depicted significant relationship with the endogenous construct (DBE) theoretically, but in practical, their impact is very minimal. In contrast, DBE was shown to have a medium impact on both OCBI ($f^2 = 0.230$) and OCBO ($f^2 = 0.176$). However the effect should be interpreted with caution as in this second part of the model, only two exogenous variables (DBE and PCO) were

predicted to explain the endogenous variables of OCBI and OCBO. Hence omitting one exogenous construct might inflate the value of f^2 .

In terms of q^2 effect size, note that all q^2 values of EAT, REL, IDEAL, PRINC and PEL for the predictive relevance on DBE are relatively small. For example, the 0.068 indicates that EAT has a small effect in producing the Q^2 for DBE. Similarly, the 0.055 and 0.042 are the q^2 effect size for the predictive relevance of DBE on OCBI and OCBO respectively, indicating that DBE has a small effect in producing the Q^2 for both OCBI and OCBO.

4.10 The Additional Analyses

This section demonstrates the additional analyses conducted in support of justification made for discussion of the findings in Section 5.3. As only certain parts require further analyses as the results demonstrated equivocal findings, this section is devoted to explain these contradictory findings.

4.10.1 The REL/IDEAL-DBE Relationships

To further examine the relationships of both REL/IDEAL-DBE which turned out in opposite direction as compared to what have been initially hypothesized, samples were then categorized into one of the four taxonomies of ethical ideology (EID) along the two dimensions of REL and IDEAL. This categorization was based on their Idealism and Relativism scores using median splits. Though median splits has been criticized for various reasons like, increasing spurious effect or minimizing the effect sizes (Field, 2011), but in this study, it seems to be the most convenient alternative which was also

consistent with previous research (Bass et al., 1998). Median scores on Relativism (REL) was 70 (51.6% scored below the median, n=105) and Idealism (IDEAL) was 94.95 (55.2% scored below the median, n=114). Those scored above the median on both taxonomies were classified as Situationists (n=53). Those scoring above the median on Relativism but below on Idealism were Subjectivists (n=52), but classified as Absolutists (n=50) if scored below the median on Relativism but above on the Idealism. Lastly, those scored below the median on both taxonomies were classified as Exceptionists (n=62). Detail information is exhibited in Table 4.19.

Table 4.19

Ethical Ideology by Taxonomy

Ethical ideology by taxonomy	Frequency	Percent	Mean	SD
Situationist	53	24.4	41.24	29.94
Absolutist	50	23.0	49.77	24.81
Subjectivist	52	24.0	28.82	22.76
Exceptionist	62	28.6	41.95	23.38
Total	217	100.0	40.44	26.19

To facilitate the analysis of H2, a one-way Analysis of Variance (ANOVA) was conducted to explore the impact of different taxonomy on DBE. Surprisingly, Absolutists reported the highest level of DBE at a mean value of 49.77. Exceptionists and Situationists were at about the same score of 41. Subjectivists came out with the lowest mean value of 28.82, which was much lower than the other three groups. The results from the analysis (Table 4.20) indicated that different taxonomy has a significant effect on the DBE [$F=6.003$, $p = .001$] with the moderate effect size of 0.08 as calculated using eta squared.

There was a statistically significant difference at the $p < .05$ level in DBE scores for three ideology groups of Absolutist, Subjectivist and Exceptionist. As expected, post-hoc comparisons using the Tukey HSD test indicated that the mean score for Absolutists ($m=49.77$, $sd=24.81$) was significantly different from Subjectivists ($m=28.82$, $sd=22.76$, $p=.000$) and also Exceptionists ($m=41.95$, $sd=23.38$, $p=.032$). However, Situationists did not differ significantly from any other groups.

Table 4.20
ANOVA for DBE by Different Ethical Taxonomy

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	11550.124	3	3850.041	6.003	.001
Within Groups	136606.017	213	641.343		
Total	148156.142	216			

An independent sample t-test was then conducted to see if there is a significant difference in REL and IDEAL scores for Individualists as compared to Collectivists. As shown in Appendix E(1), Collectivists scored higher on both IDEAL and REL scores as compared to Individualists. As for IDEAL, the results showed that there was a statistically significant difference ($F=12.01$; $p=.000$) in the mean scores between Collectivists ($m=93.15$, $sd=8.46$) and Individualists ($m=88.07$, $sd=11.13$). With regards to REL, the mean for REL scores were also found to show a statistically significant difference ($F=0.002$, $p=.000$) for the Collectivists ($m=74.41$, $sd=23.57$) as compared to the Individualists ($m=56.90$, $sd=22.58$) as shown in Table 4.21.

Table 4.21
Idealism and Relativism by Psychological Collectivism

Ethical Ideology	PCO Group	N	Mean	Std. Deviation
IDEAL	Individualists	110	88.07	11.13
	Collectivists	107	93.15	8.46
REL	Individualists	110	56.90	22.58
	Collectivists	107	74.41	23.57

4.10.2 The PRINC-DBE Relationship

Another analysis was conducted to investigate the significant positive PRINC-DBE relationship. As Principled climate is concerned with decision makings which are based on deontological principles at three reference groups of either individuals, local or cosmopolitan, then it feels appropriate to divide the respondents into four groups based on their reference groups. This is highly logical as information or measures manipulation in the PMS is very much an internal matter, hence it may be more influenced by the internal rules set by the bank (local), rather than the external codes or laws at cosmopolitan level. Thus it is expected that those who view their banks as highly governed by internal rules (termed, High Rule) would have a lower tendency to manipulate information or measures as compared to those who view their banks as highly governed by external codes and law (termed, High Cosmo).

Respondents were then classified into two groups of High Rule and Low Rule based on their scores for items D40 and D50 using median split. The same procedure was conducted for Cosmopolitan by using items D45 and D47. For both categories, scores under 85 were categorized as low and considered high when exceeded the figure. Cross

tabulation of these two reference groups then produced four categories of those who are (i) high on both rules and cosmopolitan (termed, Both High), (ii) High Rules, (iii) High Cosmo, and (iv) low on both (termed, Both Low).

Table 4.22
DBE Scores by Rules and Cosmopolitan

	N	%	DBE Mean	Std. Deviation	Std. Error
Both High	87	40.1	34.14	20.43	2.19
More Cosmo	30	13.8	39.61	22.32	4.07
More Rules	25	11.5	36.25	23.33	4.66
Both Low	75	34.6	49.45	31.77	3.66
Total	217	100	40.43	26.18	1.77

As tabulated in Table 4.22, 40.1% of them characterized their decision making process as highly governed by both internal rules and external codes and laws as compared to 34.6% of them who feels the opposite. 13.8% feels that the external codes and laws play a more dominant role while another 11.5% feels that internal rules are more prevalent. As expected, those falling in the group of Both Low gave the highest DBE score of 49.45, far exceeding the scores of other groups, ranging from 34 to 39. More Rules ($m=36.25$) also reported lower DBE score as compared to More Cosmo ($m=39.61$).

Analysis of variance (ANOVA) was conducted on to see if their DBE scores differ significantly. The result is tabulated in Table 4.23. There was a statistically significant difference at the $p<.01$ level in DBE scores for the four groups. As expected, post-hoc comparisons using the Tukey HSD test indicated that the mean score for Both High ($m=34.14$, $sd=20.43$) was significantly different from Both Low ($m=49.45$, $sd=31.77$,

$p=.002$). Even though no significant difference was detected between More Rule and More Cosmo, but the higher DBE score for More Cosmo provided evidence that internal rules and procedures play a more prominent role in curbing DBE.

Table 4.23

ANOVA for DBE Score by Different Reference Groups

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10004.866	3	3334.955	5.142	.002
Within Groups	138151.276	213	648.598		
Total	148156.142	216			

4.10.3 The Moderating Effect of PCO

To further understand the role played by PCO, further SPSS analysis was conducted. First, the respondents were categorized into two groups of either Individualist or Collectivist using median splits. Those scored below 82.43 were categorized as Individualist while scores above the value were considered as Collectivist. As a result, 50.7% ($n=110$) of them could be categorized as Individualist and another 49.3% ($n=107$) were Collectivist as tabulated in Table 4.24. To examine if their Individualism or Collectivism may affect DBE differently, independent sample t-test was carried out. However, there was no statistically significant difference ($t\text{-value}=5.36$; $p=.59$) in the mean scores of DBE between Individualists ($m=41.38$) and Collectivists ($m=39.47$). The results are exhibited in Appendix E(2).

Table 4.24

DBE Scores by PCO

	PCO Groups	N	%	Mean	Std. Deviation
DBE	Individualists	110	50.7	41.38	24.56
	Collectivists	107	49.3	39.47	27.85

Next, independent sample t-test was again conducted so as to determine if the two groups may affect OCBI and OCBO differently as tabulated in Appendix E(3). The result showed that there were significant differences in the scores of both OCBI (t-value=5.23; $p=.00$) and OCBO (t-value=4.06; $p=.00$) for the two groups. For OCBI, individualists scored much less ($m=71.37$, $sd=14.98$) than collectivists ($m=81.45$, $sd=13.38$). The magnitude of the difference in the means (eta squared=.113) was almost large, indicating that about 11.3% of the variance in OCBI is explained by psychological collectivism.

Similarly, OCBO scores seemed to be higher among the collectivists ($m=86.52$, $sd=11.36$) as compared to the individualists ($m=79.39$, $sd=14.29$). The magnitude of the difference was moderate (eta squared=.072) indicating that 7.2% of OCBO is explained by psychological collectivism. The analysis also reveals that collectivists scored much higher on both OCBI and OCBO scores indicating that collectivists have higher proclivity to extend helping behaviour whether targeted at the people in the organization or the organization itself. In addition, among these respondents, both groups exhibited higher proclivity to help the organization rather than the members of the organization as exhibited in Table 4.25.

Table 4.25
OCBI and OCBO Scores by PCO

	PCOgrp	N	Mean	Std. Deviation
OCBI	Individualists	110	71.37	14.98
	Collectivists	107	81.45	13.38
OCBO	Individualists	110	79.39	14.29
	Collectivists	107	86.52	11.36

4.11 Summary of Hypotheses Testing

In total, twelve hypothesized relationships were tested in this research. The results are found to support only three of the hypotheses (H1, H5, and H6(a)). The other three hypotheses (H2(a), H2(b), and H4(c)) were found to have significant relationship with DBE albeit in different direction. All other hypotheses (H3, H4(a), H4(b), H6(b), H7(a) and H7(b)) were not supported. Table 4.26 summarises the results. The implications of these results are discussed further in the next chapter.

Table 4.26
Hypotheses and Summary of Results

<i>Antecedents of dysfunctional behaviour</i>		
H1	Ethical attitude is negatively related to dysfunctional behaviour.	Supported
H2(a)	Idealism is negatively related to dysfunctional behaviour.	Not supported
H2(b)	Relativism is positively related to dysfunctional behaviour.	Not supported
H3	Codes of ethics is negatively related to dysfunctional behaviour	Not supported
H4(a)	Egoistic climate is positively related to dysfunctional behaviour.	Not supported
H4(b)	Benevolent climate is negatively related to dysfunctional behaviour.	Not supported
H4(c)	Principled climate is negatively related to dysfunctional behaviour.	Not supported
H5	Perceived ethical leadership is negatively related to dysfunctional behaviour	Supported

Table 4.26 (continued)
Hypotheses and Summary of Results

<i>Influence of dysfunctional behaviour</i>		
H6(a)	Dysfunctional behaviour is negatively related to organizational citizenship behaviour targeted at individuals (OCBI).	Supported
H6(b)	Dysfunctional behaviour is negatively related to organizational citizenship behaviour targeted at organizations (OCBO).	Not supported
<i>The moderation effects of psychological collectivism</i>		
H7(a)	The relationship between dysfunctional behaviour and OCBI is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.	Not supported
H7(b)	The relationship between dysfunctional behaviour and OCBO is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.	Not supported

4.12 Chapter Summary

In this research, data analysis was carried out in two phases. The first phase was concerned with a preliminary analysis of the data. This process is important in order to ensure that the data meet the basic assumptions in using SEM-PLS. In general, the characteristics of the data met the assumptions underlying PLS-SEM testing of research hypotheses. In the second phase, the two stages of PLS-SEM analysis were applied. The first stage involved the evaluation of the measurement models for each of the latent variables. Having confirmed to the uni-dimensionality, reliability and validity, the second stage of PLS-SEM analysis (structural model) was performed to test hypotheses developed in Chapter Two.

In the second stage, the initial hypothesized model was tested. The hypotheses testing were separated into three parts. The first part was to test the antecedents of DBE while the second part looked at the outcomes of dysfunctional behaviour. The third part was to

test the moderating effect of psychological collectivism. All hypothesized relationships were analyzed using PLS-SEM. Though some hypotheses were supported but generally all significant relationships were found to have rather small effect sizes on the endogenous constructs. The next chapter discusses the above results in detail in an attempt to achieve the objectives of this research, discusses the limitation of the study, make conclusions and recommendations for future research and note theoretical and practical implication of the findings.

CHAPTER 5: DISCUSSION, IMPLICATIONS AND CONCLUSION

5.1 Introduction

This final chapter discusses the findings derived in Chapter Four as well as the implications and conclusions from this doctoral research. This chapter is divided into seven sections. It begins with the next section (Section 5.2) that provides an overview of the research. Section 5.3 presents the discussion of the findings which is then followed by Section 5.4 that discusses the theoretical, methodological and managerial implications of this doctoral research. Section 5.5 highlights the limitations of this research as well as the signposts for future research. This is then followed by a brief conclusion that ends this chapter in Section 5.6, while Section 5.7 exhibits a table that summarizes the whole thesis.

5.2 Recapitulation of the Study Findings

Based on Trevino's (1986) model of ethical decision making in organizations which hypothesized that ethical decision making in organizations is explained by the interaction of individual and situational components, this study investigates the ethical antecedents of dysfunctional PMS behaviour and its relationship with citizenship behaviour as moderated by psychological collectivism. A theoretical model was developed based on two main theories: social learning theory and the ethics theory. Two personal ethics (ethical attitude and ethical ideology) and three organizational ethics (code of ethics, ethical work climate and perceived ethical leadership) are chosen as ethical antecedents

of dysfunctional PMS behaviour. Citizenship behaviours targeted at individuals as well as organization levels are posited as the influence of dysfunctional PMS behaviour. Finally, psychological collectivism is posited to moderate the relationship between dysfunctional PMS behaviour with both types of citizenship behaviour.

The first objective of this study is to examine the level of dysfunctional PMS behaviour among the bank managers (hereafter referred to as ‘the bankers’). Then it aims to examine the extent of the relationship of both personal ethics and organizational ethics with dysfunctional PMS behaviour and which category would appear a stronger predictor. Lastly, it tries to unearth the extent of the relationship between dysfunctional PMS behaviour and organizational citizenship behaviour, taking into consideration the moderating effect of psychological collectivism on such relationship.

In view of these objectives, this study was undertaken to seek answers to several research questions: (a) What is the level of dysfunctional PMS behaviour among the bank managers? (b) To what extent does personal ethics affect dysfunctional PMS behaviour? (c) To what extent does organizational ethics affect dysfunctional PMS behaviour? (d) Is dysfunctional PMS behaviour related to organizational citizenship behaviour? (e) Does psychological collectivism moderate the relationship between dysfunctional PMS behaviour and organizational citizenship behaviour?

As described in Chapter 3, data were gathered from the branch bank managers (the bankers) scattered all across Malaysia, including Sabah and Sarawak. 700 questionnaires

were distributed and 264 questionnaires were returned, representing 37.7% participation. However, only 217 were useable, thus generating the effective response rate of 31%.

Data collected were then analyzed and interpreted using PLS-SEM software in two stages. The first stage aims to ensure the reliability and validity of the measurement model by conducting CFA using PLS. When the measurement model was confirmed to be adequately reliable and valid, only then the second stage assessment was performed on the structural model estimates for hypotheses testing and justification. Finally, SPSS analysis using independent sample T-test, ANOVA and correlation were also carried out to support the PLS analysis. The .05 level of significance was used as the critical level for decision making regarding the hypotheses.

Responding to the first research question, this study found that the Malaysian bankers perform a moderate level of dysfunctional PMS behaviour. Respondents with different gender, age, academic qualification, length of service in the present post, religion, race, holding power discretion and number of staff in a branch exhibit similar level of dysfunctional PMS behaviour. However, there were significant differences on the level of dysfunctional PMS behaviour among respondents with different working tenure and annual income as well as among the branches with different performance as measured by the internal auditors.

As for the second research question, the findings indicated that for the three hypotheses related to personal ethics and dysfunctional PMS behaviour relationship, only one hypothesis was supported. As hypothesized, ethical attitude was found to have a significant negative relationship with dysfunctional PMS behaviour. However, both

dimensions under ethical ideology exhibited significant relationships with dysfunctional PMS behaviour albeit in opposite direction. Relativism, which was initially hypothesized as having a positive relationship, emerged with a significant negative one. In contrast, instead of a negative relationship as hypothesized, Idealism appeared to establish a significant positive relationship with dysfunctional PMS behaviour. Overall, both personal ethics variables appeared to have significant relationship with dysfunctional PMS behaviour.

To answer the third research question on the extent of the relationship between organizational ethics and dysfunctional PMS behaviour, hypotheses testing revealed that out of five hypotheses put forth, only one hypothesis was supported. Only perceived ethical leadership was found to have a significant negative relationship as hypothesized. Code of ethics and the two dimensions under ethical work climate, Egoism and Benevolence climates, were all found not to be significantly related to dysfunctional PMS behaviour. However, another dimension, Principled, was unpredictably positively related to dysfunctional PMS behaviour though it was initially negatively hypothesized. In general, the code of ethics, the degree of Egoism and Benevolence dimension appeared to have very little influence on dysfunctional PMS behaviour in contrast to the Principled dimension and perceived ethical leadership.

To sum up the result of the second and third research questions, it can be concluded that personal ethics is a stronger predictor of dysfunctional PMS behaviour. However, despite the significant relationships exhibited by ethical attitudes, Relativism, Idealism, perceived ethical leadership and Principled dimension, the explanatory power of these exogenous

constructs to predict dysfunctional PMS behaviour is low, indicating that there are other variables that are more important in predicting the dysfunctional PMS behaviour.

For the fourth research question, it was discovered that dysfunctional PMS behaviour did significantly negatively relate to citizenship behaviour targeted at individuals in the organizations as previously hypothesized. However, it failed to signify the same hypothesized relationship for citizenship behaviour targeted at the organization. As for the last research question, the data collected exhibited that psychological collectivism did not moderate any of the relationships hypothesized between dysfunctional PMS behaviour and citizenship behaviour, hence resulting to the rejection of the last two hypotheses.

5.3 Discussion of the Findings

This section seeks to discuss the findings of this research which are divided into three parts starting on the level of dysfunctional PMS behaviour among the bankers, followed by the discussion on the effect of antecedent factors on dysfunctional PMS behaviour, and lastly on the influence of such behaviour on citizenship behaviour. In addition, the moderating effect of psychological collectivism on such relationship is also being discussed.

5.3.1 The Level of Dysfunctional PMS Behaviour among the Malaysian Bankers

With regard to the first research question, this study demonstrated that level of dysfunctional PMS behaviour among the Malaysian bankers was rather moderate. Consistent with definition of dysfunctional PMS behaviour, it can be interpreted that, in

their banks' performance measurement process, the bankers were not highly prone to manipulate PMS information or measures and seemed to only moderately agree to such practice ($m=40.44$). However, caution has to be exercised in interpreting the figure as its standard deviation marked a rather high score (26.19). In addition, with the range of score from 0 to 100, the mean value should not be taken at face value and certainly requires further probe. Respondents seemed to have diverse opinions on such behaviour, implying that some seemed to totally disagree with the behaviour, while some others viewed such behaviour as totally acceptable and made it their common practice. Unfortunately, for such an ethically questionable behaviour, this study provides a rather worrisome picture of the ethics of Malaysian banks' performance measurement practices.

It was quite disturbing when the bankers moderately admitted to the manipulation of information or measures in their respective banks. More than half of them (57%) belonged to the moderate to high level DBE groups, implying that information manipulation is practiced by majority of them though they exhibited a diverse opinion of this practice. Overall, they moderately agreed to emphasizing data that reflects favourably upon them when presenting information to upper level management besides presenting information that makes performance look better. Similarly, placing high importance on the branch's success in getting a generous budget or fund allocation has also been an acceptable trend. To a lesser degree, they also moderately agreed to avoid being the bearer of bad news when presenting information to upper level management. However, they were less agreeable to the profits pulling practices, though such acts were still being moderately practiced.

This revelation somehow indicates that there is a preponderance of those practicing the information or measures manipulation in the PM process among the Malaysian bankers. This has somehow confirmed the literatures that though information or measures manipulation is indeed an unethical act, but it has been regarded as an acceptable practice by many. These acts might also be triggered by the desire to compete, either among the many branches of the same bank or among the different banks. It is not surprising when the bankers practically emphasize data that reflects favourably upon them or presenting information that makes performance look better if they have every intention to bolster bigger resources of fund allocation from the headquarter. As each branch is responsible for its own growth, then the managers would do everything in their power to sustain their own branch.

Peng (1998) described more than two decades ago that Malaysian banking landscape has transformed. Instead of waiting for customers to visit the bank, the bankers now have to play an active role in going out to look for the customers. In other words, as a result of the intense competition, the bankers now have to assume the role of marketers. This scenario is further necessitated by the desire to fulfil the customers' demand who are now obviously more informative and demanding. To do this effectively, each branch would require sufficient fund allocated by the head-quarter. What better way to ensure the fund allocated than emphasizing data that makes performance look better? As for profit pulling practices, the scores were rather low as each bank branches are all equipped with an electronic system that might make the practice less congenial.

PMS has long been admitted as a backbone to the success of an organization. However, findings on its effectiveness have been mixed, but not many have tried to dig into the practices that may lead to it being less effective. So, findings of this study might provide evidence to the prevalence of such a case. An important factor to the less effective PMS might lie in the fact that its measures might have been commonly manipulated. Hence the banks might measure their performances against a non-idealistic standard, making the whole PMS process a less effective one.

One thing to bear in mind when discussing about dysfunctional PMS behaviour is the fact that though it is indeed an unethical behaviour, but it is also not legally wrong. Therefore, it is unquestionably a wrong conduct, but has ironically been accepted as a common practice that is even encouraged by the top management (Argyris, 1990; Flamholtz, 1996). Paradoxically, measures manipulation has not only been admitted as hazardous to the PMS process, but also has been thought of as a saviour that provides cushion against a hard fall. Thus it makes the act such a paradox issue – highly encouraged, yet ethically questionable. Hence, the finding that the dysfunctional PMS behaviour, despite being unethical, was quite ubiquitous in the banking industry is somewhat expected. Some bankers were not even aware that they were actually dealing with an unethical act, indicating that information or measures manipulation has indeed become part of their practices. This will of course be a flaw in any PMS design and implementation process that should warrant some cautionary notes to the top management.

Demographically, it can be seen that difference in gender, age, race, religion, academic qualification, length of service holding the present post, having discretionary power and

number of staffs in each branch did not significantly affect the level of dysfunctional PMS behaviour. Only three factors, namely work tenure, income level, and branch performance as measured by internal auditors were found to have a significant difference on the level of dysfunctional PMS behaviour. However, this is somehow expected as Kish-Gephart et al. (2010) discovered in their meta-analysis that demographic factors, like age, gender and educational level, adds nothing to the unethical intention or unethical behaviour.

In terms of gender, male and female reported almost similar mean scores indicating that both males and females were of the same view about information manipulation. Similarly, academic qualification also did not influence one's level of DBE. As for age, though there was no significant difference in age level, but it is disappointing to note that the eldest group (aged 55 or more) reported the highest mean score. A further examination on the age level and DBE denotes a pattern that as one ages, he/she tends to view such behaviour as more commonly accepted as the mean scores seemed to increase from one age group to another. This is in contrast to the finding in Hartikainen and Torstila's (2004) study where age appeared as the most strongly associated with stricter attitudes. Younger people seem more accepting of ethically questionable conduct, but as people aged, they become stricter in judging such conduct.

As Malaysia is a country with multiple races and religions, it will be interesting to discover if they influence the level of dysfunctional PMS behaviour as each would guide individuals' belief and behaviour. However, the non-significant difference for both variables indicated that, in the case of dysfunctional PMS behaviour, neither race nor

religion influences the commission of such act. Christians reported a profoundly higher score as compared to other religions. Thus it might be concluded that, as dysfunctional PMS behaviour is such a paradox issue with no clear separating boundary of its right or wrong, then it is fair to assume that such behaviour might not be considered as religiously or even ethically wrong.

This study statistically significantly noted a difference in the level of dysfunctional PMS behaviour among the different working tenure in the banking industry groups though the length of experience being a bank manager did not exhibit a significant difference. Those working the longest (20 years or more) reported the highest DBE mean score, far exceeding the others. It seems to support the highest score obtained by the eldest group above. It is quite worrisome when more seasoned employees were found to have less conscientious about their responsibilities to their organization relative to the ones new in the industry. With time, the bankers might have become immune to the practice.

Finding of the same pattern can also be seen in the annual income level. The level of dysfunctional PMS behaviour did significantly differ among the different income groups. Similar to the working tenure category, those earning the highest (RM100,001 or more) reported the highest DBE mean score. Putting three categories together, the eldest group, who would have the longest working tenure in the banking industry and undoubtedly earn highest annual income seemed to top the dysfunctional PMS behaviour scores among the Malaysian bankers. Three interesting questions surface here: (i) Does the dysfunctional PMS behaviour become immune with time, that the longer a banker works, the less conscience he/she feels about it?; (ii) Are the bankers getting more greedy leading to the

act of dysfunctional PMS behaviour as they earn more?; Or (iii) Do they earn more (through bonus, reward, etc) as a result of participating in dysfunctional PMS behaviour? Future research might be needed to answer these questions.

Another interesting aspect worth further investigation is the significant difference found in the scores of dysfunctional PMS behaviour among the different branch performance. The branches with excellent performance were significantly different from the branches with good performance. They reported a much lower score than the other three groups of good, fair and poor performance, with the last two groups reported the highest score. This implies that an excellent manager needs to conduct their business ethically, and being ethical would put a business entity ahead of others.

5.3.2 The Effect of Ethical Antecedents on Dysfunctional PMS Behaviour

The second and third research questions relate to the effect of personal and organizational ethics on dysfunctional PMS behaviour. There were eight hypotheses developed to test the effect of these antecedent factors on such behaviour. Three of them were related to personal ethics while another five were related to organizational ethics. Based on the results, only ethical attitude (EAT) and perceived ethical leadership (PEL) were found to be negatively and significantly associated with dysfunctional PMS behaviour as initially hypothesized. On the other hand, Principled climate dimension (PRINC), Relativism (REL), and Idealism (IDEAL) were all found to be significantly related to DBE albeit in opposite direction. Findings from this research also failed to support the hypothesized relationship between the code of ethics (COE), and the other two dimensions of ethical

work climate, Benevolence (BENEV) and Egoism (EGOISM), with dysfunctional PMS behaviour.

While many of the hypothesized relationships were not supported in this study (despite the support they have had in prior works), the results of this study are extremely meaningful because they focus only on the most salient effects. However it was interesting to note that of the five antecedents predicted to explain dysfunctional PMS behaviour, this present study found relationships with four of them. Only code of ethics (COE) was found not to exhibit a significant relationship, while ethical work climate showed a significant relationship in only one of its dimension, namely Principled. This suggests that simultaneous examination of ethical antecedents makes some of the antecedents less important. While this is unique to this study, an important implication, however, is that some of the antecedents may override others in influencing dysfunctional PMS behaviour as all antecedents only focus on one single aspect, namely ethics. For example, Principled dimension under ethical work climate may override the importance of the bank's code of ethics in influencing dysfunctional PMS behaviour as Principled dimension is also related to the rules and code of conducts of a bank. This is also demonstrated by the significant correlations between these two factors.

Before further discussion on the effects of antecedent factors on dysfunctional PMS behaviour, perhaps it is useful to first examine and justify the rather weak explanation power of the ethical antecedent factors as denoted by its R^2 value of only 0.26. This implies that all the antecedent variables considered in this study (ethical attitude, ethical ideology, code of ethics, ethical work climate and perceived ethical leadership) can only

explain 26% of the variance in dysfunctional PMS behaviour. According to Hair et al. (2011), this can be considered weak, hence implying that ethics does not play a crucial role in encouraging the dysfunctional PMS behaviour which in turn may influence the effectiveness of a PMS, specifically in a banking industry. In such a case, then propositions made by other researchers (like, Brown & Stilwell, 2005; Douglas et al., 2007; Drongelen & Fisscher, 2003) must be unfounded, which is highly unlikely.

To enlighten this query, perhaps it is helpful to take a peep at the reasons leading to the commission of such acts. As previously discussed in section 2.2.2 on the antecedents of dysfunctional PMS behaviour, several mechanisms have been suggested to trigger DBE. These factors can be categorized into three, which are: (i) PMS properties-related factors, (ii) organizational-related factors, and (iii) individual-related factors. Many of the extant researches have focused on the first factor (like, Fisher & Downes, 2008; Flamholtz, 1996; Jaworski & Young, 1992; Keasey et al., 2000; Lau, 1999), which relates to the properties of the PMS itself. Quite a number also focused on the second factor that correlates it to the organization factors (like, Argyris, 1953; Fisher & Downes, 2008; Flamholtz, 1996; Schweitzer et al., 2004; Vakkuri & Meklin, 2006), while only minimal tried to unearth the third factor which concerned the individual PMS actors (like, Fisher & Downes, 2008; van Rinsum, 2007).

Knowing the reasons that trigger these acts, then it is not difficult to imagine the role that ethics would play and why it can only explain 26% of DBE. Of these three possible causes of DBE, ethics of the PMS actors would fall under the third category of personal-related factor while ethical values in an organization would fit the second category.

Ethics also appears to be a factor that attracts the least attention of the researchers for reasons that have been previously discussed in Section 1.2. Based on the extant literatures, it may well be concluded that in a PMS, its design and how it is used would form a foundation to its success or failure. This would of course be strongly supported by the organizational-related factors that are inter-twined to form a strong pillar for an effective PMS, which consequently would reduce the unintended consequences of any PMS implementation, including the DBE. Hence, one can certainly expect the substantial power that the two factors may possess in explaining the DBE.

On the other hand, ethics is only one small variable that forms the personal-related (and organizational-related) factors which complement other traits, like knowledge, experience, motivation, job satisfaction, etc that will execute the PMS into success or failure. Though it might seem small, but its role and importance should certainly not belittled. It acts like lubricant to the PMS engine which ensures that it runs smoothly if the organization is to achieve its goals set earlier. A PMS that is not conducted in an ethical manner would undoubtedly invite unintended consequences, like DBE, which would jeopardize its success and beats its own purposes. Thus, even from the beginning, this study has not expected a high explanation power of these ethical antecedents on dysfunctional PMS behaviour. Indeed, a 26% is certainly more than expected for such a 'small' variable, which enables this conclusion to be made: ethics, either personally or implicitly embedded in an organization, does influence the commission of dysfunctional PMS behaviour, specifically the information or measures manipulation.

For ease of discussion, the effects of both personal and organizational ethics on dysfunctional PMS behaviour are discussed separately in the following sections.

5.3.2.1 The Effect of Personal Ethics on Dysfunctional PMS Behaviour

All personal ethics antecedent variables included in the model emerged as significant predictors of dysfunctional PMS behaviour. These, in order of importance, are ethical attitude, Relativism and Idealism. As hypothesized, ethical attitude showed a negative influence on dysfunctional PMS behaviour. However, with regards to ethical ideology, a rather interesting findings emerged which contradict the findings in extant literatures. For Idealism, instead of a negative hypothesized relationship, Idealism denoted a positive relationship with dysfunctional PMS behaviour. Similarly, the same contrast relationship was demonstrated with regards to Relativism that established a negative relationship as opposed to what has been initially hypothesized as positive.

H1: Ethical attitude is negatively related to dysfunctional PMS behaviour.

As discussed earlier, this study shows personal ethics does give some impact on the level of dysfunctional PMS behaviour performed by the Malaysian bankers. In terms of ethical attitude, on average, the respondents deemed to be highly ethical. This seemed like a good news and was certainly an improvement to what Sulaiman and Gupta (1997) had discovered almost two decades ago, when they reported that half of the bank managers in Malaysia were willing to compromise their ethics and even believed that questionable behaviours and deviations from ethical norms as intelligent and a recipe for success. In their study of more than 5,000 business practitioners from 1985 to 2001, Longenecker et

al. (2006) also noted an improved ethical attitudes among the respondents. This might be due to its large size, employees of the banks were reported as less accepting of unethical behaviour as compared to employees in small organizations (Emerson & Mckinney, 2010). Perhaps this finding may make the Malaysians happier and feeling more relief that despite the more intense competition, they are leaving their money in the hands of highly ethical Malaysian bankers.

However, the high ethical attitude seems to contradict the moderate practice of information or measures manipulation, which should be rather low to reflect the high ethical attitude. To justify this query, a finding by Ferrell and Weaver (1978) might provide an answer. The authors noted differing perceptions of ethics in varying situations, suggesting that employees could be more ethical in some behavioural situations than in others. Any behaviour that is much simpler to rationalize and justified is viewed as only slightly unethical, thus they occasionally engage themselves in. As dysfunctional PMS behaviour has been described above as an acceptable behaviour that provides cushion against a hard fall and is even encouraged by the top management, then it is not surprising if employees find such behaviour as easily rationalized and justifiable, hence moderately make it their practice. In line with social learning theory, when individuals define the behaviour as positive, or at least neutral, they are more likely to engage in it (Akers et al., 1979). This is in support of ethical theories, either teleological or deontological, that emphasize on either consequences of action or the right or wrong of an action (Trevino & Nelson, 2004).

As hypothesized, this study found that ethical attitude to be inversely related to dysfunctional PMS behaviour. This suggests that the higher the ethical attitude, the less the banker agrees to the information manipulation practices. This probably happened as a result of a strong ethical values embedded in one's mind which would make one recognizes an act as unethical, hence restraining him/her to commit such act (Kantor & Weisberg, 2002; Weber & Gillespie, 1998). This finding seems to be in line with the findings of other previous researches (like, Ghosh & Crain, 1995; Mitchelli & Chan, 2002; Reckers et al., 1994) who also found a relatively weak negative relationship. As explained by social learning theory, one would perceive the rightness or wrongness of an act based on his/her held definitions, which would influence their decision whether or not to commit an act. The more a person learns and endorses general or specific attitudes that positively approves or justifies the act of DBE, the greater the chance he/she will engage in such behaviour (Akers et al., 1979). However, the authors argued that relationship tends to get stronger when the person is actively benefiting from such aberrant behaviour. In such a case, they would regard such behaviour as situational and begin to justify their behaviour to reduce the feeling of guilt.

However, the result should be interpreted with caution as the high ethical attitude might also be a result of social desirability bias that might normally occur in ethically sensitive items in a survey study such as this. In addition, employees also have a tendency to rate their attitude as more ethical than their actual behaviour that they themselves cannot even reach (Izraeli, 1988; Kantor & Weisberg, 2002). Thus, even employees with strong ethical attitude would not necessarily lead to them taking ethical action. This would pose a question to the accuracy of this finding.

H2(a): Idealism is negatively related to dysfunctional PMS behaviour.

H2(b): Relativism is positively related to dysfunctional PMS behaviour.

With regards to ethical ideology, both dimensions of Idealism and Relativism exhibited contradictory findings in this study. This is rather interesting: (i) why did Idealism appear to have a positive relationship with dysfunctional PMS behaviour when most extant literatures suggested that Idealism promotes ethical behaviour?; and (ii) how come Relativism denoted a negative relationship when it is believed that Relativists judge ethical issues on situational basis, hence are more tolerance to aberrant behaviour? Before indulging into this matter, perhaps it is better to further examine the ethical ideology of the Malaysian bankers.

Ethical ideology is a judgment one makes of what is moral and immoral, hence can significantly vary from one individual to another. With their main concern for minimizing negative consequences and maximizing the welfare of others, Idealists would uphold the universal values, rules and principles in their daily pursuit based on their firm belief that the right action would lead to desirable outcomes. In contrast, Relativists insist that each issue should be situationally assessed as no one moral rule can govern all situations. Relativists then, are more subjective in their judgment and justification of their actions. With regards to the Malaysian bankers, they seemed to be more Idealistic ($m=90.58$) rather than Relativistic ($m=65.54$) in nature. This has somewhat agreed to their high ethical attitude discussed in the previous section. Gender and age also did not influence the ideology.

In their meta-analysis, Forsyth et al. (2008) summed up that Malaysians scored 77.8% on Idealism and 62.5% on Relativism, hence putting the Malaysians into the Situationists group. Perhaps the environment that the respondents work contributes to the high Idealism score. The bankers are known for their standard operating procedures that are governed by rules, principles and laws that require absolute adherence. As such, there is a possibility that adherence to such rules in their daily jobs somehow transforms them into highly Idealistic people. These scores are also rather high as compared to 72% and 49%, respectively, obtained by Hartikainen and Torstila (2004) for their respondents of financial practitioners in Finland. Somehow, Hartikainen and Torstila's (2004) study was conducted on finance practitioners which included banking, other financial services, insurance sectors, and professionals working in other industries but with finance-related jobs, rather than solely on branch bank managers and their assistants.

When further categorized into four ideology taxonomies, the respondents formed four almost equal size groups, with each group constituted by 24 – 28% of the respondents. Exceptionists and Situationists seemed to report almost the similar mean score of DBE (41.95 vs 41.24) and these two groups formed 53% of the total respondents. Therefore, this study exhibits that Exceptionists and Situationists have almost the similar judgment regarding DBE. This finding seems to support the findings of Forsyth et al. (2008) and Axinn et al. (2004) who discovered that many of the Malaysians are Situationists and Exceptionists. From the interview conducted, all participants admitted that they make their judgements based on situations rather than solely referring to the acts or rules. All of them would use their discretion as bank managers when they face any situations that may not be allowed by the bank rules, but may be more convenience to the customers.

Surprisingly, Absolutists (who are high on Idealism but low on Relativism) reported the highest level of DBE as compared to Exceptionists (who are low on both dimensions) and Situationists (who are high on both dimensions). On the other hand, Subjectivists (who are high on Relativism, but low on Idealism) came out last at a much lower score than the other three groups. A statistically significant difference was noted in dysfunctional PMS behaviour scores for three ideology groups of Absolutist, Subjectivist and Exceptionist. This is in contrast to other previous studies (like, Chonko, Wotruba, & Loe, 2003; Elias, 2002; Hartikainen & Torstila, 2004) who reported Absolutists as the strictest in their judgment of ethically questionable behaviour. Somehow, this finding happens to be in line with the finding of Forsyth and Nye (1990) who discovered that although Absolutists espouse a philosophy that condemns harming others, they also appeared to be the most likely to behave immorally than other ideology groups.

Back to H2(a) put forth in this study, it demonstrates that the influence of Idealism on the dysfunctional PMS behaviour was not in the same direction as initially hypothesized. The significant positive relationship was certainly not expected as it implies that, the stronger a person adheres to the universal rules of right or wrong and the more concern they are for the welfare of others, the more they would engage in information manipulation. With regards to H2(b), the effect of Relativism on dysfunctional PMS behaviour was also somewhat surprising as a significant negative relationship emerged instead of the hypothesized positive one. It indicates that the higher the Relativism, the lower the level of information manipulation. Contrary to the belief that Relativists are more open to exceptions as they tend to judge the right or wrong situationally, Relativist bankers in this study seemed to be more cautious and less lenient towards such practice. This is

supported by the results of the interviews made. These situationist bankers, though admitted that they may put the banks' rules aside and applied their discretion in certain deals, but emphasized that their decisions would always be in the interest of the bank. As mentioned by Bank Manager B, *"To win the customers' heart, we have to accommodate them, try to fulfil their needs as best as we can. So sometimes, we have to use our discretion as the bank manager to accommodate their needs... though I make sure that it will not harm the bank's interest."*

This is not consistent with previous research that showed Idealism significantly and negatively related with unethical judgment (Barnett et al., 1994; Barnett et al., 1998; Hartikainen & Torstila, 2004) though Marques and Azevedo-Pereira (2009) did find the relationship insignificant. Douglas and Wier (2005), for example, found that Idealism was negatively related to slack creation behaviour while Relativism was positively correlated with such practices.

The results of this study somehow suggest that, the higher a person espouses moral values, the more tempted they become to behave immorally. Such contradictory findings would surely open a rich avenue for future discussion and debate. In light of these findings, a few possibilities that may trigger the results are looked into. First, Forsyth (1992) posited that in situations where ethical issues are vague, or when actions are not considered as highly unethical, ethical ideology may not be an important predictor to explain differences in ethical judgment or behaviour. Considering the paradox nature of information or measures manipulation – there is still no clear black and white rule that the action is right or wrong, to the extent that the *differential reinforcement* postulated in

social learning theory may become too blur to guide behaviour. Although it has been admitted as ethically wrong, but it has been accepted as part of a practice and even encouraged by the top management (Argyris, 1990; Flamholtz, 1996). Therefore the ethical issue is certainly vague and the action may not even be regarded as unethical by the bankers. Therefore, the inconsistency in the findings may imply that ethical ideology may not be a good predictor of dysfunctional PMS behaviour.

However, blindly accepting this first possibility would abate all other possible explanations of this phenomenon. Hence, assuming that ethical ideology can predict dysfunctional PMS behaviour as evidenced by the significant relationships demonstrated in this study (albeit in opposite direction), one may see the light from a different angle. Rather than being too absorbed in labelling Idealists as ‘morally good and law abiding’ citizens and Relativists are the ‘culprit’, perhaps now is the time to change our view as this finding somehow refutes the generalized theory that Relativists show higher tendency to behave unethically than Idealists. The discussion then continues in justification of the positive IDEAL/DBE relationship, followed by the negative REL/DBE relationship.

With regard to the significant positive IDEAL/DBE relationship, one might wonder, how come ones who highly uphold absolute moral rules and principles and give primacy to maximising others welfare turned up to be the ones who agreed most to the information manipulation practices? Forsyth’s (1992) offered two possible explanations: (i) the salience of moral norms and; (ii) the consequences of an action. First, Absolutists may be more reluctant to engage in immoral behaviour when moral norms regarding that

behaviour are made salient by situational factors, like the effective enforcement of certain code of conduct by the top management. Since they emphasize the importance of having salient moral rules which could act as their reference, then Absolutists would require such rules to first exist and then enforced. With regards to this study, however, when such rules, or differential reinforcement as postulated by social learning theory, are so vague that there is not a clear separating boundary of right and wrong, or when there appears to be misalignment between words and deeds, like in the case of information or measures manipulation in the PMS, then Absolutists may not find one absolute moral norm that may prohibit such act.

The second possible explanation relates to the consequence of the action. Forsyth (1992) posited that Idealists might have a higher tendency to engage in dysfunctional PMS behaviour as they emphasize the need to achieve positive humanitarian consequences. According to deontological theory, an act is to be right, if it will produce or is intended to produce at least the same balance of good or evil or when the outcome gives most benefit to the greatest number (Rachels, 1993; Velasquez, 2006). Hence such acts are considered acceptable if they were meant to help others. This is especially true in the case of information or measures manipulation. When managers strive to ensure their periodical results compare favourably with the predicted results, they may manipulate the related measures as they may genuinely feel that they are doing justice to their subordinates by reducing their job-related stress in meeting high targets set. It may also act as their defence mechanisms especially when the target sets are unreasonable or when there is a strong pressure to go beyond their assigned tasks as previously discussed. In such a case,

information manipulation is inevitable that one must sometimes choose between the lesser of two evils.

Lastly, can dysfunctional PMS behaviour also be a result of role conflict or work stress? Extant literatures have provided sufficient evidence that increased pressure to achieve target set or the conflicting role one has to burden may invite dysfunctional behaviour (Fisher & Downes, 2008; Tang et al., 2008). From the interviews conducted, all bank managers agreed that achieving the target set has been their main concern and has also become their main source of stress. Quoting one of them, *“Meeting the target set is everything here. The bottom line is making profit”*. As their performance is determined by how well they reach the target, then all work stress actually stem from meeting this target.

In the case of bank managers, their unique position as middle managers, who have to balance their accountability to their top management located a distance away and their local subordinates, would cause conflicting or incompatible job demands and expectations that need to be satisfied simultaneously (Ayupp & Nguok, 2011). In their study, Tsai and Shih (2005) reported that managers who were more Idealistic reported feeling greater role conflict, and conflict seemed to decrease as Relativism increases. Hence, a conclusion may be drawn from these findings. Idealists seem to experience higher role conflict leading to higher work stress. This condition may invite higher tendency for them to act immorally, like in manipulating of measures or information. In such a situation, the moral norms are often forgotten and decisions are then based on

what is perceived as necessary to survive regardless of whether it is ethical or not (Falkenberg & Herremans, 1995).

During the interviews, the bank managers revealed that they are often in dilemma – they want to please the top management and also the subordinates. In such cases, they have to play their role wisely, whereby they need to use their discretion to advise the subordinates to obey the instructions from the top management. However, there are also occasions when they have to bring the complaints up to the top management. In most cases, bank managers have to prioritize the management by making sure that the staffs fully comply with the instructions from the top management. Said Bank Manager C, *“Of course everyone has to follow the instructions from the top... You work here, or else, you quit!”*

In sum, this finding indicates that Absolutists or those higher on Idealism appear to be the ones most likely to succumb to temptation to indulge in information or measures manipulation as compared to Relativists. Such a finding attests to “hypocrisy effect” as posited by Forsyth and Nye (1990). It implies that although a person espouses a philosophy that condemns harming others, there is still a chance that they will still act immorally, hence supporting Forsyth’s (1992, p. 466) notion that “people who espouse lofty moral values may tend to behave the most immorally”. Perhaps it could be due to Shaub et al.’s (1993) claim that Idealists were not as sensitive to recognize ethical issues as usually reported. Hence, it is not exaggerating when Forsyth (1992) again labelled them as “People who say they are the most morally upright may be most likely to fall prey to temptation” (p. 466).

This sounds intuitively appealing as previous researchers (like, Kish-Gephart et al., 2010; Trevino & Nelson, 2004) have earlier argued that though one's ethical philosophy may influence their decision and action, but ethical conducts also often profoundly depend on situational factors, such as top management expectations, one's position in the organizational hierarchy, acceptable norms within their organization, the reward system and the roles demanded on the individual. As such, even when an employee may have a clear picture of an ethically right decision or action in a given situation, but these situational factors would form an organizational constraint that bound one to act below his/her moral standard. Therefore, ethical decision making or ethical behaviour may not necessarily be the outcome of moral beliefs or values one espouses. This is in line with the interviews' findings. All of the participants agreed that they make their decisions based on rules and regulations (like top management expectations) as well as the situational factors (like customers' satisfaction or conveniences, roles that they play, reward system).

In the case of dysfunctional PMS behaviour, the role of middle managers often put the branch bank managers in dilemma. On one side, they seek to satisfy their top managers expectation, while on the other side, they mean to alleviate some of their subordinates (and theirs, as well) work stress. Working in such environment would inevitably encourage one to sacrifice their moral values. Somehow, if any of this is not true, then in any organization, too often now we encounter a "gamesman" which describes "one with a shallow morality, a lack of concern for others, but a want for idealism" (Chonko et al., 2003, p. 246). The finding from the interview, demonstrated that the participants would

try their best to please the top management as they are the ones who evaluate their performance and determine their reward or promotions.

In relation to the significant negative REL/DBE relationship, it literally means that the more a person perceives the right or wrong of information or measures manipulation as should be situationally determined, the less likely they will commit to such behaviour. Therefore, in this study, Relativists seem to have applied their ethical judgments based on their ideology espoused and sensed that the action is ethically wrong, hence forbidding themselves to commit such act making them less acceptable of unethical behaviour than Idealists. Interesting questions surface – when moral norms regarding such manipulation are not salient enough that even high Idealists cannot detect them, then how come Relativists who are frequently reported as less sensitive to ethical tones react negatively to such act? Could it be that Relativists are actually not less ethical as previously labelled in the extant literatures? Or are they only more open in their views about an issue, hence are more flexible in their ethical judgment?

In light of these queries, first, Axinn et al.'s (2004) contention about the existence of standards of public morality might provide a justification. In their study, they noted that in some of the cases where it was a significant predictor, Relativism depicted a contrast direction than what has been predicted. Relativism was found to positively influence perceptions of the importance of ethics in achieving organizational effectiveness though it was initially hypothesized as negative. Forsyth (1992) stated that Relativists judge the morality of actions based on the specifics of a situation and the individuals involved in the decision. Therefore, not only Relativists are more situational, they are also more

pragmatic in their judgment (Forsyth et al., 2008). Intuitively, based on the abundance of information available to aid judgment and decision making nowadays, Relativists are armed with a more balanced evaluation of the good or bad and the right or wrong of their decisions and the impact it would inflict on those involved. Therefore, their decision not to engage in information or measures manipulation simply proves that they are actually not less ethical, but they just have a different approach to morality. This finding attests Axinn et al.'s (2004) recognition that people may differ in their personal morality, but there are standards of public morality that are accepted and expected that guide us in making ethical judgment.

Accepting Axinn et al.'s (2004) contention would mean admitting that Relativists are actually not less ethical as previously labelled in the extant literatures, making it an equivocal argument. Hence, in itself, it would open another point of discussion. Forsyth (1992) advocated that Relativists are actually those who are of the opinion that in judging the right and wrong, situational factors must be taken into consideration rather than just totally adhere to the absolute moral norms or rules. Relativists pay attention to the circumstances and conditions required to fully grasp the right or wrong of a conduct. Therefore, Forsyth et al. (2008) argued that they are not divorced from practice or from reality that they tend to neglect practical experience that makes them the wiser and less reckless in making judgment. This has somehow been demonstrated by the respondents in this study and further verified by the interviewees. Somehow, this seems fair for all related parties.

In support of this argument, Forsyth and Nye (1990) revealed that though Idealists strictly emphasize that lying violates fundamental moral principles, yet they were most likely to lie when tempted. In contrast, even when they stood to gain from such lie, Relativists were found to be less likely to lie. Surely, to morally behave and letting go of the gain as exhibited by the Relativists in Forsyth and Nye's (1990) study, one must be espousing not only certain ethical values but also able to consider other situational factors so that their decision would not only be wiser but also not badly affect others. However, Relativists do exhibit a tendency to engage in dysfunctional behaviour when they perceive some treatment of injustice (Hastings & Finegan, 2011). This implies that situational factors do play a rather important part than universal moral rules. The interviews done confirmed that this is just how the bank managers work – they do not put the rules and regulations totally aside but there are situations when situational factors play a more important role in making their decisions.

On closer inspection, the argument that Relativists make wiser and fairer ethical decisions (at least, pertaining to the respondents in this particular study) seems to be aligned with what has been preached and practiced in Islamic teachings. Islam has set out the rules of the *halal* (the permissible) and *haram* (the forbidden), which should guide any Muslim of the right and wrong. Muslims are to adhere to these teachings as they form the ethical principles from the God Al-Mighty which would ensure the harmonization of the human kind. However, simply because something is permitted does not mean that it should be done especially when it is evidently harmful to many people in the given situation. Evidently, Islam places the possibility of harm to one's self or to others as an utmost important consideration in deciding an action in question. Therefore,

when dealing with certain conducts, Islam requires the Muslim to exercise prudent judgment based on various factors that might affect its right or wrong as two situations which may appear the same on the surface may in fact be quite different in their context.

For example, stealing is no doubt wrong, and the Islamic law, *Hudud*, would punish such sin by cutting the hand of the thief. However, Islam also makes it compulsory to conduct sufficient investigation, like why the thief steals, before a punishment is to be carried out. This implies that if one thief (Thief A) is to be cut of his hand, the other thief (Thief B) might not be subjected to the same punishment even if they commit the same crime as each situation must be individually evaluated. Thief A might steal because that is his job (stealing from people), while Thief B steals because he desperately needs to treat his sick child after he had failed to find a job. Hence, though both men were wrong for stealing, but they should not be sentenced with the same punishment. This is what a relativist believes in. We cannot be too blind to other situational factors in our absolute adherence to one moral rule that we have to put aside other factors that can help us to make better and fairer judgment.

Another possibility of the equivocal findings in this study might lie in Axinn et al.'s (2004) argument that the "standards of ethics" may not be so different among people, but often it is influenced by the cultural values which act to determine personal priorities. Hence, there is a possibility that the different cultural background of the Malaysian bankers may play a role in influencing their ethical ideology and the way they carry out their jobs. Forsyth et al. (2008) contended that to some extent, what is considered moral

differs from one culture to another as explained by the different levels of Idealism and Relativism that vary across regions in predictable ways.

For example, Malaysians were found to be more Relativistic and Idealistic as compared to their counterparts from USA and Ukraine (Axinn et al., 2004) and also from Australia and USA (Karande et al., 2000). Malaysian managers are also more Collectivistic in nature and hence, they have a proclivity to manage their organization and colleagues based on situations or contexts (Karande et al., 2000). Hence, these managers espouse more relativistic values. In this study, being a Collectivist or an Individualist significantly affect the ethical ideology espoused by the respondents. Collectivists appeared to score higher on both Relativism and Idealism dimensions. Hence it can well be assumed that the Collectivist and Relativistic Malaysian bankers, besides relying on their ethical ideology, also regard their surrounding environment quite highly in making ethical judgment, which is in line with social learning theory that posited that behaviour is influenced by a combination of both psychological and environmental factors, rather than one factor alone (Adams et al., 2001; Kish-Gephart et al., 2010). Due to this, they may feel that manipulating information or measures may bring more harm than good to both their banks and subordinates and hence, refrain themselves from committing such act.

The equivocal findings of IDEAL/DBE and REL/DBE relationships might also be attributed to a few methodological aspects. First, the EPQ used as a measure of moral thought might also pose an issue. Forsyth et al. (2008) warned that when the EPQ is administered to individuals from non-U.S. cultures, it may not only change its meanings, but may also indirectly cause the very meanings of the dimensions themselves to shift

from one culture to the other. In such a case, item like “*Generally, ethical considerations are so complex that individuals should be allowed to formulate their own codes of rights and wrongs*” may mean something different to someone raised in the U.S. as compared to a Malaysian.

Bond (2000) contended that employing the same EPQ measures developed with U.S. citizens with the residents of other countries across the globe while ignoring the widely differing cultural backgrounds and other indigenous and idiosyncratic aspects of morality may prove imperialistic and generate a finding that is open to another interpretation. This is attested by Hartikainen and Torstila (2004) who reported that items in EPQ were found to be quite confusing and respondents found it hard to understand when administered to respondents in Finland. This might somehow lead to respondents not giving their fair view of the statement, hence affecting the accuracy of the responses.

Items included in the survey instrument as well as the RO scale used might be another possible explanation to the contradictory findings. Though Forsyth’s (1980) instrument consists of ten items for each dimension of Idealism and Relativism, but in this study only ten items were employed, six items to measure Idealism and four for Relativism. The small number of items might influence the scores obtained by both dimensions as significant differences may exist between the full and the shortened versions of the EPQ (Forsyth et al., 2008) .

Then upon the evaluation of the measurement model, only two items for each dimension were retained. However, as this study employs reflective items, then deleting the items will not change the nature of the constructs (Hair et al., 2014). In addition, the use of RO

scale, which has never been employed before in assessing the ethical ideology, might also influence the score since differing metrics can cause differing means as well as altering distributions (Forsyth et al., 2008). However, though these aspects might affect the result, but statistically, the instrument was proven to be robust as it has fulfilled all measurement criteria for goodness of measures.

As a conclusion, though findings from this study seem to contradict those reported in the extant literature, but it certainly adds some insightful knowledge to the body of literature. Perhaps it is evidence that Relativists are actually wiser decision makers. Though they loosen their grips on the moral absolutes (though not totally putting them aside) but they seem to be sensitive enough to factors lurking in their circumstances that certainly lead them to making better and fairer ethical judgment, as proven by the findings of the interviews. However, it should be kept in mind that personal ethical ideology may not necessarily lead to moral behaviour as many other situational factors may affect ethical decision making.

Up to this stage, we may reach a verdict that no one dimension is actually superior to another. Both Relativism and Idealism are just only two differing views of morality that both are actually good and mean well. Only their approach as to which rules to be applied in reaching an ethical decision differs. Still both Idealists and Relativists possess a lot of qualities that would make up the 'ethical character' and 'integrity'. As such, possessing or believing in different standards should not be perceived as problematic, when in fact, it is actually these divergences that would arouse creativity and innovation in an organization. The management only needs to identify these differences, and assign

them to appropriate areas so that each individual's unique characteristics can be fully exploited for the benefit of the organization, the employees and the community at large. Besides, proper training could also be identified and given to enhance the positive and curb the negative.

5.3.2.2 The Effect of Organizational Ethics on Dysfunctional PMS Behaviour

For organizational ethics, three variables have been proposed to predict dysfunctional PMS behaviour. Code of ethics, ethical work climate via its three dimensions of Egoism, Benevolence and Principled, and perceived ethical leadership were hypothesized to have significant inverse relationship with dysfunctional PMS behaviour. Only Egoism was hypothesized as having a positive relationship. The results suggest that the code of ethics and the two dimensions of ethical work climate, Egoism and Benevolence, were all not significantly related to dysfunctional PMS behaviour. In contrast, both the Principled ethical climate and the perceived ethical leadership demonstrated a significant relationship. Though both variables were hypothesized as having inverse relationship, but the results only supported the hypothesis for perceived ethical leadership, while the Principled ethical climate demonstrated a significant positive relationship. Though relatively low, but based on the path coefficients, Principled ethical climate appeared to be a much stronger predictor than perceived ethical leadership.

The study findings demonstrated that though small, organizational ethics does influence dysfunctional PMS behaviour as Principled ethical climate and perception of ethical leadership did demonstrate significant relationships. Code of ethics, Egoism and

Benevolence ethical climate did not demonstrate any significant influence on dysfunctional PMS behaviour. However there is a possibility that these constructs may be override by Principled climate as there were strong correlations between each of these constructs and the Principled climate as shown in Table 4.4.

H3: Codes of ethics is negatively related to dysfunctional PMS behaviour.

In terms of code of ethics, the non-significant relationship was somehow expected. Hence it seems that COE is not a predictor that can explain the commission of dysfunctional PMS behaviour. In other words, the existence of COE does not influence the bankers' decision whether or not to engage in information or measures manipulation. Though codes of ethics in the banking industry does play certain role, as it somehow provides some ethical guidance, but its importance might be override by other rules, principles or banking acts that clearly govern the bankers' work. COE might be considered as insignificant to some especially when bankers perform their work in accordance to regulated banking procedures.

A closer inspection of the items to measure COE revealed that the banks are rather effective in communicating its COE, strictly enforces the codes and they are useful in guiding the employees in performing their jobs. Each of the three items to measure COE scored the mean values within the range of 83 to 88. This is somehow expected as it is a widely known fact that banking industry highly regulates their operations making the code of conducts, banking rules or acts as highly emphasized. In such a case, one might wonder – if the code of ethics has been effectively communicated, strictly enforced and useful in guiding employees' behaviour, then why does it fail to influence the

commission of information or measures manipulation? A few justifications to this query are put forth in the coming paragraphs.

First, we may assume that the insignificant relationship depicted in this study does not imply that the code of ethics are not highly regarded by the employees or act just as window dressing, but in the case of information or measures manipulation, such codes somehow cannot influence the conduct. As previously discussed, such manipulation may not even be regarded as unethical by some due to its paradox nature – ethically questionable, yet highly encouraged. Therefore, some managers may not feel that manipulating information or measures, in a way, go against the stated codes. Hence, the codes may not be an effective instrument to curb the information manipulation practice.

Interviews conducted revealed that code of ethics would go hand in hand with other rules and regulations (like Financial Service Acts (FSA)) in governing the bankers' jobs. Code of Ethics is used to govern the conduct of the staffs while standard operating procedures would govern the operational matters. Both of the code of ethics and standard operating procedures were developed based on FSA and the rulings of Bank Negara Malaysia. However, their main source of reference in conducting their tasks would be the FSA, and the code of ethics is only the supporting rules that may undermine its strength. This may contribute to the insignificant relationship of COE-DBE.

Another possible explanation relates to the Malaysian culture, a highly collectivist nation with high power distance. Such a culture is believed to play a significant role in ensuring the acceptance and adherence of the code of ethics in an organization (Snell & Herndon, 2000). This is especially true when the employees detect the misalignment between the

words and deeds of their superiors. The authors argued that in such an environment, the code may only manage to obtain pseudo-support from the employees since subordinates are more prone to support and follow the lead of their superiors even if they disagree with an action.

As posited by social learning theory, employees would have a higher tendency to observe and emulate the behaviours of their leaders. This somehow supports this study's finding. Previous researchers admitted that dysfunctional PMS behaviour has often been encouraged by top management. As collectivists bankers, even if the code of ethics are there to guide their behaviour, the respondents might not abide by the codes when their superiors do not put a stop to such practice and often even encourage such act. From the view of teleological theory, the persons may commit certain action when they believe that such action may not lead to bad consequences to others. Hence, as suggested by Snell and Herndon (2000), the bankers tend to comply to their superiors even if they admitted to the codes being effectively communicated and enforced.

Though previous research revealed mixed finding on the influence of the codes of ethics on ethical behaviour, but basically they are in agreement that the codes in itself may not be able to influence ethical behaviour. A meta-analysis conducted by Kish-Gephart et al. (2010) revealed that the code did not play any role in influencing the unethical behaviour as they are now often little more than just a facade that have become so ubiquitous that they have lost their potency. However, to make it effective, it is of paramount important for the management to effectively communicate it to the employees and then to reinforce it so that the employees would understand that the codes are not merely window dressing.

Somehow, a more effective codes of ethics would require the management to highly embed their codes into the culture of the organization, rather than makes it appear like a formal rules (Kaptein, 2011). In addition, the literature seems to agree that all these actions will still not guarantee success in promoting ethical behaviour among the employees if the leaders or the superiors themselves do not act in ethical manner. Employees would tend to follow the examples exhibited by the leaders rather than following the guidelines set forth in the code of ethics, as postulated by social learning theory. This contention is evidenced by the finding in this study when it reveals that codes of ethics cannot deter information or measures manipulation.

H4(a): Egoistic climate is positively related to dysfunctional PMS behaviour.

H4(b): Benevolent climate is negatively related to dysfunctional PMS behaviour.

H4(c): Principled climate is negatively related to dysfunctional PMS behaviour.

With regards to ethical work climate, two of its three dimensions, Egoism and Benevolence, were found not to be significantly related to dysfunctional PMS behaviour. Only one dimension, Principled, demonstrated a significant positive relationship, though initially hypothesized as negative. The findings for H4(a) and 4(b), though are not supported, but can be easily justified. However, again, the finding for H4(c) is quite equivocal and would require a deeper thought and justification as information or measures manipulation somehow seems to be higher in a climate that highly encourages adherence to rules and principles. In an Egoistic climate, decision makings are based on ethical egoism and possibly utilitarian reasoning, where decisions made emphasize the

maximization of group or individual interest. On the other hand, Benevolence climates foster a caring atmosphere that prioritizing the welfare and the relationship with various stakeholders, like employees, customers and the larger community. Principled climates foster an environment that induces employees to make ethical decisions in rigid compliance of formal rules, professional codes or acts of law (Victor and Cullen, 1988).

A closer look at the banks ethical climate is first conducted. Malaysian bankers demonstrated that the banking industry is dominated by Principled climate with a much higher mean score ($m=83.83$) as compared to Benevolence ($m=74.98$) and Egoism ($m=66.07$). This is similar to other previous studies conducted on the financial institutions (Talha et al., 2013; Woodbine, 2006). As previously discussed, this finding is expected, considering the nature of the banking operation which is highly regulated by certain rules, principles, professional codes and also the acts of law. It can be concluded that Malaysian bankers are significantly influenced by the rules, professional codes or laws imposed on them.

It seems that the banking sector also promotes the caring climate through its Benevolence criterion. While it is not the intention of this study to directly focus on the relationship among the ethical criteria, but it is worth noting that Principled and Benevolent climate appeared to establish a significant positive relationship ($r=.578$; $p<.001$). The strong correlation suggests that a greater degree of variance in Benevolence may be influenced by Principled climate as such climate may promote the caring culture that takes into account the interest of others. It seems intuitively logic that employees who are highly governed by the rules, codes and law are indirectly influenced to be more responsible and

caring to their colleagues or the public as such climate would typify a strong relational contract and normally inculcates extra-role behaviour (Leung, 2008).

Though relatively less Egoistic, but this characteristic is still seen as quite prevail in this industry which is highly governed by rules, codes and laws. Perhaps the nature of the banking operation itself makes it necessary for the bankers to be egoistic. Bankers now have to be customer-driven by acting as bank marketers responsible to attract new customers (Peng, 1998; Siu & Tam, 1995) that would determine the survival of their own branch. Therefore, such Egoism is seen as necessary as it may act as an impetus to compete and survive (Cullen et al., 1989). Findings from the interviews conducted confirmed this situation. Each branch has to achieve the target set by the top management. To achieve these targets, it becomes the branch priority to sell their products or services. Therefore, every staff, regardless of their positions, is highly encouraged to make sales, which would determine their reward or promotion. Bank Manager C quoted, *“Here, everyone has to make their own sales – it doesn’t matter what post they are holding! If they can make the sales, the return will go back to them, to this branch and to the bank as a whole – they will get the reward in the form of bonus, and the branch will also get rewarded as it can achieve its target. So, it’s a win-win situation!!”*

The results of the hypotheses testing suggested that Egoistic and Benevolent climates do not appear to have a significant relationship with dysfunctional PMS behaviour. Though various studies demonstrated that Benevolent climates are the best climates to discourage employee dysfunctional behaviours while Egoistic climates encourage such behaviours

(Bulutlar & Oz, 2009; Martin & Cullen, 2006; Peterson, 2002a; Peterson, 2002b; Vardi, 2001; Wimbush et al., 1997), but such influences do differ depending on the type and strength of the ethical tone of the dysfunctional behaviour itself (Peterson, 2002a; Peterson, 2002b). This is somehow in line with what has been discussed in Section 5.3.2.1 on the relationship of EAT-DBE regarding the postulation made by Ferrell and Weaver (1978). The authors posited that when members of an organization only slightly view a behaviour as unethical, they will then frequently or occasionally commit such behaviour, which is also in line with teleological theory. In time, such behaviour will become an acceptable norm which would slowly be embedded in the organization's social web.

As postulated by social learning theory, a member learns by observing what others do, and later imitates such behaviour. In the case of information or measures manipulation, when it has been accepted as a common practice by some of the bankers (as explained in Section 4.8), others might get the hint that it is acceptable. In such a case, neither Benevolent nor Egoistic climates may play any role in either encouraging or discouraging such behaviour, hence explaining the insignificant relationship. Warren (2003) contended that when individuals merely abide with the norms of their reference groups which have been accepted by them as moral, departure from the rules (in this case the rules of PMS), does not make an act immoral. Some previous studies also reported that Benevolent climates did not affect judgments of the acceptability of earnings management (Zhihong, 2008) and project misreporting (Smith et al., 2009).

A few plausible hypothetical explanations can be put forth in support of why Principled climate was significantly and positively related to dysfunctional PMS behaviour. First, formal compliance practices, like the code of ethics (as has been discussed earlier, appeared as not effective in curbing such behaviour), or other internal rules and procedures might not be rigorously and evenly enforced. Even if it has been enforced, but there might not be a clearly stated rule or code that specifically prohibits the act of manipulating information or measures in the PMS process in a bank. Making it worse, the act might have been regarded as an accepted practice by the bankers especially when it is even encouraged by the top management. Hence, they may not recognize the ethical tone associated with such conduct. One who cannot recognize the ethical tone of an issue would not have a conscience that they are conducting something that is ethically wrong (VanSandt et al., 2006). Therefore, even in a highly Principled working climate like in a bank, their employees or managers would keep on committing such act believing that it is not a wrong thing to do if they could not see one specific rule against such act.

In addition, the banking industry is governed by external (like, the Banking Act) as well as internal rules and procedures (Peng, 1998). In a Principled climate, decision makings are based on deontological standards regarding three reference groups – the individuals (individual), the organization and the people working in that organization (local) and the external parties, like the state law or professional bodies (cosmopolitan) (Victor & Cullen, 1988). Certainly, the issue of dysfunctional PMS behaviour is not an external issue, hence will not be instituted in any act of law or professional codes (at cosmopolitan level). Therefore, committing such act will not violate any legal or professional standard. Instead, it is very much an internal matter, implying that it will become a wrong conduct

only if such act is categorized as wrong by the management who then rigorously enforces the rules.

Hence when the bankers reported their working climate as highly Principled, they may be referring to the external codes and laws (cosmopolitan) instead of internal rules and procedures (local). As external codes and laws would not institute such an internal matter, then it would not deter the commission of such act. This is especially true when the internal rules and procedures were not made salient to these bankers. The analysis conducted in Section 4.10.2 supported this contention. Those who feel that their decision making is governed more by the internal rules and procedure showed lower tendency to manipulate measures or information as compared to those who are governed more by the external codes and law. Andreoli and Lefkowitz (2009) posited that even if codes and principles are necessary in creating an ethical organization, but it will not be effective when members of the organization fail to grasp the positive values orientation that compromising ethical standard is not acceptable in the organization. The authors added that such ethically ambivalent conditions would only invite implicit counter-norms. Therefore, if such prohibition is not made salient by the internal rules, the dysfunctional PMS behaviour would still prevail.

Another possibility might lie in the nature of the industry involved. The effects of ethical climates on ethical behaviour are reported to differ across different industry or even in different sub-units in the same organization (Wimbush & Shepard, 1994; Wimbush et al., 1997). Not only the climate types, but managers' moral reasoning is also found to relate to industry membership (Weber & Wasieleski, 2001). Hence, in this study, taking into

consideration the nature of the banking operation itself might somehow justify the positive PRINC-DBE relationship. Banking industry is highly characterized with high work stress and hectic working environment as previously discussed, but still, the employees are highly required to strictly adhere to rules, codes and principles.

In such a case, it is highly probable that employees would feel immune to the rules, codes and principles that they just merely serve as the routine procedures to the bankers without leaving any deep meaning that transcend into their conscience. Such a condition might also invite retaliation among the bankers. Social learning theory (SLT) postulates that individuals would observe, learn, react or imitate, and later reciprocate whether in positive or negative manners (Akers & Jensen, 2006). Therefore, whenever there is a loophole, there appears a tendency to retaliate by behaving in unethical manner.

For example, Schwepker and Good (2007) evinced that sales managers would resort to unethical behaviour when there is a pressure to achieve quota especially when facing with several quota failures. In line with this notion, this study found that the bankers from the branches reported as having excellent performance demonstrated a much lower level of information or measures manipulation ($m=29.60$) as compared to those with only good performance ($m=42.80$) as explained in Section 4.8. As excellent performance might be attributed to the success in achieving quotas, then this indicates that when there is a possibility of failure to reach quotas, manipulation of information or measures might be a wise step to take to alleviate the bankers from unpleasant consequences. Therefore, even if governed by rules, codes and principles, measures can still be easily gamed or manipulated (Brief et al., 1996; Foster & Young, 2010; Goetzmann et al., 2007).

Another factor worth considering in the banking industry is the nature of covenantal relationship that exists between the organizations and their employees. Covenantal relationship is a relationship in the form of relational contract, instead of transactional, where both parties mutually pledge to do whatever necessary to uphold commonly held values and engage in actions that will reinforce reciprocal ties (Barnett & Schubert, 2002). Such relationship would lead to employees feeling valued, content and happy working in the organization. However, in a hectic working environment that would potentially result to stress and burn out that normally occur in the banking industry (Ayupp & Nguok, 2011), covenantal relationship might not sufficiently develop between the top management and the bankers.

The findings from the interviews revealed that though there is a strong sense of belonging among the bank staffs, but such feelings has to be constantly created. However, the location that separates each branch with the top management might lead to the lower covenantal relationship, though the bankers are always careful in preserving the good reputation of their respective bank. Bank Manager D reiterated that *“We are working in a hectic environment and we must achieve our target which keeps increasing each year. So of course, we have to constantly create the close ties among the employees... the boss-subordinates relationship has changed a lot now, not like it was once. People are more open, more straight-forward.”*

Such a situation is made worse when the branch bank managers and their assistants are fully aware that their livelihood depends on the achievement of the targets set and profit the bank makes (Brief et al., 1996). This environment will make employees perceive their

contract with employers as transactional in nature that is based on economic exchange, hence weaken the covenantal relationship. As a result, the bankers would not feel obligated to uphold commonly held values and engage in actions that will strengthen reciprocal ties (Barnett & Schubert, 2002). Therefore, the tighter the rules, codes or principles set by the banks, the more the bankers would manipulate the information or measures. Perhaps being subject to noxious rules and principles creates resentment among the bankers, leading to greater misconduct.

The interviews conducted also verified this contention. Majority of the participants admitted that too much rules and regulations at times constrict their decision makings especially when dealing with customers. Some of the rules also influence their personal life that may put some pressure on them, as quoted by Bank Manager D, *“these rules and regulations affect me so much, not only in conducting my work, but also my personal life, and sometimes, it puts certain pressures me. Like, when I have a problem at work, I really feel like confiding it to someone, but I know it is wrong even to talk about it. So I have to bottle up everything, and it is eating me inside.”* This is in line with SLT that proposes that the learning process may produce both conforming and deviant behaviours, depending on the nature of the lessons learnt (Akers & Jensen, 2006).

Lastly, another possible justification might relate to the influence of the leaders that ethical behaviour of subordinates will reflect the climate espoused by their immediate supervisor (like, Andreoli & Lefkowitz, 2009; Mulki et al., 2009; Shin, 2012). Hence, even in the high ethical climates, employees might still engage in dysfunctional

behaviour if they perceive their leaders as condoning such behaviour. This issue will be further discussed in the next sub-section on the relationship of PEL-DBE.

H5: Perceived ethical leadership is negatively related to dysfunctional behaviour

The result from this study appears to support this notion that perceived ethical leadership is negatively related to dysfunctional PMS behaviour. Though the hypothesis is supported, but only a rather weak relationship was detected ($\beta=-0.139$, $p<.05$). Still, it implies that the more ethical the bankers perceive the ethics of their leaders, the less will be their propensity to manipulate information or measures. Hence it seems that leaders do play a role in curbing the commission of dysfunctional PMS behaviour in the banking industry. This finding has confirmed the previous literatures that mostly suggested that behaviour of the leaders often set precedents for employees' behaviour as the ethical tone set at the top will be observed and later emulated by the subordinates. In line with social learning theory (SLT), ethical managers who saliently exhibit high ethical behaviours and strongly discourage immoral conducts would foster the ethical work culture among their subordinates, hence may expect highly ethical organizational members.

Pertaining to this study, the bankers reported a good, rather than satisfactory, level of perceived ethical leadership ($m=76.12$, $sd=15.17$). Though the median (80.00) and mode (90.00) can be considered as satisfactory, but it is quite worrisome when the minimum score was reported to be only 30.00. This indicates that, some Malaysian banks are still being led by unethical leaders who might later turn their troop into a bunch of unethical employees as their unethical acts will be observed and emulated by their subordinates.

Somehow, this can be expected as an organization is normally made up of a composition of highly ethical to less ethical employees.

With regard to the ethical work climate discussed above, unlike Principled, Benevolent and Egoistic climates were not seen as predictors of information or measures manipulation. In addition to what has been discussed, many authors related the commission of aberrant behaviour of the subordinates in an organization to the ethical climate espoused by their immediate supervisor (like, Andreoli & Lefkowitz, 2009; Mulki et al., 2009; Shin, 2012). As posited by social learning theory, individuals would learn appropriate behaviours through role-modeling process by observing and emulating the credible and attractive role models (Bandura, 1977, 1986). The leaders have a higher tendency to be the role model as they hold some power, like the power to reward and to punish. When they reward ethical behaviour and punish aberrant conducts, subordinates will be influenced to engage in ethical behaviour. This will set the normative standard that will shape the ethical climate of the organization or their respective sub-units.

However, sometimes there appear to be a clash in the values reinforced by the formal system (like code of ethics, professional codes or acts of law) and the normative standard set by the leaders (the informal system) resulting to values incongruence (Falkenberg & Herremans, 1995). This would confuse the employees of which values and norms to be adopted. In such a case, leaders would normally takes precedent as employees would normally look to their immediate superiors who are seen as a more salient role-model (Ruiz et al., 2011b). Therefore, even in high ethical climates like Principled, such

climates still cannot deter aberrant behaviour if the leaders are seen as condoning such behaviours. This postulation also might justify the positive PRINC-DBE relationship.

With regards to the information or measures manipulation, extant literatures demonstrated that it is a paradox issue. It is ethically questionable though not legally wrong, yet it is somehow encouraged even by the top management. Committing it can be seen as a smart move – it helps to alleviate job stress of the managers and also their subordinates; it helps to bolster a bigger resources from the head-quarter that would enable a better expansion plan; it makes top management happy to hear the good news that the targets set have been achieved. Hence it makes everybody happy. However, ethically, something is amiss. To a utilitarian manager, teleological principle will make them view information manipulation as an acceptable act as it will produce positive consequences in terms of various good human desires, like happiness, friendship or economic outcomes (Rachels, 1993). In contrast, to a deontologist, an act is wrong as it is a form of cheating and cheating is always wrong even if the outcome may be good.

In such a dilemma, a banker would normally turn to their immediate superior, who set the example of what is acceptable and what is not acceptable. They may even look to their top management who set the ethical tone for the whole organization to follow. If the superior condones such act, or even encourages it, then such value would become a normative standard that manipulating information or measures is not ethically wrong. Therefore, the bankers may keep manipulating such information as it is an acceptable act that is not ethically wrong. However, if the superiors make it clear that any kind of information or measures manipulation is not acceptable as it is ethically questionable and

then enforce their decision, then it is logically expected that the branch bank managers would shy away from such practice that would surely jeopardize their good names as well as their job security if get caught.

Based on the discussion on the level of dysfunctional PMS behaviour in Section 4.8, it can be seen that though the mean score of DBE is moderate ($m=40.44$, $sd=26.19$), but its high standard deviation and also the minimum score of 0 denotes a rather worrisome situation as some bankers even openly admitted to such act and considered it as totally acceptable. Besides the personal ethics values espoused by them, another thing that clearly lead to such conduct may lie in the ethical perception of their leaders. When their superiors condone or encourage such act, they will have a higher tendency to manipulate information or measures, but would avoid it if they perceive their superiors to place such act as ethically wrong. Therefore, when positive moral image is perceived, followers may feel that ethics are important which may be transcendent and strongly appreciated by all employees in the organization that may create and shape the ethical climate within an organization (Ruiz et al., 2011b). Hence, it explains the significant negative relationship between perceived ethical leadership and dysfunctional PMS behaviour, specifically information or measure manipulation.

5.3.3 Personal Ethics Vs Organizational Ethics

Based on the analyses conducted in Section 4.9.2.1, it can be seen that all two constructs measuring personal ethics, ethical attitude (EAT) and ethical ideology (EID) through its two dimensions of Idealism (IDEAL) and Relativism (REL), appeared to establish significant relationship with dysfunctional PMS behaviour. In contrast, on the

organizational ethics constructs, only Principled dimension (PRINC) of the ethical work climate (EWC) and perceived ethical leadership (PEL) were found to be significantly related to DBE. Principled climate appeared to be the strongest predictor of DBE ($\beta=0.335$), followed by one's ethical attitude ($\beta=0.306$), level of Relativism ($\beta=0.287$), the perception of ethical leadership ($\beta=0.139$) and lastly, one's Idealism ($\beta=0.112$). In contrast, the code of ethics ($\beta=0.039$), the degree of egoism dimension ($\beta=0.003$) and Benevolence dimension ($\beta=0.011$) have very little and insignificant influence on DBE.

Based on this conclusion of personal and organizational ethical antecedents, this study manages to answer the call of previous researchers (like, Andreoli & Lefkowitz, 2009; Kish-Gephart et al., 2010) to investigate the potential effects that personal antecedents and organizational antecedents might have on organizational misconduct. These findings suggest that it is not the ethics enacted or embedded in an organization that would play a more important role in influencing an employee to manipulate information or performance measures, but rather, it is their personal ethics (their ethical attitude or values and norms of the rightness or wrongness of an action and the ideology that they hold) that would more strongly influence such decision. In sum, ethics, either personally or implicitly embedded in an organization, does influence the commission of dysfunctional PMS behaviour, specifically the information or measures manipulation.

Social learning theory (SLT) has posited that both aspects of cognitive and behavioural learning would influence one's behaviour (Bandura, 1977). Cognitive learning suggests that psychological factors, like feeling, emotion, attitude or ideology, play a crucial role in influencing how an individual behaves, while behavioural learning assumes that it is

the environment surrounding an individual that helps to shape their behaviour. As such, SLT presumes that behaviour is influenced by a combination of both psychological and environmental factors, rather than only one factor alone (Adams et al., 2001; Kish-Gephart et al., 2010). The only thing remain is, which would play a more prominent role? Basing their argument on Kohlberg, the founder of cognitive moral development theory, and Blum, who relates philosophical perspective to explain moral sensitivity, VanSandt et al. (2006) posited that the ability to perceive the right or wrong and the determinations of rights and wrong is more dependent on the individual differences, though is also influenced by the organizational environment. This contention is found to support the finding of this study.

Though there are a number of studies conducted to investigate the effects of personal and organizational antecedents on organizational misconduct (like, Andreoli & Lefkowitz, 2009; Kish-Gephart et al., 2010; Zhihong, 2008), but most of them did not make a comparison of which of the two groups would play a more prominent role. Only Andreoli and Lefkowitz's (2009) demonstrated that organizational antecedents were more important in predicting the organizational misconducts as compared to personal background. However, they only focused on age, sex, ethnicity, job status, or size and type of organization rather than on ethical antecedents. Hence the result may not be comparable as this background information cannot be classified under cognitive function. Furthermore, in a meta-analytic study, such demographic information was also found to be irrelevant in explaining unethical behaviour (Kish-Gephart et al., 2010).

Therefore, this study might contribute to the literature in highlighting this issue. The results suggest that, the manager's ethical attitude and the ideology that he/she espouses would play a more influential role in influencing whether or not to manipulate information or measures in the PMS implemented in an organization, though the ethical climate and the ethics of the leaders also play some role. This implies that ethical values one espouses would ring the first alarm when he/she encounters an unethical situation, provided that he/she can recognize the ethical issue regarding to that situation. Once ethical issue is detected, the individual would make a judgment of the right or wrong and the good or bad of the situation based on the certain ethical principles, either teleological or deontological principles one espouses before making a decision. Before executing such decision, one may also look to their surrounding environment to see if the decision violates any rules or laws or go against the accepted norms. However, inability to detect the ethical tone would bypass the ethical judgment in making a decision.

The findings reveal that unethical behaviour can be explained by various factors, rather than one factor alone, like the distinct realms of individual, the moral issue, and organizational environment as previously suggested by Kish-Gephart et al. (2010). The more prominent role played by the personal antecedents might be attributed to other factors like job satisfaction, job commitment, job stress or any other job related factors. Such factors may greatly affect judgment that ethical values espoused by an individual may be put aside in making a decision. Hence, future research should examine the effects of the job-related factors on the ethics-DBE relationship as one who espouses high ethical values might forgo the ethics when faced with pressured situations.

In short, the findings from this study might suggest that bank managers do face a lot of dilemma in performing their duties. This is especially true when they are separated from their head-quarters and competition is not only with branches from other banks, but also with the branches of the same bank. In order to maximize the branch's and the company's revenue, to satisfy the customers' expectation, to ensure a conducive working environment for the subordinates, and not to forget, the personal expectation and performance, the bankers do face multiple agency relationship while performing their duties. This might cause them to sometimes be blinded to the ethical tone of information or measures manipulation. However, if the organizational environment could foster a more ethical culture regarding the conduct, then managers might be more conscious towards such practice.

5.3.4 Outcomes of Dysfunctional PMS Behaviour and the Moderating Effect of Psychological Collectivism

The following sections discuss the finding on the outcome or influence of dysfunctional PMS behaviour, specifically, the information or measures manipulation practices on helping behaviour, known as organizational citizenship behaviour (OCB), in an organization. The helping behaviour has been divided into two parts, one that is targeted at the individuals in an organization (OCBI) and targeted at the organization itself (OCBO). Then this second part of the model also examines the moderating effect of psychological collectivism (PCO) on the DBE-OCBI and DBE-OCBO relationships. The results reveal that only one hypothesis was supported where DBE was only found to be negatively significantly related to OCBI, but not with OCBO. On the other hand, psychological collectivism was not found to have any significant moderating effect on

both DBE-OCBI and DBE-OCBO relationships. The following discussions try to justify these findings based on the hypotheses made.

5.3.4.1 Dysfunctional Behaviour and Organizational Citizenship Behaviour

H6(a): Dysfunctional behaviour is negatively related to organizational citizenship behaviour targeted at individuals (OCBI).

H6(b): Dysfunctional behaviour is negatively related to organizational citizenship behaviour targeted at organizations (OCBO).

Though dysfunctional PMS behaviour and the OCB used to be considered as two constructs at the opposite ends of the same single continuum due to their opposite semantics (Kelloway et al., 2002; Sackett et al., 2006), but their construct validity evinced that they are indeed two separate unique constructs, and are negatively correlated (Dalal et al., 2009; Kelloway et al., 2002; O'Brien & Allen, 2008; Sackett et al., 2006). Based on this contention, this study postulated that DBE is inversely related to both OCBI and OCBO. The result denoted that almost one-fifth of the variance in OCB (17% in OCBI and 18.1% in OCBO) was accounted for by DBEs. However, it is hard to find support in the extant literatures that investigate the relationship of these two constructs as many previous researchers correlated the two constructs with other job-related factors like job satisfaction, job commitment, etc. Therefore, justifications put forth in this study are only assumptions made based on available literatures.

Despite all this, the finding from this study has demonstrated that dysfunctional PMS behaviour and OCBI are correlated that one would influence the other. However, the

result only supported the DBE-OCBI relationship ($\beta=-0.264$), but not DBE-OCBO ($\beta=0.057$). This implies that the higher a banker engages in information manipulation, the lower would be their tendency to extend helping behaviour towards their colleagues or subordinates. However, the helping behaviour targeted at the bank itself is not affected by the level of information or measures manipulation. During the interview, the participants admitted that it has become their duty to absolutely follow the instructions and to support the top management. The participants would prioritize the fulfilment of their duties to the top management rather than to the subordinates. One of them, Bank Manager C said, *“you have no choice, if you want to work here, then you just have to follow the rules, the instructions from the top.”*

The significant negative DBE-OCBI relationship might be related to the nature of the working environment in the banking industry itself. Social learning theory posited that when employees feel that they are being unfairly treated and being pushed to certain level that they can no longer tolerate, like being forced to achieve an impossible performance target, they might resort to unethical behaviour so as to maintain equilibrium between them and the organization (Ames, 2011). As a result, they may withhold their OCB in retaliation to such injustice (Turnipseed, 2002). As previously discussed, employees in the banking sector are known to face a high work-related stress with a hectic working schedule (Ayupp & Nguok, 2011). They are also being subjected to adherence to a lot of rules, codes and laws that would create a constrictive working condition.

The working environment is also reported to be constantly under pressure to achieve the target set (as also verified in the interviews conducted, as previously mentioned) which

would trigger the employees to engage in dysfunctional PMS behaviour so as to maintain the stated equilibrium. Such a working environment would limit the desire of its employees to help others (OCBI), not only because they would give primacy to fulfilling their individual tasks, but also as a result of retaliation to the perceived injustice. This contention is verified by Aslam et al. (2012) who revealed that work environment in the banking industry induce burnout that decrease the level of affective commitment which later resulted to lower level of OCBI. However, the participants in the interviews also revealed that teamwork among the bank staffs is necessary as they normally need to work together to achieve the target which become part of their in-role behaviour.

In addition, the negative relationship depicted for DBE-OCBI relationship might also symbolize that the bankers do not appear to manipulate the information for the benefit of their subordinates. Extant literatures suggest that information manipulations are sometimes committed to alleviate subordinates' job stress in meeting high target set. As such, there is a possibility that these bankers manipulate information or measures out of concern for their subordinates. In such a case, the more concerned they are, the more they should be engaged in helping behaviour towards their subordinates. However, finding of this study demonstrates an opposite pattern. Therefore, it can be concluded that the bankers are not likely to manipulate information or measures out of concern for their subordinates.

This contention may lead to another possibility often discussed in the literatures. Some researchers (like, Argyris, 1953, 1990; Flamholtz, 1996; Merchant, 1990; Soobaroyen, 2007) suggested that dysfunctional PMS behaviour might also be conducted merely for

serving self-interest. As PMS is expected to keep 'watchful eyes' on all employees (Argyris, 1953), it would arouse a tendency among the employees to paint a better picture of their performance evaluation reports (Argyris, 1953, 1990; Flamholtz, 1996; Jaworski & Young, 1992; Soobaroyen, 2007) so as to cover up or disguise failures, or to avoid threats and embarrassment (Argyris, 1990; Flamholtz, 1996). Bank managers are also responsible for the sustainability of their respective branches which also determines their livelihood, as discussed earlier. Furthermore, the reward system that determines the bonus to be earned and also the promotion also depends on this performance report. Somehow, all these supporting factors seem to point to the possibility that information or measures manipulations are conducted for the benefit of self-interest, though the interest of the branch might also play some role as it overlaps the self-interest.

In support of this argument, previous discussion in Sections 4.8 and 5.3.1 on the level of dysfunctional behaviour are referred. The level of dysfunctional PMS behaviour did significantly differ among the different income groups. Those earning the highest (RM100,000 or more) reported the highest DBE score, far exceeding the others. This demographic factor somehow seems to be related to the above argument that the bankers manipulate information for the benefit of self-interest. Though it might be a coincidence, but there is a possibility that those who manage to manipulate information that results to favourable performance reports would earn higher bonus and get promoted as bonus and promotion would normally depend on the performance evaluation report (Argyris, 1990). Future research, however, might be needed to discover the real reasons behind the information manipulation and if it is also highly related to bonus or reward.

As for the positive DBE-OCBO relationship, though it is insignificant, but the pattern denotes that as DBE increase, the helping behaviours targeted at the organization itself also increase. This is not surprising as some previous researches did demonstrate that the same actor can perform both forms of behaviour within the same environment (Dalal et al., 2009; Fox et al., 2007; Spector et al., 2009). This implies that an employee may emerge as simultaneously good citizens, while still engage in high levels of DBE, hence supporting Spector and Fox's (2010a) notion that individuals do not behave exclusively in either harmful or helpful ways. Behaviour has been shown to be discrete and episodic, that a person would engage in very different amounts of behaviours on different occasions (Beal et al., 2005).

Another possibility leading to the positive relationship might lie in the need of the bankers to impress the top management. In the extant literatures, impression management has been widely discussed and linked to various organizational-related factors, like OCB, job satisfaction, or organizational commitment. It would be intuitively logic to relate impression management in the relationship of DBE-OCBO. Those who are high on information or measures manipulations and are also found to be high on helping behaviour targeted at organization might probably have a motive to be noticed by the top management. As argued by Bolino (1999), employees high on citizenship behaviour (especially OCBO) may be viewed as acting selflessly on behalf of their organizations, but there may be a possibility that such behaviour is only impression enhancing for self-serving purposes.

In this case, the bankers appeared to be more prone to help the organization itself ($m=82.91$, $sd=13.38$) rather than the organizational members ($m=76.35$, $sd=15.05$), which might be more visible to the top management who are located at a distance away. Behaviours like *“offer ideas to improve the functioning of the organization”* or *“demonstrate concern about the image of the organization”* may better capture superiors’ attention, who would later evaluate the bankers’ performance. Hence, if information manipulation is conducted for the benefit of self-interest, like as a means to earn higher bonus, then when it is motivated by impression management, the result might be more outstanding. However, this postulation needs to be empirically tested in the future study.

In addition, the positive relationship might also be attributed to the guilty feelings over their harmful behaviours. In the case that the bankers are fully aware that they have engaged in unethical behaviour by manipulating information, it may lead to fear of retribution that they believe may be attenuated through acts of extra-role behaviour in the hope to assuage that guilt, restore justice, and remedy the situation (Spector & Fox, 2010b). As they feel that they have harmed their organization, then helping behaviour would be directed more towards the organization itself (OCBO). However, the effect of information manipulation might be too small to establish a significant relationship. This could be true when such conduct has not been saliently demonstrated as ethically wrong by the top management as previously discussed.

5.3.4.2 The Moderating Effect of Psychological Collectivism

H7(a): The relationship between dysfunctional behaviour and OCBI is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.

H7(b): The relationship between dysfunctional behaviour and OCBO is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.

A closer look at the nature of the bankers' PCO might provide some helpful notes to further understand its insignificant effect as a moderator in the discussed relationships. The bankers appeared to be collectivistic in nature rather than individualistic ($m=80.76$, with higher value indicates more collectivism). As such, they tend to place higher importance on group success and group harmony rather than on the individual success. This holds some logic as a branch success would highly depend on the collective teamwork of those working in that particular branch rather than on the individual contribution. Besides, the competition with other branches of the same bank, as well as the branches of other competing banks would unite the staffs of a particular branch and increase their sense of collectivism. This is verified in the interviews conducted which revealed that the bank staffs need to work in team that will increase their chance of achieving the target set. This has led to the high collectivism among the bank staffs. Bank Manager E simply stated that *"teamwork is highly required it. You cannot accomplish anything if you work alone."*

On closer inspection, when grouped into individualists and collectivists, both groups did not exhibit a significant difference in their information or measures manipulation

practices. It implies that a decision to manipulate information is not affected by psychological collectivism. However, in support of other previous researches (like, Cohen & Avrahami, 2006; Moorman & Blakely, 1995), high collectivists significantly scored much higher on both OCBI and OCBO, indicating that collectivists have higher proclivity to extend helping behaviour, whether targeted at the people in the organization or the organization itself. Somehow, the bankers seemed to belong to members of collectives (as shown by the high median score) and as such are more inclined towards collectivism. Anyhow there is also a possibility that they are likely to blend collectivism and individualism that would eventually seem to serve collectivist purposes.

The result of the hypotheses testing denoted positive interaction terms of DBE * PCO on both OCBI (0.157) and OCBO (0.209). This implies that in the case the PCO becomes higher or increase, the relationship between DBE with both OCBI and OCBO would increase by the size of their interaction terms respectively. However, both interaction terms were found to be not significant, implying that PCO is not a moderator in either a DBE-OCBO or DBE-OCBI relationship. However, though not significant, the effect of PCO on both relationships might provide some insightful information that should not be overlooked.

With regard to DBE-OCBI relationship, without the moderating effect of PCO, a significant negative relationship ($\beta = -0.264$) was detected as earlier discussed. However, after considering the moderating effect of PCO, it appeared that the direction of the relationship has changed from negative to positive ($\beta = 0.157$). Somehow, PCO did affect the DBE-OCBI relationship that it did not only weaken the relationship, but has changed

the direction from negative to positive. On the other hand, the positive insignificant relationship of DBE-OCBO previously discussed ($\beta=0.057$) has marked an increase after taking into consideration the moderating effect of PCO ($\beta=0.209$). It implies that, as they manipulate information or measures, their sense of collectivism has triggered the bankers to increase their helping behaviour towards their organizational members as well as towards their organizations.

Therefore, it appears to support the notion of Husted and Allen (2008) that in collectivist cultures (as demonstrated by the bankers in this study), though people may hold differing personal ethical beliefs leading to differing ethical behaviour, but they would tend to behave in accordance with the group norm that emphasis the fulfilment of group expectations. This is also in line with the postulation made by social learning theory that an individual may be influenced by the values surrounding them as they observe, learn, react or imitate, and later reciprocate which would later influence his/her interrelationship behaviour or how they respond to others (Bandura, 1977). In this case, though the bankers espouse differing ethical beliefs (as discussed in Section 5.3.2.1 on the effect of personal ethics on dysfunctional PMS behaviour), but they still appeared to be collective in nature. Their sense of collectivism has somehow affected their helping behaviour. Therefore, it seems that PCO does play some role in moderating the said relationships. However the role that it plays might be too small to make it significant.

Even though theory suggests that PCO can act as a moderator leading to citizenship behaviour, but it does not hold true when studied on bank managers. PCO does not seem to moderate the relationship. It might be due to the nature of the constructs involved in

the relationship discussed. This study attempts to investigate the relationship between dysfunctional behaviour (ones that attempt to harm the organization) and citizenship behaviour (ones that attempt to help the organization). According to Husted and Allen (2008), psychological collectivism does influence one's decision concerning a morality of a business practice. For example, in a collectivist environment, ones are more likely to relate business practices that harm any stakeholders as ethically wrong, as compared to those in individualist cultures where such decision would probably be viewed as merely a business decision.

As previously discussed, information or measures manipulation is admitted as a paradox issue - one that is ethically questionable but is still encouraged by the top management. However, results from this study also denoted that the ethical tone of the issue is not made salient that some of the bankers even admitted to making it their common practice. Logically, ones working under a strict compliance of rules, codes and principles would not turn an ethically questionable behaviour into their common practice and openly admit it if they are aware that the behaviour is ethically wrong. This logic somehow implies that some of the bankers are not even aware that they are dealing with a moral issue as information or measures manipulation practice is common to them. As PCO did not moderate the relationships between both DBE-OCBI and DBE-OCBO, it is plausible that neither of them viewed information or measures manipulation as ethically wrong (hence did not differ in their practice, as discussed earlier in this section) that it was not affected by their nature of collectivism. This is in line with the finding of a meta-analysis that individualism and collectivism would only produce effects on values, self-concept,

relationality and cognitive processes when an issue is made accessible and salient (Oyserman & Lee, 2008).

Another possible contributing factor to the insignificant relationship might relate to the nature of covenantal relationship in the banking industry as previously discussed in Section 5.3.2.2. It was previously argued that covenantal relationship might not be sufficiently developed between the bank managers and their subordinates as a result of the hectic working schedule, the constant pressure to achieve targets as well as meeting deadlines which normally lead to stress and burn out among the employees resulted to lower level of OCB (Aslam et al., 2012). Such environment would put the bankers under constant urge to prioritize the completion of their own individual tasks. Even in collectivist cultures, such a working situation would impede the desire to help others. Most likely, they may not sacrifice their task achievement for the sake of good relationships with others. This is especially true when the covenantal relationship is weak that employees may not feel the need to go beyond their prescribed duty. Therefore, even if collectivism does play a role, but its impact would not be too substantial for it to significantly moderate the DBE-OCB relationship. The interviews revealed that to achieve the target set, teamwork is a must in a bank. However, this kind of teamwork needed to accomplish a task is known as in-role behaviour, rather than extra-role behaviour, hence do not fall under the ambit of organizational citizenship behaviour studied in this research.

5.4 Significant Implications of the Research

This research extends the understanding and knowledge of dysfunctional PMS behaviour. Its implications with regard to theoretical, methodological and managerial are presented in this section.

5.4.1 Theoretical Implications

This research provides several important theoretical implications. First, the literature of dysfunctional PMS behaviour, specifically the information or measures manipulation, is expanded through this research. It has examined the occurrence of dysfunctional PMS behaviour within the organizational context in a non-western country, specifically Malaysia. Though a number of studies are available in the extant literature concerning this matter, but most of them were based on data derived from the western countries, particularly USA. Unfortunately, findings from such data could not be generalized to other regions of the world like Asia, particularly Malaysia.

In Malaysia, research concerning this matter proves to be lacking that to the best knowledge of the researcher, this study appears to be the first one conducted to investigate this matter. As such, this research again contributes to the theoretical knowledge regarding the concept of dysfunctional PMS behaviour in Malaysia, a multi-racial country, leading to its colourful multi-culture society as represented by its respondents that consisted of 70.5% Malays, 22.6% Chinese and about 7% Indian and other races. This doctoral research, thus, provides evidence that similar to the western countries, such practice is also quite prevailing in Malaysia.

Furthermore, little is known about how ethics affect dysfunctional PMS behaviour. Drongelen and Fisscher (2003) contended that the effectiveness of PMS would also very much depend on the ethics of the PMS actors, rather than solely on the technical aspects. They called for research into this area as literatures in the PMS has concentrated on the technical aspects while ignoring the behavioural aspect, especially the ethical aspect. In response to their call, this research adds to the literature the knowledge concerning the impact of ethical antecedents, be it personally espoused values or the organizationally embedded values, on dysfunctional PMS behaviour. This is also a riposte for Andreoli and Lefkowitz's (2009) call for future research to investigate the potentially different antecedents of dysfunctional behaviour that makes a distinction of personal and organizational antecedents.

Besides, this research has also unearthed the influence of this aberrant behaviour on a rather positive behaviour known as citizenship behaviour. Not many studies can be found in the extant literatures that had tried to link these two constructs. Therefore, some authors called for further empirical investigations to better understand the relationship of these behaviours which are paradoxically semantically opposite (Spector & Fox, 2010a, 2010b). The result of the research validates the suspected relationship of dysfunctional PMS behaviour and citizenship behaviour. Though DBE may have the possibility to trigger OCB, it is not the intention of this study to promote DBE so as to increase OCB. However, it only intends to bring forward the idea that those committing DBE should not be candidly labelled as bad, but investigating the underlying motive should be made a priority, especially when they obviously engage in OCBs. It might be an indicator that there is something wrong with the system that might limit its effectiveness.

In short, this research contributes to the body of knowledge by examining the issue of dysfunctional PMS behaviour within the boundary of banking industry which is known for its hectic working schedule, high job stress and strong adherence to rules, codes and laws. The findings indicate that dysfunctional PMS behaviour is influenced more by an individual's ethical values and norms espoused though values embedded in an organization also plays some role. This study may help to extend theory concerning dysfunctional behaviour and provide some insights towards curbing such behaviour in the banking industry.

Some results of this study, like the positive relationships between Idealism and Principled ethical climate with dysfunctional PMS behaviour, and the inverse relationship of Relativism with such behaviour, contradict the findings in extant literatures and refute the generalized theory. However, such equivocal findings may open up a new research avenue to be further studied by the future researchers. At least it may contend that those high in Relativism should not always be related to proclivity to engage in unethical behaviour. As shown in this study, Relativists are actually pragmatic people that are more practical in their judgment as compared to Idealists. This has confirmed Forsyth and Nye's (1990) contention that Idealists may not always be the angels that they appear to be. Besides, rules, codes and laws though are admitted as necessary in governing ethical conducts of the employees, but at times, it may put the employees in noxious pressure especially in a hectic working schedule that gives rise to job stress, like a banking industry. Such a working environment would induce more dysfunctional PMS behaviour as depicted by the positive relationship of Principled ethical climate and dysfunctional PMS behaviour.

Somehow this study provides some important insight in validating the importance of having an organization led by an ethical leader and staffed with highly ethical employees. A leader perceived as ethical by the subordinates would foster an ethical environment that would invite the organizational members to also act ethically as shown by the inverse relationship of perceived ethical leadership and dysfunctional PMS behaviour. Similarly, an organization would benefit if it is staffed with employees of high ethical attitude as such employees would have a lower tendency to engage in unethical behaviour which is demonstrated by the negative relationship of ethical attitude and dysfunctional behaviour.

This study goes one step further by providing evidence that a relationship of a negative behaviour (dysfunctional PMS behaviour) with a positive behaviour, namely citizenship behaviour is also possible. This is such a new area or research that has just began to gain momentum. Though previous research has shown that some employees may emerge as simultaneously good citizens, while still engage in high levels of dysfunctional behaviour (Dalal et al., 2009; Fox et al., 2007; Spector et al., 2009), but this research confirms that, in Malaysia (particularly, in the banking industry) those with a higher prone to manipulate information or measures have a lower tendency to extend helping behaviour toward organizational members though it does not affect helping behaviour targeted at the organization itself. Hence, the findings evinced that citizenship behaviours targeted at organizational members and targeted at organization itself are indeed two different phenomena, hence confirming the assertion made by Spector and Fox (2002). However, the psychological collectivism, though insignificant, seems to play a small role to turn the relationship in an opposite direction.

On the other hand, code of ethics, Benevolent and Egoistic ethical climates were found to have no significant influence on dysfunctional PMS behaviour. This has strengthened the assertion by Kaptein (2011) that a mere existence of the COE may not solve the ethical problems as its mere existence would not guarantee the ethical conducts of its employees. Besides, the caring climate fostered by an organization characterized with hectic working schedule and high work stress also seems to be indifferent in curbing unethical behaviour. Perhaps the highly regulated rules, codes and laws would subsume the benevolent and egoistic climates, making them not salient to affect any kind of behaviour.

While most prior works on antecedent variables of unethical behaviour are carried out in Western countries, the present study proved that some of these factors hold true in Malaysian banking industry, while some others are not. Therefore, it would appear that some findings obtained in the west can be generalized to Asian settings. However, as some of the findings depicted a contrast from the west, then, interpretation of some aspects, like ethical ideology, should be done with caution. The differing demographics characteristic of respondents together with different culture backdrop might contribute to this unique finding and thus should be given utmost consideration before generalizing a finding.

However, these findings might hold true only pertaining to the banking industry and might not be in other industries. Besides, as previously discussed, the contradictory findings might also be attributed to the paradox nature of the information or measures manipulation itself. In short, though findings from this research may just only demonstrate a small variation than what have been previously reported, but it is not an

exaggeration to claim that it opens up a new research avenue concerning dysfunctional PMS behaviour especially beyond the frequently reported scope of western countries.

Above all these, this study also demonstrates the application of social learning theory and other ethical theories or philosophies, like deontology, teleology, virtue ethics and ethical egoism in the study of how ethical antecedents might influence dysfunctional behaviour, and later its influence on citizenship behaviour, which has so far been ignored in explaining the dysfunctional behaviour in organisations. Based on the significant findings on the relationship between ethical attitude, Relativism, Idealism, Principled ethical climate and perceived ethical leadership and dysfunctional PMS behaviour and such behaviour on citizenship behaviour targeted at organizational members, without doubt, this research accentuates the significant applicability of social learning theory (even if somewhat modified) in providing further elucidation on the issue of dysfunctional PMS behaviour in organisations. In short, this research adds some important insight to the extant literature on the issue of dysfunctional PMS behaviour that might trigger future research to further understand this issue.

5.4.2 Methodological Implications

Apart from theoretical contribution, this study also contributes to the methodological perspective. With regards to instrument used to elicit data from the respondents, this study has followed a test-retest procedure in ensuring that the items used did not appear redundant, the instrument would not be too lengthy, and confusing wordings were avoided. As original instruments of some constructs are quite lengthy, like ethical work climate that employs a 36-item instrument, steps were taken to shorten the instrument but

still maintain its content so as to avoid response fatigue and increase the likelihood of response. As a result of the pre-testing, instrument for certain constructs has been shortened and employed in the data collection stage. The measurement model evaluation carried out proved that the revised instrument is valid and reliable. Therefore, this study contributes to the methodological part by showing the reliability and validity of the revised scale, hence providing evidence that such reduction is likely to prove robust and the revised instrument might be handy for future research.

Another methodological implication contributed by this research is the evidence of the robustness of Ruler-Option (RO) scale and the possibility of it to become the trend in the future research. RO scale provides respondents more choices of option, be it in terms of the scale choice from 0 to 100 or even other options like when the item is not applicable to the respondents. Hence, it seems to induce the respondents to more accurately express their views, feelings, perceptions or attitude as discussed in Section 4.2.2. A close scrutiny of the questionnaires received revealed that missing values were quite minimal and were attributed to reasons that can be determined, like the question is not applicable to them or they merely did not know the answer. This has somehow reduced the random score ticked by the respondents when the item is not applicable to them.

As the scale choice is wider, the standard deviation also proves to be quite large. In this study, the standard deviations of the constructs ranged from 10.21 to 26.29. Upon closer inspection, higher standard deviation scores were obtained for constructs that can be considered as subjective in nature, like the level of DBE or REL, and lower scores were reported by more objective constructs, like the COE or the Principled ethical climate.

From the experience of the researcher, such a wide range would enable a better understanding of the nature of the construct that a small range of scale (like, from 0 to 7) cannot provide.

Another proven benefit of using RO scale is the tendency for the data to be normally distributed. Though many authors (like, Field, 2011; Hair et al., 2010; Pallant, 2001) have argued that social science survey research would have high tendency to generate data that are not normally distributed, but results of this research provided evidence that RO scale has higher tendency to generate a normally distributed data (though not for all constructs). As discussed and illustrated in Section 4.9, skewness of all constructs fall within the range of -1.57 to 0.44, while kurtosis values are within the range of -.59 to 2.16, indicating that the dataset do not violate the normality assumption which is not normally the case for other scales.

Finally, the employment of PLS-SEM package to analyse the data is seen as another might also contribute to the methodological implication. PLS-SEM appears to be robust enough to analyse data obtained using RO scale as earlier predicted under Section 3.8. Therefore, this research proves contention that PLS-SEM analysis is the most appropriate technique in an equidistant scale (Hair et al., 2014) such as RO scale. Similarly, data collected using RO scale is also fit to be analysed using PLS-SEM. One significant contribution of applying PLS-SEM in can be seen in the joint impact of ethical antecedent variables and the influence of dysfunctional PMS behaviour on citizenship behaviour, which is not possible under SPSS package. Furthermore, accounting for

measurement error variances makes data analyses of the hypothesized relationship using PLS-SEM to become more accurate (Hair et al., 2014).

5.4.3 Managerial Implications

Besides theoretical and methodological implications, several managerial implications can also be advanced from the results of this study. This study provides a few key implications on how the banking industry can better manage the implementation of the PMS in their respective banks.

The results of this study indicate that information or measures manipulation is still relatively being practiced by the bank managers. This should serve as an alarm to the top management who should put a stop to such practices instead of condoning the act or blinding their eyes towards such act. Obviously top management play an effective role in curbing such issue as the leaders would influence the commission of such behaviour as demonstrated by this study. They need to realize that the first step need to start from them as the tone set at the top would be observed, felt, and imitated and hence possess a strong power to influence their followers or subordinates (Trevino et al., 2000).

Therefore, top management should make some effort to saliently thrust the issue as ethically questionable that the commission of such behaviour may invite certain sanctions. They need to create awareness among the bankers that manipulating information or measures is not an acceptable practice, instead it would only cause the unnecessary hiccups to the PMS implementation which would later inflict any decisions made as PMS serves as an information database to all relevant parties. Though PMS has

been admitted as the backbone of many successful organizations, but its design and implementation, especially the target setting phase, should not be too ambitious as it may invite many unintended consequences, like the commission of DBE. Hence, a careful and elaborated target level should be set by eliciting views from various work level. Otherwise, information or measures manipulation which will produce fabricated information will become an acceptable norm, hence no longer be regarded as dysfunctional though it may lead to sub-optimal performance. This is especially important when rewards are also based on the performance evaluation report itself.

Another implication that can be derived from the finding is the undesirable effects of having too many rules, codes and principles on the employees' dysfunctional PMS behaviour. This study revealed that Principled ethical climate is positively related to information manipulation, implying that the higher the employees perceived the decision makings are based on principles, rules and codes, the more they would resort to information manipulation. Two lessons can be learned from this finding.

First, the ethical work climate that is perceived as constricted by too many rules, codes and principles may arouse noxious pressure among the employees. In turn, it may induce dysfunctional behaviour in retaliation to such pressure, especially when they are working in a hectic working environment such as banking industry. Hence, top management must always ensure that the rules, codes or principles regulated do not produce undesirable pressure on the employees, but effectively serve as a guide to govern their job accomplishment. It may also be useful for the top management to conduct a periodical review of their rules and policies in an effort to reduce feelings of injustice and pressure

among employees. Besides, the caring climate must be made salient and felt by all employees so the covenantal relationship may be created that would result to high esprit-de-corps, which would be translated into high affective commitment to the organization (Barnett & Schubert, 2002).

The second lesson relates to the importance of having adequate ethical guideline on every important aspect of job implementation. Banking industry is regulated by external codes and laws that govern their operation so as to protect the public interest. Internally, the codes of ethics and standard operating procedures are formulated to ensure that the employees perform their jobs accordingly. However, finding from this study might indicate that ethical requirement in the PMS implementation may not be made salient to the bankers, hence some of them may not be aware that they are involved in practices that are ethically questionable. Hence, expectation of the top management together with the efforts to eliminate such practices need to be made known and felt to all levels of employees so that it may help in curbing such practices.

Although the act of manipulating information or measures does not affect the citizenship behaviour towards the organization itself, but it does inversely impact the helping behaviour towards the organizational members. Based on this finding, it is important for the management to discourage such act as such practices may impede the cooperation and teamwork spirit in an organization. Besides, though OCB is highly encouraged in an organization, still the management needs to be cautious about actions designed to boost the act of OCB. As the relationship of DBE-OCB might not always be negative, then encouraging one might also increase the other. Such encouragement may also be

interpreted by employees as unreasonable demand which may invite more DBE. Hence, careful monitoring of workloads and ensuring that everybody in the workplace does their chores would be helpful.

Another implication involves the necessity of staffing an organization with individuals with high ethical attitude as they are most likely to engage in ethical behaviour, hence avoiding the information or measures manipulation. Those entering and employed in financial professions, specifically the banking industry, must be sufficiently exposed to ethical and legal challenges on a continuous basis throughout their career. We certainly would not want practitioners to become highly ethical only as a result of painful experience. As the whole nation seems to trust the banks with their valuable assets, bankers should possess the highest ethical values in the job market.

The role of human resource unit would be necessary in recruiting the right candidates and identifying effective ethical training programs. It is important to actively strive to attract and retain individuals who are ethically congruent with the organizational values. Such congruence would allow a better integration of the personal values with the organizational values that would reduce the feelings of conflict. Another point worth considered is perhaps to hire those high in Relativism as compared to Idealism. Relativists seem to make more ethical decisions working in this very demanding and ethically challenging industry like a banking industry. Perhaps their ability to appraise each ethical issue situationally puts them at a better disposal to make more ethical decisions.

The finding of this study may also implicate the educators who are in part responsible for producing graduates who are not only equipped with sufficient know-how of the subject matter, but are also embedded with high ethical values. By thoroughly integrating business ethics-related issues into their academic courses, as well as through their well-designed co-curricular activities that emphasize the need of being ethical, we may create awareness that ethics would always be an important aspect of life, whether as a student, and even more as an employee.

5.5 Limitation and Future Research

This research is certainly not without its limitations. First, this research is subject to socially desirable responses, where the respondents would have a tendency to under-report behaviours deemed inappropriate and over-report behaviours viewed as appropriate (Podsakoff et al., 2003). This problem was made worse when this research investigated the ethical issues of dysfunctional behaviour and its ethical antecedents which has been largely admitted as rather sensitive (Hirst, 1983; Merchant, 1990). The results were also entirely based on self-reports, thus could further complicate the issue of such bias. For instance, respondents may not report their true manipulation practices or they may exaggerate on the positive behaviours, like citizenship behaviour. Besides, measures manipulations are difficult to identify because it is typically hidden from the researcher (Courty, & Marschke, 2008; Soobaroyen, 2007) and even the organization itself (Courty, & Marschke, 2008).

This socially desirable bias and the delicate nature and complexity of the issue may have somehow distorted the findings of this research. However, several preventative steps

have been taken during data collection stage of this study to prevent such bias to affect the results of the study. For example, respondents were guaranteed anonymity and confidentiality that only aggregated responses would be analysed. Besides, though responses of the self-reports has a tendency to invite socially desirable bias, but it was also found to be almost similar to peer-reports, especially when anonymity and confidentiality is guaranteed (Andreoli & Lefkowitz, 2009). Therefore, though there is a possibility of such bias to affect the findings of the study, such bias posed no significant influence on this study findings as proven by Harman's one-factor test (please refer to Appendix D) conducted (Podsakoff et al., 2003).

Second, this study is a cross-sectional survey where data were gathered at one point in time. Similarly, due to the correlational design of the study, the use of 'antecedents' as a causal term is arguably not warranted. As such, causality of a relationship cannot be claimed. As the data are cross-sectional, they are only capable of revealing the net effect of ethical antecedents on DBE and DBE on OCB at a particular point in time (Podsakoff et al., 2000). However, this study has taken various possible steps to justify the hypothesized relationships, like the employment of appropriate theory and the reference to prior research.

The next limitation is related to the sample used which was taken only from one industry, namely banking industry, specifically local commercial banks. Though it covers a rather wide locality across the whole Malaysia, including Sabah and Sarawak, but it has been noted that job attitudes and behaviours may not be congruous across different industry environments (Axinn et al., 2004). As industry or type of company might differ in their

working environment, then such differences might affect the relationships between dysfunctional PMS behaviour and its antecedents (or outcomes). Consequently, the results of this study cannot be generalized to all industries. Future research, then, should attempt to capture larger samples by including samples from other industries so that comparisons from multi-industry can be conducted.

In addition, responses received from some banks revealed that, some bank managers delegated the task of answering the questionnaire to their assistant managers or executives due to their tight schedules. Hence the results should be interpreted with caution as not all respondents consisted of the bank managers. However, considering that the assistant bank managers and the bank executives also burden the similar work of the bank managers, then the results might not vary substantially. This is especially true when they can all be grouped as middle managers.

Again, the results of this research should also be interpreted with caution given the psychometric weaknesses of certain constructs, like EPQ and EWC. For example, quite a number of items in the EPQ used to assess both Idealism and Relativism were found to be confusing, ambiguous or hard to understand, which was also faced by Hartikainen and Torstila (2004). One may need to note that out of six items to evaluate Idealism, only two were retained after the measurement model evaluation. As for Relativism, two items out of four were retained. Hence the high number of items being dropped may invite query as to the appropriateness of the items to measure the constructs. During the measurement model evaluation, there appears to be a problem with both dimensions with some items showed very low factor loadings. Hence, further research is suggested to explore the

reliability of the EPQ using the RO scale in the Malaysian population, specifically in the banking industry.

Some of the items used to measure EWC were also found to be redundant. Therefore, though initially all original items were included in the instrument, but a number of them were dropped as a result of the pre-testing conducted. Unfortunately, the shortened version might result to different findings that comparison with other studies would be unfair (Andreoli & Lefkowitz, 2009). However, this research was not alone. Many researchers find that modification to the items in the original scale is necessary to improve the measure's psychometric fitness (Axinn et al., 2004).

For some of its findings, like the relationship of Relativism and dysfunctional PMS behaviour, this study has somehow refuted the generalized theory. These contradictory findings, in a way, suggest that the relationship between the two constructs might not be that simple. Hence, future research should give consideration to the mediating or moderating variables that might play a role in affecting such relationships. For example, this study could be extended by considering the possibility that the degree of controllability that a manager possesses may play a role as a mediator in the relationship between ethical antecedents and dysfunctional PMS behaviour.

Miles et al. (2002) posited that controllability of a situation would induce certain emotion among the employees. Situations perceived as controllable would likely induce positive emotion, in contrast to uncontrollable situations which may induce negative emotions, which may in turn, enhance the possibility of either DBE or OCB. One logical avenue to start this investigation would be to examine the mediating effect of the application of the

controllability principle suggested by Burkett et al. (2011). The authors postulated that one may start to manipulate information or measures when one feels that the PMS implemented is not treating them fairly as they have no control over the measures against which they are being evaluated. Hence such mediating function may provide significant new insights whether ethics per se may be effective in curbing unethical behaviour.

Findings of this research also raise some interesting queries that can be further studied. For instance, what are the real reasons behind the information manipulation practices? Could it be related to bonus or reward that is tied to the performance evaluation report? Or could it be conducted for the benefit of the subordinates as a means to alleviate job stress in achieving the target set? Or could it be motivated by the need to impress the top management? A more meaningful insight can be obtained if data can be collected from multiple industries so that comparison can be made across industries. Thereon, analyses and discussion must try to tie different environmental characteristics to different practices and the reasons behind it. Such an insight would add a significant knowledge to the literature, especially in this era of plethora unethical behaviour in workplace. To achieve the above objective, perhaps, qualitative research or further research using experimental designs or longitudinal data is recommended so that the causal links among the model constructs can be more reliably determined.

Instead of just focusing on ethical aspect, future researchers might try to link dysfunctional PMS behaviour with other personal constructs, like locus of control, personality traits, Machiavellianism, or the love of money. This would extend the findings of this research as well as van Rinsum's (2007) study on the influence of

personal characteristics on dysfunctional PMS behaviour which is clearly lacking. In a way, it might provide some insight into the reasons triggering the behaviour.

Another interesting research issue that can be further examined is how organizations can effectively promote ethical behaviour and prevent unethical ones instead of focusing on determining if the codes of ethics or any other ethical training exist and are effective in curbing unethical conducts among the employees in an organization. This may include how and to what extent certain moral issues, like information or measures manipulation in the implementation of PMS, can be made salient to the employees. Though this study demonstrates that personal ethical values are more powerful than organizational ethical norms in influencing dysfunctional PMS behaviour, but the equivocal findings might suggest that there might be competing priorities among the personal values and organizational values.

For example, the positive REL-DBE relationship, the negative IDEAL-DBE relationship or the positive PRINC-DBE relationship might be a result of an interplay of competing personal and organizational values. In short, future researchers may examine how an organization can exploit the interplay of personal values and organizational norms to their benefit so that it may curb the commission of unethical behaviour within its organization and provide an important insight into the critical roles that ethics may play in today's organizations. Obviously, additional research is required to further explore the moral thoughts of both Idealists and Relativists and how it may affect their moral judgment and moral behaviour.

Finally, research on the relationship of dysfunctional behaviour and citizenship behaviour is currently lacking. Future research in this area would substantially add to the knowledge of the relationship between these two semantically opposite constructs. Such empirical research might provide evidence that an individual can, at the same time, be a bad citizen but a good soldier. Hence, the interplay of the constructive and destructive behaviour is a lot more complicated and requires further research to fully understand that what raises one form of behaviour may not necessarily reduce the other. Rather, it is the interaction of the environment and individual employees that leads to the repertoires of behaviours within that individual which may be both constructive as well as destructive. Hence, a more elaborated study of these behaviours will be helpful in advancing our understanding on how people in an organization would act and respond to the work environment.

5.6 Conclusion

This doctoral research has presented a detailed investigation on the ethical antecedents of dysfunctional PMS behaviour, specifically the information or measures manipulation practices, and the influence of such behaviour on citizenship behaviour, targeted at both organizational members and the organization itself. The study has been conducted among the branch bank managers employed at the local commercial banks in Malaysia, including Sabah and Sarawak. It was initiated to fill the lacuna in the behavioural aspect of PMS, especially its negative consequences. It was inspired by Drongelen and Fisscher (2003) who coined that ethical aspect would certainly play some role in influencing the effectiveness of PMS implemented as PMS actors are frequently faced with ethical

dilemma. However, there was a paucity of research that linked ethics to PMS as the plethora of research available on PMS has focused on the technical aspects towards the betterment of the system (Drongelen & Fisscher, 2003; Vakkuri & Meklin, 2006). Apparently, little is known about the antecedents of dysfunctional PMS behaviour, specifically the ethical antecedents, and if such behaviour would also invite some positive behaviour, like helping behaviour.

Consequently, this doctoral research was embarked to investigate the relationship between the stated constructs beyond the ordinary scope of western countries. The findings confirmed that a person's ethical norms (represented by two constructs of ethical attitude and ethical ideology espoused, measured by two dimensions of Relativism and Idealism) did impact the occurrence of dysfunctional PMS behaviour. Ethical attitude exhibited a negative relationship with dysfunctional PMS behaviour as initially hypothesized. However, other constructs (Relativism and Idealism) appeared to contradict the findings in previous literatures by demonstrating the relationships in opposite direction. Relativism was found to be negatively related to dysfunctional PMS behaviour though initially hypothesized as positive, while Idealism was positively related to such behaviour though negatively hypothesized.

In addition, as for organizational ethical norms (represented by three constructs of code of ethics, perceived ethical leadership, and ethical work climate – measured by three dimensions of Egoism, Benevolence and Principled), as hypothesized, perceived ethical leadership was found to inversely affect dysfunctional PMS behaviour. However, contrary to initial hypothesis, Principled ethical climate type appeared to be positively

related to such behaviour. On the other hand, the other two ethical climate types, namely Egoism and Benevolence, as well as the codes of ethics were found not to be associated with the bank managers' dysfunctional PMS behaviour. On the second part of the model on the influence of dysfunctional PMS behaviour, this study has discovered that such behaviour did negatively affect citizenship behaviour targeted at organizational members but left no significant impact on citizenship behaviour targeted at the organization itself. In addition, psychological collectivism did not moderate the DBE-OCB relationship.

Despite the rather low R^2 obtained, findings of the study suggest that ethics does play an important role in the commission of dysfunctional PMS behaviour. In addition, such behaviour would influence the helping behaviour targeted at the organizational members, which might later affect cooperation and teamwork spirit among the employees in an organization. These findings provide some important insights to both academicians and practitioners that should form a much stronger basis than just merely intuition and anecdotes for emphasizing the importance of ethics, be it in the curriculum design or in an organization social web. They may be useful to aid the banking industry in dealing with such practice more effectively, as it is a pervasive problem costly to organizations. It should be noted that, although certain relationships were found to contradict the previous findings, they actually add to the richness of the literature and should be interpreted in light of the considerations discussed earlier in this chapter.

In short, this effort has made several contributions to the literature relating to dysfunctional PMS behaviour, especially in the non-western context. In part, it is an answer to Andreoli and Lefkowitz's (2009) call to examine the effect of both individual

differences and situational factors on dysfunctional workplace behaviours as most papers published only focused on organizational factors alone while ignoring the individual factors. Examining both individual and organizational factors in the same study would enable comparison to be made on the more influential predictor. This study discovered that in the case of dysfunctional PMS behaviour, individual ethical stances proved to be more powerful in influencing the bankers' decision to manipulate information. In addition, this research has made methodological contribution by employing the newly-developed Ruler-Option scale and using PLS-SEM to analyze its data which is argued as having better features besides being more robust (Hair et al., 2014).

To conclude, this study which was conducted in Malaysia, a non-western country, has contributed to the creation of a more inclusive global picture of the antecedents and influence of employees' dysfunctional behaviour, specifically, the information or measures manipulation practices in the PMS implementation. It serves as a starting point that may open up an avenue in investigating the occurrence of dysfunctional PMS behaviours which do not only involve the manipulation of information, but may also include gaming, management myopia, budgetary slack creation, or other undesirable consequences associated with the management control system.

5.7 Summary of the Research Study

This whole doctoral study can be summarized in the following Table 5.1.

Table 5.1
Summary of the Research Study

Research Objectives	Research Questions	Hypotheses	Findings
a. To examine the level of dysfunctional PMS behaviour among the bank managers;	a. What is the level of dysfunctional PMS behaviour among the bank managers?		Dysfunctional PMS behaviour was found to be moderately practiced by the branch bank managers, with the range of minimum score of 0 to 100. This implied that some of them admitted to making it their common practice while some others totally rejected such behaviour. This indicates that many still cannot attach the ethical tone associated with such behaviour, which might be attributed to lack of emphasis by top management in curbing such behaviour.
b. To examine the extent of the relationship of personal ethics and dysfunctional PMS behaviour;	b(i) Does ethical attitude influence one's decision to commit dysfunctional PMS behaviour?	H1: Ethical attitude is negatively related to dysfunctional PMS behaviour.	Hypothesis was supported. Those with higher ethical attitude were less agreeable to such practices.
	(ii) Does one's ethical ideology influence his/her decision to commit dysfunctional PMS behaviour?	H2(a): Idealism is negatively related to dysfunctional PMS behaviour.	Hypothesis was not supported. However, a significant positive relationship seemed to emerge, indicating that the more of an Idealist a person is, the more the tendency that he/she might engage in dysfunctional PMS behaviour. This finding, however, contradicts most of the findings in the extant literature.
		H2(b): Relativism is positively related to dysfunctional PMS behaviour.	Hypothesis was not supported. Instead, a significant negative relationship was established between these two constructs, implying that a Relativist is less agreeable to such practices. Again this finding contradicts most of the findings in the

			extant literature, hence warrant further research.
c. To examine the extent of the relationship of organizational ethics and dysfunctional PMS behaviour;	c(i) Does the code of ethics formulated by the bank affect one's decision to commit dysfunctional PMS behaviour?	H3: Codes of ethics is negatively related to dysfunctional PMS behaviour	Hypothesis was not supported. Code of ethics is not a predictor of dysfunctional PMS behaviour which is depicted by its insignificant relationship. Perhaps in the highly regulated industry, such as banking, the role of code of ethics might be redundant with other rules, codes and acts of law.
	(ii) Does the ethical working climate perceived by the employees in an organization influence their decision to commit dysfunctional PMS behaviour?	H4(a): Egoistic climate is positively related to dysfunctional PMS behaviour.	Hypothesis was not supported. Egoistic climate is not prevalent in the banking industry that makes such climate as less influential on dysfunctional PMS behaviour, hence a non-significant relationship was exhibited.
		H4(b): Benevolent climate is negatively related to dysfunctional PMS behaviour.	Hypothesis was not supported. Benevolent climate also appears to be insignificantly related to dysfunctional PMS behaviour which might be due to the hectic working environment in the banking industry.
		H4(c): Principled climate is negatively related to dysfunctional PMS behaviour.	Hypothesis was not supported. However, a significant positive relationship was demonstrated, implying that the higher the Principled climate, the higher the tendency for the bank managers to manipulate information or measures. Perhaps the abundance of rules, codes and acts of law governing the bank operation have created noxious pressure on the bank managers that trigger the commission of dysfunctional PMS behaviour.
	(iii) To what extent would a leader's ethics influence the commission of dysfunctional PMS behaviour among his/her employees?	H5: Perceived ethical leadership is negatively related to dysfunctional PMS behaviour.	Hypothesis was supported. The bank managers were reported to have lower tendency to manipulate information or measures when their leaders were perceived as being more ethical. Such perception might deter the unethical acts among the employees.

d. To examine the extent of the relationship between dysfunctional PMS behaviour and organizational citizenship behaviour; and	d(i) Is dysfunctional PMS behaviour related to organizational citizenship behaviour directed at the individuals in the organization?	H6(a): Dysfunctional PMS behaviour is negatively related to organizational citizenship behaviour targeted at individuals (OCBI).	Hypothesis was supported. Those with higher tendency to manipulate information or measures would have lower interest to extend helping behaviour towards their organizational members. Tough some authors suggested that dysfunctional PMS behaviour might be initiated by the need to alleviate the job stress among the subordinates, but this finding might suggest that with regards to the bankers, other motives might trigger such act.
	(ii) Is dysfunctional PMS behaviour related to citizenship behaviour directed at the organization itself?	H6(b): Dysfunctional PMS behaviour is negatively related to organizational citizenship behaviour targeted at organizations (OCBO).	Hypothesis was not supported. The acts of dysfunctional PMS behaviour seemed to give no significant influence on citizenship behaviour targeted at the organization itself. Perhaps such conduct has not been saliently demonstrated as ethically wrong by the top management.
e. To examine the moderating effect of psychological collectivism on the relationship of dysfunctional PMS behaviour and	e(i). Does psychological collectivism moderate the relationship between dysfunctional PMS behaviour and organizational citizenship behaviour towards the individuals?	H7(a): The relationship between dysfunctional PMS behaviour and OCBI is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.	Both hypotheses were not supported. Psychological collectivism was found not to significantly affect the relationship of DBE and both OCBI and OCBO. This could be attributed to the hectic working environment in the banking industry that gives proclivity to the accomplishment of individual tasks.

organizational citizenship behaviour.	(ii). Does psychological collectivism moderate the relationship between dysfunctional PMS behaviour and organizational citizenship behaviour towards the organization?	H7(b): The relationship between dysfunctional PMS behaviour and OCBO is moderated by psychological collectivism such that the negative relationship is weaker when collectivism is higher.	In such a case, even though in a highly collectivistic environment, collectivism would not play a significant role in influencing helping behaviour.
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