Managerial Perceptions on Employee Misconduct and Ethics Management Strategies in Thai Organizations

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Abstract

Of the recent trends in Corporate Social Responsibility within the business sector, the ethical conduct of employees is one of the most challenging tasks facing organizations. Based on the theoretical framework of agency theory and psychological contract theory, exploratory research was conducted among 229 managers to identify the reasons behind employee misconduct in Thailand. The findings reveal that agency theory was the dominating theory explaining the reasons behind serious unethical behavior by employees. The results indicate that employees committed acts of misconduct because of greed, financial benefits, or other individual motivations. As regards the ethics management approach adopted by organizations, it was found that companies are employing compliance strategy with other various tactics to improve corporate governance. In order to improve compliance, it is recommended for companies to improve management control system to minimize wrongdoing and to be responsive to misconduct incidents. Organization development can be improved by fostering desired corporate culture, religious and philosophical beliefs.

Keywords: Business ethics, Business compliance, Corporate governance, Human resource management, Corporate social responsibility, Thailand

1. Research Background

Business ethical conduct is a vital part of Corporate Social Responsibility (Carroll, 1991). As an integral part of the community, business has the moral responsibility to conduct business activities that are accountable to stakeholders, such as shareholders, customers, suppliers, government authorities, employees, and the public (Jones & George, 2008). If the firm fails to do so, it will find itself encountering survival threats while facing severe penalties or damage to the firm's reputation. Examples of such include the bankruptcy of Enron and WorldCom in the U.S. (Anand, Ashforth, & Joshi, 2004), customer boycotts (Nash, 1981), high employee turnover (Veiga, Golden, & Dechant, 2004) and public disaster (Gellerman, 1986).

Conceptually, business ethics practice can be contradictory to the traditional business belief of maximizing profit (De George, 2006). In addition, if the firm does not have the correct set of norms concerning ethical conduct, managers may indeed justify misconduct and socialize newcomers into corrupt practices (Anand et al., 2004). Business leaders and human resource managers are requested to lead organizational integrity by being role models and taking affirmative action (Thomas, Schermerhorn, & Dienhart, 2004).

At the international level, the issue of corporate governance has drawn great interest from international organizations worldwide. In the case of Thailand, one indicator for the competitiveness of nations gives the country a much higher ranking than it receives for ethical conduct. In 2007, Thai competitiveness ranked 36th among 133 participating nations, 1st being the most competitive nation (World Economic Forum, 2009). This contrasts markedly with another indicator on corruption perception which reports Thailand as having a significantly lower ranking of 84th among 180 nations, the 1st being perceived as the least corruption (Transparency International, 2009). These indicators suggest that there is a need to improve the current situation of unethical conduct through management practice in Thailand. In this study, the research aims to investigate the perceived reasons behind unethical practices and human resource practices to improve business conduct in Thai business organizations.

2. Literature Review

2.1 Business Ethics and Employee Misconduct

Business ethics is the guiding principles on what is the "right" or appropriate way to behave in a situation (Ivancevich, 2007; Jones & George, 2008). Companies use business ethics principles to guide employee business practices and to foster the desired organization culture. On employment, the employee has the basic duty to

perform his or her job with contractual and moral obligations. Employees are morally obliged to obey the law, moral and civil law at work and at other times. In ethics management, companies organize education and promotion programs including issuing the necessary documents such as the code of ethics, work rules and work procedures as employee practice guidelines. Despite these efforts, employee misconduct is not uncommon in organizations.

Basically, managers and employees have the good intentions to conform to acceptable social values. Most managers and employees behave by a personal code of conduct that includes certain principles about integrity, regard for others, and keeping commitments. Employees refrain from engaging in actions that might compromise their reputations, careers, or organizations. Unfortunately, at times, employees challenge the rules through their misconduct.

"Misconduct" is defined as "any behavior that violates the law or organizational ethics standards" (Ethics Resource Center, 2005). In 2005, the National Business Ethics survey in the U.S. indicated that 52% of more than 3,000 workers observed one or more types of misconduct by their colleagues. In the same survey, 36% of employees saw at least two events in the same year. Research by Kaptein and Avelino (2005) found that 76% of organization employees reported being aware of a violation of the law or of company standards by others in the past 12 months.

Verschoor (2003) reported a study in the U.S. by the Association of Certified Fraud Examiners that fraud cost as high as 6% of revenue, which projected to a value of 600 billion dollars and an average of 4,500 dollars per employee. The survey indicated 80% of fraudulent acts involve asset misappropriation. Cash was the targeted asset 90% of the time, and the average scheme lasted 18 months.

Prior research has identified various forms of misconduct. According to organization exit surveys, employees have reported misconduct as illegal corporate activities, actions directed against employees, illegal human resource activities (racial/sexual harassment, mistreatment of employees having AIDS, etc.), smaller-scale dishonesty, and mistreatment of internal and external constituents (Giacalone, Knouse, & Pollard, 1999). In another survey among 3,075 workers, additional observance were identified such as carelessness with confidential/proprietary information, activities posing conflicts of interest, substance abuse, embezzlement, and others (Kaptein & Avelino, 2005).

2.2 Theories on Misconduct in the Workplace

2.2.1 Personality Trait Theory

For trait theory, individual behavior is the result of inherited or acquired traits. Trait theorists subscribe to the premise that certain traits will be disposed to react to a given situation in a certain way (Kidder, 2005). Trait research has provided relative stable and predictable outcomes (McKenna, 1994; Kidder, 2005). For example, an individual with the personality traits of "conscientiousness" shows the qualities of dependability, carefulness and responsibility (Ones, Chockalingam, & Schmidt 1993).

In terms of criticism, trait theory has been questioned on its research design and on its ignorance of situational variables (Davis-Blake & Pfeffer, 1986; McKenna, 1994). Furthermore, research by McAdams (1992) has pinpointed the limitations of personality trait theory, namely its inability to predict behavior, its failure to provide causal explanations of behavior, its disregard of the contextual and conditional nature of the human experience.

2.2.2 Agency Theory

Agency theory has been developed from economic assumptions of self-interest behavior and utility maximization with consideration of the situations that influence employees' behavior. Agency theory suggests that the employer as the "principal" wants to obtain maximum performance from the employee as the "agent". This is in direct contrast to the employee, who is presumed to put in minimal effort. Therefore, agency theory assumes that agents will behave opportunistically if given the chance (Rousseau & McLean Parks, 1993). For example, employees will always shirk or misrepresent their capabilities if they can get away with doing so. Agency research provides managerial implications to set up proper monitoring or controlling mechanisms to reduce misconduct (McKenna, 1994).

Agency theory has been criticized for its assumption of overlooking intrinsic human motivations in a positive manner, such as employees' needs for achievement, exercise of responsibility and authority and recognition from peers, bosses and organizations (McClelland, 1961; Herzberg, 1959). From the organization behavior viewpoint, agency theory has two major limitations. Firstly, the agency theory lacks any consideration of the organization to facilitate effective actions by employees, such as providing clear, consistent role expectations, authority and

empowerment (Donaldsons & Davis, 1991). Secondly, the theory underestimates the effective use of incentives as extrinsic rewards for good performance (Kunz & Pfaff, 2002).

2.2.3 Psychological Contract Theory

Psychological contract theory has been developed from social exchange theory. Psychological contract theory is the idiosyncratic set of reciprocal expectations held by employees concerning their obligations and their entitlements. (McLean Parks, Kidder, & Gallagher, 1998). For example, the employee will work for an employer with the expectation that they will receive something in return. Unlike agency theory, psychological contract theory considers trust in the organization by assuming that employees are honest and ethical. Misconduct occurs in an organization when the psychological contract is violated with perceptions of injustice or unfair treatment in the workplace (Kidder, 2005). In other words, honest and ethical employees may commit acts of misconduct when they feel that they work in an unjust environment and that their trust has been violated (Morrison & Robinson 1997; McLean Parks & Kidder, 1994).

In terms of criticism, the theory is criticized on its ignorance of differences on situational factors, such as moderating the effect of attractive factors to employees. For example, when there is a violation of justice or fairness, the employee may choose to leave the company for an attractive job elsewhere rather than commit misconduct (Kidder, 2005; Turnley & Feldman, 1999).

2.2.4 Tests of Psychological Contract Theory and Agency Theory

Based upon the literature review and the recent qualitative research by Ermongkonchai (2010), it was found that agency theory and psychological contract theory were the dominant theories on the reasons for employee unethical behaviors. This research aims to investigate the reasons for employee misconduct through tests of agency theory and psychological contract theory (Figure 1).

In psychological contract theory, the reasons for employee misconduct are *performance-based judgment calls, faulty rules and socially embedded norms* (Veiga et al., 2004). From agency theory, the reason for employee misconduct is the opportunity to obtain transactional benefit from *process loopholes.*

For performance-based judgment calls, managers justify their misconduct in order to improve performance. Accordingly, some managers consider the rules subjectively in order to become fairer or more beneficial in the long run. For example, a manager may make exceptions on business travel policies as a form of recognition or reward. Through this approach, managers encounter misconduct because "it is necessary to get the job done", "the standards of performance are unfair or overly restrictive", "it is integral to a can-do attitude" and "it is necessary to avoid negatively affecting the organization".

As for faulty rules, managers commit acts of misconduct under the belief that company policies are ambiguous, out-of-date, or simply wrong. In some instances, the wrongdoers reason that existing rules are not able to cover every contingency, especially in emergency situations. For example, in order to retain a subordinate, a manager may try to justify an exceptional salary increase for the particular subordinate by simply rewriting his/her job description.

For social embedded norms, employees as a group have no respect for the rules. In this theme, the situation worsens over time when no one takes the time to distinguish between legitimate and questionable motives for rule bending. For example, an employee may falsify hotel receipts to obtain the maximum allowance permitted. The practice may be so widespread that team members have to comply with this misconduct. In addition, some managers reason that it is good politics to do so or part of paying back a favor. This is highly possible in Thai culture where reciprocity in social and psychological transactions is expected.

As concerns process loopholes, employees as individuals responsible for work processes, commit acts of misconduct for personal gain. Employees are opportunistic and make unethical transactions whenever possible. Since the employees are part of the work process, they have a tendency to believe that nobody will know of their particular misconduct or that no one will check such unethical transactions. In addition, as the employee may be the only person performing a specific job, the misconduct may be induced by others cooperating and benefiting from the wrongdoing.

2.3 Employee Misconduct

"Misconduct" is defined as "any behavior that violates the law or organizational ethics standards" (Ethics Resource Center, 2005). In terms of ethics management in organization, employee misconduct is a form of negative or unacceptable behavior by employees that is detrimental or harmful to the organization (Kidder,

2005). Employee misconduct or unethical conduct behavior has a wide range of levels of impact upon an organization, ranging from small-scale dishonesty to corruption and fraud for personal gain.

2.4 Ethics Management Strategy

In order to improve ethical conduct in the organization, business leaders and human resource managers are encouraged to take leading roles on ethics management. A business leader can choose to adopt one of the two ethics management programs, namely a compliance program and an integrity program (Paine, 1994; Dunphy, Griffiths, & Benn, 2003; Thomas et al., 2004).

For the compliance program, the focus of management is on the improvement of the rules and regulations of the organization. The goal is conformity to externally imposed standards. Compliance programs are designed to prevent criminal, externally monitored misconduct. The leadership of compliance programs is lawyer driven. The method of promotion of ethical conduct is through education, reduced discretion, auditing and controls and penalties.

For the integrity program, the focus of management is on the improvement of self-governance according to self-chosen standards. Integrity programs are designed to encourage shared commitment by employees to be responsible for self-managed conduct. The leadership of integrity programs is management driven. The method of promotion of ethical conduct is through education, leadership, accountability, organizational systems and decision processes, auditing and controls, and penalties. The existing literature suggests firms to adopt an integrity program for ethical sustainability.

For organization improvement, the leader of the organization is requested to take the strategic leadership responsibilities for initiating changes which include the goals of creating and sustaining ethical climates on a routine basis (Thomas et al., 2004; Trevino & Brown, 2004).

This study aims to conduct research study to obtain the necessary information useful for organizational leaders and human resource managers to understand employee misconduct and to design preventive and corrective measures against misconduct.

3. Research Objectives

1. To understand managers' perceptions on the reasons for employee misconduct in public companies in Thailand

2. To identify ethics management strategies practiced by human resource managers to promote ethical conduct in public companies

3.1 Research Justification

From prior researches, there are conflicting results on available theories on business compliance and white collar crime in organizations. This research attempts to conduct empirical test on the competing theories of psychological theory and agency theory. In addition, literature review reveals that there has been no similar study conducted in business enterprise in Thailand. Prior research in Thailand has focused on an understanding of corruption practices and legal mechanisms for administrative improvements, mainly in public management.

3.2 Research Framework and Hypotheses

In order to understand the reasons behind the unethical behavior of managers in Thai businesses, this study was conducted based on the following framework and hypothesis (Figure 1).

Hypothesis 1: *Performance-based judgment calls* is the perceived reason behind managerial misconduct by having positive relationship to the perceived level of employee misconduct.

Hypothesis 2: *Faulty rules* is the perceived reason behind managerial misconduct by having positive relationship to the perceived level of employee misconduct.

Hypothesis 3: *Social embedded norms* is the perceived reason for managerial misconduct by having positive relationship to the perceived level of employee misconduct.

Hypothesis 4: *Process loopholes* is the perceived reason for managerial misconduct by having positive relationship to the perceived level of employee misconduct.

4. Research Methodology

Information was gathered from among Chief Executive Officers (CEO) and human resource directors. Self-administered questionnaires were sent to all the listed companies in the Stock Exchange of Thailand (SET) and Market for Alternative Investment (MAI). The database obtained from SET comprised 498 companies listed

with specific contact names and addresses. For each company, questionnaires were sent to those in top management (President, CEO, Managing Director or General Manager) and heads of human resources (Vice President in Human Resources, Human Resources Director or other positions responsible for the human resource function) (Appendix 1). Of the 946 questionnaires sent to target respondents, 229 completed questionnaires were received with a 24.2% response rate.

5. Data Analysis

5.1 Demographic Data

Of the information gathered, 77 % of questionnaires were from the Stock Exchange of Thailand, 88 % were from Thai-owned businesses, 48 % had a number of employees ranging from 300 to 2,000 persons (Table 1).

In terms of the respondent profile, 76 % were managers with human resource related position. As for respondents' years of service, 53 % had had ten years of service or less, while another 47 % had had more than ten years of service.

5.2 Reasons for Employee Misconduct

The reasons for employee misconduct were provided to obtain respondents' perceptions on the situations in their companies. Following statements on the reasons for employee misconduct, respondents were asked to indicate the level of agreement on the 5-level agreement scale, namely "strongly disagree", "somewhat disagree", "agree", "somewhat agree" and "strongly agree".

The research aimed to investigate the reasons for employee misconduct in companies as perceived by managers. As can be seen from Table 3.1, respondents have raised the following as the most likely causes of misconduct:

1. "As the person takes control of a work process, he/she thinks that *no one will know* about the misconduct and he/she has been influenced to commit an unethical/misconduct transaction by another person who will cooperate and benefit from the wrongdoing"

2. "As the person takes control of a work process, he/she thinks that *no one will check* the unethical/misconduct transaction"

3. "An employee commits an act of misconduct because the person thinks that *no one expects strict adherence to the rules*"

5.3 Level of Impact of Employee Misconduct upon Company

In terms of the degree of impact to the company, it was found that 36 % of incidents were serious in that they affected a small group of concerned persons and about 10 % were serious in that they affected a department, various stakeholders and company reputation, while 4 % were perceived as having a serious impact that required a dedicated team to resolve the matter, or caused business interruptions, litigation and was harmful to company reputation (Table 4).

5.4 Correlations

Correlation analysis was performed to identify the relationships among the studied variables. Results indicated that there were some correlations among "level of misconduct impact to the company" with "process loopholes" (0.21, p<.01) and "social norms" (0.20, p<01). At the same time, weaker correlations were found with "level of misconduct impact to the company" and "performance judgment" (0.14, p<.05).

6. Hypothesis Testing

Regression analysis was performed for the four research hypothesis set. The predictors of employee misconduct of "performance judgment", "faulty rules", "social norms" and "process loopholes" were included in the simple regression model. The model provided a low power of prediction for "level of misconduct impact to the company" (F=2.826, p<.05, Adjusted R Square =.032).

In Table 6, the results indicate the predictor variables made toward the explanation of the dependent variable "level of misconduct impact to the company". The standardized coefficient shows that "process loopholes" (β=.140, p<.1) had some influence on "level of misconduct impact to the company". From this perspective, the data provides some support for agency theory as the explanation of employee misconduct (hypothesis 4).

In process loopholes in agency theory, employees, as individuals in control of work processes, commit acts of misconduct for personal gain. Employees enter into unethical transactions whenever opportunity arises. Since employees are part of the work process, they have the tendency to believe that nobody will know about a particular misconduct or no one will check about such unethical transactions. In addition, as the employee may

be the only person performing a specific job, the act of misconduct may be encouraged by others who will cooperate and benefit from the wrongdoing. This line of thought is also supported by answers given in the open-ended answers in the next section.

Hypothesis 1, 2 and 3 were not accepted as there were no significant relationship was observed between "level of misconduct impact upon the company" and "performance judment", "faulty rules" and "social norms".

Following the respondents' ratings of agreement on the statements regarding employee misconduct, an open-ended question probed for "other reasons for unethical behavior or misconduct". Of the 229 managers, 120 persons or 54 % reported that major reasons for misconduct were "employee's individual financial problems/extravagant lifestyle/gambling", "personal habits and behavior", "induced by benefits or financial returns", "lack of ethical judgment/righteousness", and "family problems", 29%, 18%, 13%, 8%, and 5% respectively. Other important reasons included "negligence/careless" accounting for 10 %, "lack of understanding" for 7%, and "follow unethical behavior of others" for 2% (Table 7).

In conclusion, the results, with consistent responses from perception ratings and open-ended answers, support agency theory in explaining the reasons behind employee misconduct. The research findings revealed that employees committed acts of misconduct because of financial incentives and other individual motivations rather than other factors from the work environment.

6.1 Human Resource Actions against Employee Misconduct

Following the occurrence of a misconduct, it is the responsibility of human resources to take action to maintain order in the company. Of the 229 managers, the majority (79%) reported that they had taken disciplinary action against employees. About one fourth or 26% had taken formal litigation against employees, while about 13% had issued disciplinary letters in compliance with legal requirements. A total of 12% had convinced the employee to voluntarily resign without compensation, while 9% had terminated the employee's contract without compensation. At the same time, about 9% of managers had encouraged an employee to voluntarily resign with compensation from company (Table 9).

6.2 Company Ethics Management against Employee Misconduct

Concerning the ethics management by the 229 managers, respondents were asked to respond to a list of different activities on ethics management against employee misconduct. From the multiple answers reported, the majority of companies (75%) had employed a compliance program towards misconduct by "restricting employee discretion", 65 % had "top management set the budget exclusively for ethics management" and 52 % had "set up a hotline or anonymous reporting system". Companies are active setting up permanent structures to respond to employee misconduct: 33% had "reviewed ethics management by top management", 31% had "set up formal structure for ethics compliance", 29% had "set up an audit function and monitoring", and 17% had "set up an internal audit control procedure". For the human resource function, 33% of companies had "issued or revised Code of Ethics" and 13 % had "human resources plan and organize ethics management activities" (Table 10).

From the answers given in Table 8, 72 respondents provided additional answers to describe specific activities organized in their companies for ethics management. About half of the respondents (51%) had provided employees with ethics education as a preventive measure, such as organization values, ethics and governance, Buddhism teaching and ethics, at 24%, 14% and 14%, respectively. In some companies, the management had decided to organize activities to improve employee socialization (38%), to improve communication (29%) and to improve human resource systems and process (15%).

7. Discussion

This research attempts to investigate managerial perceptions of employee misconduct in organizations.   The statistical analysis had shown support for agency theory as the explanation of employee misconduct or unethical behavior. Indeed, the analysis of open-ended answers also confirmed the same pattern of reasons consistent with agency theory. The research findings revealed that employees committed acts of misconduct because of greed, financial benefits, or other individual motivations.

Based on the basic premises of agency theory, Rousseau & McLean Parks (1993) suggest that people act in their self-interests and balance the risk with consideration of the situation. The implications from the research findings to top management and human resource managers are that they need to ensure proper management control systems to minimize any wrongdoing. McKenna (1994) has suggested companies perform monitoring or create control mechanisms within the company to reduce or discourage misconduct. In addition, periodic review of rules and extensive communications are required to ensure compliance to business practice.

In terms of ethics management practice in business enterprises, the majority of companies practice a compliance program which focuses on the improvement of rules and regulations of organizations. Thai companies are responding to misconduct by "restricting employee discretion and freedom", "reviewing ethics management by top management", "reviewing and issuing Code of Ethics", "establishing audit function and monitoring" and "reviewing internal control procedure". At the same time, some companies are actively promoting ethics management with integrity strategy by providing "education on organization values, Buddhism teaching and ethics", organizing "activities to improve socialization", and "activities to improve communication".

8. Management Implications

From the research conducted, agency theory is the dominating theory in explaining employee misconduct in Thai companies. Employee misconduct is motivated by individual intrinsic factors, such as financial problems, extravagant lifestyle, gambling, greed, etc. In order to minimize such risk, it is important that the management impose a certain level of "control" and "monitor" work processes, especially ones that may lead to financial gain.

In response to employee misconduct, Thai companies have developed ethics management strategies within the organization by establishing various activities to control, to educate and to prevent employees from wrongdoing. Conceptually, ethics management strategies can be classified as either compliance programs or integrity programs. From the findings, it can be observed that companies have articulated their ethics management strategies by implementing programs pertinent to their situations. Therefore, the practice of ethics management by Thai companies can be placed somewhere between the compliance program and integrity program, rather than solely one or the other.

Interestingly, the research results revealed a unique practice of improving ethics in Thai organizations. Aside from communicating corporate values and the effort to encourage compliance, some companies suggested the cultivation of a higher level of ethical dimension – religious beliefs (such as Buddhism) and His Majesty the King's philosophy of "Sufficiency Economy".

The philosophy of sufficiency economy has been developed and advocated by His Majesty King Bhumibol Adulyadej based on His Majesty's accumulative experiences in rural development. Inspired by Buddhism, the philosophy's "middle path" approach provides a guiding principle for people at all levels in pursuing their livelihood. The philosophy emphasizes "sufficiency" which includes three elements: moderation, responsible consumption and self-immunity as sufficient protection from impacts arising from internal and external changes. The philosophy requires two conditions to work, namely knowledge and virtue (Bjorkman, 2006; Piboolsravut, 2004).

The application of the "sufficiency economy" philosophy encourages people to start by becoming self-reliant in the production of food and, then, individuals can strive for a more advanced stage of development. Individuals and households should display reasonable behavior in investment and consumption (e.g. better individual and family financial planning, limiting unnecessary luxurious consumption). As for employee conduct, the philosophy provides practical principles and conscientious guidelines for individuals to consume in moderation and pursue happiness and sustainability rather than luxurious lifestyle and excessive material possessions. The philosophy teaches ethical behavior by fostering desirable values to suppress potential destructive values such as cunning and greed.

In this study, managers have suggested these religious and philosophical beliefs foster self-discipline as a remedy to overspending, greed, and social conscience about the impact of one's actions on others. This suggestion is useful for ethics management in considering a holistic view of human values in society. In this context, further exploration is necessary on how to effectively integrate religious beliefs and the "Sufficiency Economy" philosophy within the Thai organization.

As for implications on human resource management, the department can further contribute to company ethics management strategy in four possible ways, namely improvement in organization design, compliance, hiring and employee development. Firstly, human resources can consider the organization design method to include job rotation practice. From the research findings, employees commit acts of wrongdoing from long service in a position that enables the individual to control the work process without anyone monitoring any wrongdoing. The job rotation system can be designed to require a job holder to transfer to another job every three to five years or so. By doing this, the situation can be improved by promoting transparency and professionalism. At the same time, job rotation is a useful method to encourage skill improvement and upward career mobility.

Secondly, human resources should be actively involved in the complete process of ethical compliance, including the review of the code of ethics, risk assessment, auditing activities, employee investigation and disciplinary actions. Thirdly, human resources can consider the improvement of hiring by evaluating the compatibility of candidate values and organization values. In addition, record checks should be made thoroughly to verify candidate accountability and any past wrongdoings. Finally, in terms of developing employees, human resources should consider a periodical education and socialization program and the involvement of employees in ethics management, such as the Code of Ethics and activities promoting professional ethics.

For future research, it would be useful to adapt a multidisciplinary approach to understand and predict misconduct, such as learning from psychology and criminology. Following the support for agency theory, further exploration into other fields will enable human resource professionals to understand the root causes of misconduct. The integration of different bodies of knowledge will be useful to improve measurements and preventive and corrective actions on unethical conduct.

9. Limitation of the Study

This research aims to explore the reasons on employee unethical conduct by collecting data from human resources managers in large size business organizations listed at Stock Exchange of Thailand. The results and implications are limited to generalization to all business communities in Thailand.

The findings of this research presented the opinions of human resource managers without consideration of views of employees. Therefore, the findings are subject to limited viewpoint of those with authority rather than viewpoint of the wrongdoers, which may be influenced by other potential pressure from organization environment.

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Table 1. Company Profiles of the Samples (n=229)

Company Profile (Private vs Public)

	Frequency	Percentage
Private Co., Ltd	29.0	12.8%
Public Co at SET	175.0	77.4%
Public Co at MAI	22.0	9.7%
No Answer	3.0	
Total	226.0	100.0%

Number of Employees in Company

	Frequency	Percentage
<100 employees	25	11.0%
101-200 employees	30	13.2%
201-300 employees	25	11.0%
301-500 employees	28	12.3%
501-1,000 employees	53	23.3%
1,001-2,000 employees	29	12.8%
2,001-4,000 employees	16	7.0%
4,001-6,000 employees	11	4.8%
> 6,000 employees	10	4.4%
Total	227	100.0%

Table 2. Respondent Profiles of the Samples (n=229)

Respondent Position at the Company

	Frequency	Percentage
President/CEO/MD	54.0	23.8%
VP-HR/HR Director	25.0	11.0%
HRM Manager	120.0	52.9%
Others - HR	28.0	12.3%
Total	227.0	100.0%

Respondent Service with Company

	Frequency	Percentage
Less than 3 years	33.0	14.9%
3-5 years	46.0	20.8%
6-10 years	40.0	18.1%
11-15 years	47.0	21.3%
16-20 years	29.0	13.1%
More than 20 years	26.0	11.8%
	227.0	100.0%

Table 3.1. Mean Score and Standard Deviation of the Studied Variables

Reasons for Employee Misconduct

	N	Mean	Std.
	224	3.16	1.04
Nobody will check	221	2.97	0.96
No one expects strict adherence to rules	228	2.93	1.00
Rules do not apply in an emergency case	229	2.86	0.90
He/she is pressured by others	225	2.86	0.92
Rules are ambiguous	226	2.85	0.92
Need to pay back favor	226	2.74	0.87
Everybody does it	222	2.69	0.90
Rules are out-of-date	229	2.69	0.85
Company standards are unfair	229	2.65	0.86
Company standards too restrictive	229	2.64	0.77
Rules are wrong	229	2.55	0.76
To improve performance	227	2.50	0.75
It is necessary to help organization	229	2.44	0.68
To get job done	227	2.42	0.71

Table 3.2 Mean Score and Standard Deviation of the Studied Variables

	N	Mean	Std.
Performance Judgment			
To improve performance	227	2.50	0.75
To get job done	227	2.42	0.71
Company standards are unfair	229	2.65	0.86
Company standards too restrictive	229	2.64	0.77
It is necessary to help organization	229	2.44	0.68
Faulty Rules			
Rules are ambiguous	226	2.85	0.92
Rules are out-of-date	229	2.69	0.85
Rules do not apply in emergency case	229	2.86	0.90
Rules are wrong	229	2.55	0.76
Social Embedded Norms			
Everybody does it	222	2.69	0.90
He/she is pressured by others	225	2.86	0.92
Need to pay back favor	226	2.74	0.87
No one expects strict adherence to rules	228	2.93	1.00
Process Loopholes			
Nobody will know	224	3.16	1.04
Nobody will check	221	2.97	0.96

Table 3.3 Correlations Results of Studied Variables

	To improve performance	To get job done	Company standard are unfair	Company standard too restrictive	It is necessary to help organization	Rules are ambiguous	Rules are out-of-date	Rules do not apply in emergency case	Everybody does it	He/she is pressured by others	Need to payback favor	No one expects strict adherence to rules	Nobody will know	Nobody will check	Rules are wrong	Level of misconduct impact to company	Number of Misconduct
To improve performance	1.00																
To get job done	0.56 **	1.00															
Company standard are unfair	0.38 **	0.40 **	1.00														
Company standard too restrictive	0.39 **	0.45 **	0.79 **	1.00													
It is necessary to help organization	0.27 **	0.40 **	0.25 **	0.29 **	1.00												
Rules are ambiguous	0.30 **	0.22 **	0.44 **	0.38 **	0.30 **	1.00											
Rules are out-of-date	0.29 **	0.17 *	0.46 **	0.41 **	0.16 *	0.68 **	1.00										
Rules do not apply in emergency case	0.27 **	0.20 **	0.44 **	0.44 **	0.27 **	0.50 **	0.57 **	1.00									
Everybody does it	0.32 **	0.32 **	0.44 **	0.36 **	0.29 **	0.51 **	0.37 **	0.26 **	1.00								
He/she is pressured by others	0.37 **	0.31 **	0.48 **	0.41 **	0.31 **	0.45 **	0.49 **	0.50 **	0.43 **	1.00							
Need to payback favor	0.32 **	0.27 **	0.45 **	0.39 **	0.37 **	0.52 **	0.47 **	0.41 **	0.45 **	0.66 **	1.00						
No one expects strict adherence to rules	0.30 **	0.30 **	0.39 **	0.39 **	0.25 **	0.40 **	0.39 **	0.44 **	0.50 **	0.58 **	0.58 **	1.00					
Nobody will know	0.22 **	0.19 **	0.28 **	0.29 **	0.12	0.28 **	0.32 **	0.39 **	0.47 **	0.33 **	0.40 **	0.58 **	1.00				
Nobody will check	0.30 **	0.21 **	0.27 **	0.28 **	0.18 **	0.32 **	0.42 **	0.27 **	0.41 **	0.45 **	0.45 **	0.44 **	0.56 **	1.00			
Rules are wrong	0.23 **	0.21 **	0.57 **	0.48 **	0.20 **	0.50 **	0.57 **	0.59 **	0.35 **	0.54 **	0.45 **	0.40 **	0.33 **	0.32 **	1.00		
Level of misconduct impact to company	0.14 *	0.14 *	0.06	0.11	0.06	0.12	0.09	0.13	0.12	0.17 *	0.06	0.27 **	0.20 **	0.19 **	0.07	1.00	
Number of Misconduct	-0.01	-0.01	-0.05	-0.04	0.06	0.01	0.06	0.02	-0.04	0.14 *	0.04	-0.04	-0.06	-0.06	-0.05	0.13 *	1.00

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

*Correlation is significant at 0.05 level (2-tailed).

Table 4. Level of Impact of Employee Misconduct Impact upon Company

	Number	Percentage
Serious – required team to resolve, business interruptions, litigation & harm	10	4.4%
Serious – affected department, various stakeholders & co reputation	22	9.8%
Serious – affected small group of concerned persons	82	36.4%
Mostly unrelated incidents	61	27.1%
No significance	51	22.6%
Total	226	100.0%

Table 5. Correlation Results of the Studied Variables

	Performance Judgment		Faulty rules		Social Norms		Loopholes		Level of misconduct impact to company
Performance_judgment	1.00								
Faulty_rules	0.54	**	1.00						
Social_norms	0.59	**	0.66	**	1.00				
Loopholes	0.35	**	0.44	**	0.61	**	1.00		
Level of misconduct	0.14	*	0.12		0.20	**	0.21	**	1.00

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

*   Correlation is significant at the 0.05 level (2-tailed).

Table 6. Coefficients Table from Regression Analysis of the Studied Variables Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.222(a)	.049	.032	1.053

a Predictors: (Constant), Loopholes, Performance_judgment, Faulty_rules, Social_norms

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.540	4	3.135	2.826	.026(a)
	Residual	242.920	219	1.109		
	Total	255.460	223			

a   Predictors: (Constant), Loopholes, Performance_judgment, Faulty_rules, Social_norms
b   Dependent Variable: Level of misconduct impact upon company

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.487	0.363		4.093	0.000
	Performance_judgment	0.066	0.162	0.034	0.408	0.684
	Faulty_rules	-0.045	0.140	-0.030	-0.326	0.745
	Social_norms	0.146	0.152	0.104	0.959	0.339
	Loopholes	0.166	0.099	0.140	1.664	0.097

a   Dependent Variable: Level of misconduct impact upon company

Table 7. Reasons for Employee Misconduct

Reasons of Employee Misconduct	N	%
Financial Problems/extravagant lifestyle/gambling	35	29.2%
Personal habits and behavior	21	17.5%
Induced by benefits or financial returns	15	12.5%
Negligence/carelessness	12	10.0%
Lack of ethical judgment/righteousness/thinking discipline	10	8.3%
Lack of understanding, not aware that the acts are wrongful	8	6.7%
Family problems	5	4.2%
Use of company assets for personal reasons	4	3.3%
Facilitate benefits for personal network of people	4	3.3%
Sexual harassment	3	2.5%
Follow wrongdoing behavior of others	2	1.7%
Absent more than 3 days	1	0.8%
Total	120	100.0%

Table 8. Human Resource Actions against Employee Misconduct

	N	%
Sue the employee	59	25.9%
Issue warning letter as disciplinary action	29	12.7%
Encourage employee resignation-without compensation	28	12.3%
Company_decided no actions	26	11.4%
Termination without compensation	21	9.2%
Employee resignation-with compensation	20	8.8%
Others	11	4.8%
Disciplinary action-no salary increase, no bonus	7	3.1%
Termination with compensation	6	2.6%
Disciplinary action-employee pay for damage	6	2.6%
Investigate by HR-no action	6	2.6%
Set up committee investigate-no action	6	2.6%
Disciplinary action-suspension without compensation	3	1.3%
Total	228	100.0%

Table 9. Company Ethics Management against Employee Misconduct

	N	%
Restrict employee discretion and freedom	170	75%
Top mgt set budget exclusively for ethics mgt	148	65%
Establish hotline or anonymous reporting system	118	52%
Review ethics management by top management and PDCA	76	33%
Issue COE with communication	75	33%
Organization structure for ethics compliance	70	31%
Establish audit function and monitor	66	29%
Review internal control procedure	39	17%
Management involvement in ethics mgt	36	16%
HR to plan and organize ethics mgt activities	29	13%
	228	363%

Table 10. Ethics Management Actions against Misconduct (open-answer)

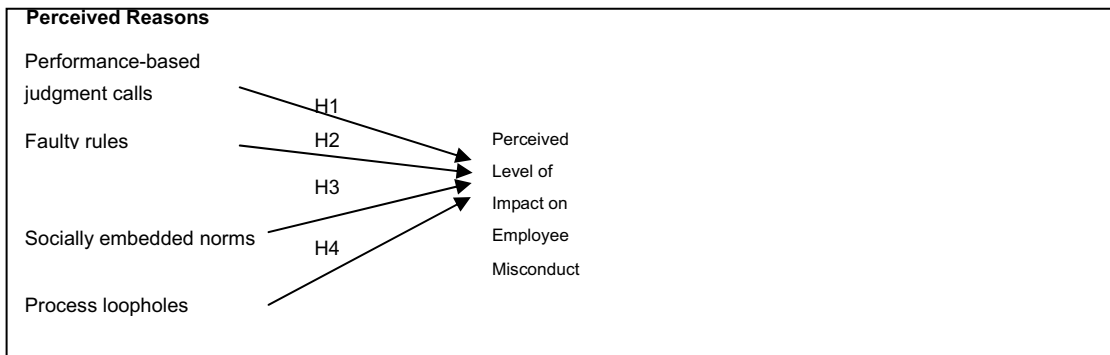| Ethics Management Activities Against Misconduct		Percent
EDUCATION: Organization Values, Ethics and Governance	23.6%	51.4%
Buddhism Teaching	13.9%	
Ethics	13.9%	
Activities to Improve Socialization		37.5%
Activities to Improve Communication		29.2%
Improve HR System (job rotation, clarify authority, etc.)		15.3%
Improve Management Involvement		1.4%
Total		134.7%
Total Answers		97
Total Samples		72

Figure 1. Hypothetical Reasons for Employee Misconduct