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LONDON CONFERENCE PROCEEDINGS**

6-7 June 2014

**Venue: University of London,
London, UK**

**CONFERENCE THEME:
Challenges facing Researchers**

Keynote Speech: Professor Enslin J. van Rooyen

**Tshwane University of Technology
Pretoria
South Africa**



Topic for keynote address- In his keynote address Professor Enslin J. van Rooyen will talk about Public Sector Project Management Maturity Assessment in South Africa.

Biography: Prof. Enslin J. Van Rooyen has published widely and his current research interests and professional services include Integrated Sustainable Development, Strategic Management, Urban Economic Development and Strategies for Organisational Leadership Development and Project Management.

He currently teaches Local Development Management, Public Policy, Project Management and Organisation Development on 3rd year level and M Tech level. Currently he serves as a Commissioner on the Tshwane Planning Commission where he is engaged with providing strategic development advice to the City of Tshwane Metropolitan Council. In addition, he serves on various committees and bodies in the public service and renders advisory services in both the public and private sector.

Keynote Speech: Dr Comfort Omorogbe
Crawford University,
Igbesa,
Ogun-State, Nigeria



Topic for keynote address- In her keynote address Dr Comfort Omorogbe will talk about Ethical Values and Researchers Ethical Judgement

Biography: Dr. Comfort E. Omorogbe had her Doctoral Degree (PhD in Management Accounting) from the University of Lagos, Nigeria.

She is currently a Senior Lecturer in Accounting and Finance Department, College of Business and Social Science, Crawford University, Ogun State, Nigeria.

She has served in several capacities and committees within the University community; currently a serving member of the University curriculum development committee and the Vice-Dean of the College of Business and Social Science.

She is a member of the Association of National Accountant of Nigeria (ANAN).

She has widely published nationally and internationally and a reviewer/editor for several academic journals within the African Coast and beyond.

She is married with children.

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Sustainability Reporting Practices: An Assessment of Mining Companies in Ghana

Arthur, C. L. *

***Abstract:** The study examined the sustainability reporting practices in Ghana by mining companies is to find out whether there is any relationship between the level of disclosure in sustainability reporting and factors such as size, growth rate, profitability, efficiency, gearing, solvency, age, complexity and sphere of sustainability information. The researcher adopted the legitimacy and stakeholder theories. While the arguments presented by the proponents of the legitimacy theory is used to explain how these companies may prepare sustainability reports to appear as having the same norms and values as those of the society, the arguments in support of the stakeholder theory are used to explain heterogeneous stakeholders views. With the use of content analysis the study proceeded by probing the question of whether sustainability reports have any relationship with corporate characteristics and the level of sustainability report. The findings show that there is some level of relationship between them and the level of sustainability report had increased in terms of all sphere of sustainability information of the period under study.*

Key words: Ghana, sustainability, reporting, disclosure, content analysis, stakeholders, corporate characteristics

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Public Sector Project Management Maturity Assessment in South Africa

Enslin J. van Rooyen*

Abstract: South African public sector organisations have adopted a broad management-by-projects approach to execute their functions. As part of this approach, project management maturity assessments may be considered as to a “tool” with which to develop an organisation-specific project management framework, methodology, strategy, and decision-making process. An organization has achieved full project management maturity when meets the requirements and standards for project management effectiveness and if it is capable of meeting targets such as on-time project execution, within budgeted costs and according to pre-set quality benchmarks (project management triumvirate). This paper seeks to sensitise scholars and practitioners of project management to the possibility of entrenching project management maturity assessment methodology as part of monitoring and evaluation praxis in public sector organisations, to moderate the risk of project failure. The methodology employed in assimilating research for this paper is primary- and secondary-normative, augmented with selected empirical references. The paper concludes with a proposition that public sector organisations may consider entrenching appropriate PMMMs as part of their monitoring and evaluation and project risk management processes.

Key words: Project management maturity, Project Management Maturity Model, Monitoring and evaluation, Project risk management

Introduction

In Project Management the concept and methodology of “maturity” is often used, especially in the private sector domain. However, in the public sector, in quasi-autonomous organisations or the development field, organisational maturity analysis is less often institutionalized to full form.

Project management processes

Methodologies in project management application refer to a series of different processes, which are designed to enable project managers and project functionaries to complete the project tasks faster and with strategies to handle problems where necessary as they may arise throughout the project life cycle or life span irrespective of the particular project management approach (www.cio.com.au/article/402904/project_management_methodologies/).

All projects integrally contain an imbedded methodology that consists of processes – imbedded in set project phases. One important methodology in project management process execution is a model entitled Project Management Maturity Assessment. Large entities such as the United Nations Development Programme (UNDP) relies on Project Management Maturity Models to improve the monitoring and evaluation of their projects since it allows an organization to have its existing project-related processes assessed according to management best practices against a clear set of benchmarks, where-after a particular “Maturity Level” accreditation is awarded thereto (www.ppmtoolkit.undp.org/4b_Maturity_Concept.cfm).

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In general, any project management approach/framework may at least contain/present 5 basic processes, namely: Initiation, planning and design, executing, monitoring and control and closing (www.examiner.com/article/different-approaches-for-project-management). The Business Dictionary (www.businessdictionary.com/) defines process as: “Sequence of interdependent and linked procedures which, at every stage, consume one or more resources (employee time, energy, machines, money) to convert inputs (data, material, parts, etc.) into outputs. These outputs then serve as inputs for the next stage until a known goal or end result is reached”. Therefore, the close relationship between methodology and process is important and the project lifecycle associates with tasks and activities.

Project management maturity

Maturity models are defined by the United Nations Development Programme (www.ppmtoolkit.undp.org/4b_Maturity_Concept.cfm) as robust models, which recognize the management activities associated with an individual project level, but also those activities within an organization that build and maintain an organization-specific framework of effective project approaches and management practices. According to a publication entitled Consultants Mind (July, 2012) (www.consultantsmind.com/2012/07/01/maturity-model/) a maturity model gauges an organisation’s maturity (capability) in a number of areas and points out particular areas in need of improvement. Thibodeaux (www.smallbusiness.chron.com/project-maturity-model-12321.html) defines a maturity model (also known as a capability maturity model) as a model that refers to methods of systematically improving any business process.

The appropriate level of maturity towards which an organization should strive is determined during an assessment process executed by a professional expert team. Optimal management maturity is reached when the particular requirements and standards for project management effectiveness in terms of the applicable maturity model are met. In addition, such an organization should be able to, again in terms of the chosen maturity model be able to demonstrate that it is capable of effecting improvements such as timeous project delivery and applicable quality criteria. The result is that once an organization has completed a maturity assessment, according to the comparable industry standard, it should be able to comprehend its own strengths and/or weaknesses, thus empowering it to action strategies to improve such performance (www.ppmtoolkit.undp.org/4b_Maturity_Concept.cfm).

Conditionality influencing project management maturity analysis

Although scholars differ on the effectiveness of applying PMM, it is generally agreed that organisations should institutionalize processes of scrutiny (monitoring and evaluation) as far as their project performance is concerned. In a well-cited paper entitled Using Maturity Models to Improve Project Management Practice, Brooks & Clark (POMS 20th Annual Conference, May 2009), caution that to make PMMMs effective, the selection of a particular PMM model is important. The tool used to improve project performance must be such that it becomes possible to identify the necessary steps that are needed to improve performance. In other words, the results obtained from a maturity assessment should be

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directive towards what action(s) are required to increase maturity levels. A survey concluded by Pricewaterhouse Coopers in 2004 and 2006, among 200 different organisations (including the public sector) and through a balanced representation of top, middle as well as line managers found that higher maturity levels in organisations directly correlates with overall project performance (not on singular projects alone, but in the overall project portfolio); project failures are often the result of cumbersome organizational dynamics, over which project managers have little influence; organisational structure impacts on overall project performance; staff development and professional certification enhance overall project performance; a systematic approach to change management in projects is fundamental for improved performance; and the extent to which project management software is used is correlated to maturity levels.

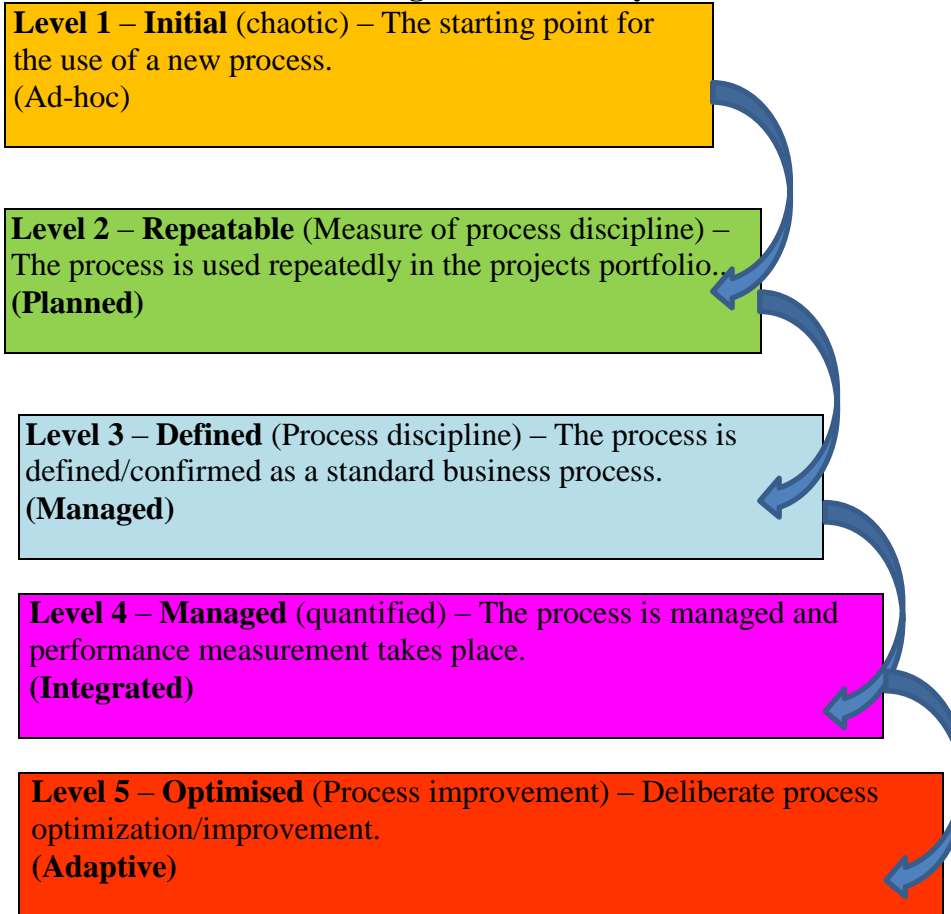
In the aforementioned research, it was found that if standard maturity levels of 1. Unreliable processes; 2. Informal processes; 3. Standardised processes; 4. Monitored processes; and 5. Optimised processes are considered, the total average maturity level achieves a rating of 2.5, indicating that the state of project management amongst the sampled population falls on the level of informal processes and that processes are not yet properly institutionalized, hence the high incidence of project failure (PricewaterhouseCoopers, 2010)(www.eog.org/). In furtherance to results obtained in the above-mentioned survey, Moraes & Lauriundo (2013) conclude that a direct correlation does exist between higher levels of project maturity and project performance.

Project Management Maturity Model (PMMM)

Two models, which are claimed to be effective are the Portfolio, Programme, Project Management Maturity Model (P3M3) and the Prince2 Maturity Model (P2MM). Respectively, the aforementioned models are seen to form the bedrock of maturity assessment, especially in the development agency and public sector environments (www.ppmtoolkit.undp.org/4b_Maturity_Concept.cfm). The P3M3 is embedded in the well-known Project Management Body of Knowledge (PMBOK) methodology, which breaks down the broad disciplines of portfolio, programme and project management into particular Key Process Areas (KPA's). The said key process areas are: initiating, planning, executing, controlling and closing (Horine, 2009: 10).

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Table 1: P3M3 Levels of Progressive Maturity



Adapted from: (www.ppmtoolkit.undp.org/4b_Maturity_Concept.cfm) and Korbel & Benedict (www.aipm.com.au/)

For each of these key processes assessment is done to establish on which level the organization is as a whole (table 1). If it is found that the organization functions on **level 1**, it implies *ad hoc* project practice. **Level 2** refers to a measure of process discipline where at least the project is planned and executed according to a framework and schedule etc. On **level 3** project practice is entrenched, defined and adequately managed. On **level 4** management of projects occur with relative sophistication and is subject to monitoring and evaluation practices, which are set against standards and benchmarks. Finally, **level 5** follows where an organization is so adept with project management modalities that it has implemented quality management measures that seek to continuously improve on performance whilst adapting performance standards and benchmarks.

A refined version of the above model proposed by Korbel & Benedict would include a *two-dimensional* framework. The **first** dimension reflects the (above) levels of maturity, whilst the **second** dimension depicts the key knowledge areas of project management (PMBOK) of integration, scope, time, cost, quality, human resources, communications, risk and procurement. Each knowledge area is individually assessed (specific components) and resultant from such assessment, action plans are developed to address

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particular shortcomings. The measurement occurs against set or prescribed standards and benchmarks (www.aipm.com.au/). On the other hand, the P2MM seeks to enable organisations to gauge through an assessment their maturity in the use Prince2 Project Management methodology. It forms a sub-set of the broader P3M3 and consists only of the first 3 maturity levels, **first** being: **Level 1 – Initial** (chaotic, ad-hoc), which is the starting point of the use of a new process; **secondly, Level 2 – Repeatable** (Process discipline), which indicates that the process is used repeatedly; and **finally, Level 3 – Defined** (Process discipline), which indicates that the process is defined/confirmed as standard business process (standard operating procedure).

Risk mitigation through monitoring and evaluation

Risk mitigation forms part of most organisations' administrative and managerial practice. Risk management is defined by the PMBOK as quoted by Steyn *et al.* (2008: 335) as "an uncertain event or condition that if it occurs, can have a positive or negative effect on project outcomes". Note that risk as such as defined in the above, does allow for the possibility of positive outcomes. However, in general risk is viewed as those occurrences which may prevent goals and objectives achievement. Steyn *et al.* continues to interpret risk as: Probability that a particular risk event or specific condition will exist and the impact on the project outcomes that such an event or condition may have if it does occur. In mathematical terms risk is usually expressed by the equation: Risk = Probability x Consequence.

Monitoring and Evaluation practically applied, provides a means of learning from past experience, improving service delivery, planning and allocating resources, and demonstrating results as part of improving service delivery and to demonstrate accountability to stakeholders. The Mpumalanga Department of Public Works, Roads and Transport (Province in South Africa) in their Risk Management Policy defines a risk management process as "The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk" (www.dpwrt.mpg.gov.za/Risk%20MANAGEMENT%20POLICY.pdf). Considering the aforementioned, risk mitigation is stimulated through processes which involve monitoring and evaluation of activities executed by organisations. In this context, and seen against the backdrop of the preceding discourse, Maturity Analysis practice as a monitoring and evaluation tool for projects in public sector organisations may pave the way for improved service delivery.

Conclusion

This research paper reflects on the notion of applying Project Management Maturity assessment as institutionalised practice in the broad South African public sector. It is the intention to further this research by investigating and considering different Maturity Models which may be "fit-for-purpose" in different South African public sector organisations.

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Revisiting Brainstorming as a tool in project management processes

Enslin J. van Rooyen

Abstract: *Brainstorming is neither alien nor novel to the management lexicon. This tool has been used for decades in different organisational-managerial planning settings. Many permutations thereof have through trial and error developed to address environment-specific demands. In the field of project management, brainstorming is seen as an important tool with which to plan and manage elements of the project life cycle. Brainstorming essentially involves a free-thinking and random process of idea generation, irrespective of the project phase or knowledge area domain. Therefore, individuals who are inclined towards systems and process orientation, brainstorming may prove challenging and may lack integrity as a project management tool, resulting in an apprehensive attitude thereto.*

This paper forms part of a larger research project, which seeks to identify, and find appropriate ways to improve on the application of project management tools in the South African public sector. Brainstorming is posed as a tool, among others, which when used at appropriate intervals may improve on project execution performance. The nature of the research employed in this paper is secondary-normative, augmented with empirical reflections derived from the public sector. The author contributes by reflecting on practical experience and as such acts as participant researcher. In the paper, the Brainstorming technique and methodology are defined and the different types and possible application areas are elucidated upon.

Finally, its applicability in the modern-day public sector is suggested and concluding remarks are made by proposing how Brainstorming may be beneficial in projects, whilst presenting its possible scope of limitations.

Keywords: Brainstorming, project management, project life cycle, project phase, Knowledge Area

Introduction

Brainstorming is a technique developed by an advertising executive by the name of Alex Osborne, which combines a relaxed and informal way of applying lateral thinking practice to seeking solutions to problems and to seek alternatives for conventional ideas. In project settings managers often lament the lack of innovative solutions to address the vexed problems of strategic choice, tactical and functional resource allocation and general decision-making.

Research Methodology

The researcher assumes the role of participant-researcher by drawing on extensive knowledge in the field of Project Management as well as how it finds application in practice. The nature of the research employed in this paper is secondary-normative. Postulates are presented and the paper forms part of a bigger research project to find practical application for Brainstorming techniques in South African public sector organisations.

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Literature Review

This paper introduces a literature review of the concept of Brainstorming, with particular emphasis on the different ways in which the different permutations thereof may apply in project management. Furthermore, it seeks to position Brainstorming in the different project life cycle phases or stages and how it may assist in applying the different PMBOK knowledge areas processes management (PMBOK Guide, 2013).

Brainstorming techniques

Brainstorming is a well-known problem solving/solution seeking technique, which is used the world-over in many organisational settings and finds application in different kinds of planning contexts and essentially rests on the premise that creative problem-solving can be invoked when team members stimulate one another's creative contributions to an issue(s) to be resolved, or alternative options or solutions sought to a problem situation. The emphasis is on the generation of ideas through a collective, creative effort. Often in such scenarios it is required that novel solutions are sought by calling for "out of the box" thinking, implying that conventionality should be surpassed (Kriek, 2007).

Typically, during planning sessions teams are requested to brainstorm an issue. Procedurally, members are allowed to verbalise an idea, or a solution or an alternative which contributes to the issue at hand. Naturally, the problem should be well-defined and properly understood by all potential contributors. An important rule during a brainstorming process is that all ideas (contributions) are accommodated. All contributions are recorded and should as far as possible be captured in the contributor's actual words. Even the outrageous, amusing or non-topical contributions are welcomed. No one should feel their contributions are unwelcome, nor should any contribution be derided. Ample time should be afforded for the process to exhaust all possible contributions. Only, thereafter is the array of inputs collated, classified and categorised into logical context (Kriek, 2007: 80).

However, although the above describes concisely the essence of the process, it should be mentioned that different variations of Brainstorming exist (Kriek, 2007: 79).

The **first** variant of Brainstorming is called Brain-Writing (Kriek, 2007: 82). This alternative supports the creative nature of Brainstorming but acknowledges that in some cases individual team members may feel intimidated by the dynamics associated by group idea-creation and therefore attempts to accommodate individual contributions in writing. Practically, each team member writes their contribution(s) on paper and passes it on to the person next to them. The recipient then uses the originally-stipulated input passed to them as a catalyst for possible enhancement or improvement.

The **second** variant is the Brain-Writing Pool (Kriek, 2007: 84). In essence this variant obliges each team member to place their written contribution in the "pool" in the middle of the table and then each member should take a paper (not their own) and add in writing anything, which they may deem as augmentative to

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the original input. This process is then repeated until all members have had an opportunity to scrutinise all the different contributions.

The **third** variant is the Brain-Drawing Gallery (Kriek, 2007: 86). This technique still abides with the principle aspects associated with Brainstorming, but allows for greater understanding of the essence of the problem; each member of the team makes a drawing or a sketch or a model of the problem. Thereafter the idea generation commences.

The **fourth** variant is the Structured Brain-Writing technique (Kriek, 2007: 88). This technique attempts to contain the potentially time consuming and digressive nature of traditional Brainstorming by imposing by imposing four types of constraints, i.e. theme constraints (particular team members are only allowed to contribute on particular themes), competition (teams are divided into teams and the process takes on the form of a competition to see which group contributes the most), time constraints (limiting the time available for solutions) and reverse brainstorming (the team generates ideas that are negative or the opposite of what is required – the “how not to”-scenario – where after the contributions are translated into the positive at the end of the process). Whilst this variant may seem somewhat contrary to the idea that Brainstorming should occur *sans* restrictions, it may still work well especially with experienced teams or where the problem or the environment is well-comprehended.

The **fifth** variant is the Nominal Group-Technique, which acknowledges the contribution of each team member (Kriek, 2007: 90). In short the techniques allows for each team member to write down their contribution(s) on a piece of paper. Each member then is allowed to present their first input in round-robin fashion. Then all are provided an opportunity to present their second input in a likewise manner. Allowance is made for team members to seek clarification from the contributing team members etc. Finally all contributions are also clustered and dealt with in similar fashion to the basic Brainstorming technique.

The **sixth** variant is the Role-Storming technique (Kriek, 2007: 92), which serves to augment the other techniques in that it require team members to in addition to generating the ideas, also assume certain roles. Such roles should differ from those which they fulfil *ex-officio*. Any role may be chosen e.g. significant stakeholders, fantasy characters, animals, team roles, a real person from outside the work environment (political leaders or actors), subgroups (demographic subgroup). This lends perspective to all team members as to the modalities associated with different groupings’ potential experience. An example here would be to solicit an opinion of “if you were the Chief Financial Officer, how would you react to this solution?”.

The 4-3-2-1-Brainstorming technique is the **seventh** variant (Kriek, 2007: 94). Here the principles of Brainstorming are honoured but lends some more structure thereto. All team members are optimally involved and are allowed to generate as many as possible inputs. However, the technique requires for the team to be divided into sub-groups of a maximum of four members each. The 4-3-2-1 issue relates to: 4 members per subgroup, 3 minutes per round, 2 topics per round and 1 listener per round.

The **eighth** variant is the Prompted Brainstorming technique (Kriek, 2007: 96). This technique utilises the aid of idea-generating stimuli. Once the team members are educated about the problem, stimuli such as pictures, lists of figures or facts, music, television or site-visits may be used. It is hoped that such inducements may contribute to greater quality of inputs.

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The **ninth** and final technique is the Idea-Diary (Kriek, 2007: 98). In this case all team members are provided the opportunity to contribute to input ideas to the problem-solving process, but allows for the process to occur off-location and over an extended period of time. Typically, members will list ideas in a note book during their normal (working) hours and subsequently share their ideas during schedules sessions.

Applying Brainstorming techniques in different project lifecycle stages

Project life cycle refers to a typical project time-line projected from the moment it is initiated through to its end and closure. In terms of the PMBOK-methodology, projects are subdivided into a number of project phases to enable improved management control. Collectively, these project phases are referred to as a project life cycle (Burke, 1999: 24). The stages are interrelated and dependant on each other, hence the terminology, project life cycle.

The four phases associated with a generic project life cycle, may be labelled as: **firstly**, Concept and Initiation; **secondly** Design and Development; **thirdly** Implementation and Construction; and **fourthly**, Commissioning and Handover (termination) (Burke, 1999: 24-28). Much of the life cycle phases are in fact conducted during the life cycle of a project before actual *work* gets done. The 1st and 2nd phases involve much effort associated with ensuring that all modalities associated with getting the actual work done properly. This would involve establishing and defining a need for the product or service (phase 1). Feasibility aspects are clarified. Thereafter, the 2nd phase commences where detailed schedules and plans are developed for the purposes of implementing the product or service. It is here where the option of applying some form of Brainstorming may be useful. Often, project stakeholders are required to provide input in terms of the product or service in the context of the market and how it should look or what function it should fulfil. Aspects relating to the use, usage and full scope of its application are defined. Strategic imperatives, tactical resource allocation and scheduling as well as actual implementation-related (operational and execution) solutions are conceived. If the afore-discussed different Brainstorming variants are considered, it may stand to reason that such a tool may be useful. Thereafter, during the 3rd phase the project plan is developed. Although logically phases 1 and 2 may be perceived as ideal application opportunities for Brainstorming, it may be considered that phase 4 the “on-the-ground” day to day challenges associated with implementation also poses a possible application for Brainstorming. It should be borne in mind that in Project Management, the activity of Project Change Management poses a continuous challenge. Changes to the set plans are frequently necessitated by reality, such as climatological and other natural impediments, human factors such as strikes, illness, demise or system and other resource factors. Such impacts may necessitate creative and innovative solution seeking whilst considering the important project management “triumvirate” ; considerations of time, cost and quality. Finally, phase 4 also may require some Brainstorming: during this phase the activities may include handover and transfer of project modalities to for instance communities or the eventual “owners”, it may involve processes of evaluation and it may involve tactical and operational release and redirection of resources and the re-assignment of the project team or its members. Again, variants of Brainstorming may be utilised to achieve closure. In practical terms, even the “debriefing”-process where some form of *post mortem* is held for a taxing project, may require such a tool.

Applying Brainstorming techniques in different project knowledge areas

According to the PMBOK a couple of knowledge areas exist, which form the essence of the knowledge that a project manager and their team should possess to successfully manage a project to closure. The PMBOK Knowledge Areas identifies 9 knowledge areas and elucidates on the particular required processes and specific deliverables, which need to be had (PMBOK Guide, 2013). The Knowledge Areas which may benefit from brainstorming are: Project integration management; Project scope management; Project time management; Project cost management; Project quality management; Project human resources management; Project communications management; Project risk management; and Project procurement management (supply chain processes) (Horine, 2009: 11).

If the different Knowledge Areas and the associated processes involved and deliverables that such processes are required to yield, are considered the question arises if Brainstorming may find application here. All nine processes to different measures, way or form, require creative and innovative input; Where the processes are described and words such as *effective, satisfy the needs, coordination, timeous/timely, appropriate, within budget, quality, identifying and analysing and responding* are used to define the qualities of the respective deliverables it may be argued that the different variants of Brainstorming as described previously are scrutinised, such may be useful.

Conclusion

This paper is intent on presenting Brainstorming as a possible tool that public sector project managers may use to improve project success. As described, increased pressure is placed on public sector managers to improve on their efficiency and effectiveness. On the external front, communities demand solutions to their problems and services to fulfil their needs whilst internally directors in service rendering organisations require optimisation of resource allocation. Such demands often require novel, creative and innovative solutions to problems or at least complex challenges. The paper suggests that Brainstorming may be useful in this regard. Yet, since different Brainstorming variants exist, it may be opportune to investigate which variant may be most appropriate for which project, given its nature and scope. It may be reasoned that although Brainstorming may in principle be useful, the choice of the appropriate permutation thereof may enhance or even be essential to the success of the project. Subsequent to the above objective of revisiting Brainstorming as a tool in project management processes, research will proceed with attempting to find application for the Brainstorming variants in applied project management scenarios. This will involve establishing the general appropriateness of the different variants to public sector projects and to attempt to find which variant fits best in which context.

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Is gender diversity a solution to unethical business behaviour?

Solabomi Ajibolade* Jumoke Ogunleye and Comfort Omorogbe*****

***Abstract:** This study investigates the relationship between gender and attitude towards ethical behaviour among Nigerian managers. Data are obtained from 248 Nigerian managers on a part-time graduate business programme in a university using an adapted attitude towards business ethics-questionnaire. The data are analysed using t-test. The results indicate no significant differences at $p < 0.05$ in the attitude to business ethics of male and female respondents. Ethical attitudes of respondents are found to be generally low across the two groups. The study concludes that personal standards of ethical behaviour appears lowered generally in Nigerian business setting supporting the structural explanation of gender effect; that as women become more entrenched in the work place, they will exhibit the same priorities on a wide range of occupational attributes as men. Gender diversity in corporate boards although suggested as an element of good corporate governance, does not appear to be the solution to diminishing corporate ethical standards. Attention should be focused on promoting a culture in which unethical behaviour can generally not thrive, through improved formal ethics education and workplace ethics training.*

***Keywords:** unethical behaviour, ethical perception, gender differences, business managers*

Introduction

Series of reports have been featured in the Nigerian media, in the not too distant past about activities designed for the purpose of re-branding Nigeria. This is not surprising given that Nigeria has consistently been rated among the most corrupt nations in the world by Transparency International. She was in fact rated the most corrupt in 1996, 1997 and 1999 and as recently as 2013, although this rating appeared to improve, the country nevertheless has remained among the 20% top most corrupt nations in the world ranking 144 out of 175 nations surveyed (Transparency International, 2013).

The initial focus on unethical behaviour in Nigeria was in political circles, however, unethical business practices have also gained momentum with the various expositions of corrupt and illegal business practices among business professionals resulting in significant losses of investments by local as well as foreign investors. Companies' management and directors entrusted with companies' resources have reportedly colluded with accountants and auditors to falsify and deliberately misrepresent companies' state of affairs (Bakre, 2007). Perhaps as a consequence, Bakre noted that Nigerian managing directors have been replaced by expatriates in some multinational companies operating in Nigeria, including Lever Brothers Nigeria Plc. and Cadbury Nigeria Plc. Many of the unethical business behaviour have involved corporate giants in almost every sector of the economy. Many banks including financial giants such as the National Bank and African International Bank have been declared distressed and have closed down; manufacturing companies have crumbled; and many others including Cadbury, African Petroleum and Afribank still battle with the aftermath of public declaration of misstatements in their financial statements. The relieving of the posts by the Central Bank of Nigeria of two Bank executives; Intercontinental Bank and Oceanic bank with subsequent takeovers/acquisitions of the banks are also testimonies of the magnitude of the unethical practices that abound in the corporate sector. In pursuit of

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effective attainment of Nigeria's re-branding objective, efforts ought to include critical evaluations of factors likely to be contributory to this new wave of financial scandals arising from unethical business behaviour.

A considerable body of research has reported that gender may have an impact on the willingness to tolerate unethical behaviour. Such studies have demonstrated that women have higher ethical standards than men arguing from different perspectives. Davis (1984) and Betz and O'Connell (1987) suggested that while the female is more concerned with helping people, the male is more interested in income and advancement. Beltramini et al. (1984) found that women are more concerned with ethical issues in business than men. Jones and Gauschi III (1988) found that women in particular tend to evince strong feelings towards ethical issues in business. Betz et al., (1989), citing Gilligan's gender socialisation explanation, argued that males and females have distinctly different moral orientations arising from childhood social contexts. Glover et al. (1997) observed that females take stronger stances on ethical behaviour. Ones and Viswesvaran (1998) noted that women score more highly on integrity test. A survey of enterprise owners and managers in Georgia, USA, also indicated that firms owned or managed by women pay bribes on approximately five percent of occasions when coming in contact with a government agency while the percentage is twice as high (eleven percent) for firms with a male owner or manager (Professional and Business Women against Corruption, 2008). An implication of these findings is that women may be less likely to resolve ethical conflicts in favour of personal material gains in organisational decision-making.

However, in spite of this argument, women are still underrepresented in corporate boards worldwide. Recent figures show that in the UK, only 13.9% of FTSE 100 board members are women, and around one-fifth of FTSE 100 boards and over half of FTSE 250 have no women board members while in the USA the percentage of women on top corporate boards have remained 15% for the past five years (Institute of Business Ethics, 2011). A close examination of the composition of the Board of Directors (BOD) of many Nigerian corporate bodies also suggests an overly high representation of the male gender. For instance, available data showed that many of the troubled companies including Cadbury Nigeria Plc. and Afribank Plc. had a 100% male representation, while African Petroleum had a 90% male representation. A similar picture was also revealed in many other corporate bodies, including Nestle Plc., Flour Mills Plc., Dunlop Nigeria Plc., Diamond Bank Plc., to mention just a few, which have 100% male representation on their BOD as presented in their annual reports. Could this over-representation of the male gender on the BOD in Nigerian companies be having implications for ethical decision making?

The issue of gender diversity in corporate boardrooms has more recently assumed greater prominence in view of the rampant cases of unethical business behaviour. Many recent proposals including the UK Corporate governance code (2010) are making reference to the importance of corporate board diversity (including gender diversity). It is generally believed that both genders bring different perspectives to the workplace which shape their work related decisions. There is a need for more research evidence especially from Nigeria on whether it may be possible to change the situation of unethical behaviour in business or at least facilitate improvement with greater female participation in corporate management and decision making.

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According to the theory of planned behaviour, the determinants of behaviour are attitudes, subjective norms and perceived behavioural control and interventions designed to change behaviour can be directed at one or more of these determinants (Ajzen 2006). Influences on these determinants have been identified to include a variety of individual and social factors including gender (Ajzen & Fishbein, 2005). The importance of the attitude construct has been documented in a number of literature (Carpenter & Reimers, 2005; Gillet & Uddin, 2005). This study therefore seeks to provide evidence on the relationship between gender and ethical behaviour by examining differences between attitudes towards unethical behaviour of male and female Nigerian business managers, who are the current/future corporate board members and strategic decision makers. The study, through this evidence hopes to provide insights into possible future trends in ethical business behaviour in Nigeria and the appropriate measures to change or facilitate improvements in business practices. To achieve this objective, the study addresses two major research questions as follows: To what extent are there gender differences in the attitude of business managers towards ethical behaviour?; and to what extent would changes in future ethical business practices be influenced by greater representation of the female gender on corporate boards?

Following this introductory section, the rest of this paper consists of four sections devoted to the literature review; research methodology; presentation of main findings; and the conclusion arising there from.

Literature Review

In the recent years, a lot of concern has been raised about the ethical standards of business managers. The concern derives from reports of widespread corruption and fraud among business professionals entrusted with the responsibility of safeguarding the organisation's financial resources and the consequent sudden collapse of many businesses in different parts of the world in spite of financial statements presenting a picture of robustness. Nigeria has particularly been worst hit, with the label of being one of the most corrupt nations in the world and the perception of Nigerian business managers by society and the world at large as morally bankrupt. Business managers like their counterparts in government and political appointments are faced with greatly diminished credibility. This situation cannot, but be linked with the numerous financial scandals and questionable management practices that now abound in the Nigerian business environment. Recent examples include; the Halliburton bribery scandal and the financial statement scandals involving Cadbury Plc., African Petroleum Plc., and Afribank Plc. The negative impact of this situation is far reaching, affecting not just the organisations involved but the society as a whole. Such negative impact includes higher costs of doing business, higher business risks, inability to attract new local and foreign investments and the retardation of economic development. Thus, in the interest of the society including the companies themselves, it is vitally important that this trend be reversed through appropriate interventions to promote business ethics.

Business ethics

Ethics means different things to different people. It may however, be generally described as a system of accepted beliefs of what is morally right or wrong, which guides behaviour. It constitutes living values which represent a vital and critical guiding force in the functioning of the society (McNichols & Zimmerer, 1985). These ethical values dictate what acceptable behaviour in the society is and thus provide the foundation on which a society is built.

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Business ethics therefore constitutes standards of right and wrong; just and unjust actions in business (Steiner & Steiner, 2006). The purpose of ethics in business is to direct business men and women to abide by a code of conduct that facilitates if not encourages public confidence in their products or services (Smith & Smith, 2003). Such conduct will rest on ethical values including; honesty, integrity, loyalty, promise keeping, respect for the right of others and the law, protection of life, fairness, responsible citizenship and fidelity (Smith & Smith, 2003; Steiner & Steiner, 2006). These ethical values are a mechanism that control behaviour in business, ensuring that business people will act in a manner that would be beneficial to the society. Ethical behaviour in business may then be described as engaging in actions and decisions that uphold accepted principles of right and wrong governing the conduct of business. In order for a business in the long run, to achieve its major objective often assumed to be shareholders' wealth maximization, it must gain public confidence in and acceptance of its goods and services. This would largely depend on the conduct of the business in an ethical manner by its managers. Improving the ethical behaviour of the business would necessarily require improving the ethical behaviour of employees especially those who are in the position of power (managers). This is crucial for the smooth running of the business and the economy as a whole (Brewer, Garrison & Noreen, 2006).

Managers often face difficult ethical decision-making situations in their pursuit of the attainment of the maximization of earnings and benefits objective. Managers focused on this objective may often feel pressured to compromise ethical standards as a means of responding to this pressure, thereby encouraging questionable business practices. The response of management as custodians of organisations' resources, to ethical issues exerts a powerful influence on companies' activities and the behaviour of other employees. As noted by Steiner and Steiner (2006), the example of company leaders is perhaps the strongest influence on integrity. Managers thus have the ultimate responsibility for ethical business environment. Expectedly, introducing proper systems of corporate governance that will set the tone for ethical behaviour at the top can significantly reduce opportunities for malpractice (Harding, 1999). An understanding of the factors that may influence managers' response and decisions when presented with ethical dilemmas may therefore be important to efforts directed at curbing unacceptable business practices.

Influences on ethical behaviour

Several theoretical perspectives have been offered to investigate why managers engage in unethical behaviour. One of the most popularly utilised human behaviour theories is the theory of planned behaviour.

Theory of Planned Behaviour (TPB)

The TPB suggests that behavioural intention is the immediate antecedent of behaviour and that individual's attitude towards a behaviour, subjective norm and perceived behavioural control lead to the formation of this intention (Ajzen, 1991; Ajzen, 2006, Ajzen & Fishbein, 2005). The theory further argues that various beliefs; behavioural beliefs, normative beliefs and control beliefs respectively affect attitude, subjective norm and perceived behavioural control; and that behavioural interventions must try to change the beliefs which will ultimately guide performance (Ajzen, 2006). These beliefs according to the theory are in turn derived from a number of background factors including individual, such as personality, mood, intelligence; social such as education, gender, age religion, culture; and informational

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such as media, intervention, knowledge (Ajzen & Fishbein, 2005). Hess (2007) argued that the studies which have used TPB to explain unethical behaviour have found that the determinant that has the greatest impact on individual intention and ultimately on behaviour is attitude. Attitude towards a behavior has been defined as the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behavior in question (Ajzen, 1991).

The role of the social factors in helping to change or form the basis of beliefs has also been emphasised in a number of literature. Steiner and Steiner (2006) for instance noted that individuals derive ethical values from sources including; family, culture, religion, philosophy and laws. However, gender has featured prominently amongst such social background factors as contributing to differences in attitude towards ethical behaviour. The effects of gender on work values and interest have been argued from two major perspectives namely the gender socialization and the gender structural approaches (Betz *et al.*, 1989).

Gender Socialisation argument

The gender socialization approach suggests that ethical perception can be derived from learned attitudes resulting from upbringing and training. The argument based on this approach is that the two sexes due to their early socialization bring different values and traits to their work roles, which in turn, differentially shape their work-related interest, decisions and practices; consequently, men and women will respond differently to the same set of occupational rewards and costs (Ameen *et al.* 1996; Betz *et al.* 1989). Chodorow (1978) and Gilligan (1982, as cited in Gilbert, 1984) described how childhood social context can account for the development of many psychological sex differences, particularly those reflecting the greater imbeddedness of women in social contexts in contrast to the more individualistic, mastery directed activities of men. Gilbert further noted that other studies have documented sex-role socialisation influences on the personality development of men and women, as well as on their achievement orientation. Kleinjans (2008) also citing Valian (1999) suggested that sociologists and psychologists have argued that while overtly competitive/aggressive behaviour in girls and women leads to social sanction from peers and society in general, for boys and men it is rewarded. This sex-role socialisation is assumed to affect the extent of the aggressiveness of men in comparison with women in the pursuit of advancement, promotion and competitive success. As a result, men will seek competitive success and are more likely to break rules because they view achievement as competition; while women being more concerned with doing tasks well and promoting harmonious work relationships will be more likely to adhere to rules and be less tolerant of those individuals who break the rules (Ameen *et al.*,1996).

Empirical evidence has been provided that gender differences do exist in ethical decision-making. Betz *et al.*'s (1989) study revealed that men are more than two times as likely as women to engage in actions regarded as unethical. Ruegger and King (1992) in their study of 2,196 students showed results that supported the proposition, that females have higher ethical standards in their perception of business situations. Borkowski and Ugras (1992) found significant differences in the ethical perceptions of male and female undergraduate and graduate business students. Ameen *et al.* (1996) in a study of 285 accounting students revealed that females are less tolerant than males when questioned about academic misconduct. Ones and Viswesvaran (1998) demonstrated that women score more highly on integrity tests. Swamy *et al.* (2000) also presented evidence that (1) in hypothetical situations, women are less likely to condone corruption (2) women managers are less involved in bribery and (3) countries which have greater representation of women in government or market work have lower levels of corruption.

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Empirical evidence of this argument has been provided. At country level, Dollar et al.'s (2001) study revealed that corruption is less severe in countries where women comprise a larger share of parliamentary seats. Bampton and Maclagan (2009) found that where a care orientation is invited, women react differently from men to business ethics issue; they concluded that men are more likely than women to break rules, cut corners and be less ethical in situations of conflicts involving personal goals and ethics. Differences in preference for competition and behaviour in competitive situations amongst men and women have also been used to explain gender effects from the gender socialization perspective (Niederle and Vesterlund, 2007). Gneezy, Leonard and List (2008) also in a study of gender differences in competition, found that while men (in a patriarchal society) are more competitive than women, the reverse is the case in a (matrilineal society) where women choose the competitive environment more often than men. The study therefore suggested a crucial link between socialisation early in life and behavioural traits that influence economic outcomes. They concluded that preference for competition is more a result of learned behaviour rather than innate gender differences. Could evidence of women's distaste for competition in the workplace found in some of such studies then translate to less emphasis on competitive success, money, advancement and consequently higher ethical standards?

Gender structural argument

However, not all studies subscribe to the existence of gender differences in considering ethical issues. As noted in Betz et al. (1989), the structural approach to explaining gender influences suggests that differences between men and women due to early socialization and other role requirements (e.g., wife, mother), will be over ridden by the rewards and costs associated with occupational roles; that men and women will exhibit the same priorities on a wide range of occupational attributes because the nature of present or anticipated work shapes behaviour through the structure of rewards. The prediction of the approach is that there is a likelihood of changes to the attitude towards ethical situations of women as they become more entrenched in the work place, thus women will become more like men under similar occupational conditions.

Empirical studies have also provided evidence in support of this explanation which, suggests that there is no gender influence on ethical perception. Kidwell et al. (1987) found similar ethical perceptions between male and female managers. Tsalikis and Ortiz-Buonafina's (1990) study of the ethical beliefs of 175 business students found that males and females not only have similar ethical beliefs; the processes of evaluating ethical situations are somewhat similar amongst the sexes. McNichols and Zimmerer (1985) found no gender differences in perception of ethical issues. Stanga and Turpen's (1991) result also did not support the existence of gender differences in ethical judgement.

Gender and work values in Nigeria

Hofstede's (1980) classification of cultures placed West African countries including Nigeria in the class of cultures with medium level of masculinity. Masculinity stands for a society in which social gender roles are sharply differentiated; that is, men are supposed to be assertive, tough and focussed on material success, while women are supposed to be tender and concerned with the quality of life. In such a culture, values and early training will favour male aggressiveness in seeking material success.

With this background, this study argues that the Nigerian male will be more likely to resolve ethical conflicts in business in favour of personal material gain. Based on the theoretical assumption in the theory of planned behaviour and the gender socialisation approach the study proposes that there will be

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significant differences between Nigerian male and female managers' attitude towards questionable ethical behaviour as a result of their socialisation early in life and as such, ethical behaviour will be promoted in business with more female representation in management. This proposition is stated in the form of a null hypothesis as follows:

H₀: There are no significant differences in the attitude towards ethical behaviour of Nigerian female managers and male managers.

Research methodology

The target population consisted of males and females in comparative managerial positions in Nigerian business organisations. Since the size of this population could not be readily determined, data were sought from a non-probability sample of 302 business managers enrolled in an MBA part-time programme in a Nigerian university. A 21-item Attitude to ethics questionnaire involving ethical issues adapted from previous studies (Abbrat, Nel & Higgs, 1992; Ekin & Tezolmez, 1999; McNichols & Zimmerer, 1985; Phatshwane, 2013) to reflect ethical issues peculiar in the Nigerian business environment was utilised. The questionnaire was constructed on a five-point-Likert scale with the following scales: (1) Very much ethically acceptable; (2) ethically acceptable; (3) Undecided; (4) Unethical; and (5) Very unethical. The questionnaire was self-administered and hand delivered during classes to the 302 respondents selected for the study. The questionnaire consisted of two sections; section A was used to gain insight into demographic characteristics of respondents including their gender and position in their organisations and section B was used to measure the respondents' attitude towards the ethical issues raised. Of the 302 copies distributed, 267 were returned with 248 found usable. The respondents consisted of managers at various managerial levels in a range of industries including; pharmaceuticals, food and beverages, chemical and oil, financial services and retail businesses. Majority of the respondents were in the operational management level in financial service business. Table 1 shows a cross tabulation of respondents by gender and position in their organisations

Table 1: Respondents' position in organization and sex cross tabulation

		Sex		Total
		Male	Female	
Position in organisation	Operational Mgt	74	77	151
	Middle Mgt	43	32	75
	Top Mgt	14	8	22
Total		131	117	248

Main Findings

In line with this study's major objective to investigate the gender differences in managers' attitude towards ethics, perception on the ethical acceptability of the business behaviour of respondents were analyzed based on the sex of the respondents using both descriptive and inferential statistics.

Findings from descriptive statistical analysis

Mean perceptions on the ethical acceptability of each of the 21 questionable business acts presented in the questionnaire were computed for the respondents as a group and for each of the groups of male and

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female respondents. Mean perceptions of 4.0 and above were considered high perceptions about the ethical issues involved.

The results as shown in Table 2, suggested a generally low perception of the ethical issues involved among respondents. Only in 5 of the 21 questionable acts were mean perceptions of the ethical issues greater than 4.0. All other questionable acts were not generally perceived as being unethical. The situation involving charging personal expense to company expense account showed the lowest mean perception of the ethical issue involved at 2.51; respondents appeared not to appreciate the unethical nature of abuse of expense account. Contrary to the study's expectation, the mean perception, in 8 out of the 21 business acts were found to be higher for the male group, than for the female group (although only 2 of the differences were statistically significant).

Findings from the inferential analysis using the t-test

A comparison of the attitude of the mean perceptions of the two groups, using the t-test showed no statistically significant difference in 15 out of the 21 ethical issues. As shown in Table 2, statistically significant differences in the mean perceptions were found at $p < 0.05$ in only 8 of the ethical issues (Items 2, 3, 5, 11, 13, 15, 17, and 20). An unexpected result from the study is that the significant differences noted in 2 of the situations were not in the predicted direction, the mean perceptions in relation to taking some sick days off to rest (item 5) and failing to report a co-worker's violation of company policy (item 11) were found to be higher for the male group. The t-test carried out on the total mean scores for respondents along gender grouping was also not statistically significant as shown in Table 3.

These results did not confirm the predictions in the study, as the female group of respondents was not found to exhibit a consistently higher perception of ethical behaviour. The results did not generally provide support for the gender socialization explanation of ethical sensitivity. Rather it appears to support the structural explanation of gender effect; that as women become more entrenched in the work place, they will exhibit the same priorities on a wide range of occupational attributes as men.

Table 2: T-test of Mean attitude towards ethics of managers by Gender Groups

	Ethics issue	Mean perception				p- (2-tailed)
		Male	Female	Pooled	Mean Diff.	
1	Charging wine with dinners to the expense account by managers	3.044	3.966	3.47898	-0.922	0.440
2	Charging some personal expense to company	2.037	3.041	2.51066	-1.004	0.032*
3	A manager can order the most expensive item on the menu when the company is paying	3.042	3.798	3.39866	-0.756	0.039*
4	A manager taking office supplies home, since it doesn't hurt anyone	2.881	2.957	2.91686	-0.076	0.142
5	Taking some sick days off to rest from the stressful work situation in my office	4.25	3.287	3.79568	0.963	0.013*
6	Accepting an invitation from one of	4.026	4.229	4.12177	-0.203	0.065

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	your company's major suppliers to an expensive restaurant for dinner for you and your spouse.					
7	Giving a car gift to an executive in the expectation that he would sign a contract that will fetch your company several millions in profit would not harm anyone	3.939	4.342	4.12913	-0.403	0.913
8	A manager using official car to take his/her family on vacation	2.865	2.744	2.80791	0.121	0.612
9	Not reporting a colleague making phone calls including international calls from an office telephone	3.149	3.062	3.10796	0.087	0.951
10	Failing to blow the whistle on a superior who is violating ethical principles or company's policy	4.635	4.492	4.56754	0.143	0.228
11	Failing to report a co-worker's violation of company policy	4.101	3.596	3.86275	0.505	0.014*
12	Requesting accountants to prepare different financial statements to ensure company pays minimum possible tax	2.601	2.947	2.76423	-0.346	0.711
13	Declaring maximum number of children in tax returns to reduce personal income tax payable	2.789	3.569	3.15698	-0.78	0.010*
14	Using some extra time after company break time for personal business	3.112	2.891	3.00773	0.221	0.512
15	Using some unconventional means available to save a company's financial worsening condition	3.68	4.31	3.97722	-0.63	0.015*
16	Divulging business confidential information	4.18	4.231	4.20406	-0.051	0.089
17	Quickly trading your stock based on insider knowledge that the company may be experiencing difficulties	2.45	3.743	3.06000	-1.293	.001*
18	Charging as advertisement expense amount used for PR as inducement to help your company obtain a contract under competitive bidding	2.861	2.501	2.69116	0.36	0.076
19	Employing your competitor's factory supervisor on a higher salary with the aim of getting some of your competitors design components	3.472	4.333	3.87820	-0.861	0.299
20	Following company's directive to recommend items to customers because the company has built up excess stock and not because you are convinced of their superior quality	3.918	4.517	4.20059	-0.599	0.015*

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21	Ensuring a rapid rise to the top in a company through close personal relationship with top management	3.588	2.891	3.25917	0.697	0.091
	Total mean score	3.3629	3.5927	3.47130	-0.2299	0.000

* Significant at $p < 0.05$.

Table 3: Summary results of analysis of difference between mean attitudes based on gender

Panel a: Group Statistics									
	Gender	N	Mean	Std. Deviation	Std. Error Mean				
Attitude to ethics	Male	131	3.3629	.42781	.07101				
	Female	117	3.5927	.41653	.03465				
Panel b: Independent Samples Test									
	Levene's Test		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Diff.	Std. Error Diff.	95% Confidence Interval of the Difference	
								Lower	Upper
Attitude	.047	.829	-6.568	246	.608	-.2299	.08290	-.64187	-.10456

Conclusion

Earlier focus on ethical issues in Nigeria had been on political appointees in the management of government institutions. Recent developments involving big companies in the oil, manufacturing and banking industries in Nigeria has however shown that unethical business behaviour among companies' management are also gaining momentum. Nigeria is thus, clearly in need of a solution to this increasing trend of unethical behaviour among those entrusted with organisational resources. Although, there exists substantial literature suggesting that women may have higher standards of ethical behaviour than men, this study provided evidence contrary to such literature. The results revealed a generally low perception of ethical issues among both groups of respondents, supporting the structural explanations of ethical behaviour in the workplace and providing insights which have the potential to explain the pervasiveness of unethical business practices in Nigeria. Some interesting patterns are observed in the results. For example, while the female group exhibited statistically significant higher perception scores in only six items among the twenty-one items provided, the pattern is reversed in two cases in which the male group exhibited higher perceptions. Overall however, no significant differences are found in the attitude of the two groups.

This finding has implications for the focus of actions aimed at reversing the trend of unethical practices. Increasing female participation in corporate decision-making although, highly desirable for gender equity

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purposes, may not necessarily bring the desired changes in business practices. Policies should therefore be targeted at generally encouraging a business culture in which unethical behaviour cannot thrive. Institutional more than organisational changes should be pursued. Such changes should focus on formal education system where the majority of the professionals developed their basis for understanding and adhering to ethical standards of their profession. Business education has been found to play a role in the socialization of future business managers (Ajibolade, 2008) The business schools must therefore rise to the challenge of providing a platform for reinforcing positive values that emphasize ethical behaviour. Government regulations should provide a legal framework for promoting the adoption of codes of conduct that will set the tone for ethical behaviour especially at the top echelon of organisations. Active participation of companies through devoting more resources to continuous training and re-training of their staff and bringing into the open cases of real life ethical dilemmas and violations reported in their organisations for ethical training of their staff and to serve as input into the formal educational sector. Giving recognition to model organisations that have outstanding systems of ethics may also be a means of promoting a culture of ethical behaviour among companies.

The results of this study should however be interpreted with caution, as the sample selected was limited to respondents on a graduate level business program in a single university; the representativeness of the sample cannot therefore be exactly determined. Furthermore, the study's data collection instrument measured attitude towards particular ethical behaviour, which was used as proxy for the behaviour in question. The difference between attitude and subsequent actual behaviour has been documented (Cooper & Essex, 1977). The intention to behave ethically may not necessarily be translated to action when faced with real life ethical dilemma. Studies relating the actual incidence of fraud, bribery and mismanagement in business to the level of female participation in management decision making may therefore be an important consideration for future research.

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Integrated cost control systems and non-financial performance of firms

Comfort Omorogbe* and Solabomi Ajibolade**

Abstract: *This paper examined the effects of utilising an integrated Cost control-Information technology control applications (CC-IT) system on non-financial performance of firms in Nigeria. A quantitative approach was used obtaining data through a cross-sectional survey of 206 respondents in 103 selected firms listed on the Nigerian Stock Exchange and which were actively trading during the five consecutive years covering 2006-2010. The target respondents in these firms were the operational managers from the accounting unit and IT resource unit. Data collected were analysed using correlation and regression analyses. The results provided evidence that CC-IT system has a positive effect on non-financial performance (NFP). The CC-IT system explained about 57% variation in NFP ($R^2 = 0.570$ at $p < 0.05$). Relying on this evidence, it is suggested that firms need efficient integrated cost control systems, whose design should consider an analysis of the network of human and non-human actors and the structure of activities to be controlled in determining the sophistication of cost control techniques and the relevant control applications to use.*

Keywords: Non-financial performance, IT control applications, cost control techniques, CC-IT integration.

1. Introduction

Due to the volatility of firms' operating environment, their efficiency has been of major research concern. Ajakaiye and Fakiyesi (2009) indicated that the unpredictability of firms' operational environment in Nigeria mitigated their performance. Performance of a firm is often affected by a number of factors including its ability to control its costs. However, Egbunike (2009) observed that cost control is quite difficult in a challenging environment and suggested the use of cost and management accounting techniques. This situation calls for the need to pay more attention to designing cost accounting systems that may help effectively control costs and arrest firms' dwindling performance.

Cost control also often referred to as cost management is a broad set of cost accounting and management techniques focused on improving business cost efficiency through reduction in costs or at least restricting their rate of growth. However, while traditional cost control systems tended to focus on cost containment relying heavily on accounting techniques, contemporary cost management techniques include cost accounting and management techniques (Drury, 2005).

Researchers are of the view that control techniques would result in long run performance with the use of appropriate information technology (Granlund, 2007 and Alves, 2010). Meanwhile, there has been inconclusive evidence on the relationship between information technology applications and organisational performance; while some researches were unable to identify the impact of information technology on organisational performance (Devaraj and Kohli, 2003), others concluded that benefits from information technology are less than the estimated marginal cost (Morrison and Berndt, 2001) and for others, there is no basis to refute the hypothesis that information technology is inconsequential to performance (Loveman, 2000 and Dedrick, 2003). As firms continue to make significant investments in particular in the area of accounting applications, it is important to know under what circumstances they may be most effective in enhancing organisational performance.

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Going by the explanation in both the Technology utilization model and Task-Technology Fit (TTF) model, IT utilisation will lead to performance impacts only when a fit exists between the task and technology. That is, in order to achieve performance impact, technology must be utilized and the capabilities of the technology must match the demands of the task (Goodhue and Thompson, 1995; 2005). This suggests that the task of cost control when properly aligned with IT control applications utilised could result in improved corporate performance. Hyvonen (2008) in line with this argument suggested that, in order to achieve competitiveness there should be an optimal fit between the cost control strategy and information technology used by the firm. Empirical evidence is therefore needed to evaluate the proposition that enhanced performance would result from a fit between cost control system and information technology system (integrated cost control system).

Performance from management accounting (MA) viewpoint has been measured using traditional financial measures and non-financial measures. However, financial measures of performance have been criticized as having excessive internal orientation, producing heavily aggregated information which, lacks timeliness and inconsistent with current business reality (Chenhall, 2006; Gerdin, 2004; McNair, 2007; Niven, 2005). This has led to a growing emphasis on non-financial performance which informed the focus of this study.

The study therefore focused on the following objectives: (i) to measure the effect of cost control system employed by the firms on their non-financial performance (NFP); (ii) to ascertain the extent to which the usage of different IT control applications affects non-financial performance; (iii) to examine the level of association between cost control system and information technology control applications; (iv) to determine whether a relationship exists between NFP and the level of association observed between cost control system and information technology control applications.

The paper is presented in five sections. The next section provides a brief review of literature including the theoretical basis for the study; the methodology is presented in section three; major findings are presented in section four while section six concludes the paper.

2. Literature Review

Cost control according to Beyer & Trawicki, (1992), is the process of curtailing cost to pre-determined norm or standard, usually involving techniques such as budgetary control. According to Kishore (2004) cost control is a procedure whereby actual results are compared against set standard so that waste (redundancies or idleness) can be identified and measured with a view to taking corrective action to rectify the anomaly.

Cost control techniques

Traditional cost control systems focus on ensuring that costs are kept within the planned levels. They involve comparing actual costs with established standards as contained in budgets. Such systems rely heavily on such accounting techniques as budgetary control. The objective of such systems is to keep expenditure levels within planned limits, i.e. contain costs (Lucey, 2002). Contemporary cost control systems go beyond cost containment to cost reduction and are often referred to as cost management systems. These systems make use of accounting information-based techniques and other management techniques. The techniques often used by firms to control/manage their costs may be divided into internal and external cost management programmes. Internal cost management programmes include, budgetary

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control, standard costing, value engineering (value analysis), activity based costing/ activity based management, life-cycle costing, tear-down analysis, kaizen costing, downsizing and target costing (Drury, 2005). External cost management programmes, including customer relationship management system and the supply chain management system operate interorganisationally by linking cost management programmes of buyers and suppliers and by supporting joint buyer-supplier efforts to reduce costs. Cooper and Slagmulder (2006) noted that integrating these cost management programmes provide additional cost reduction over the use of single techniques. This study focused on measuring the effect of integrating four of the internal cost management techniques namely budgetary control, value analysis, target costing and activity based costing with information technology-based external cost management programmes on firms' non- financial performance.

Information Technology

Information technology (IT) comprises of technologies used to collect process, store and communicate information. It comprises of computer software, hardware and communication networks. It is a key component in managing organisations and provides the means to integrate processes enforce data integrity and better manage resources (Mabert, Soni & Venkataramanan, 2000). IT impacts on the way business processes are carried out acting as an innovation agent that enables new and different alternatives in operation of business organisation (Pamulu & Bhuta, 2004). Since accounting is concerned with collecting, processing, storing and disseminating information, the developments in information technology which affected the nature of business processes have also radically transformed accounting practice (Hunton, 2002).

Cost Control and Information Technology Control Applications

The impact of this drive of change has moved cost accounting and its techniques beyond the traditional role of accumulating facts. IT has made companies to go beyond financial statements and offer other types of financial and non-financial information even to the direction of an economy and its capacity for continual and sustainable growth (Botes, 2009; Leckson-Leckey, Osei, and Harvey, 2011). For many firms, the ability to manage their cost so that they manufacture products at low cost is critical to their success. When particularly aggressive cost management is required, it is sometimes insufficient to use independent cost management techniques to create the desired cost reduction pressures; instead, multiple techniques are required that operate in an integrated manner to reduce costs (Cooper and Stagmulder, 2006). Such IT innovations as enterprise resource planning systems, e-commerce, the internet electronic data interchange, supply chain management and customer relationship management have been implemented to provide a rich source of information for cost accounting systems (Cooper & Dart, 2009). Some empirical evidence exists on the integration between cost control systems and information technology. Dechow and Mouritsen (2005) investigated Danish firms and concluded that a primary lesson from the cases is that control cannot be studied apart from technology. Edelstein, (2010) examined customer relationship management (CRM) with data mining and reported that this analytic CRM managed customer life cycles more cost-effectively, as it can provide information on order processing and defect tracking. Bianchi (2005); and Cutting (2010) examined task management/scheduling and applications available to monitor project execution and cost. However, as yet, little empirical evidence exists on the integration between cost control systems and IT in the Nigerian context.

Several researchers have developed models to study the effects of IT on the performance of individual users of such technology and ultimately on organizational performance. Irick, (2008) posited that two

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major models linking technology to performance are the utilization model, based on the theories of user attitudes, beliefs and behaviour and the task-technology fit (TTF) model. While the utilization model implies that increased utilization of technology will lead to positive performance, the TTF argues that performance will result only if there is a good fit between the technology and the requirements of the tasks it is meant to support. However, Goodhue and Thompson (1995) noting that each of both models presents with some limitations, proposed a model that combines both the utilization and TTF models. The model, referred to as technology to performance chain (TPC) recognizes that technologies must be utilized and must fit the task they support in order to have performance impact. Goodhue and Thompson argued that the TPC model gives a more accurate picture of the interrelationships between technologies, their utilization, user tasks and performance. However researchers have noted difficulties in measuring performance impact of IT and some (e.g. Prasad, 2008) have suggested users' evaluation to be the best means of measuring IT performance. While financial and non-financial performance are focused in IT literature, Management accounting literature has more recently emphasized non-financial measures of performance. Goodhue and Thompson also utilized user evaluations to measure task-technology fit.

In examining the proposition that integrated cost control-IT systems would lead to enhanced non-financial performance, this study aligned with the arguments in Goodhue and Thompson's TPC model and proposed the following null hypotheses:

H₀₁: Cost control system efficiency has no effect on NFP of firms in Nigeria.

H₀₂: There is no significant effect of the utilization of various IT control applications on NFP; H₀₃: There is no association between cost control system efficiency and information technology control applications utilisation by firms;

H₀₄: There is no significant relationship between NFP and observed fit between cost control system and information technology control applications.

3. Methodology

This study was a cross-sectional survey based on data obtained for a larger study. The population consisted of 141 firms listed on the Nigerian Stock Exchange and which actively traded during the period covered 2006-2010. The target respondents in these firms were the operational managers, selected from accounting unit and IT resource unit.

A sample size of 103 firms derived using the economic sample size formula as applied in modular grant application process (Moore and McCabe, 1999) was selected from the population. This sample was then selected from the population using a combination of stratified and random sampling techniques. Two operational level managers each from the accounts and IT resource unit were sampled from each firm, giving a total sample size of 206.

Data were collected using a questionnaire designed to obtain managers' evaluation of the variables of interest namely; cost control efficiency, utilisation of IT control applications, non-financial performance and task-technology fit. These variables were measured using a five-point Likert scale adapted from earlier studies (Reilly 1996; Madapusi and Ortiz 2009) with the two extremes of "strongly disagree" / "not efficient" represented by (1) and "strongly agree" / "highly efficient" represented by (5). Evaluation scores below 2.0 were grouped as low; 2.0 to less than 4.0 were grouped as moderate, while scores of 4.0 and above as high efficiency/ utilization/performance as appropriate. The research instrument was validated in the Nigerian context using the Cronbach's alpha coefficient. The results revealed reliability

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scores above 0.7 for all measures. One hundred and fifty-six (156) usable responses (representing 76% response rate) were obtained

Objectives one, two and four were achieved through the test of the null hypotheses (i), (ii) and (iv) using regression analysis while objective three was achieved through the test of the null hypotheses (iii) using correlation analysis.

The following three regression models (1, 2 and 3) were specified for the study to test hypotheses i, ii, and iv respectively:

$$NFP_i = \beta_0 + \beta_1 CCT\ bud_i + \beta_2 CCT\ value_i + \beta_3 CCT\ activity_i + \beta_4 CCT\ target_i e_i \quad (1)$$

$$NFP_i = \beta_0 + \beta_1 IT\ crm_i + \beta_2 IT\ scm_i + \beta_3 IT\ mrm_i + \beta_4 IT\ tsd_i \beta_5 IT\ hmm_i + e_i \quad (2)$$

$$NFP_i = \beta_0 + \beta_1 int_i + e_i \quad (3)$$

Where:

- NFP_i = non-financial performance index
- CCT bud_i = budgetary control efficiency index
- CCT value_i = value analysis efficiency index
- CCT activity_i = activity based costing efficiency index
- CCT target_i = target costing
- ITcrm_i = customer relationship management utilisation index
- ITscm_i = supply chain management utilisation index
- ITmrm_i = material resource management utilisation index
- ITtsd_i = task scheduling and delivery utilisation index
- IThmm_i = human and material management utilisation index
- int_i = cost control technique/information technology application fit
- β_s = estimated regression coefficients
- e = the error term in a regression model

4. Main Findings

The regression model 1 (test of hypothesis 1) revealed a statistically significant positive relationship at $p < 0.01$, with adjusted $R^2 = 0.494$, as presented in Tables 4.1. This suggests that cost control techniques (CCT) efficiency explained 49.4% of the variation in non-financial performance. The fitness of the model is explained by a high F-ratio of 38.822.

These results support a rejection of the null hypothesis one that cost control system efficiency has no significant effect on NFP of firms in Nigeria.

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TABLE 4.1: REGRESSION RESULTS RELATING COST CONTROL EFFICIENCY WITH NON-FINANCIAL PERFORMANCE

	Unstdz B	Stdzd. Beta	P_value
Constant	1.730	-	0.000
Budgetary control	0.530	0.394	0.002
Value analysis	0.392	0.089	0.000
Activity-based cost mgt	0.406	0.301	0.004
Target costing	0.086	0.053	0.000
Adjusted R ²	0.494		
F (P_value)	38.822 (0.000)		

Dependent variable: Non-financial performance

Model 2 (Test of Hypothesis 2): The results of the regression analysis as shown in Tables 4.2 revealed a statistically significant model at $p < 0.01$, with adjusted $R^2 = 0.463$. A fairly high F value of 28.273 explained the fitness of the resulting model. A rejection of the null hypothesis two of no significant effect of IT control applications on non-financial performance is suggested from these results.

TABLE 4.2: REGRESSION RESULTS OF THE EFFECT OF THE UTILISATION OF VARIOUS IT CONTROL APPLICATIONS ON PERFORMANCE

	Beta	Stdzd. Beta	P_value
Constant	1.530	-	0.000
CRM	0.766	0.511	0.003
SCM	0.054	0.031	0.000
MRM	0.137	0.057	0.004
TDS	0.053	0.685	0.000
HMM	0.085	0.067	0.023
Adjusted R ²	0.463		
F (P_value)	28.273 (0.000)		

Dependent variables: Non-financial performance

Test of Hypotheses 3: Correlation analysis as presented in Table 4.3 indicated that a positive significant correlation exists between efficiency of cost control techniques and IT controls applications utilization = 0.617 ($p < 0.01$). This suggested a rejection of the null hypothesis.

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Table 4.3: CORRELATION COEFFICIENTS OF ASSOCIATION OF COST CONTROLSYSTEM AND IT CONTROL APPLICATIONS

	1	2	3	4
1. Acceptance	1			
2. IT control applications utilisation	.374**	1		
3. Cost control techniques efficiency	.420**	.617**	1	
4. Task- IT systems fit	.366**	.644**	.707**	1

The result of the regression analysis as presented in Table 4.4 indicated a statistically significant model ($p < 0.01$) with Adjusted $R^2 = 0.570$, that is, CC-IT systems fit explained 57.0% of variation in NFP; fitness of the model is explained by a high F-ratio = 67.822. The null hypothesis of no significant effect of the CC-IT fit on non-financial performance was rejected.

TABLE 4.4: REGRESSION RESULTS OF THE EFFECT OF CC-IT SYSTEMS FIT ON NON-FINANCIAL PERFORMANCE

	Beta	Stdzd. Beta	P_value
Constant	1.820	-	0.000
CCS-IT	0.662	0.524	0.000
Adjusted R^2	0.570		
F (P_value)	67.822 (0.000)		

Dependent variables: Non-financial performance

5. CONCLUSION

This study attempted to provide empirical evidence on the effect of employing integrated cost control systems-IT control applications to improve non-financial performance in listed firms in Nigeria. The findings provided support for the expectation in the study, that integration of cost control systems and IT control applications would positively influence the non-financial performance of firms in Nigeria.

These findings are in line with Cooper and Dart (2009); and Alves (2010), which similarly found that the use of advanced information technology in the form of control applications such as enterprise resource planning systems, supply chain management and customer relationship management was effective in providing cost control information and had effect on performance. The findings are also consistent with those in Pondeville, (1999); and Hyvonen (2008) where an IT interaction with management control systems (cost control) was linked to performance. This study however extended the examination to the concept of non-financial performance.

The study concludes that well developed cost accounting system which provides a basis for the efficiency of cost control techniques when enabled by advanced IT control applications would result in enhanced

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organizational non-financial performance through facilitating better and faster dissemination of cost control information and better integrated processes. However such technology needs to be adapted to firms' cost control structure, the nature of activities to be focused for cost control and the networks of human and non-human actors.

This study has used combined data from various industries, whose control structure may differ significantly. This might have confounded the results in some ways. Further research may need to examine the nature of relationship observed by reference to specific industries to confirm the results obtained in this study.

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Combating Money Laundering and Inroads into Banking Secrecy: Evidence from Malaysia

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***Abstract:** It is generally accepted that the fight against money laundering is in conflict with the secrecy rule. Banking secrecy is a customer privilege whereas combating crime is critical for public safety and security. Indeed, achieving a proper balance is a desirable goal. But how do we go about achieving such a balance is a question encountered by many law enforcement authorities. This paper aims to examine the effect of disclosure under the Malaysian anti-money laundering laws on the banking secrecy rule. It will analyze whether the Malaysian laws provide a right balance between a duty to keep customer's information secret and a duty to disclose such information in the fight against money laundering. On closer inspection, it suggests that the laws provides sufficient safeguards to ensure that the disclosure of customer's information is carried out in a manner that is not prejudicial to the interest of legitimate customers. It can be said that the growing threat of global money laundering makes the overriding of banking secrecy justified because without a flow of information from the banks, the effective prevention of the menace is not possible.*

***Keywords** - money laundering, banker-customer relationship, banking secrecy*

1. Introduction

It has been pointed out that the investigation of money laundering, the tracing and confiscation of criminal proceeds have intruded into the principles of banking secrecy (Levi 1991, p.109). The inroads into banking secrecy present serious threats to democracy, and more importantly, to the traditional banker-customer relationship (Latimer 2004, p.56). Indeed, it puts banks in a difficult position, especially when the effectiveness of the anti-money laundering (AML) laws in combating money laundering is still unclear.

It is generally accepted that the fight against money laundering is in conflict with the secrecy rule. Banking secrecy is a customer privilege whereas combating crime is critical for public safety and security. Indeed, achieving a proper balance is a desirable goal. But how do we go about achieving such a balance is a question encountered by many law enforcement authorities. Therefore, this paper will examine the effect of disclosure under the Malaysian AML laws on the traditional duty of banks to keep the customer's information confidential. More importantly, it will also analyze whether the Malaysian laws provide a right balance between a duty to keep customer's information secret and a duty to disclose such information in the fight against money laundering. Before examining these issues, it would be worthwhile to review in general terms banking secrecy and its effect on money laundering.

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2. The Role of Banking Secrecy in Money Laundering

Banking secrecy is one of the cardinal principles of banking law. The commercial success of the banking business and the sanctity of the relationship between banker and customer are based on this principle (Jawahitha 2002, p.255). Banking secrecy ensures the safety and soundness of the banking system by preventing the disclosure of information which could weaken the public confidence in banks. It also protects banks and financial institutions in an environment of fluctuating trade and market pressure (Edward 1998, p.25).

From a customer's perspective, banking secrecy may be viewed as a privilege that safeguards their financial information from being invaded by other parties (Ping 2004, p.376). In fact, it is evident that this principle has already greatly assisted countless people who, for example, have become victims of dictatorial regimes (Frei 2004, p.387). It has been argued that a bank has to preserve the duty of secrecy because the bank has a very detailed knowledge of its customer's financial affairs (Thani 2001, p.210).

It is notable that criminals and money launderers have taken full advantage of banking secrecy to launder the proceeds of crime. In fact, for criminals, banking secrecy provisions provide a welcome relief because they can be exploited to avoid detection (Chin 1995, p.iii). There is also evidence that banking secrecy and customer confidentiality is used as a barrier against the obtaining of information and cooperation in criminal investigation.

According to a study conducted by the United Nations in 1998, bank secrecy is used by criminals to launder illegal proceeds in the following ways;

- Through anonymous accounts where no one in the bank can possibly know, unless the customers themselves reveal the information regarding the beneficial owners of the accounts.
- Through accounts in which a lawyer interposes himself or herself between the bank and the customer, thereby protecting the customer's identity, first, by any secrecy laws of the country and secondly, by an additional layer of lawyer-client privilege.
- Through accounts protected both by bank secrecy laws and the informal device of nominee ownership in which the nominee and the beneficial owner are connected by civil contract or a bond of trust.
- Through owner held accounts which are coded in such a way that only the top management of the bank knows who the beneficial owner is, and secrecy laws prevent the management from revealing that information.

Obviously, the continuing evolution of the financial systems and their vulnerability to abuse by criminals require the secrecy rule to be lifted. Therefore, banking secrecy should be excluded when the disclosure of confidential information is critical for the detection and prosecution of criminals. This is to ensure that the banking system is not manipulated by criminals in any way. Unless the integrity of the banking systems is well protected, public confidence in the systems would be diminished.

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3. Banking Secrecy in Malaysia

In Malaysia, section 132 of Financial Services Act 2013 (FSA) preserves the banking secrecy where the Minister or Bank Negara Malaysia (BNM) is prohibited from specifically inquire into the affairs or account of any customer except for the purpose of exercising its power or function under FSA, the Islamic Financial Services Act 2013 or section 47 of the Central Bank of Malaysia Act 2009.

Furthermore, section 133(1) of FSA specifically provides for the banking secrecy where banks and financial institutions are prohibited from disclosing to another person any document or information relating to the affairs or account of any customer of the financial institution. Any person who contravenes the secrecy rule under FSA commits an offence and upon conviction, shall be liable to imprisonment for a term not exceeding five years or to a fine not exceeding ten million ringgit or to both.

However, banking secrecy rule shall not apply to any document or information relating to the affairs or account of any customer of a financial institution-

- (a) that is disclosed to the BNM, or any officer or any person appointed under this Act or the Central Bank of Malaysia Act 2009 for the purposes of exercising any powers or functions of BNM under this Act or the Central Bank of Malaysia Act 2009;
- (b) that is in the form of a summary or collection of information set out in such manner as does not enable information relating to any particular customer of the financial institution to be ascertained from it; or
- (c) that is at the time of disclosure is, or has already been made lawfully available to the public from any source other than the financial institution.

Further inroad into banking secrecy rule has been incorporated in section 134 of FSA which provides that a financial institution or any of its directors or officers may-

- (a) for such purpose or in such circumstances as set out in the first columnⁱ of Schedule 11, disclose any document or information relating to the affairs or account of its customer to such persons specified in the second columnⁱⁱ of that Schedule; or
- (b) disclose any document or information relating to the affairs or account of its customer to any person where such disclosure is approved in writing by the Bank.

For the purpose of combating money laundering, para 7 of the First column of Schedule 11 permits disclosure for the purpose of compliance with an order or request made by an enforcement agency in Malaysia under any written law for the purposes of an investigation or prosecution of an offence under any written law. However, banking secrecy is still preserved under section 134 (4) which provides that any person who receives any document or information relating to the affairs or account of a customer as permitted under subsection (1) shall not disclose such document or information to any other person.

It is important to note that apart from FSA, there are a number of laws which require disclosure of a customer's information. These include the Anti-Corruption Act 1997; Kidnapping Act 1961; Dangerous Drugs (Forfeiture of Property) Act 1988; Internal Security Act 1960; Bankruptcy Act 1967; Companies Act 1965 and Income Tax Act 1967. Generally, under these statutes, banks are under a legal obligation to give information or documents relating to their customers' affairs or accounts to the enforcement agencies without the consent of the customers. It can be said that the government has enacted such exceptions as

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and when necessary and where the benefits outweigh any possible disadvantages. Indeed, the exceptions to the secrecy rule allow some information to be disclosed in order to facilitate police investigation and it was found that this rule is a powerful tool in investigations involving malpractices in the banking sector.

4. The Impact of AMLATFA on Banking Secrecy

Malaysia passed the Anti-Money Laundering and Anti-Terrorism Financing Act (AMLATFA) in 2001. AMLATFA not only criminalizes money laundering and terrorism financing, but also imposes various obligations on reporting institutions. It includes measures for the investigation of money laundering and terrorism financing offences and the freezing, seizure and forfeiture of criminal proceeds. As at July 2010, 94 money laundering cases are in various stages of prosecution in Malaysia with more than 3000 charges involving proceeds amounting to RM1.2 billion (Yasin, N. M. & Hamid, M. H. 2011, p.xxxiv).

The enactment of AMLATFA has increased the lists of exceptions to the secrecy rule in Malaysia. In fact, AMLATFA stipulates a wider set of circumstances under which banks can disclose customer information than FSA or the common law. Under Parts III and IV of AMLATFA, disclosure is required to enable information sharing between competent authorities and the regulated institutions. Disclosure is also critical to enable banks and other regulated institutions to comply with the reporting requirements under AMLATFA.

Banking secrecy is considered one of the biggest hurdles to the sharing of information between competent authorities. Therefore, this problem has been addressed with the introduction of AMLATFA. By virtue of section 9 of AMLATFA, the Malaysian competent authority, the Financial Intelligence Unit (FIU) may authorize the release of information to the enforcement agency or its officers, the Labuan Offshore Financial Services Authority and the Attorney General to deal with any foreign state's request for information sharing and mutual assistance in money laundering investigation.

Under section 10(1) of AMLATFA, FIU is permitted to share information relating to the reporting of suspicious transactions and cash transactions with a foreign authority provided that there is an arrangement between Malaysia and that foreign state. However, in doing so, FIU must be satisfied that the corresponding authority will undertake to protect the confidentiality of any information communicated to it and to not use it as evidence in any proceedings. In this respect, it appears that information sharing has been placed under rigid constraints to prevent abuses.

Furthermore, the officers who have access to the information from FIU cannot disclose such information except to the authorized person. Section 12 of AMLATFA permits disclosure of information where there are proceedings for a charge of money laundering or terrorism financing offence and/or the offences listed in the Second Schedule or the equivalent crimes in a foreign jurisdiction. Further, section 29(3) empowers FIU and the relevant enforcement agency to coordinate and cooperate with any other domestic and foreign enforcement agency in any investigations into money laundering and terrorism financing offences.

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AMLATFA also overrides the banking secrecy rule by requiring banks and other regulated institutions to comply with the reporting obligations under Part IV of the Act. Section 16 of AMLATFA requires banks to obtain extensive information of a customer's true identity before establishing any banking relationship. Furthermore, section 14 imposes statutory obligations on banks and other regulated institutions to disclose customer confidential information to the relevant authorities when there is suspicion of money laundering or terrorism financing activities. Failure to report is an offence and upon conviction, the person can be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 6 months or both.

Reporting obligation under AMLATFA means that banks have to strike a balance between compliance with the laws, on one hand, and reasonable protection of customer confidentiality, on the other hand. However, it appears that the reporting obligations take precedence over customer confidentiality. Section 20 of AMLATFA states that '[t]he provision of this Part shall have effect notwithstanding any obligation as to secrecy or other restriction on the disclosure of information imposed by any written law or otherwise.' This section clearly indicates that banking secrecy cannot be invoked as a ground not to comply with the reporting obligations, or to a request for information. More importantly, in complying with the reporting obligations under AMLATFA, the bank and its employees will not be subject to the banking secrecy rules under FSA or common law.

In addition to this, by virtue of section 24(1) of AMLATFA, a person who lodges a suspicious report is protected from any civil, criminal or disciplinary proceeding. Furthermore, subsection (bb) of the section states that the person is protected from any consequences that follows from the reporting. Section 77(c) of AMLATFA provides that no proceedings shall be brought against any person lawfully acting in compliance with any direction, instruction or order of a director or officer of the competent authority or the relevant enforcement agency.

Section 79 of AMLATFA requires that customer's confidentiality be maintained at all other times, except when required by law:

- (1) Except for the purpose of performance of his duties or exercise of his functions under this Act or when lawfully required to do so by any court or under the provisions of any written law, no person shall disclose any information or matter which has been obtained by him in the performance of his duties or the exercise of his functions under this Act.
- (2) No person who has any information or matter which to his knowledge has been disclosed in contravention of subsection (1) shall disclose that information or matter to any other person.
- (3) Any person who contravenes subsection (1) or (2) commits an offence and shall be liable on conviction to a fine not exceeding one million ringgit or to imprisonment for a term not exceeding one year or to both.

This section clearly indicates that banking secrecy is still preserved except where detecting and deterring money laundering outweighs the overall need to protect the customer's information. Any person who is found to have contravened this requirement could be liable to criminal liability under AMLATFA.

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At first glance, it appears that AMLATFA makes greater inroads into the secrecy rule when compared to the common law or other statutes. Banks can disclose customer's information on even grounds of suspicion of money laundering or terrorism financing activities. However, on closer inspection this is not really true as there are limits to disclosure.

But despite the limits imposed on disclosure, there are some aspects of the reporting obligations which would make customers wonder whether they can rely on the banks to keep their affairs secret. Traditionally the banker-customer relationship was one built around mutual trust, but with the introduction of AML laws it appears that it will eventually be replaced with one built around mutual suspicion.

5. Conclusions

It is clear that the implementation of the AML laws has significantly affected the banking secrecy rule. While it is clear that AML obligation should take precedence over customer confidentiality rules to improve the flow of information to law enforcement authorities and to facilitate money laundering investigation, there is the danger that customers may lose confidence that their secrets are safe with the banks. By requiring banks to disclose suspect transactions, the authorities are asking banks to act as informers. This is a role that is in conflict with their commercial objectives.

However, it appears that AMLATFA provides sufficient safeguards to ensure that the disclosure of customer's information is carried out in a manner that is not prejudicial to the interest of legitimate customers. This is a positive approach that could protect the innocent customers from being mistreated by the law. Ultimately, it can be said that the growing threat of global terrorism and money laundering makes the overriding of banking secrecy justified because without a flow of information from the banks, the effective prevention of the menace is not possible.

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ⁱFirst column of Schedule 11 describes purposes for or circumstances in which customer documents or information may be disclosed.

ⁱⁱSecond column of Schedule 11 describes persons to whom documents or information may be disclosed.