

STRATEGY FOR PREVENTING CORRUPTIONS IN INDUSTRIAL BUSINESS ORGANIZATIONS WITH DELPHI TECHNIQUE

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ABSTRACT

Corruptions in industrial business organizations tend to increase dramatically. This study was aimed to investigate strategy for preventing corruptions in industrial business organizations, using Delphi technique in order to gain consensus of 3 groups of experts; namely, internal auditors, certified public accountants (CPA), and financial and accountancy academicians. The error reduction and the net change of this study were set at 0.54-0.50, and 0.04 respectively. The data were collected 3 rounds.

It was found that the strategy for preventing corruptions in industrial business organizations, which obtained the highest mean in the four studied aspects; namely, internal control and audit, digital technology, penalty for offenders, and morality cultivation, were: 1) establishing channels to receive the complaints on personnel misconducts, 2) stipulating the use of bank applications for payments to facilitate the examination of financial transactions of organizations, 3) determining the degree of severity of the punishment to trigger fears among those who were about to offend, and 4) administrators acting as role model for work morality and ethics.

Keywords: Strategy, Corruption Prevention, Industrial Business, Delphi Techniques.

INTRODUCTION

Due to the intense economic competition, corporate executives are facing several business problems and obstacles, one of which is quite important and tends to expand every day is corruption in organization, which is evident and occurs in every country especially in the developing ones. Corruption is not just a problem at an organization level but at a national one. Such problem occurs in every country, causing an impact on the countries' growth worldwide. Transparency International has established Corruption Perceptions Index, and annually ranks several countries. According to the 2019 survey of 180 countries, it was found that Denmark and New Zealand scored the highest, showing that the numbers of corruptions there were the smallest while Somalia was in the lowest rank (Figure 1). In addition, two third of the surveyed countries scored lower than the criteria of 50. As for Thailand, the score of corruption perception index was 36, which was lower than not only the criteria, but also the mean of 43 (Transparency International, 2019).

Problem of corruptions not only directly affect economic sector, but it is also a risk factor affecting reputation, brand, and quality of products and service including the morale of the employees especially in the industrial business group which has a high risk of corruption.

According to the survey of economic crime and fraud around the world, 49% of industrial business organizations encountered corruption problems in the past two years. For those problems caused by corruptions, organizations could not put the blame on or push the responsibility burden to any employees, suppliers or local partners, but they have to provide an effective management system to deal with this matter, covering the entire organization.

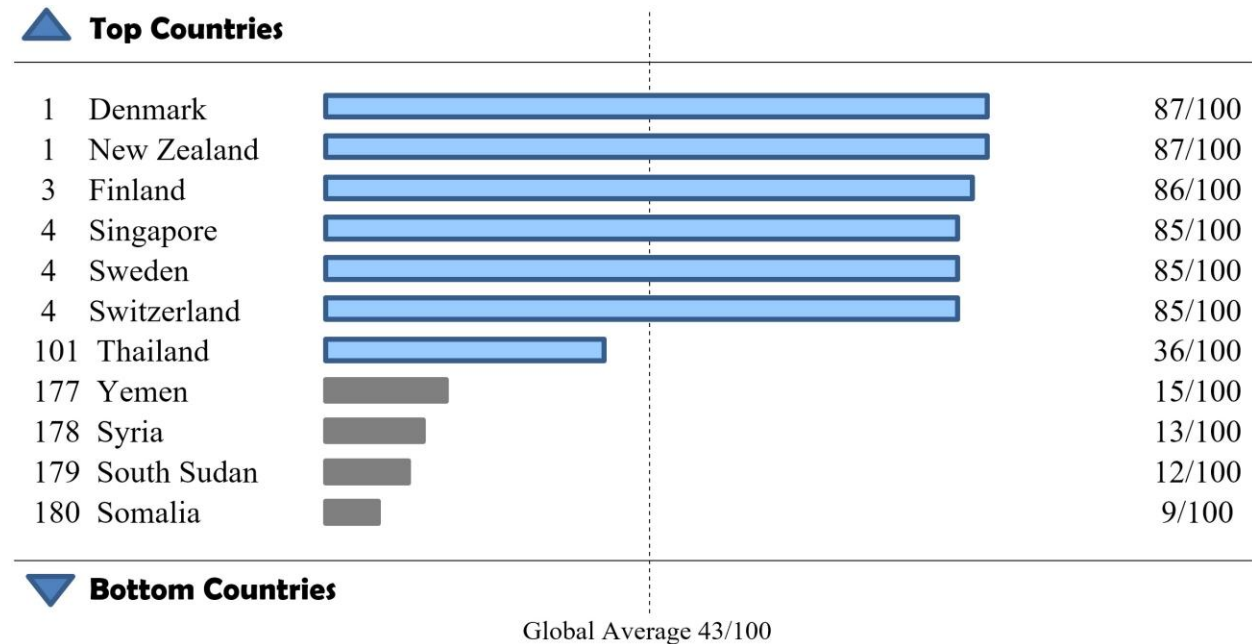


FIGURE 1
CORRUPTION PERCEPTIONS INDEX OF YEAR 2019

LITERATURE REVIEW

The word ‘fraud or corruption’ is derived from Latin, meaning serious injustice or bad things (Kelly, 2015). It has been known for a long time, but its meaning varies depending on its purpose of usage. According to Black Law Dictionary, corruption is defined as an unlawful act which is evil and fraud with the intention to avoid laws. It includes the acts that are contrary to one’s position and the others’ right (Bryan, 2014).

Corruption may be classified as a kind of crime. In some cases, corruption may be viewed as the act done by two parties for mutual benefits by employing their authority in the wrong way in exchange for their own benefit (Palgrave, 2016; Richter & Burke, 2007), which does not have to always be money (Arnold & Michael, 2017). Corruption is considered to be a failure of management, showing lack of transparency and straightforwardness.

It can be said that corruption is an exercise of power or bribes that may be legal or illegal, but with the intention to receive an undeserved benefit, and such corruption can occur both in public or private sectors. Corruption is not an act that affect the narrow circle but it is social, politic, and economic phenomena that do not only undermine organizations or the country but also impact the global society too (Agata, 2010).

According to Donald Cressey's Fraud Triangle Theory, for a person to commit corruption, there must be 3 favorable elements which are opportunity that opens to corruption, motivation or trouble, and people who lack honesty (Silpcharu, 2015, Tommie & Aaron, 2010; Martin, 2013). Currently, technology is changing very fast, it is, therefore, important for use to control and detect frauds. Strategy for preventing corruptions in industrial business organizations consist of 4 factors including internal controlling and auditing to shut down fraud opportunities, using digital technology to help with investigation, imposing penalties for deterrence and reduction of corruption motivations since the offenders tend to compare the benefits of the fraud and the punishment, and cultivating work morality to solve the problem of personnel's lack of honesty (Figure 2).



FIGURE 2
A MODEL OF STRATEGY FOR PREVENTING CORRUPTIONS IN INDUSTRIAL BUSINESS ORGANIZATIONS IN THIS STUDY

Delphi technique is defined as a systematic repetition for forecasting future events using expert groups' independent data. The objective of Delphi technique is to obtain the consensus of opinions about the event to be studied in the future (Ogbeifun et al., 2016; Hirschey, 2009), and so this technique was adopted in this study.

Research Objectives

To investigate strategy for preventing corruptions in industrial business organizations with Delphi technique.

RESEARCH METHODOLOGY

The data for this study were collected from the experts obtained by purposive sampling. Error reduction was set at 0.54-0.50, and the net change at 0.04. The total of fifteen experts was obtained (McMillan, 1971). They were divided into 3 groups; (1) five internal auditors of

industrial business organizations, (2) five certified public accountant (CPA), and (3) five financial and accountancy academicians. The systematic repetition was performed, using structure open-ended interview forms and open-ended questionnaires with rating scale to obtain the consensus on strategy for preventing corruptions in industrial business organizations. The data were collected 3 rounds as shown in Figure 3 (Skulmoski et al., 2007).

Round 1

After reviewing literature and interviewing the experienced people, the researcher imposed 4 aspects of interview strategy which were internal control and audit, digital technology, punishment of offenders, and morality cultivation. Then the data were collected by in depth interviewing the experts, using structure open-ended interview form. Content Analysis was conducted to classify the meaning and summarized to construct open-ended questionnaire with 5 point rating scale.

Round 2

The level of opinions of the same groups of experts was surveyed, using the questionnaire obtained from round 1 to interview the experts. The data were calculated to find mean (\bar{X}), median (Me), mode (Mo), standard deviation (SD), and interquartile range (IQR) and all the calculated data were sent back to each expert to review his opinions as the third round in comparison with those of the whole group.

Round 3

The rating scale questionnaire that identified position of the expert's answers in comparison with those of the entire group was used to survey the opinions of the same expert group, using interview again. Then the congruence value of opinions was calculated by taking median value of ≥ 3.50 and quartile range of < 1.5 into consideration (Wanlop, 2019). If it was not congruent, the experts needed to provide additional opinions to obtain the valuable and reliable information for development of strategy for preventing corruptions in industrial business organizations.

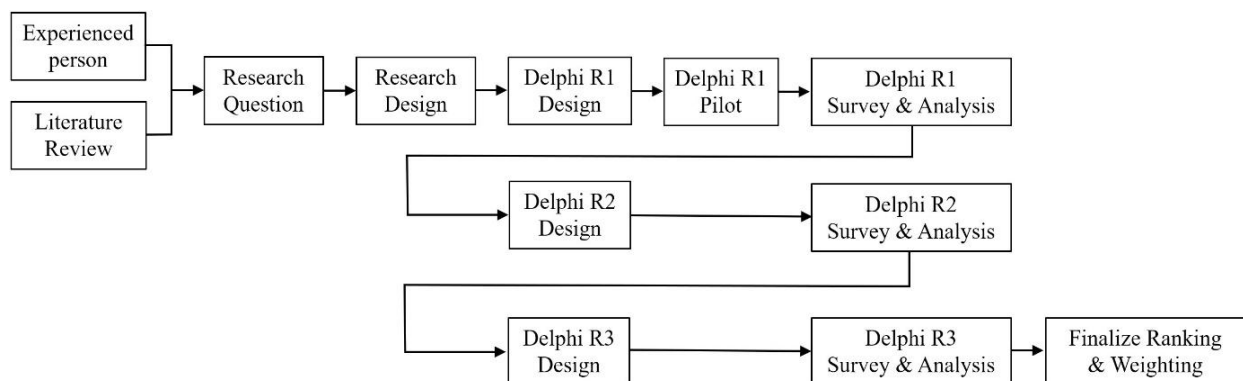


FIGURE 3
THREE ROUND DELPHI PROCESS

RESULTS

The first five strategies for preventing corruptions in industrial business organizations that were congruent and gained the highest mean of importance according to the experts' opinions as shown in Table 1.

Table 1						
THE FIRST FIVE STRATEGY FOR PREVENTING CORRUPTIONS IN INDUSTRIAL BUSINESS ORGANIZATIONS						
strategy for preventing corruptions		\bar{X}	Me	Mo	SD	IQR
Internal Controlling and Audit						
1.	Establishing channels to receive the complaints on personnel misconducts	4.47	5.00	5.00	0.64	1.00
2.	Regularly tracking and counting assets	4.40	4.00	4.00	0.51	1.00
3.	Auditors' qualification being in accordance with international auditing standards	4.33	4.00	4.00	0.62	1.00
4.	Clearly specifying authorities and responsibilities on each job in writing	4.27	4.00	4.00	0.70	1.00
5.	Having three lines of defense connecting all three units' work together; namely, operation unit, regulator unit, and auditor unit	4.20	4.00	4.00	0.68	1.00
Digital Technology						
1.	Stipulating the use of bank applications for payments to facilitate the examination of financial transactions of organizations	4.67	5.00	5.00	0.49	1.00
2.	Facilitating the access to the information for the auditors	4.60	5.00	5.00	0.51	1.00
3.	Providing security measures of data in computer system and networks to prevent unauthorized persons from accessing	4.53	5.00	5.00	0.74	1.00
4.	Developing inspection software that could help the control and audit work at all locations, all time and in time	4.47	4.00	4.00	0.52	1.00
5.	Supporting the mechanism for reporting complaints and clues to frauds through electronic media such as Line, Blog, Web board etc	4.40	5.00	5.00	0.74	1.00
Punishment						
1.	Determining the degree of severity of the punishment to trigger fears among those who were about to offend	4.67	5.00	5.00	0.49	1.00
2.	Punishment must be equal; offenders must be punished equally without discrimination	4.60	5.00	5.00	0.51	1.00
3.	Notifying the results of the allegations should be in writing and signature of the accused is needed for acknowledgement	4.53	5.00	5.00	0.64	1.00
4.	In addition to receiving punishment from the organization, the fraudster must also be prosecuted in law	4.47	4.00	4.00	0.52	1.00
5.	Punishment must be appropriate to the offense	4.40	4.00	4.00	0.63	1.00
Morality cultivation						
1.	Administrators acting as role model for work morality and ethics	4.73	5.00	5.00	0.46	1.00
2.	Imposing morality and ethics together with working skills and knowledge as standards in evaluating work performance for promotion and salary raise	4.67	5.00	5.00	0.62	1.00
3.	Setting standards for personnel selection by taking morality and ethics into consideration apart from knowledge and ability	4.53	5.00	5.00	0.74	1.00
4.	Organizing activities to promote good deeds and refrain from evil to raise awareness of morality and ethics	4.47	5.00	5.00	0.64	1.00
5.	Creating organizational culture to become moral organization	4.40	5.00	5.00	0.74	1.00

DISCUSSION

1. Opening up channels for filing corruption complaints is considered very crucial for internal control and audit because it is like giving opportunities to personnel within the same organization to cooperate in pointing out clues to misconducts of their colleagues'. The most important things, however, is that the organization must have a measure to keep the complainants' information confidential and may have to consider a reward for those who gives clues as compensation when the case reaches the step that the offender is prosecuted. This is in accordance Suwannee (2017) who stated that anti-corruption by "our hands" was another channel for personnel to cooperate in reporting clues of misconducts to the responsible persons. According to May (2016), the heart of filing complaints is that the organization must have a channel to receive misconduct complaints and keep the complainants' information confidential.
2. Technology advancement currently affects several aspects of organization's operation. Using banks' application to monitor payment transactions is considered to be cost-effective to use digital technology as another channel for monitoring corruptions in the age of cashless society. This was in accordance with Wannaporn (2015) and Jakraphan's (2015) finding that using banks' application was a payment method that customers could do anywhere and anytime, and sellers could reduce management costs and check the transactions on line at any time as well.
3. Another effective guideline for preventing corruption is determining the degree of severity of the punishment to trigger fears among those who are about to offend. The penalty for wrongdoings can be the highest punishment under the law or social punishment. Punishment must be done quickly and seriously to offenders. Mark (2012) states that penalties should be imposed to prevent personnel from acting improperly. He adds that the purposes of punishment is to threaten offenders, to stop them from misconducts, to draw lessons from previous act and do not dare to do it again. At the same time punishment can also be a lesson to the other people not to follow the offender's misconduct. According to Pamela & Stephen (2017), penalties that can threaten and stop the offenders must be strict and severe, and the penalty must be higher than the benefit that the offender gains from his corruption.
4. What is important and a starting point to adopt effective strategy to prevent corruptions effectively is that executives at every level must start to be a good role model with honesty, morality, and ethics, which is in accordance with Siriphong (2019)'s recommendation that, for the 21st growth, it is necessary that leaders be a role model especially in work morality and ethics.

CONCLUSIONS AND SUGGESTIONS

1. Preventive measure for corruption rooted from dishonesty is morality and ethics cultivation. Executives should start to be a role model in morality and ethics, not using power to corrupt for the benefits of themselves and partisans, encouraging operators to cultivate honesty by applying to the familiar thing first in order to be accepted and easy to follow. Morality should be instilled in personnel since they start working. They should be explained about the bad effects of corruptions on themselves, the corporate security, and the country. Values in upholding good people, loathing the villains, and anti-corruptions should be created as organizational culture to prevent corruptions sustainably, making the organization become the organization of morality.
2. Cultivating morality in every person in the organization to be a good person can be difficult to do. It is suggested that industrial business should, therefore, have a concrete and effective internal quality control system with reasonable expense. Personnel at all levels must recognize the importance of operations under internal control.
3. To specify whether a person will commit fraud by looking only at his external characteristics is quite difficult. Therefore having a good management system will help prevent corruptions. Having up-to-date hard law, strict penalties without discrimination, and clear soft law in each professional is not enough to prevent or solve corruption problems. There is still a need to develop a strong, strict, and continuous internal audit system. To practice effective internal audit, three basic factors must be taken into consideration; that is, the auditor must comply with the internal standard regulations, the internal audit agency must be independent, and the management of the organization should support, understand and have good attitude towards internal audit.

4. Although regulations and penalties may not a way out to solve corruption problems, they are strategies to prevent, suppress, and reduce the problems to some extent. They can help the personnel to happily work together in the organization. Therefore, punishment must be clear, and appropriate to the degree of offense. Punishment must be treated fairly and equally. At the same time, business organization can employ social sanction measure to control corruptions too.

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