THE PERCEPTION OF INTEGRITY IN PUBLIC SERVICE: A STUDY OF RELATIONSHIP BETWEEN PERCEIVED LEADERSHIP EFFECTIVENESS AND PERCEIVED LEADERSHIP INTEGRITY IN SABAH STATE AGENCIES IN KOTA KINABALU

AHMAD SUHAINI YACOB

SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2011

THE PERCEPTION OF INTEGRITY IN PUBLIC SERVICE: A STUDY OF RELATIONSHIP BETWEEN PERCEIVED LEADERSHIP EFFECTIVENESS AND PERCEIVED LEADERSHIP INTEGRITY IN SABAH STATE AGENCIES IN KOTA KINABALU

AHMAD SUHAINI YACOB

DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITI MALAYSIA SABAH
2011

UNIVERSITI MALAYSIA SABAH

BORANG PENGESAHAN STATUS DISERTASI

JUDUL   :   **THE PERCEPTION OF INTEGRITY IN PUBLIC SERVICE: A STUDY OF RELATIONSHIP BETWEEN PERCEIVED LEADERSHIP EFFECTIVENESS AND PERCEIVED LEADERSHIP INTEGRITY IN SABAH STATE AGENCIES IN KOTA KINABALU**

IJAZAH   :   **SARJANA PENTADBIRAN PERNIAGAAN**

SESI PENGAJIAN : 2008 – 2010

Saya, AHMAD SUHAINI YACOB mengaku membenarkan disertasi sarjana ini di simpan di Perpustakaan Universiti Malaysia Sabah dengan syarat-syarat kegunaan berikut:-

1. Disertasi adalah hak milik Universiti Malaysia Sabah.
2. Perpustakaan Universiti Malaysia Sabah dibenarkan membuat salinan untuk tujuan pengajian sahaja.
3. Perpustakaan dibenarkan membuat salinan disertasi ini sebagai bahan pertukaran Institusi Pengajian Tinggi.
4. TIDAK TERHAD.

Disahkan Oleh :

_____   _____

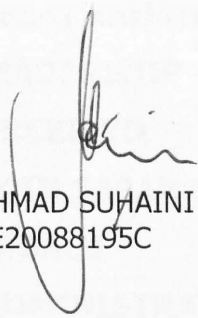Penulis : AHMAD SUHAINI YACOB   TANDATANGAN PUSTAKAWAN

Alamat :

Penyelia: Prof.Madya Dr.Janie Liew Heng Mei

Tarikh : 17 Ogos 2011

DECLARATION

The material in this thesis is original except the quotations, summaries and references, which have been duly acknowledged at the appropriate places.

Date: 20th July 2011

AHMAD SUHAINI YACOB
PE20088195C

CERTIFICATION

NAME	:	**AHMAD SUHAINI YACOB**
MATRIC NO.	:	**PE20088195C**
TITLE	:	**THE PERCEPTION OF INTEGRITY IN PUBLIC SERVICE: A STUDY OF RELATIONSHIP BETWEEN PERCEIVED LEADERSHIP EFFECTIVENESS AND PERCEIVED LEADERSHIP INTEGRITY IN SABAH STATE AGENCIES IN KOTA KINABALU**
DEGREE	:	**MASTER OF BUSINESS ADMINISTRATION**
VIVA DATE	:	**11TH JULY 2011**

DECLARED BY

1.   SUPERVISOR

Associate Prof. Dr. Janie Liew Heng Mei   ....

ACKNOWLEDGEMENT

My deepest thanks to my supervisor, Associate Professor Dr. Janie Liew Heng Mei of School of Business and Economics, University Malaysia Sabah for her guidance and patience for leading me all the way till the completion of this dissertation. Without her encouragement, advice and comments, I could not have my dissertation completed. In fact, she has always reminded me to meet her and discuss about the progress of my dissertation. With that I shall always remember her as she really helped me a lot.

I would like to thank the Dean, the lecturers i.e. Dr Amran Harun and Dr. Rasid Mail and staffs from the School of Business and Economics for their commitment and cooperation.

Last but not least, my greatest thanks to all my respondents in helping me to complete the questionnaire, and to the honourable State Secretary – Datuk Sukarti Wakiman, I would like to thank him a lot for giving consent to this study.

AHMAD SUHAINI YACOB
20th July 2011

ABSTRACT

THE PERCEPTION OF INTEGRITY IN PUBLIC SERVICE: A STUDY OF THE RELATIONSHIP BETWEEN PERCEIVED LEADERSHIP EFFECTIVENESS AND PERCEIVED LEADERSHIP INTEGRITY IN SABAH STATE AGENCIES IN KOTA KINABALU

Leadership with perceived effectiveness and integrity is important in today's organization particularly in the public service especially in reducing corruption, tackling unethical behaviours and addressing integrity issues apart from ensuring organization's success; ultimately creating public trust as public service is also public trust. The low level of public perception with regard to integrity in public service requires effective measures possibly from the exemplary role of leadership in order to bring the desired changes. Previous research indicated that there was no one size fits all approach to determine leadership effectiveness but integrity can be perceived using subordinates' assessment on leader's unethical behaviours. Hence, the purpose of this research is to study the statistical relationship between Perceived Leadership Effectiveness (independent variable) and Perceived Leadership Integrity (dependent variable) using Leader Practices Inventory (LPI) developed by Kouzes and Posner (1992,2002) and Perceived Leader Integrity Scale (PLIS) designed by Craig and Gustafson (1998) respectively in Sabah state agencies in Kota Kinabalu, Sabah. This study also attempts to find if the relationship between the independent and dependent variables can be moderated by age, gender and education. In a sample of 216 out of population parameters of 850 of different grades of subordinates in various ministries, departments and statutory bodies which comprise of Sabah state agencies in Kota Kinabalu, this research has successfully substantiated the findings done by previous researchers and found positive relationship between Perceived Leadership Effectiveness and Perceived Leadership Integrity in the said agencies. For Perceived Leadership Effectiveness, the sub-variable of Model the Way represents the strongest predictor and contributor to Perceived Leadership Integrity. However, this research found that all the three moderator variables have no moderating effects on the relationship between Perceived Leadership Effectiveness and Perceived Leadership Integrity.

ABSTRAK

PERSEPSI INTEGRITI DALAM PERKHIDMATAN AWAM : SATU KAJIAN MENGENAI HUBUNGAN PERSEPSI KEBERKESANAN KEPIMPINAN DENGAN PERSEPSI INTEGRITI KEPIMPINAN DALAM AGENSI-AGENSI NEGERI SABAH DI KOTA KINABALU

Kepimpinan dengan persepsi keberkesanan dan integriti adalah penting dalam organisasi masakini khususnya di dalam perkhidmatan awam terutama dalam membenteras rasuah, salahlaku dan menangani isu integriti demi kejayaan organisasi disamping mewujudkan kepercayaan orang ramai memandangkan perkhidmatan awam juga mencerminkan kepercayaan orang ramai. Tahap persepsi yang rendah oleh orang ramai berhubung integriti dalam perkhidmatan awam memerlukan langkah berkesan kemungkinan daripada peranan kepimpinan bagi membawa perubahan yang diperlukan. Justru itu, tujuan tesis ini ialah untuk mengkaji hubungan statistik di antara Persepsi Keberkesanan Kepimpinan (pembolehubah tetap) dengan Persepsi Integriti Kepimpinan (pembolehubah bersandar) masing-masing menggunakan skala Inventori Praktis Kepimpinan (Leadership Practices Inventory) oleh Kouzes and Posner (2002) dan skala Persepsi Integriti Pemimpin (Perceived Leader Integrity Scale) oleh Craig dan Gustafson (1998). Kajian ini juga ingin mengetahui sama ada hubungan antara kedua pembolehubah tersebut boleh di pengaruhi oleh pembolehubah seperti umur, jantina dan pendidikan. Dengan menggunakan saiz sampel sejumlah 216 daripada lingkungan populasi seramai 850 meliputi pelbagai kategori pekerja bawahan di dalam agensi-agensi Negeri Sabah, kajian ini berjaya membuktikan dapatan terdahulu iaitu terdapat hubungan positif di antara Persepsi Keberkesanan Kepimpinan dan Persepsi Integriti Kepimpinan di agensi-agensi berkenaan. Bagi Persepsi Keberkesanan Kepimpinan, pembolehubah kecil iaitu Tunjukkan Cara (Model the Way) merupakan peramal dan penyumbang yang terbaik bagi Persepsi integriti Kepimpinan. Kajian ini juga mendapati bahawa kesemua pembolehubah umur, jantina dan pendidikan tidak mempunyai kesan pengaruh terhadap hubungan Persepsi Keberkesanan Kepimpinan dan Persepsi Integriti Kepimpinan.

TABLE OF CONTENT

LIST OF TABLE

LIST OF FIGURES

UNIVERSITI MALAYSIA SABAH

LIST OF ABBREVIATIONS

GLC   **Government Linked Company**

MACC   **Malaysian Anti Corruption Commission**

LPI   **Leader Practices Inventory**

PLIS   **Perceived Leader Inventory Scale**

OECD   **Organisations of Economic Cooperation Development**

MPSB   **Merit System Protection Board**

MLQ   **Multifactor Leader Questionnaire**

LBDQ   **Leader Behaviour Description Questionnaire**

EBLQ   **Essential Behaviour Leadership Questionnaire**

LIST OF APPENDICES

CHAPTER 1

INTRODUCTION

1.1   Overview

The Transparency International Perception of Corruption Index 2009 has put this country in the limelight of 56th most corrupt nation in the world with a score of 4.5 out of 10, a situation much worse than in 2008 when the country is in the 47th spot with score of 5.1 despite serious government's attempts and efforts to improve and to enhance governance, accountability, transparency, efficiency etc. through numerous reforms measures in the last two decades.

The finding from National Integrity Perception Index Report 2007 involving 14, 967 respondents in this country reported an index of 6.60 out of 10 of Malaysia's Public Service Delivery Quality compared to 6.76 of Malaysia's Perception of Corruption Index. This is of course above average, but it even gives bad impression regarding the public perception of quality of service delivery is even lower than public perception of corruption in this country (The Star, 3rd July, 2008, New Sunday Times, 6th July 2008). The researcher could not find another study done after that period. The low public perception indicates there is a lot to be done to improve integrity standing in public setting. If the perception is true, then the notion by OECD (2005) that "public sector is much less economic efficient and innovative than the private sector" and further assertion by Sarlak and Bali (2007) that the "public sector is the starting point of the spread of corruption" lend some credentials for investigation into integrity issues as OECD (2000) pointed out the public service also represents public trust.

The unprecedented case affecting one of the Malaysia's Government-Linked Companies (GLC) Sime Derby which is considered to be one of the largest companies in Malaysia has taken many people by surprise as the GLC is said to have suffered from 'leadership mismanagement' that had caused heavy losses to the tune of MYR2.0 billion (The Star, 22nd June 2010). The case of Teoh Beng

Hock who was found dead in 2010 in the midst of interrogation by Malaysia Anti-Corruption Commission (MACC) which is one of public agencies created to build public trust, and the case of one Custom's officer also found dead in almost similar incident sparked fear and anger among the general public the way the two cases have been handled. Hence, the question is "Where could have gone wrong and what must be done to address this big issue? Could it be due to the lack of ethics or aggressiveness on the part of the law enforcers, the police, or maybe lack of concern by the politicians, the public institutions, or could it be due to weaknesses of organizational framework or probably leaders helming the organizations?

In fact, numerous studies in the past revealed evidences of unethical behaviours in many organizations (McDonald & Nijhof, 1999) cited in Peterson (2002). There were other numerous issues as well which the researcher did not intend to express in depth in this study, but the statement contained in the National Integrity Plan (2004-2008) which stated that "The spread of corruption, incompetence, malpractices, abuse of power, fraud and other unethical behaviours as well as the lack of work motivation, have all been attributed to the decline in integrity among individuals, organizations and society at large" (Institute Integrity of Malaysia, 2005). To sum up, the word 'integrity' seems to be the root cause of impending problems and unethical issues affecting individuals, organizations and society as a whole.

Hence, this paper is attempted to understand the definition and interpretation of integrity specifically from the perspective of leadership as Lewis (1991) had stated that "leader sets the tone and conveys the public image of the agency". The researcher is of the opinion that in order to understand how leader establishes the tone and conveys the public image of the agency, the leader's roles and behaviours must first be investigated and the investigation should be related to integrity which is the problem area in this study. The researcher's desire to investigate the roles and behaviours of leadership in relation to integrity is also triggered by the notion that despite all reform measures and strict initiatives encompassing the rule-based and value-based approaches undertaken

by the government two decades ago, there seems to be no evidence of improvement and enhancement of integrity in public setting. In other words, whatever measures introduced and implemented previously by the government, no desired impacts had been produced and had resulted in the worse rating by Transparency International Perception of corruption Index of 2009.

Some public organizations are good, efficient and ethical while some are not and this notion must be supported with the prediction in this study that positive relationship exists between effective leadership with perceived integrity that is truly required in today's setting. For Sims and Brinkmann (2002), they asserted that integrity or unethical behaviour of organization's leader represented much of the differences on why some organizations were clean and some were not while Small and Dickie (1999) cited in Hooijberg, Lane and Diverse (2010) argued that managers embedded with values like integrity, trust and justice were mostly beneficial to an organization. The two statements clearly supported the notion that effective leadership with perceived integrity is most vital to bring the desired impact and to improve integrity at organisational level as well.

Previous researchers such as Garrett (1999); Hall (1980); O'Hara (2005); and McCabe (2005) cited in Schafer (2009) have also attributed organization's failure in the form of corruption, inefficiency, misconduct, and the like to the leadership's style and quality. Kouzes and Posner (2002) suggested on the need for an effective leadership to bring the desired impact due to changing business environment while Haberfeld (2006); Rowe (2006) cited in Schafer (2009) contended that "effective leaders are often lacking in organizations". Hogan, Curphy, & Hogan (1994); Hogan & Kaiser (2005); Van Vugt, Hogan & Kaiser (2008) also added that it was the pertinent aspect of leadership to act as influencing mechanism "to transcend their short-term selfish interests and work together for the long-term welfare of the group and leadership involves building a team and guiding it to outperform its competition".

All the above statements pinpoint to one important fact that is effective leadership embedded with moral values and integrity is needed to bring the

3

desired impact in public service. Other researchers like Abu-Tineh, Kasawneh and Al-Omari (2008) who studied effective leadership of high school principals in Amman, Jordan suggested that integrity in leadership itself was more important to act as a catalyst for reform. At the same time, the sort of pressures and dilemmas faced by leaders either in private or public organization must be duly recognized as there is no such thing for any organization immunes to ethical or integrity issues as managers or leaders are often confronted with ethical dilemmas at works. This was clearly stated in a finding in 1989 and subsequently in 1996 that 97 per cent of administrators virtually agreed the statement was true which was consistent with earlier finding by United State's Merits System Protection Board (MSPB) in 1993 on employee observance of fraud, waste and abuse (Bowman & Knox, 2008). Researcher like Fitsimmons (2008) also suggested the roles and behaviours of the administrators of the units or organizations were the single most influential factor to address corruption and improve efficiency as it involved the integrity of the individuals working there.

Hence, it is the role of effective leadership in public organization in relation to perceived leader integrity that the researcher attempts to investigate as previous studies indicated that combination of Perceived Leader Effectiveness and Perceived Leader Integrity was very important to address integrity issues from perspective of leadership as leaders set the direction and determined the future of the organization. In this study, integrity is regarded as the high-end construct based on its definition that constitutes 'wholeness' by Van der Wal; Huberts; Van Den Heuvel and Kolthoff (2006) and to the researcher the wholeness of leaders can be associated with perceived effectiveness and perceived integrity. Any leader can say he/she is effective but to possess integrity is something that can only be best perceived and assessed by subordinates or followers rather than by peers and super-ordinates managers. To this, the researcher desires to investigate the nature of relationship between Perceived Leader Effectiveness and Perceived Leader Integrity specifically on leader's behaviours and practices that can explain the variance in leader's perceived integrity which is the wholeness in order to bring the desired impact in public organization.

As the problem boils down narrowly to the issue of integrity, how did previous researchers define integrity? Previous literatures defined integrity as synonymous to ethics, honesty, and conscientiousness and often used interchangeably in the literature (Becker, 1998). This literature was also supported by Hogan and Kaiser (2010) who suggested that integrity, ethics, morals, and character were similar by the way these terms were normally applied. The study by OECD in 2005 defined integrity "as synonym of ethics management. It refers to the application of generally accepted public values and norms in daily practice". Most previous studies measured perceived integrity in leadership by way of perception by subordinates through conceptualization developed by Craig and Gustafson (1989) using his Perceived Leader Integrity Scale (PLIS) which has been found as a reliable way to measure perceived integrity in leaders.

Kouzes and Posner (2002) who had studied effective leadership for almost 20 years had conceptualized effective leadership using Leadership Practices Inventory (LPI) and suggested that "leadership is not a position, but a collection of practices and behaviours that can serve as guidance to accomplish extraordinary things done". For Kouzes and Posner, they defined effective leadership by virtue of five leadership practices: Model the Way, Inspire Vision, Challenge the Process, Enable Others to Act and Encourage the Heart. Thus, Kouzes and Posner's theory of effective leadership is used in this study though other researchers like Bennis and Nanus (1985) cited in Harung, Heaton and Alexander (1995) argued that after seventy-five years of empirical investigations of leadership, so far "no clear and unequivocal understandings exist as to what distinguishes leaders from non-leaders, and perhaps more specific, what distinguishes effective leaders from ineffective leaders". To this, the researcher truly believes that effective leadership with perceived integrity can be measured using Leader Practices Inventory (LPI) and Perceived Leader Integrity Scale (PLIS) as the two methods had been applied before successfully and studies had shown strong positive relationship between Perceived Leader Effectiveness and Perceived Leader Integrity.

1.2. The Problem Statement

The gist of the problem is that leadership encompassing both perceived effectiveness and perceived integrity is hard to find in public service as what had been argued by OECD (2005) and is a crucial element to fight against corruption and all sorts of unethical practices and behaviours in order to instil and inculcate accountability, transparency, and integrity in government institutions. To support this, the National Integrity Plan (2004-2008) also clearly stated that "Leadership is extremely vital in developing the culture of any organisation or of a society as well as raising their level of integrity [...] Leaders must strictly adhere to laws, procedures and regulations. Any instructions issued by them that contradict or fly in the face of established laws, procedures and regulations will undermine integrity". This goes to indicate that leadership with perceived integrity just as Parry and Procter-Thomson (2002) clearly hinted that "ethical values is of indispensable to real leadership" is actually crucial to address integrity issues in public service which is in tandem with statement by Morgan (1993) that leadership must be seen to be effective and have integrity to carry out the job.

As stated by Isaksson (1997); Fawcett and Wardman (2008) that some leaders in position of authority behave shamefully and badly that damage public trust and confidence and this was further asserted by Freud (1921) that there were people who aspire to positions of power and authority most often motivated to pursue their own self-interest. This argument has added more insights as to how serious the problem with leadership being perceived to be effective in one instance but having no integrity or lack of integrity that the end result could damage the organization. Hogan and Kaiser (2010) also highlighted where public officials often placed self-interest and individual values on the frontline, and for Van de Walle (2008) quoted in Salminen and Norrbacka (2010) argued this could probably the reason why negative public attitude towards public agencies would most likely to cause discontentment about inefficiency, corruption or ineffectiveness of public administration. To this, the researcher believes that public service needs leadership who are effective and have integrity to instil public confidence in the service delivery.

Lewis (1991) had clearly stated that leaders set the tone and manifest the public image of the agency. But to agree with Lewis (1991) also contingent upon the argument by Trevino (1986) as to how leadership in organizations with the authority and power entrusted upon them would enable them to set the tone and establish ethical atmosphere in the organization. To the researcher, being effective alone is not enough to inculcate changes and reform and leadership must have values to contribute to enhancement of integrity and ensure organization's success. Hence, as the term integrity involves moral values such as honesty, trust, ethics, credibility, character and the likes (Becker, 1998; Kouzes & Posner, 2002; Jennings, 2006; Palanski & Yammarino, 2007, 2009; Ciulla, 2004; Lawton, 1998), to the researcher's opinion, effective leadership with perceived integrity is badly required in public organization to win the followers' trust and confidence (Hogan & Kaiser, 2010) and to initiate changes and becomes a catalyst for reform (Abu-Tineh *et al.* 2008). A study done by Hogan and Kaiser (2010) using PLIS to measure perceived leader integrity and Leader Behaviour Description Questionnaire (LBDQ) to measure perceived leader effectiveness found strong positive relationship between Perceived Leader Integrity and Perceived Leader Effectiveness and hence suggested for further research in applied setting in typical condition to confirm the result.

Thus, what represents a problem to be studied in this paper is the need for leader with perceived effectiveness in relation with perceived integrity as the high end construct that probably can address integrity issues and bring the desired impact in public service. For any leader to describe they are effective and to possess integrity is something that can only be perceived by followers or subordinates through leader's behaviours and actions. Hence, this study is attempted to understand how leaders in public service can be perceived by subordinates in different grades of position in different agencies in Sabah as being effective and have integrity. Therefore, the statement of the problem is "What is the nature of the relationship between Perceived Leader Effectiveness and Perceived Leader Integrity particularly in Sabah agencies in Kota Kinabalu"? Another problem that is worthy of investigation in this study is whether demographic factors such age, gender and level of education have moderating

influence on the relationship between Perceived Leadership Effectiveness and Perceived Leadership Integrity.

1.3 The Research Objectives

The designation of the problem statement has led to the following research objectives which are:-

1. To understand the relationship between Perceived Leadership Effectiveness and Perceived Leadership Integrity in Sabah state agencies in Kota Kinabalu.

2. To identify the best practices of leadership effectiveness (Model the way, Inspire vision, Challenge the process, Enable others to act, Encourage the heart) that have significant relationship with Perceived Leadership Integrity.

3. To identify which of the independent variables is/are the best predictors for Perceived Leadership Integrity.

4. To investigate the moderating effect (age, gender, education) on the relationship between Perceived Leadership Effectiveness and Perceived Leadership Integrity.

1.4. Research Questions

To determine whether the research objectives can be investigated has led to the following research questions:-

1. What is relationship between Perceived Leadership Effectiveness and Perceived Leadership Integrity in Sabah state agencies in Kota Kinabalu?

2. Which practices of leadership effectiveness (Model the way, Inspire vision, Challenge the process, Enable others to act, Encourage the heart) have significant relationship with Perceived Leadership Integrity?

3. Which of the independent variable represents the best and strongest predictor for Perceived Leadership Integrity?

4. Can the relationship between Perceived Leadership Effectiveness and Perceived Leadership Integrity be moderated by demographic factors of age, gender, education?