SOCIAL SCIENCES & HUMANITIES

The Influence of Leadership Styles on Subordinates' Integrity in Malaysian Local Authorities: The Mediating Role of Trust

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ABSTRACT

The purpose of this study is to examine the influence of leadership styles on integrity and to test the mediating role of trust in the relationship between leadership styles and integrity using 300 questionnaires responded by the employees (support staff group) of local authorities located in the central region of Peninsular Malaysia. The measurement scale employed in this study has met the acceptable level of validity and reliability tests of the study. However, performing confirmatory factor analysis (CFA) based on structural equation modelling (SEM) has remained two of three components of the second order measurement model of transactional leadership. They are contingent reward and management by exception (active). The management by exception (passive) was omitted for further analyses. Some items of the first order measurement model of transformational leadership were also deleted through CFA. Regression results of the SEM analysis indicated that integrity was not directly influenced by the transformational leadership and transactional leadership through the presence of trust as mediator. Trust mediated the relationship between transactional leadership and integrity. Further, this study provided the discussions and implications of the findings.

Keywords: Integrity, transactional leadership, transformational leadership, trust, structural equation modelling

INTRODUCTION

The leadership styles, namely, transformational leadership and transactional leadership were introduced by Burns (1978) and further discussed by Bass and Avolio (1991) to form the standard leadership framework for active entities (Bass, 1985;

Bass & Avolio, 1993). Both styles have been described famously in many studies as being related to the area of human resource development. Earlier, a traditional leadership style, which is transactional leadership, is related to financial deals, reward exchange or cost-benefit idea (Blanchard & Johnson, 1985; Konovsky & Pugh, 1994). These leadership behaviours are related to contingent reward (rewards are provided in exchange for the agreement to achieve the targets or the leaders' expectations performed by the followers) and management by exception (the leaders help when followers do wrong things by employing noticeable ways to conduct the right procedures) (Burns, 1978; Bass, 1985; Howell, & Avolio, 1993; Lowe et al., 1996).

The globalisation phenomenon makes dynamic organisations shift the transactional based leadership to another leadership style, i.e. transformational leadership. Transformational leadership is much more related to individualised considerations (i.e., leaders concern about followers' wants and give them training to perform in a cooperative work environment), intellectual stimulations (i.e., leaders ask followers to think their own way of doing things by instilling their innovation and creativity), inspirational motivations (i.e., leaders always articulate attractive and meaningful future goals of the organisation) and idealised influence (i.e., leaders who are very strongminded, insistent and frequently stress on attainment of their mission, as well as take individual role and duty, and demonstrate high ethical level and behaviour in generating trust of their

followers) (Bass & Avolio, 1993; Twigg et al., 2008). The basic idea of transformational leadership is more on interpersonal contract instead of financial contract where it biases on the social exchange (followers respect their leaders and able to do out of the scope of recognised job agreements), promised (mutual commitment of leaders and followers to the welfare exchange) and psychological contract that refers to a confidence believed by an individual upon the terms of the exchange contract to which that individual is a party (Burns, 1978; Kanungo & Mendonca, 1996; Settoon et al., 1996).

Research in this field found leaders who properly practice the leadership styles (transformational and transactional leadership) would have an impact on integrity among the employees at work place (Etter & Palmer, 1995; Gini, 2004; Porter, 2005; Porter, Webb, Prenzler, & Gill, 2015). Scholars like Clark and Payne (1997) define integrity as individuals' trustworthiness in getting others' trust by displaying good values like responsibility, sincerity, dedication, moderation, cooperativeness, diligence, clean conduct, honour and gratitude. In good governance perspective, integrity could be related to employees' ethical values that really affect the quality of service delivery by the employees. As a result, internal stakeholders and public will reciprocate with trust in organisations. However, integrity is also defined in different angles of good governance perspective, which is an avoiding of any action to influence others' credibility of work due to individual

personal interest through the presence of outside third party (Nolan Committee's on Standards in Public Life, 1995). The action of avoidance in this context is developed from the ethical values of integrity that provide strength and direction to individuals in fighting any misconduct.

PROBLEM STATEMENT

In a leadership study area, it is found that an association of transformational and transactional leadership with employees' integrity has been discussed, and much debate has been conducted in organisational leadership literature (Green, 1997; Luthar, 1997; Mc Devitt, 1997; Trevino et al., 1998; Brown, 2003; Robertson, 2004; De George, 2006; Roslan & Nik Rosnah, 2008). Nevertheless, how such leadership styles influence employees' integrity is less emphasised in the direct relationship based research (Etter & Palmer, 1995; Schneider, 2009; Porter, Webb, Prenzler, & Gill, 2015) and little is known about this relationship in the local authority leadership model. Surprisingly, through extra revisions, it is confirmed that there are indirect influences of transformational and transactional leadership on integrity through the effect of trust among the employees (Fishbean & Adjzen, 1975; Mayer et al., 1995). Trust can be understood based on various interpersonal and organisational constructs (Kramer & Tyler, 1995; Duck, 1997). For example, fairness, confidence and risk taking are considered as three main constructs of trust (Erturk, 2008) whether interpersonal or organisational based.

Rousseau, Sitkin, Burt and Camerer (1998) also mentioned that the variety of definitions of trust shows three main constructs of trust. First is the expectation or belief that relates to confidence; second is the willingness to be vulnerable that relates to risk taking, and third is dependency on another that relates to fairness, benevolence, ability and other organisational characteristics. Within a leadership framework, the leader who rightly behaves with transformational (i.e., idealised influence, inspirational motivation and individualised consideration) and transactional styles such as contingent reward, management by exception (active) and management by exception (passive) in leading an organisation may drive to an increased trust among the employees to their organisation (Casimir, Waldman, Bartram, & Yang, 2006).

LITERATURE REVIEW

Relationship between Leadership Styles and Integrity

Research on organisational integrity has been conducted using a direct effect model based on different samples; 227 Turkish employees who work in organisations in Istanbul (Otken & Cenkci, 2012), 142 respondents who lived in Istanbul (Erben & Guneser, 2007). Other than that, scholars had emphasised on the role that should be demonstrated by the leaders in developing an ethical model in organisations (Schminke et al., 2005; Newbert et al., 2009). Findings from these studies indicated that a proper practice of transformational style by the leaders (i.e., granting favours and setting

moral examples) and transactional style (i.e., authoritarianism) in leading subordinates has been a major determinant of organisational ethical integrity.

Relationships between Leadership Styles, Trust and Integrity

A study used a direct effect model to examine transformational leadership based on a sample of 203 employees from large companies in South Africa. This study revealed that the transformational leadership practiced by the leaders in their jobs (i.e., social exchange such as followers are given the chances by the leaders to make decision, accept followers' ideas, and treat followers fairly) had made followers to be more ethical integrity in doing their work (van Aswegen & Engelbrecht, 2009). The finding of this study is consistent with the statement of the organizational leadership theory. It stressed that fairness, the ability and benevolence of leaders such as constancy, no biasness, correctness, morality, and representativeness in decision making could affect progressive subsequent personality and character outcomes (Burns, 1978; Bass, 1995). The relation of this theory to a leadership model clarifies that the proper behaviours of transformational leaders in doing jobs (e.g., simplicity of work system, communication directness, involvement and sharing of power) will strongly raise followers to be more integrity (Palanski & Yammarino, 2009).

Burns (1978) also mentioned that followers' moralities may increase when there is mutual understanding between leaders and followers. Mutual understanding could be developed through the process of transactional leadership style, especially based on contract and economic exchange between leaders and followers (Azman et al., 2010). Meanwhile, according to Bass (1985), the collaboration between leaders and subordinates in implementing the jobs can foster subordinates' performance as well as encourage them to forget their personal interests and prioritise the organisation's interests. The importance and congruence of those theories to the leadership research framework are the followers' attitudes and their sacrifice toward organisational interests can be realised if leaders solve immediate problem, focus on task and reward performance (Pillai et al., 1999; Tatum et al., 2006). There will be enhancement of followers' integrity and they will do their job productively when transactional style is effectively implemented.

Basically, both leadership styles are able to affect followers' trust, especially on their leaders. This could lead the followers to perform their positive attitudes and behaviours. All these relationships have been significantly revealed from the model of trust developed in the study by Mayer et al. (1995). Therefore, integrity is indirectly created through the positive attitudes and behaviours demonstrated by the followers when they have trust and belief, mainly when the leadership styles performed by the leaders are based on the trustworthiness characteristics such as ability, benevolence and leaders' integrity (Mayer et al., 1995). For example, transformational leaders

perform their integrity based on procedural justice approach by treating followers fairly, meanwhile, transactional leaders show their integrity through distributive justice approach, in which equitable outcomes are provided to the followers based on their contributions such as fairly appreciating their supports, supporting their individual welfare and maintaining social harmony equally (Azman et al., 2010). As a result, it drives to followers' trust (Pillai et al., 1999) and subsequently leads to acceptable individual outcomes (Konovsky & Pugh, 1994) that reflect on followers' integrity. From the literature, this study develops a conceptual framework as shown in Figure 1.
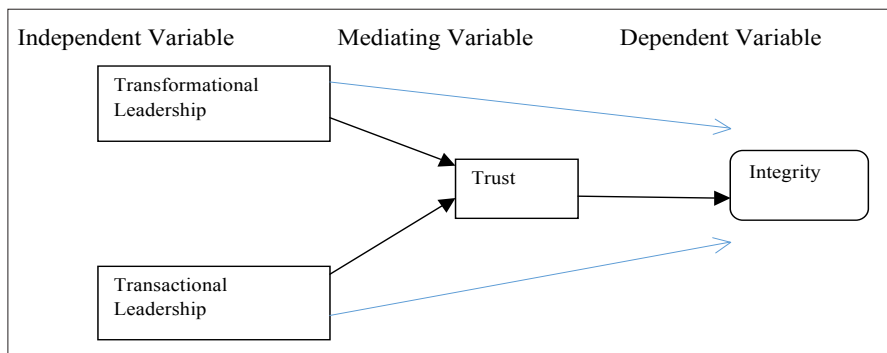

Figure 1. Conceptual Framework

Based on the above literature also, it can be hypothesised that:

H1: Transformational leadership has a significant relationship with integrity

H2: Transactional leadership has a significant relationship with integrity

H3: Trust mediates the relationship between transformational leadership and integrity

H4: Trust mediates the relationship between transactional leadership and integrity

METHODOLOGY

A cross-sectional study, which is based on data collection at a single point of time, was employed to analyse the relationships between transformational leadership, transactional leadership, trust and integrity. The main benefits of cross-sectional study are for incorporating the leadership and governance literature, in-depth interview, pilot study and real survey in grouping correct and meaningful data (Cresswell, 1998; Sekaran & Bougie, 2010). The aimed population for this study was around 25,000 support staff employees in Malaysian local authority organisations. The estimated sample size for this study is 377 employees. Stratified random sampling was used to collect data.

In-depth interviews were carried out in the surveyed organisations to collect the appropriate qualitative data based on elements such as relatively clear and well-explained research goals, available time,

researcher's knowledge, and the expected level of respondents' involvement (Maykut & Morehouse, 1994). Information from in-depth interview was referred to prepare self-report questionnaires for a pilot study. The pilot study is required because it will determine whether the items of the instruments are easily understood by the respondents, avoid vague questions and omit questionnaire items that are not suitable for the study (Cooper & Schindler, 2006). This can support the researchers in providing true and reliable data based on improved questionnaires' content and format. The final self-report questionnaire was designed based on the feedback of the pilot study. Meanwhile, the actual survey was implemented by distributing the questionnaires to the respondents to collect necessary information (Easterby-Smith et al., 1991). Further, survey through questionnaires can be a suitable method to get data from big sample size (Sekaran & Bougie, 2010). In the duration of collecting actual research data, interviews and distribution of questionnaires were done concurrently with the respondents. Statistical Package for Social Science (SPSS) programme version 20.0 and Structural Equation Modelling technique through Analysis of Moment Structure (AMOS) version 20.0 were used for data analyses. Analysis of regression was the ultimate investigation to assess the cause and effect relationship between the research constructs and the role of mediating variable in the model as well (Zainudin, 2012).

RESULTS

Table 1 presents the respondents' profile of this study. The respondents were mostly males (52 percent), with the majority aged between 25 to 33 years old (51.3 percent), and most of them are SPM holders (54.3 percent) and have working experienced of around 6 - 10 years (33.7 percent).

Results of validity and reliability tests for measurement scales are illustrated in Table 2. The items of each variable (20 items – transformational leadership, 12 items – transactional leadership, 12 items - trust and 6 items – integrity) were proceeded with exploratory factor analysis (EFA) based on varimax with Kaiser Normalisation rotation. Measuring the sampling adequacy of factor analysis using the Kaiser-Mayer-Olkin Test (KMO) showed a good result for each variable, which was above the minimum standard of 0.60 of Kaiser-Meyer-Olkin's and significantly accepted (p<0.000) in Bartlett's test of sphericity (BTS). The eigenvalues (EG) of each variable showed above 1, with variance explained (VE) values exceeding 0.60. Besides, factor loadings for each variable item indicated more than 0.50 (Hair, Anderson, Tatham, & Blacks, 2010), and the reliability (RA) of all the research variables was above 0.60 as the acceptable standard of reliability analysis (Sekaran & Bougie, 2010). Hence, the validity and reliability of those statistical results proved that the measurement scales selected for this study were accepted, as demonstrated in Table 2.

Table 1
Respondents' Profile(N=300)

DEMOGRAPHIC	CHARACTERISTICS	FREQUENCY	PERCENTAGE
Gender	Male	156	52.0
	Female	144	48.0
Age	Less than 25 years	29	9.7
	Between 25 and 35 years	154	51.3
	Between 36 and 45 years	62	20.7
	46 years and above	55	18.3
Highest	Primary School Certificate	4	1.3
Academic Qualification	SRP/PMR	6	2.0
	SPM	163	54.3
	STPM	25	8.3
	Diploma	71	23.7
	Others	31	10.3
	Management Services	125	41.7
Department	Finance	18	6.0
Served	Enforcement	114	38.0
	Technical	23	7.7
	Others	20	6.7
Length of	5 years and below	67	22.3
Service	6 - 10 years	101	33.7
	11 - 15 years	58	19.3
	16 - 20 years	28	9.3
	21 years and above	46	15.3

Note: SPM/MCE/Senior Cambridge: Sijil Pelajaran Malaysia/ Malaysia Certificate Education,
STPM/HSC: Sijil Tinggi Pelajaran Malaysia/High School Certificate

Table 2
Validity and Reliability Analyses for Measurement Scales

Variable	Items	FL	KMO	BTS	EG	VE	RA
Transformational Leadership	20	0.72 to 0.86	0.97	5363.8	12.7	63.5	0.97
Transactional Leadership	12	0.75 to 0.90	0.83	2116.9	12.7	72.7	0.84
Integrity	6	0.76 to 0.87	0.84	718.3	3.3	65.6	0.62
Trust	12	0.68 to 0.84	0.91	1626.6	6.4	70.8	0.91

As stated above, this study used Structural Equation Modelling (SEM) method through AMOS 20 to analyse the relationship between the constructs in the model. This needs the goodness of model fit of the measurement model because it proves the appropriateness of the selected items of each construct (Hair et al., 2010). Therefore,

the confirmatory factor analysis (CFA) was performed to obtain acceptable model fit by identifying relevant items based on modification indices output table generated by AMOS (Zainudin, 2012).

Figure 2 shows that all the items of transformational leadership, transactional leadership, trust and integrity were unable to perform goodness of model fit because the indicators of comparative fit index (CFI) and Tucker-Lewis index (TLI) showed an unacceptable level of values (0.860 and 0.867, respectively) although the root mean square error of approximation (RMSEA) showed acceptable value at 0.067. Referring

to Hair et al. (2010), the accepted level of RMSEA must be less than 0.08, CFI and TLI is better at value more than 0.90. Hence, some items of transformational, transactional leadership, trust and integrity constructs were deleted (due to high value of errors found in Modification Indices of AMOS output) to ensure a good fitness of model as illustrated in re-specified overall measurement model (see Figure 3). This re-specified model shows the acceptable level of RMSEA, CFI and TLI values which are 0.048, 0.961 and 0.957, respectively. Meanwhile, parsimonious fit index (PNFI) achieved 0.814.
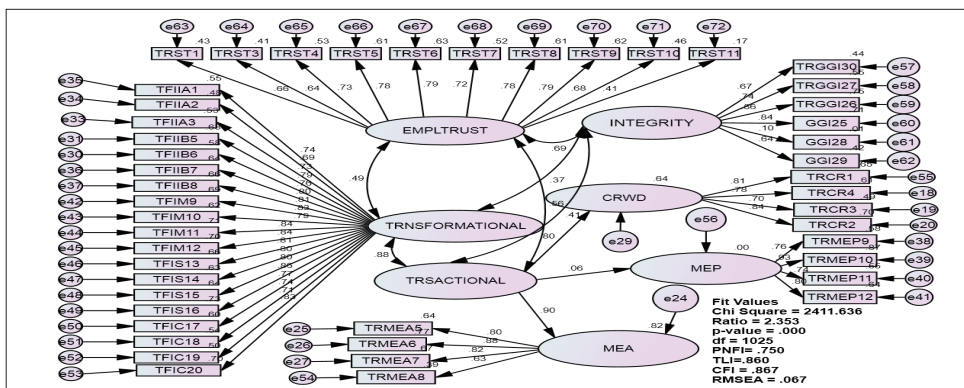

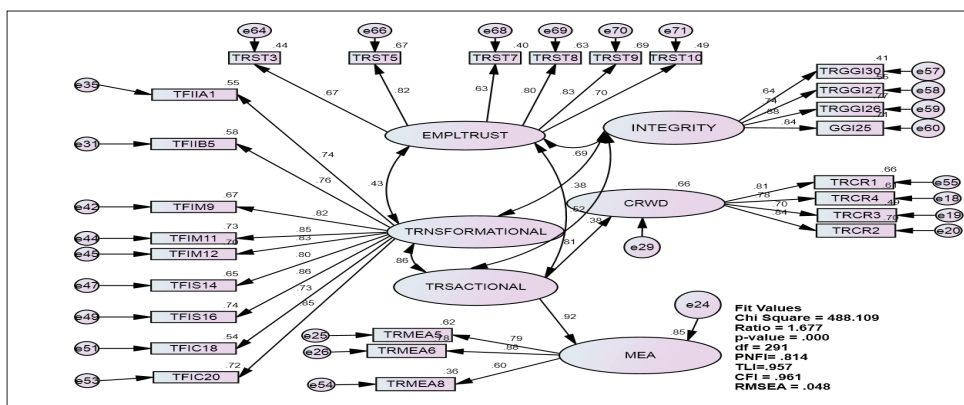*Figure 2*. Overall Measurement Model

Figure 3. Re-specified Overall Measurement Model

Results of direct effect relationships, shown in the hypothesized structural model (Figure 4) based on the existing of trust in the model, rejected H1, H2 and H3 but supported H4. The status of those hypotheses was revealed by the insignificant effect of transformational leadership on subordinates' integrity ($\beta = 0.211$, t value = 1.552, p>0.05) and insignificant effect of transactional leadership on employees' integrity ($\beta = -0.148$, t value = -0.960, p>0.05). Transformational leadership also has no effect on trust ($\beta = -0.060$, t value = -0.339, p>0.05). In contrast, transactional leadership showed a significant impact on trust ($\beta = 0.567$, t value = 3.209, p<0.05) and trust significantly influences subordinates' integrity ($\beta = 0.674$, t value = 7.895, p<0.05) This could be interpreted that the effective implementation of transactional leadership approaches by the leaders via contingent reward and management by exception (active) have indirectly promoted integrity among the subordinates in LAs through their trust in organisation. Subordinates who trust their transactional based leaders, systems and peers of organisation are more motivated to be highly integrity.
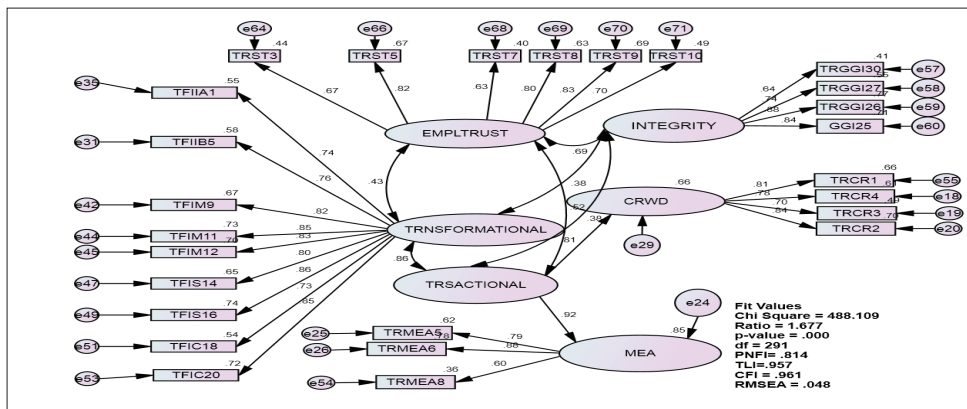

Figure 4. Hypothesised Structural Model

DISCUSSION AND IMPLICATIONS

This study discloses that the indirect influence of transactional leadership on integrity is affected by trust in an organisation. In LAs, leaders have clearly practiced transactional leadership facets such as contingent reward and management by exception (active) to completely succeed the organisational strategy in achieving the goals. Many employees perceive that such leadership practices has provided them chances to put their efforts and be equipped with relevant resources to implement organisational functions. They also perceived that leaders were strict to influence them to achieve the target of their tasks compared to transformational leadership style as newly encouraged to be practiced in the public sector organisations now. Moreover, the implementation of

civil service transformation programme, as seriously emphasised in the agenda of Government Transformation Programme (GTP) Roadmap, does not fully affect the leaders in public sector organisations such as LAs to aggressively practice transformational leadership style. The old style of leadership that is biased to transactional style has been a strong culture that preferred to be practiced mostly by the senior and old leaders. Transactional leaders in LAs strongly utilised their authority and power by attracting followers' respect for their leaders to mutually achieve the targets. All these led the followers to trust their organisation. When followers have trust for their organisation, it could motivate them to have more integrity.

The findings of this study are also essential to identify the implications based on theoretical, methodology and practical aspects. Theoretical implication is explained by the mediating effect of trust on the relationship between transactional leadership and integrity. This finding is supported the study by Azman et al. (2010), and the famous integrated model of trust as generated by Mayer et al. (1995). Overall, the findings of this study have sustained and added to leadership and integrity research literature, which is mostly found in the publications of the Western and Eastern organisational settings. Thus, the notion of transactional leadership style and trust have been effectively practiced within the leadership management model of the investigated organisations. Conducting the robustness of research methodology,

the data collected using relevant research literature the in-depth interviews, pilot study and survey questionnaires have proven the high level of validity and reliability analyses, thereby giving the correct and valid results and findings.

For the practical implications, the results of this study can be regarded as a principle by the management to enhance the success of leadership style in their organizations. Hence, it is important for the management to learn some guidelines. First, leadership styles will be meaningful if the management always strives for contemporary knowledge, suitable skills and high ethics values. This training session can change leaders' actions in properly managing employees' rights and needs who come from different socio-economy status. Second, directive leadership as synonym to transactional style is more benefited if the programmes introduced in LAs (i.e., Total Quality Management, Client Charter and Leadership by Example) are practiced together by both leaders and their subordinates. This will motivate the subordinates when they feel that their leaders are always with them in implementing the programmes for goals achievement. Subsequently, it may encourage them to display their strong efforts in doing the job. This shows that the subordinates have intentions that lead them to behave based on their integrity for the organisational success. Their intentions represent their trust mainly to the leaders who apply the behaviours of transactional leadership. Further, other than trust, formal and informal relationships between subordinates and leaders will

also contribute to other acceptable subsequent individual outcomes (e.g., satisfaction, commitment, engagement) that lead to subordinates' integrity. If employers are aware these implications, it may spiritually encourage followers and leaders to realise organisational strategies and goals. Therefore, future research should consider potential intervening factors such as job satisfaction, organisational commitment and employees' engagement in examining the influence of leadership styles on subordinates' integrity. Moreover, the studied organisation should include other public sector agencies for a better generalisation of the findings.

CONCLUSION

This study reveals that transactional leadership has a significant indirect relationship with subordinates' integrity in LAs through the influence of subordinates' trust as mediator. This result supports the previous studies and contributes to research literature in the area of leadership, mainly in the context of Western and Eastern organisational based research. Thus, the present research and practices on the public sector organisations in Malaysia have to consider that transactional leadership is an important element of the organisational leadership style to foster subordinates' trust on their organization. This will help to increase subordinates' integrity and protect themselves from misconduct behaviours, especially corruption. Consequently, this will support the LAs to be more effective and efficient in delivering their services to the public and more importantly, make them to be more trusted by the public in the future.

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