The Moderating Effect of Ethical Climate on the Relationship of Transformational Leadership and Integrity in Kedah State, Malaysia

Mariah Darus[1*], Sakinah Muslim[2]

[1,2] School of Government, Universiti Utara Malaysia, Sintok, Kedah, Malaysia

Abstract

The goal of this research is to provide light on the link between transformative leadership and integrity in the public sector of Kedah State, Malaysia when an ethical atmosphere is implemented among leaders. The continuing flow of governance failures, fraud and other unethical conduct, has now made public sector governance a trending issue. Public sectors all over the world must now justify their sources and use of public resources while also improving the quality of their services. Raising the degree of integrity awareness among public officials, particularly their leaders, is one of the most crucial issues for them. The previous study has shown that transformative leadership affects organisational integrity, but another important factor to consider is the ethical climate. The majority of previous research has revealed significant relationships between the variables. Quantitative methods utilising a 5-point Likert scale were utilised in the study. The integrity questionnaire is based on the Inventori Nilai Integriti (InNI) and has 21 measurement items, 17 transformational leadership items, and 10 ethical climate scale elements. The participants in this study are 266 public sector leaders from the Malaysia's state of Kedah. Partial Least Squares was a method used (PLS). When an ethical atmosphere is implemented among leaders in the public sector in Kedah State, Malaysia, a negative association between transformative leadership and integrity is discovered. The ethical context, according to the research, has a significant and detrimental influence on the link between transformative leadership and integrity. The findings of this study are valuable for state and local government development since they give information about the Malaysian state of Kedah. The findings have broader social implications because they educate organisations about the importance of an ethical climate in preventing integrity.

Keywords: Integrity, Public leaders, Ethical climate, Transformational Leadership

Introduction

In order to meet public demand for greater integrity or ethical behaviour, many countries have reformed their state sector. The focus is on reforming and transforming the public sector to make the services more efficient and more productive. Moreover, the evaluation of new technology has enabled the government to develop a strong leadership position for driving efficiency, the integrity value of the public sector. Typical and unethical leadership practices, including corruption, intimidation, fraud, lying, favouritism and physical environment endangerment, are practised in many organisations, including public and private sectors (Ana Sofia, Achmad. Djumilah and Noermijati, 2018; Van Aswagen and Engelbrecht, 2009).

As a result of the scandals of the public organisations being exposed, a return to ethics has become vital in the organisations. In the last decade, the public sector has evolved into an important aspect of society, and it is now regarded as fundamental to the long-term success of public services (Mariah and Sakinah, 2020; Abdul Rahman, 2009). Government departments' lack of honesty will erode the public's trust in them (Mariah and Sakinah, 2020; Haniza and Jamaliah, 2015). A public complaint is a statement of civic displeasure with the quality of treatment of government officials or agencies' services. The number of complaints has increased as a result of unethical actions by public officials, according to the Public Complaints Bureau's 2018 report. Technically, an increase in public criticism denotes a drop in integrity, particularly where complaints are filed and investigated (Mariah and Sakinah, 2020; Megat Ayob and Abd Halim, 2016). The key factor that contributes to fraud, corruption, and unethical behaviour in the company, according to the National Integrity Plan (2012) and National Anti-Corruption (2019-2023) reports, is

leadership in the organisation. Hence, organisational leaders must recognise the significance of ethical leadership. It not only has an impact on ethical practices, which are critical in combating the growing scandal and its negative consequences, but it also has an impact on the economy and the government's reputation as an honest and confident employer, as well as foreign investment.

Thus integrity, leadership and values have surfaced during the past decade as an important issue for society and are considered to succeed even more efficiently in the public or private sectors. While there are few coordinated efforts to integrate transformative leadership with ethical climate and integrity, these structural elements are essential. With a lack of integrity and corruption in organisations, solutions to these problems have become more necessary to improve the current situation (Van Aswagen and Engelbrecht, 2009).

The previous study has revealed that an organisation's ethical environment shares a concept of morally right behaviour and how ethical challenges should be dealt with, therefore defining an organisation's ethics (Ana Sofia et al., 2018; Van Aswagen and Engelbrecht, 2009; Victor and Cullen, 1987). Besides that, the moral and competent leadership approach is the solution to this problem at an early stage (Mills and Boardley, 2017, 2016; Megat and Abd Halim, 2016; Nik, Azmi Awang and Azmi, 2012; Van Aswagen and Engelbrecht, 2009). A leader is a key source of ethical principles for employees and is also accountable for the organisation's moral growth. A leader builds an organisation's culture and principles (Ana Sofia et al., 2018). According to Bass and Steidlmeier (1999), leadership's ethic is built on three pillars, The first is the moral character of the leader, the second is the ethical principles contained within the leader's vision, and the third is the moral of the leaders' and followers' choices and actions in engaging and pursuing ethical ideals. As a result, the contribution of this study is to present a conceptual framework for the link between transformative leadership and integrity in an ethical setting.

Literature Review

Integrity in leadership

Integrity can be classified into five categories, according to Palanski and Yammarino (2009): overall integrity, consistency in words and actions, perseverance in the face of adversity, being true to oneself, and moral or ethical behaviour. Integrity refers to a person's actions and attitude being consistent with moral principles, honesty, and trustworthiness (Van Aswagen and Engelbrecht, 2009). The consistency of an active entity's words and deeds is often referred to as integrity (Palanski and Yammrino, 2007). Simon (1999) defined "Behavioural Integrity" (BI) as a commitment to a list of principles and values that are morally justified. This definition adopts an objective approach to integrity, where moral justification is founded on a universal truth or reality as opposed to a single person's or group's shared set of values and morals (Palanski and Yammarino, 2007; Parry and Proctor-Thomson, 2002). Leadership integrity is normally viewed as a single structure. In general leadership theory, integrity has been linked, which are authentic leadership, ethical leadership, spiritual leadership, and transformational leadership (Northouse, 2019; Yukl, 2013; 2006; Palanski and Yammarino, 2007). Previous researches have shown that transformational leadership are related to integrity behaviour (Mills and Boardley, 2017; 2016; Verissimo and Lacerda, 2015; Bauman, 2013; Leroy, Palanski, and Simons, 2012; Palanski and Yammarino, 2009; 2007). So far, there is a limited study of integrity that focuses on leaders in the public sector. Hence, it is important to conduct this study because ethical behaviour among leaders in the public sector is attributed to services that are provided to the citizens.

Transformational leadership

Burns' (1978) theory of transforming leadership explains the characteristics of morally sound leadership, meaning that the interaction between leaders and followers is founded on a set of moral beliefs (Northouse, 2019; Yukl, 2019). In the theory of transformational leadership, leaders are motivated to perform at higher standards and to achieve more than previously believed possible when they engage in certain behavioural patterns. These models include inspiration and role-modelling for lower people, intellectual stimulation of their work and broader mission, the conveyance of collective ideals and the demonstration of followers' needs and development are crucial to the organisation (Hannah and Schaubroeck, 2016).

According to Northouse (2019), Burn's theory of transformative leadership emphasises the needs, values and morals of the followers. Transformation leadership includes leaders' attempts to move followers into higher moral standards. The transformation management as conceived by Burns, therefore, represents an ethical, moral undertaking to preserve the integrity of the organisation (Northouse, 2019; Yukl, 2019; Parry and Proctor-Thomson, 2002).

By Bass' conception of transformation management in 1985, Burn's theory was further theorised and popularised. Bass has identified transformational leadership as a process in line with Burn's theory, through which followers trust their leader, admire him and respect him. In opposition, however, to the transforming theory, Bass (1985) initially conceived transformational leadership may not necessarily lead followers to a greater moral level but may lead followers in a negative, non-ethical and immoral direction, depending on leaders' views and personal motivation (Yukl, 2019; Parry and Proctor-Thomson, 2002). Trust, admiration and respect for a leader does not necessarily lead to the integrity of followers. This can be undesirable for transformative leadership.

Furthermore, Bass and Steidlmeier (1999) have rejected Bass' earlier concept that transformative leadership may lead to an ethical trajectory. Rather, these authors suggest a difference between genuine, ethical and pseudo-transformation leaders that are, by definition, unlikely to be ethical. Bass and Steidlmeier (1999) added their theories directly to the problem, in particular, the integrity of transformative leadership. Many thinkers and practitioners in the public and commercial sectors today believe that leadership without integrity might jeopardise the organisation (Northouse, 2019; Yukl, 2019; Parry and Proctor-Thomson, 2002).

Past researches also suggest that ethical climate may affect the behaviour of leaders and followers in an organisation (Ana Sofia et al., 2018; Verissimo and Lacerda, 2015; Elgebrecht, Heine and Mahembe, 2015; Tasdoven and Kaya, 2014; Van Aswagen and Engelbrecht, 2009). Ethics are called group-based phenomena, whereas psychological ecosystems or ethical climate expectations are defined at the individual level (Yasin et al., 2018). Climate creation commences with the leaders and representatives of the organisation's core principles which are important for deciding the strategy, structure, environment and culture of the organisation (Elgelbrecht, Van Aswagen and Theron, 2005). According to Kidwell and Martin (2005), in the case of new and optimistic workplace culture, employees seek advice from superiors in dealing with ethical quandaries. Leaders' values and activities establish the ethical tone for decision-making at all levels and shape an organisation's moral climate since actions speak louder than words. This demonstrates how important the impact of ethical climate in leadership is and how it will affect activities and decision-making in the organisation.

Hypotheses statement: The main purpose of the research is to investigate the moderating effect of ethical climate on the relationship between transformational leadership and integrity among public sector leaders in Kedah State, Malaysia.

Integrity and transformational leadership: What's the Relationship?

Leaders most directly communicate their values and standards. Thereafter, they will react to problems and formulate strategies by way of how they address those (Van Aswagen and Elgelbrecht, 2009). Integrity leaders always encourage open and honest communication, especially when it comes to decision-making. Leaders appreciate the different points of view and input from shared decisions (Parry and Proctor-Thomson, 2002). Ethical integrity is an essential aspect of leadership, and without integrity or ethical conduct, leadership skills are not adequate. To be most effective, leaders must be perceived as possessing integrity that matches the ambitions of their followers (Northouse, 2019; Van Aswagen and Elgelbrecht, 2009; Parry and Proctor-Thomson, 2002).

According to Northouse (2019), transformational leadership is one of the leadership that is related to ethical behaviour. Transformation leaders work on the principle of core ideals of honesty and fairness to make organisations the right way to instil ethical conduct (Northouse, 2019). The reputation and honesty of successful dynamic leaders have been described as critical aspects (Van Aswagen and Elgelbrecht, 2009; Palanski and Yammarino, 2009).

In this analysis, four factors idealised power, positive motivation, intellectual stimulation and attention, as suggested by Avolio and Bass (2004), were employed as an independent variable. Integrity was the dependent variable of interest in this study. Specifically, this study focuses on leaders' integrity behaviour in the public sector Kedah State, Malaysia. Burn's (1978) hypothesis for transformational leadership was scientifically established. This component points to the importance of the variables regarding the prediction of integrity which the following hypotheses are formulated:

H1: Transformation leadership has a positive impact on integrity.

The relationship between integrity and the ethical climate:

Organisational leaders have the most effect on organisational integrity, whereas an ethical atmosphere reflects management climate (Ana Sofia, Sudiro, Hadiwidjaja and Noermijati, 2018). Not only is the ethical atmosphere a predictor of integrity, but it is also a predictor of unethical and unproductive behaviour (Wimbush and Shepard, 1994). Furthermore, the ethical environment in the workplace is a predictor of workplace behaviour. The smaller the degree of employee deviant behaviour, the greater the organisational ethical environment (Ana Sofia et al., 2018). Based on research by Manal, Zaleha, Rashidah, Nor Azila and May Alamoudi (2021), the better the ethical atmosphere in the organisation, the greater the integrity practises and the possibility of resolving the issue of unethical behaviour. According to Yasir and Noor (2015), in Malaysia, there is a link between ethical atmosphere and organisational integrity. The more ethical the atmosphere in the organisation, the more integrity practises will rise, and the issue of unethical behaviour will be resolved, according to Manal, Zaleha, Rashidah, Nor Azila, and May Alamoudi's (2021) research. There is a relationship between the ethical atmosphere and organisational integrity, according to Malaysian scholars Yasir and Noor (2015). The hypothesis may be formed based on the given statement.

H2: The ethical climate has the ability to influence integrity.

Moderating effects of ethical climate on the relationship between transformational leadership and integrity:

The moral environment of a social system has been defined as the basic idea of good and wrong, as well as the philosophy of how moral difficulties should be dealt with. This is how a company manages issues like accountability, communication, duties, equity, trust, and constituent well-being (Elgelbrecht, Van Aswagen, and Theron, 2005). Climate development begins with leaders of organisations that have values that have a

vital influence in determining their organisations' strategy, structure, climate, and culture (Dickson, Smith, Grojean, and Ehrhary, 2001). The transitional leadership style is good for fostering an ethical atmosphere (Elgelbrecht, Van Aswagen, and Theron, 2005).

According to Kia, Halvorsen, and Bartram (2019), the ethical climate of an organisation has a direct impact on a leader's behaviour. If the climate in an organisation prioritises its ethics and morality, the behaviour of the leader will also be influenced by moral behaviour. Therefore, an ethical climate is considered as a predictor in the organisation. The higher the ethical climate practised, thus the lack of integrity problems has occurred as it forms ethical policies and procedures in the organisation (Ana Sofia et al. 2018).

Based on the previous review, this is obvious. The ethical climate is used as a moderator to influence integrity. A survey study conducted by Yasir and Noor (2015) in Malaysia has found that environmental factors influence the behaviour of leaders. When an organisation has an ethical environment, it will affect the leaders to influence their followers. The study by Engelbrecht (2009) has been using integrity as a moderator in effect between transformation leadership and ethical environment. As a result of this analysis, the leadership of transformation and dimension of transformation is an ideal influence, individual judgment, inspiration, motivation and intellectual stimulation, with a positive relationship with the ethical climate.

According to Verissimo and Lacerda (2015), the transformation of leadership theory is also focused on the ethical dimension that can inspire and influence his followers. However, environmental factors are the contributors to the leadership style (Yasin, Muhammad and Amran, 2018). Even leadership transformation is also associated with ethical elements such as whistleblowing attitudes, corporate social responsibility and organisational citizenship behaviour. The findings also found that they affected the ethical elements (Rui-Hsin, 2016; Caillier and Yongjin, 2016; Knippenberg and Sitkin, 2013; Ali, Abu, Aminah and Bahaman, 2008).

According to Rui-Hsin (2016), leadership behaviours and work environment are necessary to enhance the changes and their leadership in the organisation. In fact, according to Rui-Hsin (2016), in the study which involved the impact of the organisations' climate of transformation on leadership relations and organisational citizenship behaviour in the Taiwan, Mobile Service Train. This study indicates that the climate of the organisation is capable of impacting the organisation, such as policy changes, programs, procedures, products, services, the organisation's environment, attitudes, motivation and behaviour. In fact, leadership relations and organisational climate are strong, and it is key to influence the employees' behaviour.

Based on a critical study related to leadership transformation by Knippenberg and Sitkin (2013), climate affects the leadership of transformation. The climate is used as a moderator, which can impact transformation leadership to make changes, innovations, improve performance, influence behaviour, ethical attitude, and integrity. This component points to the importance of the variables regarding the prediction of integrity which the following hypotheses are formulated:

H3: Ethical climate has a role as a moderator variable that affects transformational leadership and integrity.
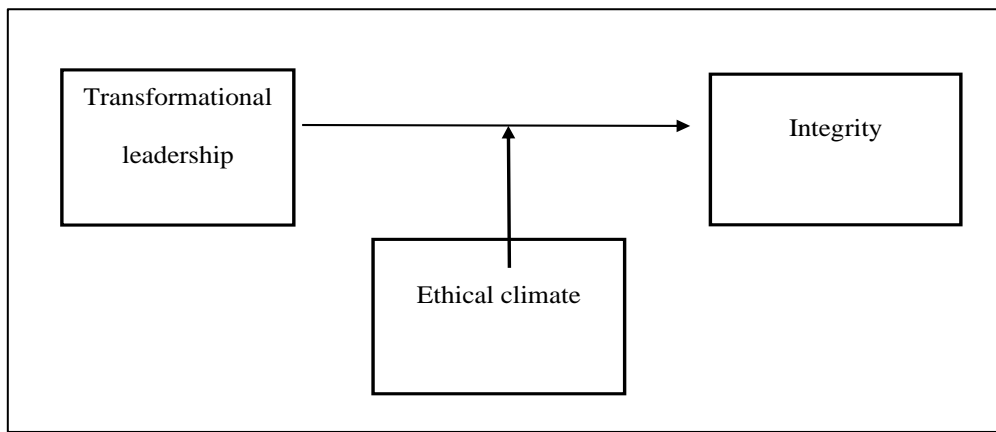
Figure 1: Proposed Framework

Methodology

Sample

In this study, leaders with pay grade 41 in the administrative department were chosen at random. In this study, the quantitative approach is more suited since the researchers may structure the questions asked, reduce the area of the study, gather data from participants, and apply analytical figures using objective statistics to eliminate bias. As subjects for this study, 615 leaders were used. The researchers approached the leaders personally, requesting assistance from the administrative department in the public sector of Kedah State, Malaysia, and gave the participants two weeks to respond. As a result, the total number of questionnaires received and examined was 259 in total. The participants' profiles are shown in Table 1.

Table 1: *Demographic Profile of the Participants (N=259)*

Demographic Variable	Category	Frequency	Percentage
1. Gender	Male	163	62.9
	Female	96	37.1
	25 - 40	143	55.2
	41 - 55	93	35.9
	> 56 tahun	7	2.7
3. Race	Malay	256	98.8
	Chinese	2	0.8
	Indian	1	0.4
4. Religion	Islam	257	99.2
	Buddha	1	0.4
	Indian	1	0.4
5. Status	Single	52	201
	Married	202	78.0
	Widow/ widower	5	1.9
6. Education Level	Degree	198	76.4
	Master	59	22.8
	PhD	2	0.8

7. Working Experience	< 10	96	37.1
	10 - 20	120	46.3
	21 - 30	36	13.9
	> 31	7	2.7
8. Monthly Income	RM2000 – RM4000	108	41.7
	RM4001 – RM4500	37	14.3
	RM4501 – RM6000	63	24.3
	> RM6001	51	19.7

Measures

The questionnaire measures were developed based on research in the areas of integrity, transformational leadership, and ethical atmosphere (Ezhar, Hamuah, Azimi et al., 2005; Bass and Avolio, 2004; Victor and Cullen, 1993; Shacklock, Manning and Hort, 2011). The Likert Scale is used in this study, which has five (5) priority points: 1-strongly disagree, 2-disagree, 3-uncertain, 4-agree, and 5-strongly agree. The researcher can identify the agreement or disagreement that may be gathered from the respondents beyond the scare supplied by using these multiple scales. "Integrity" was measured using *Inventori Nilai Integriti* (InNI) by Ezhar, Hamuah, Azimi et al. (2005) with reliability of 0.927. Three dimensions were considered. They were trust (8 items), good faith (7 items) and wisdom (6 items). Meanwhile, "transformational leadership" was measured using *Multifactor Leadership Questionnaire (MLQ) Form 5X-Short* by Bass and Avolio (2004) with a reliability of 0.63 to 0.92. Four dimensions were considered. They were ideal influence (5 items), inspired motivation (4 items), intellectual stimulation (3 items) and individualised consideration (5 items). "Ethical climate" was measured using Victor and Cullen (1993) and Shacklock, Manning and Hort (2011) with a reliability of 0.83. Three dimensions were considered. They were rules and procedures (2 items), caring (4 items), law and professional codes (4 items). Table 2 illustrates an example of the items utilised and where they came from.

TABLE 2: Example of Measurement Items and Sources

Construct	Item	
Integrity	IAM	I'm sure my actions are fair.
Ezhar, Hamuah, Azimi, et. al (2005)	IKH	I try not to waste in the use of office property.
	IB	I am always ready to accept criticism.
Transformational leadership	KM	I improve employee morale to succeed.
Bass and Avolio (2004	KPI	I put aside self-interest for the good of the organisation.
	KPIN	I give appreciation to employees in exchange for their efforts.
	KS	I take a different perspective in problem-solving.
Ethical climate	EBKS	Members in this organisation prioritise team spirit.
Victor and Cullen (1993) and Shacklock, Manning and Hort (2011)	EBUU	In this organisation, special attention will be given to the matter of breaking the law prescribed.

| | EPP | Everyone is expected to follow the rules and procedures of the organisation. |

Analytical method

The data was analysed using a variance-based partial least squares-structural modelling equation (PLS-SEM). PLS-SEM provides a useful framework for analysing exploratory studies like this one. Other reasons for using PLS-SEM include the complexity of the model used, as well as the integration of transformational theory and the Person-Scenario Interaction Approach, which makes PLS-SEM the most ideal due to its versatility and diversification (Hair, Hult et al., 2017).

Discussion and Results

Measurement model

To determine if the responses received from the participants were representative, the response bias analysis, also known as the non-response bias check, was employed. An independent t-test was used to see if there were any significant differences between the means of the responses acquired within the time range and the means of the late responses (Samuel and Ramayah, 2016). Despite this, the analysis revealed 4 response biases.

We implemented the structural equation modelling (SEM) technique with partial least squares (PLS) with SmartPLS version 3.3.3 (Ringle et al., 2015) software to test the model we constructed for this study. A measurement model can be utilised, which is based on the PLS analysis two-step model of proposed stages (Hair, Hult et al., 2017). Convergent and discriminant validity are two aspects of measurement models that must be examined.

Convergent Validity

The goal of convergent validity is to determine the items' reliability and validity. Convergent validity is essential in the two-stage technique, according to Hair and Hult et al. (2017), to ensure that items are categorised together when examining the same concept. It refers to whether or not the items' ability to measure the component they were designed to assess converged. The factors addressed in convergent validity include factor loading (value must be greater than 0.7 for exploratory study), average variance extracted (AVE) (value must be greater than 0.5), and composite reliability for internal consistency reliability (value must exceed 0.7) (Hair and Hult et al., 2017).

The first approach employed in discriminant validity was the Fornell and Larcker (1981) criteria. The variance in the latent variables in a model should be bigger than the variance in the other variables. It compares each variable's squared AVE to other correlations in a model (Hair, Hult, et al., 2014). Except for IKH1, IKH7, IAM4, IAM5, IAM6, IB5, KPI5, KIM4, and EBUU3, all item factor loadings in this study exceed the acceptable threshold value of 0.7. All nine of these factors have a score of less than 0.7, which may have an impact on the entire data's dependability if taken into account in the study. All nine objects were eventually discarded. All constructs in the AVE exceed the required value of 0.5. 0.535 (minimum) and 0.779 (maximum) are the lowest and greatest AVE values, respectively. The complete construct ratings for internal consistency, as measured by composite dependability, are considerably above 0.70. Table 3 shows the convergent validity.

Table 3: *Convergent validity*

Construct	Items	Loading	ρ_C	AVE

1st Order	2nd Order				
Good faith (IKH)		IKH2	0.722		
		IKH3	0.728		
		IKH4	0.743	0.852	0.535
		IKH5	0.731		
		IKH6	0.731		
Trust (IAM)		IAM1	0.774		
		IAM2	0.789		
		IAM3	0.86	0.858	0.549
		IAM7	0.671		
		IAM8	0.672		
Wisdom (IB)		IB1	0.682		
		IB2	0.839		
		IB3	0.812	0.865	0.564
		IB4	0.698		
		IB6	0.712		
	Integrity (IN)	IKH	0.880		
		IAM	0.880	0.914	0.779
		IB	0.887		

Noted. Items IKH1, IKH7, IAM4, IAM5. IAM6 and IB5 were dropped.

Ideal Influence (KPI)		KPI1	0.789		
		KPI2	0.829	0.860	0.607
		KPI3	0.780		
		KPI4	0.715		
Inspired Motivation (KIM)		KIM1	0.831		
		KIM2	0.850	0.888	0.725
		KIM3	0.872		
Individualised Consideration (KPIN)		KPIN1	0.728		
		KPIN2	0.729		
		KPIN3	0.720	0.865	0.563
		KPIN4	0.833		
		KPIN5	0.737		
Intellectual Stimulation (KS)		KS1	0.807		
		KS2	0.755	0.852	0.657
		KS3	0.866		
	Transformational Leadership (KT)	KPI	0.866		
		KIM	0.858	0.918	0.736
		KPIN	0.861		
		KS	0.847		
Law and Professional Codes (EBUU)		EBUU1	0.801		
		EBUU2	0.688	0.797	0.568
		EBUU4	0.767		
Caring (EBKS)		EBKS1	0.734		
		EBKS2	0.635	0.827	0.547
		EBKS3	0.801		

		EBKS4	0.777		
Rules and Procedures (EPP)		EPP1	0.901	0.866	0.764
		EPP2	0.846		
	Ethical Climate (ET)	EBUU	0.764	0.819	0.601
		EBKS	0.764		
		EPP	0.797		

Note: Items KPI5, KIM4 and EBUU3 were dropped.

Discriminant Validity

When analysing a measurement model, a discriminant validity test is necessary. It is required to determine if a construct differs from other constructs in the same model. It implies that the study conducted was right in terms of choosing one construct over another. The heterograft monotrait (HTMT) correlation ration is a novel approach for assessing discriminant validity. To assess this approach, the upper bound of the factor correlation is computed. The HTMT number, which should be less than HTMT 0.90, might be used to differentiate it (Hair, Hult, et al., 2017).

Table 4: *HTMT discriminant validity*

	IN	IKH	IAM	IB	KT	KPI	KIM	KPIN	KS	ET	EBUU	EBKS	EPP
IN													
IKH	-												
IAM	-	0.828											
IB	-	0.856	0.831										
KT	0.863	0.743	0.784	0.791									
KPI	0.867	0.797	0.819	0.829	-								
KIM	0.760	0.710	0.709	0.726	-	0.826							
KPIN	0.695	0.627	0.681	0.652	-	0.779	0.841						
KS	0.735	0.624	0.700	0.748	-	0.846	0.771	0.888					
ET	0.706	0.497	0.503	0.542	0.777	0.650	0.495	0.522	0.558				
EBUU	0.459	0.383	0.440	0.470	0.489	0.544	0.389	0.426	0.449	-			
EBKS	0.488	0.469	0.453	0.456	0.631	0.637	0.526	0.581	0.588	-	0.729		
EPP	0.636	0.585	0.592	0.617	0.634	0.743	0.562	0.475	0.595	-	0.570	0.473	

Noted: IN = Integrity, IKH= Good Faith, IAM= Trust, IB= Wisdom; KT= Transformational Leadership, KPI=Ideal Influence, KIM=Inspired Motivation, KPIN=Individualised Consideration, KS= Intellectual Stimulation; ET= Ethical Climate, EBUU= Law and Professional Codes, EBKS= Caring, EPP= Rules and Procedures.

Structural model

The structural model is assessed as the following step in PLS analysis. The path coefficient of the structural model is evaluated using a process called bootstrapping with a 500 sample iteration (Chin, 2010). In a structural model, there are numerous criteria that must be evaluated. The first step is to examine the B value, which indicates the route coefficient. A value higher than 0.2 is regarded as moderate, indicating that the exogenous variable has an effect on the endogenous variables. The R2 value, which represents the

variation explained only by endogenous factors, comes next. To determine the effect size of a variable, the effect size, also known as the f2 value, should be analysed.

Figure 2 depicts the study's structural model, while Table 5 displays the results of the hypotheses testing, which included all of the needed values in structural analysis. It is clear that the moderating influence of the ethical atmosphere on the link between transformative leadership and integrity is insignificant.
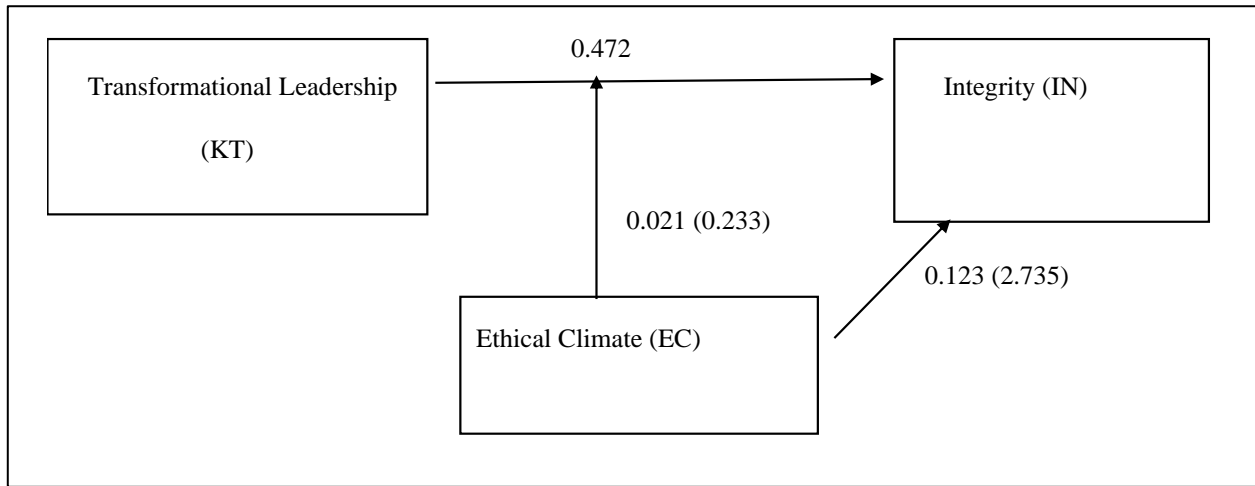

Figure 2: Structural Model

Table 5: *Results of hypotheses testing*

Hypotheses	B value	T value	P value	Decision
H1. Transformational leadership → Integrity	0.472	7.617	<0.001	Supported
H2. Ethical climate → Integrity	0.123	2.735	0.003	Supported
H3. Transformational leadership x Ethical climate→ Integrity	0.021	0.233	0.408	Not Supported

Discussion and Implications

The study seeks to comprehend the moderating influence of the ethical atmosphere on the link between transformational leadership and integrity among leaders in Malaysia's Kedah State's public sector. Out of the 2 hypotheses, all were supported, except for *H3*. With a *t-value* of 0.233 and a *B value* of 0.021, the moderating influence of the ethical atmosphere on the link between transformational leadership and integrity was determined to be negligible. Transformational leadership towards integrity has the highest path coefficient of value, with 0.472 and a *t-value* of 7.617. The ethical atmosphere toward integrity is likewise very significant, with a *t-value* of 0.123 and a *B value* of 2.735. The next section discusses the study's key results on the moderating influence of the ethical atmosphere on the link between transformational leadership and integrity among Kedah State leaders in the public sector.

In theory, this study has addressed a gap in the literature concerning the importance of transformational leadership and integrity among public sector executives in Kedah, Malaysia. The findings of the study on transformational leadership and integrity support the assertions of Northouse (2019) and Yukl (2019) that transformational leaders may encourage their followers to practise integrity. Transformational leadership style becomes an important aspect in influencing employees to commit to the organisation and religion. Committed employees in the organisation are strongly associated with ethical practices. Research in

Malaysia proves that transformational leadership can influence the personal values, attitudes, perceptions, achievements and commitment of civil servants (Bibian, Kassim, Muhammad Fauzi and Mumhamma, 2019). Besides, that transformational leaders are those who have the ability to influence and motivate their followers to achieve organisational goals and prioritise ethical practices. In fact, differences in leadership styles can also actually affect organisational performance and effectiveness (Nanjundeswaraswamy and Swamy, 2014). Transformational leadership can influence the behaviour and mindset of its followers through inspirational styles. Inspirational style or role model is an effective method of influencing employees compared to punishment and reward methods (Go and Je, 2015). Transformational leadership also promotes excellent governance practices, which contribute to organisational fairness, transparency, accountability, and openness (Daud et al., 2014).

According to the findings of Manal et al. (2021) and Ana Sofia et al. (2018), there exists a link between ethical atmosphere and integrity. The more ethical an atmosphere exists in a company, the more employees are aware of and perform ethical behaviour. Because ethical environment and culture were found to be substantially associated and influenced integrity, ethical climate and culture became one of the main characteristics that determine employee behaviour in the firm. The ethical environment refers to people's common perceptions of what is ethically proper action, and it is a topic that should be addressed (Susilowati, Kusmuriyanto and Abiprayu, 2020). It is critical to highlight that this result demonstrates how ethical principles inside an organisation can improve ethical behaviour or integrity, hence resolving unethical issues.

Furthermore, the moderating influence of the ethical atmosphere on the connection between ethical climate and integrity was shown to be not significant or negative in this study. According to the findings, an ethical atmosphere has little effect on transformation leadership and integrity, according to Susilowati, Kusmuriyanto, and Abiprayu (2021) and Coldwell, Venter, and Nkomo (2020). It is projected as a result of the capacity and human ego's greater influence on ethical behaviour, rather than an external component such as ethical climate. The capacity to rule one's own self is defined as the ability to persevere in the face of encouragements and the commitment to pursue one's beliefs. Individual potential for self-organisation is ethically connected to the relevant outcome. The ethical climate has been good, and transformational leadership and integrity have also been good.

According to the findings, the ethical climate has no impact on the connection between transformative leadership and integrity. A few factors, based on known phenomena, also contribute to these outcomes. Developing integrity practices among civil servants, according to Manal, Zaleha, Rashidah, Nor Azila, and May Alamoudi (2021), is a big issue. This is because unethical behaviours have spread among officials like cancer. They are unconcerned with the punishment and regard it as a non-serious affair. Indeed, one of the issues is dealing with leaders in companies who are also participating in unethical actions, such as local government officials. They should set an example for their subordinates as leaders. However, it is unfortunate that they are also complicit in this immoral behaviour. The establishment of an ethical climate among civil servants should be a priority for local governments. Civil servants should prioritise the public interest over personal interests when it comes to following the law and professional standards. State and municipal governments in Malaysia must take steps to enhance integrity practices and stiffen penalties for offenders.

Conclusion

According to the findings of this study, transformational leadership and an ethical atmosphere have affected the integrity behaviour of public sector executives in the Malaysia's state of Kedah. The impact of ethical atmosphere, on the other hand, has no effect on the link between transformative leadership and

integrity. The findings emphasised the necessity of transformational leadership and detailed a variety of practical techniques for building and instilling high ethical conduct integrity among leaders in the Malaysian state of Kedah to eliminate unethical behaviour among state and local government employees. The findings also showed that the state and municipal administrations in Malaysia's Kedah state could deal with their ethical issues while maintaining organisational integrity. As a result, the Malaysian state of Kedah should enhance its ethical behaviour by analysing its organisational integrity and collaborating with the government to impact public impressions of public sector integrity.

This research provided educators and organisations with a vital understanding of the integrity environment, particularly from the public sector's perspective. In addition, the study revealed that transformational leadership and an ethical climate are the two most critical characteristics in building an ethical environment that promotes ethical behaviour. This study can be expanded to other countries in the public or private sector in terms of research recommendations. Aside from that, it has limits, just like other research. One of the study's clear flaws is that it was limited to Kedah State, making the conclusions inapplicable to the broader public sector. Furthermore, because the study focused on middle management, the sample size was limited. To provide a complete view of the public sector's integrity, future research should include all levels of management.

REFERENCES

Adlinahani, K. (2021, August 23). Rasuah: Bekas menteri Indonesia dipenjara 12 tahun. Retrieved from https://www.utusan.com.my/luar-negara/2021/08/rasuah-bekas-menteri-indonesia dipenjara-12-tahun/

Ahmad, A. (1991). *Kerajaan Tempatan: Teori dan Peranan di Malaysia*. Dewan Bahasa dan Pustaka Kementerian Pendidikan Malaysia Kuala Lumpur.

Ali Asgari, Abu Daud Silong, Aminah Ahmad, and Bahaman Abu Samah. (2008). The Relationship between Transformational Leadership Behaviours, Organisational Justice, Leader-Member Exchange, Perceived Organisational Support, Trust in Management and Organisational Citizenship Behaviours. *European Journal of Scientific Research*, *23*(2), 227–242.

Ana Sofia Aryati, Achmad Sudiro, Djumilah Hadiwidjaja, and Noermijati. (2018). The influence of ethical leadership to deviant workplace behaviour mediated by ethical climate and organisational commitment. *International Journal of Law and Management, 60(2),* 233-249.

Ashkanasy. N.M., Wilderom, C.P.M, and Peterson, M.F. (2011). *Organisational culture and climate.*SAGE Publication, Inc. United States of America.

Astro Awani (2016, May 2). Enam didakwa rasuah untuk tutup skandal seks pemimpin pembangkang Kemboja. Retrieved from https://www.astroawani.com/berita-dunia/enam didakwarasuah-untuk-tutup-skandal-seks-pemimpin-pembangkang-kemboja104329

Avolio, B. and Bass, B. (2002). *Developing potential across a full range of leadership - cases on transactional and transformational leadership* New York, Lawerence Erlbaum Associates.

Avolio, B. J., and Bass, B.M. (2004). *Multifactor Leadership Questionnaire*: *Third Edition Manual and Sampler Set*. Menlo Park, CA: Mind Garden, Inc.

Bass, M. B., and Steidlmeier, P. (1998). *Ethics, character and authentic transformational leadership*. New York: Binghamton University, Binghamton.

Bauman, D. C. (2013). Leadership and the three faces of integrity. *Leadership Quarterly*, *24*(3), 414–426.

Caillier, J. G., and Sa, Y. (2017). Do transformational-oriented leadership and transactional-oriented leadership have an impact on whistleblowing attitudes? A longitudinal examination conducted in US federal agencies. *Public Management Review*, *19*(4), 406–422.

Dickson. M. W., Smith, D.B., Grojean, M.W., and Ehrhart, M. (2001). An organisational climate regarding ethics: The outcome of leader values and the practices that reflect them. *Leadership Quartely, 12(2),* 197-218.

Edisi 9 (2021, April, 15). Tamak, kurang iman punca rasuah bukannya gaji rendah. Retrieved from: http://www.pnbbcportal.com/2021/04/15/gaji-rendah-bukan-faktor-rasuah-azam-baki/

Engelbrecht, A. S., Heine, G., and Mahembe, B. (2015). The influence of integrity and ethical leadership on trust in the leader. *Management Dynamics 24(1).*

Engelbrecht, A. S., Van Aswagen, A.S., and Theron, C.C. (2005). The effect of ethical values on transformational leadership and ethical climate in organisations. *Management Dynamics, 36(2).*

Enida, D. (2019). Faktor-faktor dalaman yang mempengaruhi niat individu untuk mengamalkan rasuah di kalangan penjawat awam Pihak Berkuasa Tempatan (PBT), *Jurnal Manusia*, *7*(9), 6-19.

Ezhar Taman, Jamiah Manap, Azimi Hamzah et.al. (2005). *Inventori Nilai Integriti (InNI): Kesahan dan Kebolehpercayaan.* Seminar Membangun dengan Nilai-Nilai Murni anjuran Pusat Pembangunan Keluarga Universiti Malaya. UM.

Hair, J. F., Black, W. C., Babin, B. J., and Anderson, R. E. (2010). *Multivariate data analysis (7th ed.)*. Englewood Cliffs: Prentice Hall.

Hair, J. F., Hult, G. T. M, Ringle, C. M., and Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM).* SAGE Publication, Inc.

Hanafi, H. (2014). Integriti menurut hadith Nabi: Kajian terhadap kefahaman kakitangan pentadbiran UiTM Shah Alam. Tesis Master, Universiti Malaya Kuala Lumpur.

Haniza Hanim Mustaffa Bakri, Jamaliah Said, and Zulyanti Abd Karim. (2015). Case study on Integrity among Royal Malaysian Police (RMP): An Ethical Perspective. *Procedia Economic and Finance, 28, 121-125.*

Jeffrey, B. H. Y., Kai Y.L., and Skitmore, M. (2020). Analysing the causes of corruption in the Malaysian construction industry. *Journal of Engineering Design and Technology,* 18(6), pp. 1823-1847.

Khulida, K.Y., Tan, F. Y., Johanim J., and Nur,, A.S. (2015). The perception of gen Y on organisational culture, religiosity and corruption in Malaysia public organisations. *Procedia Economics and Finance 31,* 251-261.

Kia, N., Halvorsen, B., and Batram, T. (2019). Ethical leadership and employee in-role performance: The mediating roles of organisational identification, customer orientation, service climate, and ethical climate. *Personnel Review, 48(7),* 1716-1733.

Knippenberg, D. V. and Sitkin, S. B. (2013). A critical assessment of charismatic transformational leadership research: Back to the drawing board? *The Academy of Management Annals, 7(1),* 1-60.

Leroy, H., Palanski, M. E., and Simons, T. (2012). Authentic Leadership and Behavioural Integrity as Drivers of Follower Commitment and Performance. *Journal of Business Ethics*, *107*(3), 255–264.

Luftan, J. (2021, February 8). Penjawat awam ejen perubahan nilai tadbir urus negara. Retrieved from https://www.bharian.com.my/kolumnis/2021/02/784156/penjawat-awam-ejen   perubahan-nilai-tadbir-urus-negara.

Manal, M.H, Zaleha, O., Rashidah, A.R., Nor Azila, MN and Alamoudin, M. (2021). Ethical leadership, ethical climate and integrity violation: A comparative study in Saudi Arabia and Malaysia. *Journal of Administrative Science*, *11(43).*

Mariah Darus., and Sakinah Muslim. (2020). The relationship between Personality Big-5 and Integrity among leader in Northern University of Malaysia. *Asian Journal of Economics, Business and Accounting, 16(2),* 56-61*.*

Megat Ayop, M. A., and Abd. Halim, A. (2016). Konsep integriti dalam Organisasi Polis Diraja Malaysia (PDRM): Satu tinjauan awal. *Malaysia Journal of Society and Space*, *8*(8), 135–147.

Mills, J. P., and Boardley, I. D. (2016). Expert Premier League soccer managers' use of transformational leadership behaviours and attitude towards sport integrity: An intrinsic case study. *International Journal of Sports Science and Coaching*, *11*(3), 382–394.

Mills, J. P., and Boardley, I. D. (2016). Expert Premier League soccer managers' use of transformational leadership behaviours and attitude towards sport integrity: An intrinsic case study. *International Journal of Sports Science and Coaching*, *11*(3), 382–394.

Mills, J. P., and Boardley, I. D. (2017). Development and initial validation of an indirect measure of transformational leadership integrity. *Psychology of Sport and Exercise*, *32*, 34–46.

Mills, J. P., and Boardley, I. D. (2017). Development and initial validation of an indirect measure of transformational leadership integrity. *Psychology of Sport and Exercise*, *32*, 34–46.

Mohamad, Z.G., Mohd S., Azharudin A., and Shamharir A. (2014). A preliminary study on fraud prevention and detection at the state and local government entities in Malaysia. *Procedia - Social and Behavioural Sciences, 164,* 437- 444.

Muhammad, A. (2021, August 30). Tradisi hadiah wang dorong rasuah. Retrieved from https://www.sinarharian.com.my/article/151404/KHAS/Sinar-Rasuah-Buster/Tradisi-   hadiah-wang-dorong-rasuah

Nasional Anti-corruption Policy (2019-2023). Retrieved from: https://www.mpi.gov.my/images/pdf/PELAN-ANTIRASUAH-NASIONAL-2019 2023.pdf

National Integrity Plan (2012). Institut Integriti Malaysia, Kuala Lumpur: Malaysia.

Nik Hairi Omar, Azmi Awang, and Azmi Abdul Manaf. (2012). Integriti Dari Perspektif Pengaduan Awam:Kajian Kes Di Jabatan Pengangkutan Jalan (JPJ) Malaysia. *Journal of Social Sciences and Humaniities*, *7*, 141–155.

Nisha, D. and Noah, L. (2021, January 28). Malaysia: Rasuah Bertambah Buruk, Tiada Kemajuan Usaha Tentang, Transparency International. Retrieved from https://www.benarnews.org/malay/berita/my-ti-m-rasuah-210128-01282021143116.html

Noraida, H. and Zaidi, H. (2017). Rasuah dalam pentadbiran tanah: Penyelesaian menurut Islam. *Jurnal Islam dan Masyarakat Kontempora ISSN 2289 6325 bil.15* 2017 (Julai).

Nordin, R.M., Takim, R. and Nawawi, A.H. (2011). Behavioural factors of corruption in the construction industry, *Procedia-Social and Behavioural Science, 105*(12), 64-74.

Nordin, R.M., Takim, R. and Nawawi, A.H. (2013). Behavioural factors of corruption in the construction industry. *Procedia - Social and Behavioural Sciences,* 105, pp. 64-74.

Northouse, P. G. (2019). *Leadership: theory and practice* (8th ed.). Thousand Oaks, Calif: Sage Publications.

Nur Kamariah Abdul Wahid, Norizah Mohd. Mustamil, (2017) "Ways to maximise the triple bottom line of the telecommunication industry in Malaysia: The potentials of spiritual well-being through spiritual leadership", *Journal of Organisational Change Management, 30(2),*263-280.

Nur Shafiqa, K. and Nafsiah, M. (2019). Battling corruption in Malaysia: What can be learned? *Journal of Financial Crime, 26*(2), 549-555*.*

Nurisyal, M. and Norhaninah A. G. (2020). A decade of corruption studies in Malaysia. *Journal of Financial Crime*, *27*(2), pp. 423-436.

Palanski, M. E., and Yammarino, F. J. (2007). Integrity and Leadership: *European Management Journal*, *25*(3), 171–184.

Palanski, M. E., and Yammarino, F. J. (2007). Integrity and Leadership: *European Management Journal*, *25*(3), 171–184.

Parry, K. W., Proctor-thomson, S. B., and Parry, K. (2002). Perceived Integrity Of Transformational Leaders In Organisational SettingS The Centre for the Study of Leadership Victoria University of Wellington New Zealand

Perceived Integrity Of Transformational Leaders In Organisational Settings. *Journal of Business Ethics*, *35*(2), 75–96.

Quah, JST (2015). Chapter 1 Corruption in Asian Countries: Causes Consequences and control Patterns. *In Curbing Corruption in Asian Countries: An Impossible Dream? 1(33).*

Quah, JST (2021). Breaking the cycle of failure in combating corruption in Asian countries. *Public Administration and Policy Emerald Publishing Limited 1727-2645.*

Rabl, T., and Kuhlmann, T.M. (2008). Understanding corruption in organisation- development and empirical assessment of an action model, 477-495.

Raiham, M.S. (2021, January 28). Indeks Persepsi Rasuah: Malaysia jatuh ke tangga 57. Retrieved from https://www.sinarharian.com.my/article/121265/BERITA/Nasional/Indeks-Persepsi   Rasuah-Malaysia-jatuh-ke-tangga-57

Rizanizam, A. H. (2019, Ogos 1). Gaji rendah bukan punca rasuah. Retrieved from: https://www.bharian.com.my/berita/kes/2019/08/591398/gaji-rendah-bukan-punca- rasuah-latheefa.

Ruhaya, A., Md Mahmudul, A., and Jamaliah, S. (2016). Practices of corporate integrity and accountability of non-profit organisations in Malaysia. *International Journal of Social Economics*, 44(12), pp. 2271-2286.

Rui-Hsin Kao. (2016). The relationship between work characteristics and change-oriented organisational citizenship behaviour: A multi-level study on transformational leadership and organisational climate in immigration workers. *Journal of Leadership, 8(46),* 1890 1914.

Rui-Hsin Kao. (2016). The relationship between work characteristics and change-oriented organisational citizenship behaviour: A multi-level study on transformational leadership and organisational climate in immigration workers. *Journal of Leadership, 8(46),* 1890 1914.

Saadon, A. (2012). *Konsep pentadbiran awam.* UUM Press, Sintok Kedah Malaysia.

Sarah, D.M.A. and Mohd, A.I. (2013). Impak rasuah kepada pertumbuhan ekonomi. *Prosiding Perkem VIII, 1(1)*, 246-253.

Schein, E. H. (2010). *Organisational culture and leadership*. Jossey-Bass A Wiley Imprint. Market Street, San Francisco, CA. California.

Schoeberlein, J. (2020). Transparency International Transparency International Anti Corrption Helpdest Answer: Corruption in ASEAN. Retrieved from https://knowledgehub.transparency.org/assets/uploads/kproducts/Corruption-in ASEAN-2020_GCB-launch.pdf.

Shacklock, A., Manning, M. and Hort, L. 2011. Dimensions and types of ethical climate within public sector human resource management. *Journal of new business ideas and trends, 9(1),*51-66.

Suruhanjaya Pencegahan Rasuah Malaysia (SPRM). Retrieved from https://www.sprm.gov.my/.

Susilowati, N., Kusmuriynto, and Abiprayu, K.B. (2021). Encouraging student ethical behaviour through ethical climate in higher education. *Journal of Education and Learning,* 15(2), 213 222.

Tasdoven, H., and Kaya, M. (2014). The impact of ethical leadership on Police Officer's code of silence and integrity: Result from the Turkish National Police. *International Journal of Public Administration, 37,529-541.*

Van Aswegen, A. S., and Engelbrecht, A. S. (2009). The relationship between transformational leadership, integrity and an ethical climate in organisations. *SA Journal of Human Resource Management*, *7*(1).

Veríssimo, J. M. C., and Lacerda, T. M. C. (2015). Does integrity matter for CSR practice in organisations? The mediating role of transformational leadership. *Business Ethics*, *24*(1), 34–51.

Victor, B. and Cullen, J.B. (1988). The organisational bases of ethical work climates. *Administrative Science Quarterly, 33, 101-125.*

Yap, J.B.H. and Ng, XH (2018). Housing affordability in Malaysia: perception, price range, influencing factors and policies. *International Journal of Housing Markets and Analysis*, *11*(3), 476-497.

Yasin Munir, Muhammad Mudasar Ghafoor, and Amran, M.D. (2017). Perception of ethical climate and turnover intention among nursing staff: Does organisational cynicism mediate? *International Journal of Human Rights in Healthcare, 2056-4902.*

Yukl, G. (2006). *Leadership in organisations (6th ed.)*. Upper Saddle River, NJ: Prentice Hall.

Yukl, G. (2019). *Leadership in organisations (8h ed.)*. Upper Saddle River, NJ: Prentice Hall.

Zhang, B. L. Y., Xia, B. and Skitmore, M. (2017). Causes of business to government corruption n the tendering process in China. *Journal of Management in Engineering*, *33*(2), p. 05016022.

Zuniga, N. (2019). State capture in Asia Pacific, Transparency International Anti Corruption Helpdesk Answer. Retrieved from https://images.transparencycdn.org/images/2020_Report_ExaminingStateCapture_Englis h.pdf.