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## Article

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## Article

# Ethical Leadership, Ethical Climate and Integrity Violation: A Comparative Study in Saudi Arabia and Malaysia

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**Abstract:** The primary aim of this study is to investigate the relationship among the ethical leadership, ethical climate and integrity violation of the local government of two countries, Saudi Arabia and Malaysia. Past studies indicate that ethical leadership and ethical climate influenced the integrity of local government. However, studies were mostly conducted in Western countries. Given the lack of comparative studies in Muslim-oriented countries, we intend to fill the gap by building upon previous studies on the relationship between ethical leadership and ethical climate and integrity violation of the local government. The study used survey to collect data from local authorities in the two nations. PLS-SEM was used to analyze the survey data. The findings demonstrated that the relationship between ethical leadership and integrity violation is not significant for Malaysians. Thus, the study assumption is not supported. By contrast, Saudi showed a different result in the relationship between ethical leadership and integrity violation; the relationship between ethical leadership and integrity violation in Saudi is negatively significant. Hence, the assumption is supported for Saudi participants. In regard to the ethical climate, results reveal that for Malaysia and Saudi, ethical climate negatively and significantly influence integrity violation. Thus, the assumption for both countries is supported. The findings of this study are useful for the practical development of local authorities as the findings provide information for the local government to safeguard against integrity violation. The findings also contribute social implications by educating organizations toward the role of ethical climate in preventing integrity violation. In addition, the study contributes to the growing interest in comparative studies.

**Keywords:** ethical leadership; ethical climate; integrity violation; Saudi Arabia; Malaysia; local government



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## 1. Introduction

The core principle of public service professionalism is connected to a merit-based service system that is based on competency and integrity and aimed at providing services to people and communities. Hence, integrity value is a significant principle for government officials to follow in performing their duties in achieving public interest objectives (Rasli et al. 2020). Such value urges government agencies to provide the public with services free from corruption.

However, numerous integrity violation cases have been reported in the government service both domestically and internationally, questioning the competency of a government's integrity. The 1Malaysia Development Berhad (1MDB) case, for example, which involved the former Malaysian Prime Minister and his connection (generous donation) from Saudi Arabia (Ufen 2017), was a clear indication that the integrity issue was serious.

In addition, the regular incidents of negligence, lack of discipline, corruption, and misconduct among civil servants were revealed in the Malaysia Auditor-General's Report, which confirmed the recurring integrity violations in the public sector (Mohd Noor et al. 2017). The ethical transgressions committed in the public sector range from corruption, such as bribery, nepotism, patronage and favoritism based on acquaintances and family, embezzlement, evasion of public bidding in public contract and illegal donation (Kolthoff et al. 2010; Huberts et al. 2007), to favoritism in the workplace, false declaration on hours worked and sexual harassment (Hassan and Wright 2014).

Cases regarding these breaches in the public sector in the Kingdom of Saudi Arabia and Malaysia continue to be a major concern. The Corruption Perceptions Index (CPI) has proven that these countries face integrity violation issues. The Kingdom of Saudi Arabia and Malaysia scored 53 points out of 100 on the 2019 CPI reported by Transparency International, thus reflecting that the results of these countries were not impressive despite their efforts to curb integrity violations. According to the Saudi Arabia Corruption Report in 2020, companies that are planning to operate or invest in Saudi Arabia will face a moderate to high risk of corruption, which includes patronage and nepotism, abuse of power and the use of middlemen to do business (GAN Integrity 2020). In addition, the CPI results are connected with unethical practices and unethical climate among public officials (Kolthoff et al. 2010). Considering that both nations are predominantly Islam, their average scores on corruption, i.e., integrity violations, are surprising, as Islamic teachings are comprised of core values such as transparency, integrity, accountability, freedom, human rights and justice.

In Malaysia, the corruption and abuse of power among government officials is similar to a cancer that threatens to damage the government institution slowly (Bernama 2020). Alarming, the statistics from the Malaysian Anti-Corruption Commission (MACC) revealed that in 2015 until October this year, a total of 2607 civil servants were arrested for corrupt practices, thus implying that integrity violations in the country are indeed serious. MACC Deputy Chief Commissioner (Prevention) Datuk Seri Shamshun Baharin Mohd Jamil stated that local government authorities should be given focus, as these officials also have other service issues beyond corruption. The commissioner also said that corruption among civil servants is at a critical level. However, few individuals are willing to report these servants despite the 'ringgit to ringgit' incentives rewarded to those who file complaints. Similarly, Bertelsmann Stiftung's Transformation Index (BTI) 2018 on Saudi Arabia indicated that the Kingdom has disclosed excessive information on the abuse of power by local judges, notaries and municipal administrations (BTI 2018). The catastrophic floods in Jeddah in November 2009 were allegedly be due to a deficient infrastructure linked to corruption in the local administration. Various corrupt officials have been reprimanded since the mishap, and a number of judges have also been removed in recent years for corruption, especially with regard to land registration and land disputes.

Previous studies have indicated that integrity issues in the public sector, which includes local authorities, have become a constant and continuous matter for decades. Ghazali et al. (2014), who studied state and local authorities in Malaysia, found that fraud, which is an integrity violation, is significantly linked with poor management practices and economic pressure. Their findings highlighted that poor management practices are the main contributing factors of fraud. Thus, non-existence or ineffective internal control, lack of actions against fraudsters and poor oversight of management must be checked if state and local government entities are serious in combating such deception. Furthermore, DeConinck (2011) and Brown and Mitchell (2010) claimed that employees learn ethical behavior through the actions taken by their supervisors. In examining which ethical climate types facilitate higher level of trust organization among employees in Saudi Arabia, Alghamdi (2018) concluded that employees increase their trust on their supervisor and the organization when their supervisors are perceived as being ethical.

The Malaysian government has developed numerous initiatives towards rebuilding the integrity of the public sector since the 1980s, when attention was given to instilling

ethics. The Integrity and Compliance Taskforce in Saudi Arabia has also been adopting several strategies and procedures to fight corruption in the public sector. However, little changes have been noted in cultivating ethical behavior and culture, particularly among leaders in the public sector. Some individuals have even perceived cultivating ethical behavior among civil servants as a challenge (Ngah et al. 2011) given the underlying integrity illness in the public sector—local authorities included (Mohamed et al. 2018). Empirical evidence has shown that the public sector, particularly local authority, is one of the top five (5) agencies that receive the highest number of complaints from the Enforcement Agency Integrity Commission (EAIC) of Malaysia (Mohamed et al. 2018).

Past studies have revealed that ethical climate and ethical leadership play a significant role in developing integrity in an organization (Kolthoff 2016; Rasli et al. 2020). However, the existing research presents inconsistent results, as some studies have found that ethical leadership influences the ethical behavior of others, where as some works have claimed otherwise. Although most of the studies have been conducted on organizations, the public sector has received scant attention in the literature. Considering that the interest in the integrity of the public sector has been growing in recent years, research should look into the integrity in the sector. Although Kolthoff (2016) compared the perceptions of the United States of America, the Netherlands, Serbia and Montenegro on integrity violations in their respective country, further comparative analysis on the ethical leadership and ethical climate in local governments must be conducted in Muslim countries, such as the Kingdom of Saudi Arabia and Malaysia. The most recent study on integrity violation among local authorities in Malaysia was conducted by Zahari and Said (2019), who interviewed 616 Malaysian government employees. They found that personal and family relationships drive employees to violate their integrity behavior, thus implying that culture supersedes their values on integrity. Prior studies in Saudi Arabia have examined unethical practices in the Kingdom's construction industry (Alqasmi 2019), the ethical leadership of managers (Wirba and Al-zoubi 2015; Yamin 2018) and the influence of ethical climate (Alghamdi 2018). So far, no comparative study has been conducted between Muslim-dominated countries, thus leaving a gap in the literature. Therefore, in line with the new government in Malaysia and the Saudi National Transformation Program 2030, this study seeks to conduct an empirical investigation on the ethical leadership and ethical climate of the local government in relation to integrity violations. These issues must be thoroughly investigated given the importance of the local government and the seriousness of the integrity violations perceived in the public sector of Muslim-dominated countries. Thus, the work aims to examine the relationships between ethical leadership and ethical climate in the context of integrity violations among the local government officials of the Kingdom of Saudi Arabia and Malaysia, which are in the process of becoming developed countries. Much of the research that investigated the relationships linked with integrity violation among local authorities has been conducted in cultural settings that are different in many ways from that of Muslim-oriented countries such as Malaysia and Saudi Arabia. Therefore, this area of research is worth investigating, and comparing the results of this study with that of previous research conducted in Western and Eastern cultural settings will provide valuable insights.

The remainder of this paper is structured as follows. The next section reviews the related literature review and develops the hypotheses. Then, Section 3 provides a discussion on the methodology and focuses on the measurement of the variables and data collection. In the subsequent sections, research findings are presented, followed by the discussion and the conclusion of this work.

## 2. Literature Review and Hypothesis Development

### 2.1. Integrity Violations

Ethics is defined as 'the collection of values and norms, and of moral standards or principles that forms the foundation of integrity' (Kolthoff 2016). In a broad context, ethics can be defined as a set of principles or code of conduct, which is practiced as a framework

for actions (Lawton 1998). While the moral nature of these principles or code of conduct denotes what is considered right or wrong, integrity or ethical behavior signifies more than simply not being corrupt or fraudulent (Yukl 2012; Kolthoff 2016).

The concept of integrity violation stems from the values of integrity and violation. Kolthoff (2016) defined integrity as ‘the quality, characteristic, or behavior of an individual or organization when acting in accordance with the moral values, standards, and rules accepted by the organization’s members and society’. Integrity violation entails committing transgressions towards these norms, moral values, rules and standards, such as honesty and truthfulness. Huberts et al. (2007) and de Graaf et al. (2017) elaborated integrity violations as acts of negative behavior, such as fraud, corruption and bribery, theft and embezzlement, discrimination, conflict of interest through sideline activities and abuse of authority, which are harmful or result in a loss to the organization. In examining the perceptions of 616 Malaysian government civil servants regarding matters of integrity violations in the workplace, Zahari and Said (2019) found that conducting personal and family affairs during working hours takes precedence over official work matters, which is considered an act of integrity violation. On the basis of the perceptions of 7315 Dutch civil servants, de Graaf et al. (2017) reported that a significant proportion of the respondents experienced some form of violation in their workplace, such as abusing working hours or resources in organizations.

In recent years, integrity has gained momentum in the academic realm amidst the numerous issues on the violation of integrity that have been occurring in the public and private sectors.

## 2.2. Ethical Leadership

In an effort to combat the occurrence of unethical behavior in organizations, researchers and practitioners have prioritized the role of leadership (Sama and Shoaf 2008; Neubert et al. 2009; Wirba and Al-zoubi 2015). Brown et al. (2005) defined ethical leadership as ‘the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making’. As mentioned by Toor and Ofori (2009), a leader in any organization is expected to demonstrate utmost ethical conduct and moral standards in his/her daily behavior, actions and decisions to be a model for their employees to follow. Past studies on ethical leadership focused on the importance of understanding the role of leadership in shaping subordinates’ ethical behavior (Brown et al. 2005; Sama and Shoaf 2008).

Several studies have investigated the relationship between ethical leadership on employees’ ethical behavior (Viswesvaran et al. 1998; Koh and Boo 2001; Neubert et al. 2009). Dickson et al. (2001) found that a leader’s ethical behavior significantly influences employees’ ethical behavior. In the same vein, Brown and Treviño (2006) also discovered that leaders have the ability to strengthen the ethical behavior of employees by consistently communicating with them. The significant role of a leader in influencing the ethical behavior of employees is also in line with the studies of Albaum and Peterson (2006) and Yukl (2012), who stated that employees’ ethical behavior and perceptions can be altered by accepting related ethical instruction from their supervisors. Accordingly, given the nature of leaders and employees, the current research hypothesized that:

**Hypothesis 1 (H1).** *The ethical leadership of the leader has a significant influence on integrity violation.*

## 2.3. Ethical Climate

Ethical climate refers to the ‘stable, psychologically meaningful, shared perceptions employees hold concerning ethical procedures and policies existing in their employing organizations’ (Lu and Lin 2014). According to Treviño et al. (1998), the ethical climate of an organization comprises normative values and beliefs about moral issues that are shared

by the employees within the organization. Similar to ethical leadership, ethical climate within an organization has also been found to have a significant influence on the ethical behavior of employees (Luria and Yagil 2008; Deshpande and Joseph 2009).

A conducive ethical climate perceived by employees can foster a good relationship among the members of an organization, influence employees' attitudes and behaviors and increase the performance of the organization (Elçi and Alpkın 2009). When employees perceive that a conducive ethical climate is cultivated within the organization's reward and remuneration system, the organizational rules and policies and the recruiting and hiring process of employees, they will likely deliver better services and develop good relationships with their customers (Lu and Lin 2014).

Given the potential importance of ethical climate in shaping the behavior of employees, we hypothesize that:

**Hypothesis 2 (H2).** *The ethical climate of the organization has a significant influence on integrity violation.*

### 3. Research Design

To compare the relationships among ethical leadership, ethical climate and integrity violation in Malaysia versus the Kingdom of Saudi Arabia, a quantitative analysis of survey data was chosen as the most appropriate analytical method. To enhance reliability and validity of the research, the survey instrument was adapted from existing and already tested variables and scales. Then, it was administered to selected local authorities in Malaysia and the Kingdom of Saudi Arabia. This instrument is especially suitable for gathering primary data (Huberts et al. 2007; Kaptein et al. 2005).

The questionnaire developed for this comparative study comprised 44 items, with 10 items on ethical leadership adapted from Treviño et al. (2000). It also framed nine items that measured ethical climate adapted from Victor and Cullen (1987) and 25 items to measure integrity violation adapted from Zahari and Said (2019). The frequency of integrity violation was measured using a six-point scale ranging from 1 (never) to 6 (very often). Ethical climate and ethical leadership were measured on a six-point scale ranging from 1 (completely disagree) to 6 (completely agree). The items used to measure all the constructs in this study are provided in Appendix A.

#### 3.1. Data Collection

In each country, data were collected by online survey, emails and hand delivery. The data collection process, which involved 419 local government officials, took 4 months to complete. The participants consisted of 160 (38.2%) local government officials from Malaysia and 259 (61.8%) local government officials from the Kingdom of Saudi Arabia.

A measure is considered reliable if it provides consistent results. Thus, reliability is considered a validation of the consistency and stability of the instrument (Cooper and Schindler 2014; Sekaran and Bougie 2009). The most common method used in testing reliability is the Cronbach's alpha method, which is applied in the current study to test the reliability of instruments for each investigated construct separately. Before the actual questionnaires were distributed, a pilot test was conducted to assess the internal consistencies of the instruments using Cronbach's alpha involving 30 local government officials from two government agencies in the northern region of Malaysia. Reliability ranging from 0.70 to 0.90 was generally sufficient for our research (Huang 2012; Maina et al. 2015; Nunnally 1978). Cronbach's alpha coefficient can be considered excellent if it is more than 0.90, good if it is approximately 0.8, acceptable if it is approximately 0.7, questionable if it is approximately 0.6 and poor and unacceptable if it is less than 0.60 (Zikmund et al. 2010).

Referring to Table 1 below, the value of Cronbach's alpha for ethical leadership is 0.937, which indicates excellent consistency; whereas the Cronbach's alpha values for ethical climate and integrity violation are 0.844 and 0.871, respectively, which indicate good consistency. With the values ranging between 0.844 and 0.937, the instruments used

were deemed reliable. For content validity, three experts from a public university were invited to review the questionnaire to ensure that the items of an assessment instrument are appropriate to the targeted construct and assessment objectives.

**Table 1.** Reliability Analysis Result.

Construct	No. of Items	Cronbach's Alpha
Ethical Leadership	10	0.937
Ethical Climate	9	0.844
Integrity Violation	25	0.871

### 3.2. PLS-SEM Approach

In this study, PLS-SEM approach was conducted to test the hypotheses. PLS-SEM is used to analyze the data for three reasons. Firstly, it has been proven effective by many researchers in examining a set of relationship between one or more dependents from a set of one or more independents (Garson 2016). Secondly, it is a multivariate technique that allows the simultaneous estimation of multiple equations. Finally, according to Hair et al. (2010), PLS-SEM can perform factor analysis and regression analysis in only one step.

Hair et al. (2010) and Kline (2005) stated that SEM is capable of measuring one-dimensionality and assessing reliability and validity simultaneously. In general, PLS-SEM is applied to test the measurement model and the structural model (Hair et al. 2011). Meanwhile, CFA is used to assess the measurement model. It involves testing the construct validity through construct convergent validity and discriminant validity. Once the measurement model is validated, the second step estimates the structural relationship between the latent variables where the hypotheses are tested.

The measurement model identifies the relationship between the constructs. The convergent validity and reliability as well as discriminant validity are the assessments needed to be done in the measurement model (Hair et al. 2014).

Convergent validity is a degree to which the measure correlates positively with other measures of the same construct (Hair et al. 2014). Convergent validity and reliability are the first two steps to be assessed in the measurement model. Therefore, the factor loadings and average variance extracted (AVE) are evaluated, while composite reliability (CR) is used to examine the reliability of the construct. In determining the reliability, the values in the outer loadings of items are referred. Loadings between 0.40 and 0.70 should be omitted from the scale if a construct does not meet the acceptable AVE and CR values.

AVE is measured to confirm the convergent validity of the outer model. AVE is defined as the average variance that is extracted from a particular construct's items in relation to the variance shared with the errors of measurement. The AVE values show how much the construct explains the variance of its item. The recommended value for AVE should be at least 0.50, which indicates that the construct explains more than half of the variance of its item (Hair et al. 2014); If the AVE values are less than 0.50, then the convergent validity of the construct is questionable. Another convergent validity aspect is CR, which refers to the level to which a set of items shows the latent construct consistently (Hair et al. 2011). According to Garson (2016), composite reliabilities should be used to report internal consistency in PLS modeling constructs, though Cronbach's alpha values are also valid. Therefore, as a convention, Cronbach's alpha values are kept in the report while emphasizing the value of CR. Despite many cut-off values for Cronbach's alpha and CR as recommended by past scholars, 0.70 is widely used for both measures according to Nunnally and Bernstein (1994) and Hair et al. (2014).

## 4. Research Findings

This section presents the empirical findings of this study in determining the relationship among the ethical leadership, ethical climate and integrity violation of the local government of Saudi Arabia and Malaysia. The first sub-section provides the descriptive statistics of the ethical leadership, ethical climate and integrity violation for both countries.

The next sub-section provides a summary of the hypotheses in relation with the findings obtained from the PLS-SEM analysis.

#### 4.1. Descriptive Statistics

Table 2 presents the results on the observed mean values between the two participating countries. As shown in the table, the mean values for ethical climate and ethical leadership were higher among Malaysian participants than those in the Kingdom of Saudi Arabia. This outcome demonstrated that the Malaysian respondents tended to perceive that their leaders practiced high ethical leadership and that their organizations provided a favorable ethical climate compared with their Saudi counterparts. However, the result indicated that Saudi participants tended to have higher perception on integrity violation at their respective organizations than Malaysian participants.

**Table 2.** Descriptive Analysis of Construct for Saudi Arabia and Malaysia.

	Malaysian Participants N = 160	Saudi Participants N = 259
Ethical leadership	4.56	4.25
Ethical climate	4.65	4.30
Integrity violation	1.90	2.25

Table 3 depicts the results from both countries regarding integrity violations. Although differences were observed in the types of integrity violations, several similarities also emerged. Comparatively, the results showed low to moderate integrity violations for both countries, thus implying that the respondents from the two nations moderately performed unethical behavior.

**Table 3.** Descriptive Analysis for Integrity Violations—Saudi Arabia and Malaysia.

Description	Element	Items	Saudi Mean	Malaysia Mean
<i>Integrity Violations</i>	IV1	Racial discrimination among co-workers	2.47	1.85
	IV2	Gender discrimination between male and female counterparts	1.36	1.78
	IV3	Sexual harassment occurring in my organization	2.05	1.66
	IV4	Bullying in the organization	2.67	1.88
	IV5	Unjustifiable claims on receipts from the employees	2.37	1.96
	IV6	People reporting in sick (MC) to skip work	1.89	2.25
	IV7	People are generally lazy to do their work and not give their full commitment	2.718	2.56
	IV8	Co-workers dating each other whether in the same or different department of the organization during working hours	2.68	1.99
	IV9	Co-workers conducting special favors for family and friends	1.79	2.11
	IV10	Receiving gifts with a substantial monetary value	1.79	1.53
	IV11	Receiving gifts with a substantial monetary value	1.79	1.28
	IV12	Conducting personal business during working hours	2.13	1.99
	IV13	Taking tea-time breaks for breakfast or lunch during working hours	3.64	2.57
	IV14	Conducting personal family affairs during working hours (ex. fetching kids from school, visiting sick friends or buying family groceries)	3.23	2.36
	IV15	Falsely conducting fraudulent transactions such as clocking in work for friends or co-workers	1.88	1.63
	IV16	Some employees always missing after punching in their card	2.21	2.28
	IV17	Accepting bribes (money or favors) to do or neglect something while on duty	1.84	1.56
	IV18	Offering bribes (money or favors) to do or neglect something while on duty	1.83	1.40
	IV19	Abuse of power	2.05	1.77



Table 3. Cont.

Description	Element	Items	Saudi Mean	Malaysia Mean
	IV20	Using organizational resources for personal benefits	2.14	1.87
	IV21	Conducting personal work during working hours	2.17	2.05
	IV22	Using office resources during working hours	2.19	2.06
	IV23	Personally taking home office resources for personal use	2.21	1.60
	IV24	Using organization's funds without proper process	2.01	1.47
	IV25	Falsely claiming transactions	1.96	1.38

Specifically, Table 4 depicts the highest and lowest mean value for both countries. Based on the mean value, the respondents from Saudi Arabia and Malaysia ranked 'taking tea-time breaks for breakfast or lunch during working hours' as the highest integrity violations, with the means of 3.63 and 2.57, respectively. These results indicated that for both countries, taking extra break times was a violation of integrity. In addition, Saudis showed that they committed this act regularly compared with Malaysian local authorities, who only performed this activity several times. Thus, we observed that the rationale behind this finding was related to the study by [Zahari and Said \(2019\)](#), which revealed that Malaysia government employees gain highest integrity violations for conducting family affair during working hours.

Table 4. Highest and Lowest Means Values—Saudi Arabia and Malaysia.

No	Description	Saudi Mean	Malaysia Mean	Ranked
IV13	Taking tea-time breaks for breakfast or lunch during working hours	3.64	2.57	Highest
IV2	Gender discrimination between male and female counterparts	1.36	-	Lowest
IV18	Offering of bribes (money or favors) to do or neglect something while on duty	-	1.40	Lowest

Interestingly, the result of our survey showed that the mean for Saudi in the item 'conduct gender discrimination between male and female counterparts' was low, with a score of 1.36. This mean value was the lowest among the list of integrity violations in Saudi. The outcome was in line with the formation of vision 2030 through which Saudi Arabia intends to increase female participation in the workforce from an average of 20% to 40% ([Saudi Gazette 2019](#); [Arab News 2021](#)). In fact, the employment gap between men and women in government positions has dropped to 37.8% ([Arab News 2021](#)). Since 2016, several resolutions and legislative changes have been issued to promote equality, fairness and the elimination of gender discrimination in wages for work of equal value in the Kingdom with the aim of preventing potential conflict. Meanwhile, Malaysian respondents ranked the item related to 'offering bribes to do or neglect something while on duty' as the lowest, with the score of 1.40. This result implied that although both countries were predominantly Muslim, individuals made divergent integrity violations, which was likely due to the dissimilarities in the culture of the two countries.

In sum, the result indicated that unethical behavior was generally not acceptable in both countries. However, the mean of integrity violations implied that the unethical behavior of local authorities resulted from individual actions. The results also indicated that an individual tended to conduct unethical behavior for himself/herself. Examples of such behavior include taking extra time during lunch, being lazy and dealing with family matters. Remarkably, previous studies (such as [Zahari and Said 2019](#)) on government employees, have determined conducting personal family affairs during working hours (ex. fetching kids from school, visiting sick friends or buying family groceries) as among the most frequent violations. In contrast, our research found that this particular act was rarely conducted, thus implying differing results among the employees in the Malaysian public

sector. The results also implied that although integrity violations were an issue worldwide, time factor and analysis tools could influence local authorities.

We must also highlight the variants obtained from the lowest ranked integrity violation act found by [Zahari and Said \(2019\)](#), as these differences may be due to the sample size and the type of respondents. [Zahari and Said \(2019\)](#) examined government officers, while our study focused on local officers. Another possible answer to the variance is that [Zahari and Said \(2019\)](#) analyzed the data using SPSS, while our study used PLS as an analysis tool.

Analysis on the top five integrity violations in [Table 5](#) indicated the difference of perceptions towards integrity violations between the two countries. Slightly similar rankings were noted in the items 'conducting personal family affairs during working hours' and 'people are generally lazy to do their work and not give their full commitment'. One common trend that we observed was that both countries' integrity violations were related to family affairs, thus implying that the respondents in both countries were willing to violate their integrity because of family.

**Table 5.** The Five Highest Integrity Violations in Saudi Arabia and Malaysia.

No	Description	Saudi Arabia Mean	Malaysia Mean	Rank
IV13	Taking tea-time breaks for breakfast or lunch during working hours	3.64	2.57	1
IV14	Conducting personal family affairs during working hours (e.g., fetching kids from school, visiting sick friends or buying family groceries)	3.23		2
IV7	People are generally lazy to do their work and not give their full commitment	2.718		3
IV8	Co-workers dating each other whether in the same or different department of the organization during working hours	2.68		4
IV4	Bullying in the organization	2.67		5
IV7	People are generally lazy to do their work and not give their full commitment		2.56	2
IV14	Conducting personal family affairs during working hours (e.g., fetching kids from school, visiting sick friends or buying family groceries)		2.36	3
IV16	Some of the employees always missing after punching in their card		2.28	4
IV6	People reporting in sick (MC) to skip work		2.25	5

[Table 6](#) illustrates the mean for both countries in respect to bribery among local authorities. We found that this result helped demonstrate the common perceptions of Malaysian and Saudi Arabia employees on local authorities receiving bribes. This particular result was interesting, as it reflected the opposite; that is, 'accepting bribes to do or neglect something while on duty' showed a mean of 1.84 (Saudi) and 1.56 (Malaysia), thus indicating that this act was rare. However, the CPI for the public sector produced by the Transparency International 2019 reported that Malaysia and the Kingdom of Saudi Arabia both scored 53 points of out of 100. In fact, Malaysia's ranking dropped from 51 places in 2019 to 57 out of 180 in 2020. Meanwhile, Saudi Arabia dropped from 51 in 2019 to 52 out of 180 in 2020. The results from the CPI implied that corruption, including bribery, is quite serious in Malaysia and Saudi Arabia. The CPI country rankings were based on respondents' perception on the public sector, which included local authorities. Another interesting finding was that past studies ([Koltzoff et al. 2010](#)) showed that Western countries (USA, Serbia, Montenegro and Netherlands) also indicated very weak integrity violations for this item.

**Table 6.** Bribery-Specific Integrity Violations—Saudi Arabia and Malaysia.

No	Description	Saudi Arabia Mean	Malaysia Mean
IV17	Accepting bribes (money or favors) to do or neglect something while on duty	1.84	1.5625
IV18	Offering of bribes (money or favors) to do or neglect something while on duty	1.83	1.4062

#### 4.2. PLS-SEM Analysis

As mentioned earlier, the PLS-SEM approach was conducted to test the hypotheses and confirmatory factor analysis (CFA). The average variance extracted (AVE) and the composite reliability (CR) of items were assessed, and their values (for both countries) are presented in Table 7. Table 7 indicates that the CR of all items ranges from 0.901 to 0.979, whereas the Cronbach's alpha (CA) values range from 0.875 to 0.977, which are all greater than the 0.70 recommended value (Fornell and Larcker 1981; Hair et al. 2011). Hence, the results confirm the convergent validity of the measurement model or outer model of this study. Figures 1 and 2 present the measurement model for Malaysian and Kingdom of Saudi.

**Table 7.** AVE, Composite Reliability and Cronbach's Alpha.

	Cronbach's Alpha (CA)	Composite Reliability (CR)	Average Variance Extracted (AVE)
<b>Malaysia</b>			
Ethical climate	0.875	0.901	0.537
Ethical leadership	0.950	0.957	0.692
Integrity violation	0.959	0.963	0.532
<b>Kingdom of Saudi Arabia</b>			
Ethical climate	0.952	0.960	0.750
Ethical leadership	0.977	0.980	0.835
Integrity violation	0.977	0.979	0.670

Note: Number of items (EC = 9, EL = 10, IV = 25).

Table 8 indicates the path coefficients and result of the hypotheses. Hypothesis H1 relates to the relationship between ethical leadership and integrity violation. The findings demonstrated that the relationship between ethical leadership and integrity violation is not significant for Malaysian participants ( $\beta = -0.168$ ;  $t = 1.663$ ). Thus, Hypothesis H1 is not supported for Malaysian participants. By comparison, participants in Saudi showed a different result for the relationship between ethical leadership and integrity violation. The relationship between ethical leadership and integrity violation in Saudi is negatively significant ( $\beta = -0.194$ ;  $t = 2.670$ ,  $p < 0.01$ ). Thus, Hypothesis H1 is supported for Saudi participants.

**Table 8.** Path Coefficients and Hypotheses Testing.

Relationships	Path Coefficients	Std. Error	T Values	p Values	Decision
<b>Malaysia</b>					
Ethical climate -> Integrity violation	-0.430 ***	0.094	4.577	0.000	Supported
Ethical leadership -> Integrity violation	-0.168	0.101	1.663	0.097	Not supported
<b>Saudi</b>					
Ethical climate -> Integrity violation	-0.509 ***	0.060	8.428	0.000	Supported
Ethical leadership -> Integrity violation	-0.194 **	0.073	2.670	0.008	Supported

\*\*  $p < 0.01$ ; \*\*\*  $p < 0.001$ .

Hypothesis H2 deals with the relationship between ethical climate and integrity violation. The results reveal that for Malaysian participants, ethical climate negatively and significantly influence integrity violation ( $\beta = -0.430$ ;  $t = 4.577$ ,  $p < 0.001$ ), and for Saudi participants, the result is also negatively significant ( $\beta = -0.509$ ;  $t = 8.428$ ,  $p < 0.001$ ). Thus, Hypothesis H2 is supported for both countries.

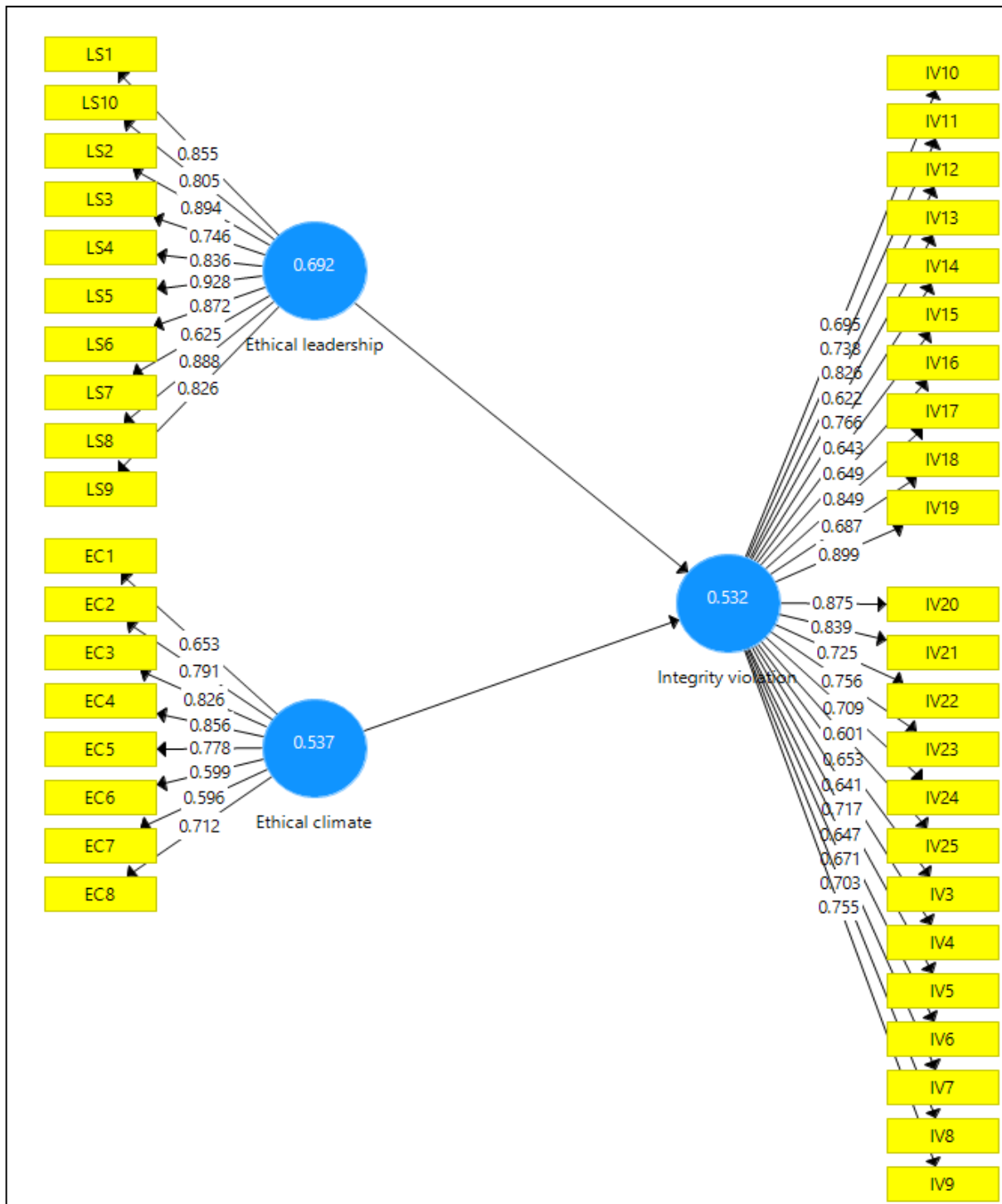


Figure 1. Measurement Model for Malaysia.

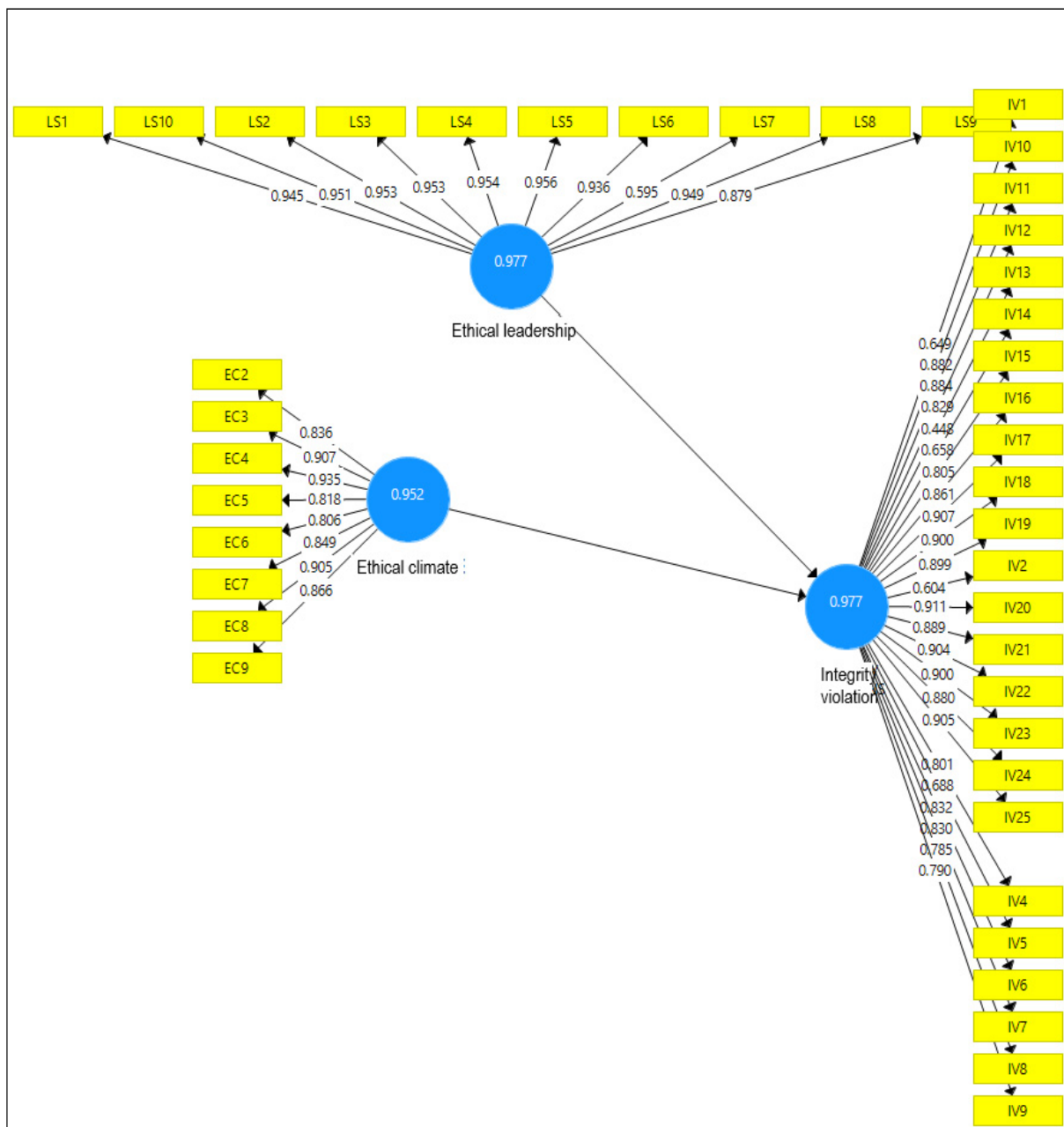


Figure 2. Measurement Model for Kingdom of Saudi.

### 5. Discussion

Given the prevalence of integrity violation in the public sector, this study sought to examine the relationships among ethical leadership, ethical climate and integrity violation of local government authorities. Theoretically, this work aimed to highlight the influence of ethical leadership and ethical climate in explaining the behavior that leads to integrity violation in the organization. The results of the research confirmed that the assumption of this study, that is, ethical leadership influences integrity violations, was reflected by local authorities in Saudi Arabia. Similar to the findings of Mayer et al. (2010) and Al Halbusi et al. (2019), our study demonstrated that fewer integrity violations occur in Saudi Arabia when supervisors are perceived as ethical role models. Wirba and Al-zoubi (2015) indicated that managers in organizations in Saudi Arabia possess ethical leadership behavior, as they ‘communicate clear ethical standards for member, being honest and be trusted to tell the truth, insist on doing what is fair and ethical even it is not easy’ (p. 40).

However, the effect of ethical leadership on integrity violation in Malaysia does not support our assumption. This differing result could be due to several factors, with culture being one of them. The varying outcomes could also be due to the respondents' age and level of education. Malaysian leaders likely consider unethical behavior as acceptable; hence, they do not take violations in integrity seriously. This finding is not surprising, as previous studies have also observed this trend. For instance, [Ngah et al. \(2011\)](#) revealed that cultivating ethical behavior among civil servants is challenging, which may justify the rationale behind why ethical leaders do not have significant integrity violations.

In another Malaysian study, [Mohamed et al. \(2018\)](#) reported a similar situation by explaining that local authorities in the public sector have what is known as 'integrity illness', which could explain why leaders have difficulty influencing ethical behavior among employees, i.e., officers at the local government level. Interestingly, [Johari et al. \(2020\)](#) conducted a survey of 176 respondents in the Malaysian public sector and found that individual ethical climate showed significant negative influence on public officers' ethical judgement. They perceived that an individual's age, gender, profession and education likely influence him/her to believe that an ethical dilemma is not serious; thus, unethical judgements for one's benefit do not affect the organization.

As for the second hypothesis, the findings of this study conformed to previous studies that ethical climate has a significant influence on integrity violation in both countries. Comparing our result with the comparative study conducted by [Kolthoff et al. \(2010\)](#), which analyzed the ethical leadership and ethical climate in the local government of four countries (the USA, the Netherlands, Montenegro and Serbia), we observed a pattern in which ethical leaders and ethical climate significantly influence integrity violations in the West; however, the degree of influenced varies. In contrast, [Zahari and Said \(2019\)](#), who examined the Malaysian government, found that civil servants focus on personal relationships and family affairs even if they have to violate a certain integrity conduct. The contrasting results could be explained by the use of analysis as well. Notably, [Zahari and Said \(2019\)](#) used SPSS, while our study applied PLS in analyzing the data.

Several implications can be drawn from the findings of this study. Firstly, ethical climate is an important factor influencing integrity violation in local government authorities that must be taken into consideration. The study findings in both countries demonstrate the value of creating an ethical climate, which was found to be the influencing force that curbs employee involvement in integrity violation. Notably, this finding is in line with the findings by [Aryati et al. \(2017\)](#) and [Mayer et al. \(2010\)](#). To reduce integrity violation, an organization should have leaders who inspire and encourage sound ethical behavior and systems that reward ethical conduct and punish discipline unethical conduct. This study suggests that local authorities should focus on developing an ethical climate of shared behaviors that emphasize the good ethical conduct of employees by focusing on public interest rather than personal interest and adhere to the law and professional standards.

Secondly, ethical leadership is found to be significantly related to integrity violation behavior in Saudi. This result is in agreement with the research of [Al Halbusi et al. \(2019\)](#), [Lu and Lin \(2014\)](#) and [Yukl \(2012\)](#). Given the advantages of ethical leadership in enhancing employee ethical behavior, local authorities in Saudi Arabia should put extra effort to select and/or train ethical leaders to incorporate moral principles into their values, beliefs and actions. Government local authorities may act by hiring more ethical leaders and conduct training to existing leaders in the organization. As the values that the leaders uphold will affect their employees, the training can focus on the importance of ethics, such as honesty, integrity, justice and equality in the organization as a way of assisting employees to understand the importance of ethics. Management in local authorities can also encourage open channels of communication on ethical issues within and across organizations. Moreover, the management can take stern actions on integrity violations to avoid recurrence. At the same time, organizations can grant rewards and support to employees who behave ethically and serve as role models for ethical behavior as they conduct themselves in an ethical manner even in the midst of pressure ([Lu and Lin 2014](#)).

Thirdly, for the Malaysian context, ethical leadership is not significantly related to the involvement of employees in integrity violation in the organization. As such, the effect of ethical leadership on integrity violation is not significant. We find that social learning theory can explain why no significant effect exists between ethical leadership and integrity violations. Social learning theory asserts that employees learn from leaders who are perceived as legitimate in their actions as they take leaders as reference (Stouten et al. 2013). However, we perceived that employees of local authorities in Malaysia probably do not refer to their leaders as reference, which explained why ethical leadership is not significantly related with the integrity violation of these employees. This phenomenon could also be related to the fact that ethical leadership has the least legitimacy power to punish integrity violations, thus these leaders do not instill fear. Probably because of the organizational structure of local authorities, ethical leadership does not have a strong legitimate power to influence employees on integrity violations.

As revealed in this study, the top management in the Malaysian local government, who are perceived as role models, do not seem to be able to influence the integrity actions of employees. The current study agrees with Mohamed et al. (2018) that local authorities should pay attention to their leaders and ethical guidelines to adopt ethical behaviors. The leaders themselves must also engage in ethical behaviors that benefit others so that they can influence subordinates positively to avoid unethical actions. The Malaysian Institute of Integrity, through its National Integrity Plan (NIP), has been established to lead the public sector towards performing ethical behavior.

Huberts and Lasthuizen (2014) opined that civil service in a democratic government must uphold commendable values. In fact, past studies have demonstrated that public experience influences the belief in the government when dealing with civil servants, and that the degree of the experience is in line with the public expectations of the services (Rasli et al. 2020; Boyd-Swan and DeForest Molina 2019). Hence, this study suggests that government officials should give serious attention to the public's perspective and expectations and place high priority on the value and interest of the public in delivering their services (Rasli et al. 2020).

## 6. Conclusions

In extending previous literature, particularly in the area of integrity violations, this study examined the ethical leadership and ethical climate of public sector officers in Saudi Arabia and Malaysia within the context of their integrity violations. It also highlighted the pattern of integrity violations in the two countries. The results emphasized the importance of ethical leadership and set out a number of practical mechanisms for setting and institutionalizing high standards of ethical conduct integrity among leaders to reduce unethical behavior among local authorities. Although both countries are predominantly Muslim-oriented countries, their results differed in terms of situational factors, such as leadership values, organization environment and individual attitudes. The findings also suggested that local authorities in Malaysia and the Kingdom of Saudi Arabia can manage their ethical dilemma and support their organizational integrity. Hence, Malaysian and Saudi local governments should provide measures to improve their ethical behavior by considering the integrity of their organization and collectively work with the government to change the general perceptions on the integrity of the public sector.

The study provided both educators and organizations with important information regarding the integrity environment, particularly from the aspect of the public sector. Moreover, the study suggested that ethical leadership and ethical climate are the two important factors in creating an ethical environment to curb ethical violations. As for recommendations for future research, this study can be extended to the private sector. Women's participation in the Saudi labor force has recently improved tremendously as a result of Saudi Vision 2030, but the statistics is much lower than that in Malaysia. Hence, future research may examine if female participation in the workforce in these two countries attributes different characteristics to ethical leaders, because characteristics of ethical

leadership may emerge in political and cultural differences. Comparative studies can also be conducted among Asian countries by examining the ethical climate, which can consequently help reveal similarities and differences among local authorities from different cultural backgrounds within the region.

Like most studies, this study has limitations. One of the obvious limitations is that the study focused on local authorities; thus, the results could not be generalized for the public sector. In addition, the study focused on the middle management, thus narrowing the sampling selection. We propose future studies to include all levels of management to give a broad view of the integrity violations aspect of the public sector. Last but not the least, given that we used a survey as the study instrument, insights into why integrity violation occurred in local authorities and why ethical leadership does not influence employees of local authorities toward integrity behavior are lacking. This limitation impedes in-depth understanding. Thus, we propose future research to focus on manipulating the behavior in a laboratory or field experiment.

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## Appendix A. Measurement Items for Ethical Leadership, Ethical Climate and Integrity Violation

<i>Ethical leadership</i>	<i>Items</i>
	My leader sets a good example in terms of ethical behavior.
	My leader can be trusted.
	My leader communicates the values and principles we have to respect.
	My leader discusses ethics and value within his/her department.
	My leader acts in an ethical, responsible way.
	My leader listens to what employees have to say.
	My leader defines success not just by results but also by the way it is achieved.
	My leader makes fair decisions.
	My leader disciplines employees who violate ethical standards.
	My leader has the best interests of employees in mind.
<i>Ethical climate</i>	<i>Items</i>
	In this organization, employees look out for one another.
	The most important concern in this organization is what is best for the employees.
	The laws and ethical code governing an employee's profession are the key ingredients for ethical behavior in this organization.
	Employees follow legal and professional standards exactly.
	The first consideration is whether a decision violates law.
	Following rules and procedures at all times is important.
	To be successful, employees in this organization go by the rules.
	Employees in this organization interpret the law (rules, regulations, policies, professional requirements, government laws, etc.) as it applies to their position and then comply with it.
	Employees in this organization are expected to do what benefits themselves.



<i>Integrity violations</i>	<i>Items</i>
	Racial discrimination among co-workers
	Gender discrimination between male and female counterparts
	Sexual harassment occurring in my organization
	Bullying in the organization
	Unjustifiable claims on receipts from the employees
	People reporting in sick (MC) to skip work
	People are generally lazy to do their work and not give their full commitment
	Co-workers dating each other whether in the same or different department of the organization during working hours
	Co-workers conducting special favors for family and friends
	Receiving gifts with a substantial monetary value
	Receiving gifts with large amounts of monetary value
	Conducting personal business during working hours
	Taking tea-time breaks for breakfast or lunch during working hours
	Conducting personal family affairs during working hours (ex. fetching kids from school, visiting sick friends or buying family groceries)
	Falsely conducting fraudulent transactions such as clocking in work for friends or co-workers
	Some employees always missing after punching in their card
	Accepting bribes (money or favors) to do or neglect something while on duty
	Offering of bribes (money or favors) to do or neglect something while on duty
	Abuse of power
	Using organizational resources for personal benefits
	Conducting personal work during working hours
	Using office resources during working hours
	Personally taking home office resources for personal use
	Using organization's funds without proper process
	Falsely claiming transactions

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