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## **PERCEIVED INTEGRITY OF TRANSFORMATIONAL LEADERS IN ORGANISATIONAL SETTINGS**

Ken W. Parry

Sarah B. Proctor-Thomson

The Centre for the Study of Leadership

Victoria University of Wellington

New Zealand

Contact Details: Dr. Ken Parry

The Centre for the Study of Leadership

Victoria University of Wellington

P.O. Box 600

Wellington, New Zealand

Phone: +64-4-463 5126, Fax: +64-4-463 6967

Ken.Parry@vuw.ac.nz

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## ABSTRACT

The ethical nature of transformational leadership has been hotly debated. This debate is demonstrated in the range of descriptors that have been used to label transformational leaders including narcissistic, manipulative, and self-centred, but also ethical, just and effective. Therefore, the purpose of the present research was to address this issue directly by assessing the statistical relationship between perceived leader integrity and transformational leadership using the *Perceived Leader Integrity Scale* (PLIS) and the *Multi-Factor Leadership Questionnaire* (MLQ). In a national sample of 1354 managers a moderate to strong positive relationship was found between perceived integrity and the demonstration of transformational leadership behaviours. A similar relationship was found between perceived integrity and developmental exchange leadership. A systematic leniency bias was identified when respondents rated subordinates *vis-à-vis* peer ratings. In support of previous findings, perceived integrity was also found to correlate positively with leader and organisational effectiveness measures.

**Key Words:** Effectiveness, Ethics, Integrity, Leadership, Transformational, Transactional, Unethical

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*Ken W Parry is Associate Professor of Management and Director of the Centre for the Study of Leadership at Victoria University of Wellington, New Zealand. He has published in Leadership Quarterly, Journal of Organizational Change Management, Asia-Pacific Journal of Human Resources and the Journal of Leadership Studies.*

*Sarah Proctor-Thomson is Research Assistant in the Centre for the Study of Leadership at Victoria University of Wellington, New Zealand. Her current research interests include individual identity issues as they relate to career choice and progression, with particular focus on leadership and management development.*

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## INTRODUCTION

In 1978 Burns introduced the theory of *Transforming Leadership*. Burns identified transforming leadership as a process where, “one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality” (1978, p. 20). Thus, transforming leadership, as conceived of by Burns, is an ethical, moral enterprise, through which the integrity of the organisation would be maintained and enhanced.

Burns’ theory has been further theorised and popularised through Bass’s (1985) conception of *transformational* leadership. Fitting with Burns’ theory, Bass identified transformational leadership as a process by which followers trust, admire, and respect their leader, and are consequently motivated to do more than they were originally expected to do.

However, in contrast to transforming theory, transformational leadership as originally conceived by Bass (1985) may not necessarily elevate followers to higher moral ground but rather, depending on the leader's vision and personal motivation, may in fact lead followers in negative, unethical and immoral directions, (Giampetro et al., 1998; Yukl, 1998). Trusting, admiring and respecting a leader does not necessarily mean that followers will behave with integrity. In this way, transformational leadership may in fact be undesirable.

More recently however, Bass and Steidlmeier (1999) have rejected Bass' previous notion that transformational leadership may lead to unethical directions. Rather, these authors suggest a distinction between *authentic* transformational leadership, which by definition is ethical, and *pseudo*-transformational leadership, which is unlikely to be ethical. This addition of theory by Bass and Steidlmeier (1999) has cut directly to the issue at hand, specifically, the integrity of transformational leadership.

The discrepancy between these conceptions of transformational leadership, i.e. ethical vs. unethical, or conditionally ethical/unethical, is not purely academic. If transformational leadership does *not necessarily* possess integrity nor promote ethical behaviour, then the question must be raised as to the value of promoting, training and developing it (Giampetro et al., 1998).

Integrity in leadership is becoming of increasing concern within business and organisations (Kanungo and Mendonca, 1996). Many organisational theorists and practitioners now believe that leadership without integrity may ultimately place the organisation at risk, (Morgan, 1993; Mowday et al., 1982; Parry, 1998b; Posner and Schmidt, 1984). Moreover, both within research and leadership development, transformational leadership has been enthusiastically and rapidly embraced over the past decade. Consequently, consideration of the integrity of transformational leadership is of critical and immediate concern. Therefore, the purpose of this study is to commence the exploration of the relationship between transformational leadership and perceptions of leader integrity. Our discussion of this relationship will now commence with the importance of integrity to organisations.

## INTEGRITY

Integrity is a concept commonly used within formal and informal discussions of leadership and organisational theory, but is not clearly defined and understood (Rieke and Guastello, 1995). For example, within the literature words such as integrity, honesty, and conscientiousness are often not differentiated and tend to be used as interchangeable terms without introduction or further consideration (Becker, 1998). Furthermore, integrity is firmly embedded within the moral relativist tradition in which perceptions of appropriate behaviour can vary between peoples, cultures and eras. Philosophically, such relativism is surely defensible however, in practical terms it becomes problematic to say the least. The leadership of Adolf Hitler provides an extreme example. Although most people would agree that he did not possess integrity, most Nazis from his era would probably agree that he did possess integrity.

For the consideration of integrity to be fruitful within organisational theory, there is a pre-requisite to create boundaries of definition. Therefore, although full consideration of the meaning of integrity is beyond the scope of this paper, it remains necessary to provide a usable definition of integrity.

Simons (1999) suggests there is often a mismatch between the values and morals a leader may espouse, and the actual values represented in their behaviour. As such 'Behavioural Integrity' (BI) should be the focus in research rather than statements of integrity or self-perceived integrity. The idea of BI is important because the positive organisational effects of integrity such as development of trust, increased commitment and reciprocal respect will be undermined if a leader's actions don't match up to their proposals of ethical conduct, caring and honesty (Simons, 1999). On this basis, the present research endorses the definition of integrity given by Becker, who states "integrity is commitment *in action* to a morally justifiable set of principles and values..." (1998, p.157-158). Within this definition an

objective perspective of integrity is assumed in which moral justification is based on a universal truth or reality rather than merely an agreed-upon set of morals and values by an individual or group (Becker, 1998). In the current analysis, follower observations and predictions of ethical or unethical leader behaviours will be used to measure leader integrity.

It is becoming increasingly apparent that the full integration of ethical standards into business practice is not only preferable, but also necessary for long-term organisational survival. Indeed, ethical behaviours are difficult to legislate for. Minkes et al. (1999) assert that ethical behaviour is concerned with 'ought' and 'ought not', not just 'must' and 'must not'. Therefore it implies that there are standards which may extend beyond what is required by law or which are commercially profitable.

Without ethical leadership a company may be at risk because of compliance problems, lack of effective action, dishonesty, and communication blocks (Kanungo and Mendonca, 1996). On the other hand, ethically lead organisations have been found to have increased effectiveness due to a strengthened organisational culture, lower turnover levels, and increased employee effort (Mowday et al., 1982; Steers, 1977). Such positive impacts of ethical leadership on organisational effectiveness mean that ethical development is likely to become integral to an individual's practical success as a leader. For example, Morgan (1993) found that a follower's perception of a focal leader's ethics was positively related to their perceptions of their manager as an effective leader. The impact of leader integrity and ethical leadership on organisational effectiveness has been frequently noted and supported in past literature, (Brenner and Molander, 1977; Mortenson, Smith and Cavanagh, 1989; Posner and Schmidt, 1984). More recently, Parry asserted that "ethical values are indispensable to real leadership", (1998b: 90).

However, although many organisations and leaders are aware of, and officially convey, the importance of integrity in their formal communications such as mission statements and codes of ethics, their cultures and individual leaders may not reflect this awareness (Simons, 1999). Thus, we return to the absolute importance of not just addressing the issue of integrity in leadership, but doing so with a focus on the *behavioural* integrity of the leader. The link between leader integrity and the manifestation of leadership has not been adequately tested empirically.

## **TRANSFORMATIONAL LEADERSHIP AND THE FULL RANGE**

Bass introduced transformational leadership to organisational settings in 1985 (Bass, 1985) and since that time it has had substantial theoretical consideration and empirical support (Avolio et al., 1999; Bass, 1999; and Lowe et al., 1996 provide useful summaries and meta-analyses of the literature). Emerging from the extensive research considering transformational leadership are four key factors; charisma/idealised influence, inspirational motivation, intellectual stimulation, and individual consideration (Bass, 1998) (see Table 1). Bass suggests that a transformational leader possessing all these components will be a much admired and respected role model, and will be an inspiring and challenging visionary. Such a leader will also encourage and support innovation and alternative problem-solving techniques in their followers, as well as show great consideration for individual employee's needs through acting as a guide and mentor. Avolio et al. (1999) found that only charisma/idealised influence, inspirational motivation and intellectual stimulation constitute a robust and reliable higher-order transformational factor. It is this factor that is used for statistical analysis in the present study.

However, although transformational leadership is of primary concern in the present study, it is only one of two halves in a 'full range' of leadership (Bass and Avolio, 1989), the other half being transactional leadership. Therefore, it is important within this discussion to briefly consider the other half of this 'full range'.

Transactional leadership includes four components: contingent reward, management-by-exception-active (MBEa), management-by-exception-passive (MBEp), and laissez-faire leadership (see Table 1). However, there is a stark variation across these four transactional

behaviours in their relationships to effective leadership and it may be more useful to reframe these leadership styles into two meaningful categories adapted from Avolio et al. (1999). These two categorisations are developmental exchange, which includes contingent reward and individualised consideration, and corrective avoidant leadership, which includes both managements-by-exception and laissez-faire leadership. Avolio et al. (1999) argued that contingent reward (transactional leadership) and individualised consideration (transformational leadership) are conceptually similar, showed that they correlate together strongly, and demonstrated that they had the highest level of fit as a higher-order leadership factor. They argued the same about the relationship between the management-by-exception and laissez-faire factors. They also found confirmed transformational leadership (as constituted by II, IM and IS) and developmental exchange correlate positively. However, Avolio et al. (1999) demonstrated that they are distinct higher-order factors, as confirmed by a high CFA goodness-of-fit index.

Together, the transformational, developmental exchange and corrective avoidant styles represent a full-range of leadership, and leadership effectiveness is related to the relative frequency of each of these three styles. Thus, a base of developmental exchange behaviours, with minimal amounts of corrective-avoidant behaviours, augmented by transformational leadership, is likely to be most related to effective leadership (Bass and Avolio, 1997; Avolio et al., 1999). Corrective avoidant behaviour should always be kept to a minimum as it has been consistently found to negatively correlate with effectiveness (Bass and Avolio, 1997; Lowe et al., 1996).

(INSERT TABLE 1 HERE)

## **THE INTEGRITY OF TRANSFORMATIONAL LEADERSHIP**

To begin the discussion of the integrity of transformational leadership we will first make a brief consideration of the literature suggesting the reverse position, namely that transformational leadership is unethical.

### **TRANSFORMATIONAL LEADERSHIP AND UNETHICAL CONDUCT**

Central to transformational leadership and the integration of each of the components contributing to it, is the notion of vision (Bryman, 1992). Leaders who successfully transform their employees and the wider organisation will have skills in vision creation, articulation and communication (Bennis and Nanus, 1985; Nanus, 1992). However, it is this very factor at the core of transformational leadership, that some scholars believe contributes to its potential to be unethical (Bass and Steidlmeier, 1999; Conger, 1990).

Giampetro et al. (1998) suggest that transformational leaders are most successful in inspiring their followers when their vision is tremendously strong and when they demonstrate absolutist behaviour. They contend that leadership of this kind, although effective, lacks reflection and consideration and consequently is unlikely to produce ethical behaviour within organisations. Giampetro et al. also suggest that transformational leaders may be overly narcissistic and self-centred, which may in turn allow them to direct followers toward questionable goals.

Although Giampetro et al.'s (1998) comments *appear* to be concerned with transformational leadership in general, they are more closely focussed on aspects related solely to the charismatic component of transformational leadership.

However, although a leader's vision may be questionable, the way in which a transformational leader in particular will successfully realise their vision is through neither absolutist nor self-centred tactics. The very conceptualisation of transformational leadership includes the intellectual stimulation of followers, contributing to the incorporation of their ideas and innovation, into flexible, ever-developing goals (Bass, 1985; Den Hartog et al., 1997).

Thus, transformational leadership is not absolutist. Neither is it self-centred, in that a core component of this leadership style is individual consideration of followers by the leader, (Bass, 1998). Furthermore, transformational leadership focuses on drawing follower's interests away from the self, and towards the group (Den Hartog et al., 1997; Carlson and Perrewe, 1995), thus enhancing the potential for organisational integrity and ethical conduct. Carlson and Perrewe state, "with this approach, [transformational] leaders transform their followers by activating higher order needs, emphasising the value of certain outcomes, and influencing their followers to put the organisation before their own self interests" (1995: 4).

## CHARISMATIC LEADERSHIP AND UNETHICAL BEHAVIOUR

The vision, drive, passion and ability of leaders to inspire their followers into action largely make up their charismatic leadership style (Conger and Kanungo, 1998). However, some influential charismatic leaders, possessing all of these qualities, have proven themselves to be more dictators than leaders, including examples such as Adolph Hitler and Benito Mussolini (Bass, 1985). Thus, charisma has often been couched in terms of 'positive' and 'negative' side of leadership with the inclusion of qualities such as narcissism, manipulation, alienation of people and defensiveness. Kelly (1987) goes further in suggesting that a charismatic leader's self-interest may undermine and even erode the ethical base of their organisation. Such a perspective is not new, as there already exists a substantial component of the literature that considers the 'dark side' of charisma (Conger, 1990; Hogan et al., 1990; House and Howell, 1992; Kets de Vries and Miller, 1985; Yukl, 1989).

Conger and Kanungo (1998) also identify 'the shadow side of charisma' including extreme narcissism, in which a leader loses touch with reality and leads others towards their own self-serving gains at the organisations' peril. Conger and Kanungo believe they can discriminate between positive and negative charismatic leadership by whether the leader's goals are self-serving or rather tend towards altruistic, social and collective goals. Therefore, integral components of effective charismatic leadership, including intense follower identification with the leader and with the leader's goals and their vision, can be exploited by the leader in order for them to attain personal, self-centred, and possibly unethical goals.

Similarly, Howell and Avolio (1992) believe that those qualities that can make charismatic leaders great are the same qualities that can lead to unethical leadership. The differentiating factor is the intent behind the charismatic style. For example, a shared vision will be ethical if it is developed through leader-follower interaction, but likely to be unethical if developed solely by the leader, (Howell and Avolio, 1992). Thus, it appears that while a charismatic style usually supports effective, positive leadership, it also has the potential to be unethical and lacking in integrity.

This perspective gives rise to two important considerations. Firstly, although charismatic leadership may *potentially* be unethical, the question remains, are most charismatic leaders in fact unethical? There has been discussion and empirical evidence to suggest the opposite is true. For example, Simons (1999) believes that behavioural integrity is a critical component of transformational leadership and identified successful charismatic leadership specifically as a potentially ethical leadership style. In addition, Atwater, Penn and Rucker (1991) found that charismatic leaders were associated with traits such as 'ethical', 'principled' and 'wholesome' significantly more frequently by their subordinates than non-charismatic leaders.

The second consideration, one that is perhaps more relevant to this discussion, is that charismatic leadership is not by itself, transformational leadership. Bass stated that "charisma is a necessary ingredient of transformational leadership, but by itself it is not sufficient to account for the transformational process" (1985, p. 31). Hence, the usefulness of the points made by Giampetro et al. (1998) concerning transformational leadership is limited by their sole focus on charisma and neglect the other components of transformational leadership. This shortfall would be true of any arguments based on only one component of transformational leadership. Furthermore, when transformational leadership is considered holistically, it is likely to do far better than charismatic leadership as a moral leadership style possessing integrity.

Having considered the literature making claims of the lack of integrity of transformational leadership, and specifically charismatic leadership, we will now move to the body of literature that supports the proposition that transformational leadership is *positively* related to integrity.

## TRANSFORMATIONAL LEADERSHIP AND INTEGRITY

There are many connections that can be drawn between leadership demonstrating integrity and transformational leadership. These links are discussed both within the literature focussing on integrity on the one hand, and in literature concerned with transformational leadership on the other. For example, Gottlieb and Sangria (1996) highlight that leaders with integrity always encourage open and honest communication, particularly in discussion concerning decision-making. These authors also believe that such leaders value an individual's viewpoint and the feedback that results from sharing. Such a leadership value-set is consistent with transformational leadership. Bass states that within transformational leadership "new ideas and creative problem solutions are solicited from followers, who are included in the process of addressing problems and finding solutions" (1998, p. 6). In addition, the importance of clear vision and the establishment of trust through leadership are core factors contributing to personal and organisational integrity. Both of these factors are also quite prominent in the transformational leadership literature (Bass, 1985, 1990, 1998; Yukl, 1989). Indeed, Gillespie and Mann (2000) have found empirical links between the demonstration of transformational leadership and the presence of trust within organisations.

Justice also connects integrity and transformational leadership. Kouzes and Posner, in their discussion of ethical leaders state that "transformational leadership creates a circle of relationships and bonds which enriches all those connected together. Justice is served when such a state exists" (1992, p. 481). Carlson and Perrewe believe that transformational leaders work upon a basis of personal values such as integrity and justice. They go even further to state "transformational leadership is viewed as the best approach for instilling ethical behaviour in organisations" (1995, p. 5). However, although integrity, justice, and ethics are conceptually related to transformational leadership within the literature, the link between them has had little empirical consideration.

Although this discussion indicates that transformational leadership is *usually* ethical or carried out with integrity, Bass' (1985) original conception of transformational leadership does suggest that transformational leaders may be 'good' in the case of Ghandi or Mother Teresa, but may also be 'bad' in the case of Saddam Hussein. However, as stated previously, Bass has revised his initial theorising of transformational leadership. Bass and Steidlmeier (1999) believe that *authentic* transformational leaders are by definition ethical, yet *pseudo*-transformational leaders may lack integrity. Thus, if a leader demonstrates *some* transformational leadership styles but has an underlying moral foundation of self-interest and self-satisfaction, then that leader is merely *pseudo*-transformational. On the other hand, if a leader who demonstrates transformational leadership style, is connected to their community, and has concern for their peers, colleagues, and organisation, then they will be truly authentic transformational leaders.

Unfortunately, empirical work testing the relationship between integrity and transformational leadership is scarce. One exception is a study by Tracey and Hinkin (1994), which comes close to directly addressing this issue. In an investigation concerning leadership and leader attributes within a major hotel-management firm, these authors found evidence to suggest that transformational leaders possessed high ethical standards and behaved in ways consistent with these standards, including paying close and constant attention to the consequences of their decisions.

In addition to the scarcity of empirical work considering the integrity of transformational leadership, there exists a body of opinion that holds that transformational leadership theory may not aid the development of ethical leaders but rather, allow the emergence of leaders who lack integrity. Therefore, it is necessary to begin work that focuses

explicitly on the relationship between transformational leadership, ethics, and integrity. Hence, we come to the purpose of the current study, to empirically assess the perceived (behavioural) integrity of transformational leaders.

## RESEARCH QUESTIONS, AIMS AND HYPOTHESES

### PERCEIVED LEADER INTEGRITY AND ITS CORRELATES WITH EFFECTIVENESS

To begin, two general issues need addressing, the first of which relates to the levels of perceived integrity of managers. The second issue relates to the relationship between perceived integrity and leader effectiveness.

Craig and Gustafson (1998) demonstrated that the *Perceived Leadership Integrity Scale* (PLIS) could be used to determine subordinate rated levels of the perceived integrity of target leaders in organisations. Using an adapted version of the PLIS (for our purposes called PLIS-R, indicating the revised form) which allows rating of perceived integrity of leaders at various organisational levels (not only bottom-up), this study attempts to measure the perceived integrity of leaders at organisational levels at and below that of the rater. In so doing it is hoped that integrity of future leaders may be identified, which may in turn contribute to leadership development and succession planning. Moreover, such a design attempts to go beyond ethical analysis of the top echelon of organisations in which formal statements of ethical conduct may exist in isolation, to the enacted integrity of lower level managers working 'on the shop floor'. Minkes et al. (1999) suggest that it is at these lower intermediary levels that general ethical principles espoused by the organisation are tested for operational feasibility (p. 329).

However, having superordinate managers rate their subordinates on leadership dimensions is less common than having subordinates rate their managers. Thus, the numerical values of these different integrity ratings need to be considered carefully. There is evidence to suggest that ratings of leaders by subordinates may be quite different from ratings of the same leader by peers or superordinate managers. For example, Morgan (1993) found that in general, ratings by superiors were significantly more favourable than the ratings provided by peers and subordinates. Morgan suggested that a superior's perceptions of an individual's integrity may be higher than a subordinate's perceptions because:

- Superiors and peers have different opportunities to observe the focal leader
- Peers and subordinates would have greater opportunity to observe day-to-day ethical behaviour of managers than will superiors
- Raters with different perspectives will apply different standards to the interpretation of a managers behaviour
- Perspectives may affect the perception, memory, and recall of behaviour

(Morgan, 1993).

A focal manager may well display different leadership behaviour when in the presence of superiors, peers and subordinates. Therefore, the examination of this first research issue involves paying special attention to the possibility of inflated integrity ratings due to the bias of 'top-down' measurement. Although our intention was to investigate ratings of leaders by superiors, we acknowledge that not all respondents would necessarily work with, or have knowledge of leaders at a lower organisational level than themselves. To accommodate this we asked that if respondents did not have a subordinate to rate that they rate leaders with whom they work closest, and to indicate if they were rating downwards or across (no upwards ratings were supplied). Mean differences between downward (subordinate leaders) and across (Peer leaders) ratings will be analysed to investigate possible leniency biases due to top-down ratings.

*Hypothesis 1:* top-down ratings will provide higher evidence of transformational leadership than will peer ratings.

*Hypothesis 1a:* top-down ratings will provide higher perceptions of integrity than will peer ratings.

The second general issue concerns the relationship between perceived integrity and leader effectiveness. Given the findings from the extant literature (Kanungo and Mendonca, 1996; Mowday et al., 1982, Morgan, 1993; Posner and Schmidt, 1984; Steers, 1977) it is expected that integrity will be strongly and positively related to leader effectiveness. Therefore

*Hypothesis 2:* perceived integrity is positively correlated with leader effectiveness and organisational effectiveness.

## INTEGRITY AND TRANSFORMATIONAL LEADERSHIP

Similarly, because of the theoretical consensus that transformational leaders possess integrity

*Hypothesis 3:* the perceived integrity of leaders will be positively correlated with transformational leadership.

The design of this study also allows the investigation of the relationship between integrity and the charismatic component of transformational leadership. For example, the results may help identify whether charisma, measured by the MLQ factor 'idealised influence' (Bass and Steidlmeier, 1999), is in fact related to unethical leadership or whether it is related to ethical leadership. Both options have been suggested in the extant literature. Interestingly, the actual items measuring idealised influence in the MLQ intuitively relate positively to integrity. For example, the measurement of idealised influence on the MLQ includes items based on values and beliefs, pride in association, going beyond self-interest, building respect, and considering the moral and ethical consequences of actions. Idealised attributes and idealised behaviours are expected to have similar characteristics, so we have grouped them together for the purpose of the hypothesis statement.

*Hypothesis 3a:* idealised influence/ charisma will correlate positively with perceived integrity.

## INTEGRITY AND TRANSACTIONAL LEADERSHIP

Avolio et al. (1999) have established that individualised consideration and contingent reward correlate positively with each other, and that both factors correlate with transformational leadership, and that both lower-order factors load together onto a higher-order factor called developmental exchange. Consequently, it is to be expected that both factors will correlate positively with integrity. Contingent reward is measured by items such as 'discusses in specific terms who is responsible for achieving performance targets' and 'makes clear what one can expect to receive when performance goals are achieved'. Moreover, followers experience such behaviours as contributing to positive and effective leadership (Lowe et al., 1996). Because it is proactive and developmental, contingent reward is likely to be associated positively with perceptions of integrity. The same argument applies to individualised consideration.

*Hypothesis 4:* developmental exchange leadership will correlate *positively* with perceived integrity.

A less successful active transactional leadership behaviour is management-by-exception (active). Although an active manifestation of leadership, MBE-active involves keeping track of mistakes and looking for irregularities in work. Because this leadership is

based on reprimanding followers for mistakes, it may reduce the positive impact of active leading. MBE-active is corrective and reactive, whereas contingent reward is constructive and proactive. Hence, these two components of 'active-transactional' leadership are likely to have differing relationships with integrity. However, the activity level of MBE-active might counter the corrective and reactive nature of this factor, meaning that MBE-active is likely to have no significant correlation with perceived integrity.

*Hypothesis 4a:* MBE-active will have no significant correlation with integrity.

Alternately, management-by-exception (passive) and laissez-faire, the two passive-avoidant leadership styles, are expected to correlate negatively with perceived integrity. These factors are measured by items including “waits for things to go wrong before taking action”, “avoids making decisions”, and “is absent when needed”. The retrospectivity and inactivity of such behaviours are likely to be negatively related to perceptions of integrity. Moreover, previous empirical research has shown strong negative relationships between these behaviours and leader effectiveness and satisfaction measures (Lowe et al., 1996). Further, the expected strength of these two correlations is likely to outweigh the expected lack of correlation between MBE-active and perceived integrity. Therefore

*Hypotheses 5:* corrective-avoidant leadership will demonstrate negative correlations with perceived integrity.

*Hypotheses 5a:* management-by-exception-passive and laissez-faire leadership will demonstrate negative correlations with perceived integrity.

## **METHODOLOGY**

### **MEASUREMENT SCALES**

#### **PERCEIVER LEADER INTEGRITY**

The *Perceived Leader Integrity Scale* (PLIS) (Craig and Gustafson, 1998) is an instrument that quantifies subordinate perceptions of the integrity of a leader's style of behaviour. The scale is made up of a set of specific unethical leader behaviours of which it is expected that any subordinate in any situation would have knowledge. Integrity is measured in the PLIS through a reverse-scored scale in an attempt to avoid ambiguities between supererogatory, ethical and morally required acts (Craig and Gustafson, 1998). For example, because supererogatory acts are those that may be morally commendable but not morally required, the absence of such acts does not necessarily imply lack of integrity. However, attempting to distinguish these acts from positive behaviour that *is* morally required or ethical is difficult. Using items that describe unethical behaviour avoids such ambiguity so that when the presence of unethical behaviour is detected then a leader will be deemed unethical and without integrity. On the other hand if all unethical behaviour is absent the leader can be said to act ethically and possess integrity.

Craig and Gustafson (1998) found the PLIS to have high internal consistency (Cronbach's alpha .97) and adequate convergent validity with factors such as job satisfaction, desire to quit and conscientiousness.

The PLIS was originally developed for use by subordinates rating their leader, and it therefore includes items such as “would limit my training opportunities to prevent me from advancing” and “gives special favours to ‘pet’ employees, but not to me”. Such wordings limit the PLIS because they are specific to superordinate/leader-subordinate/follower relationships thus making this measure inappropriate for 360-degree assessment. This is of concern due to past evidence suggesting top-down ratings are more favourable than bottom-up, as discussed previously.

It seems likely that because superiors, peers and subordinates may all have varying perspectives of a focal leader's integrity, the optimal assessment of the leader's integrity may

be a synthesis of perceptions from a range of raters. Therefore, the development of the PLIS into a form that is appropriate for use by a rater from any level was deemed to be useful.

Therefore, this study uses an updated, universal form of the PLIS, *The Perceived Leader Integrity Scale-Revised* (PLIS-R). By using this adapted scale, understanding of leader integrity can be expanded to include perceptions from all levels within an organisation. In the current study superordinates provided top-down assessment of the perceived integrity of focal leaders.

The PLIS-R is a scale of 28 items (from the 31 items of the PLIS). For this revised scale, three items were omitted completely from the PLIS, due to their irrelevant nature to top-down or peer-ratings of integrity. These deleted items include 'makes fun of my mistakes instead of coaching me as to how to do my job better'. A further nine items were re-worded in order to make them appropriate for use by superordinates rating leaders below them. For example, the item stating 'would use my performance appraisal to criticise me as a person' in the PLIS was changed to 'would use feedback to me to criticise me as a person' for the PLIS-R. Respondents were asked to indicate how well each item describes their subordinate focal leader. Scoring is structured so that a higher score indicates perceptions of higher subordinate leader integrity.

#### MULTI-FACTOR LEADERSHIP QUESTIONNAIRE.

Bass (1985) developed the *Multi-factor Leadership Questionnaire* (MLQ) to measure both transformational and transactional leadership, including the differentiation of the separate dimensions of both, as listed in Table 1. This instrument has been used in numerous studies and has been revised many times since its first introduction by Bass (Bass and Avolio, 1989). Moreover, it is the most researched measure of organisational leadership in use today (Den Hartog et al., 1997). In the past there have been some criticisms of the MLQ, particularly concerning its ability to accurately measure and differentiate the four key dimensions of transformational leadership from one another (Bycio et al., 1995; Tepper and Percy, 1994; Tracey and Hinkin, 1998; Yammarino and Dubinsky, 1994). However, although there remains concern about these issues (Carless, 1998; Tracey and Hinkin, 1999), there has also been substantial evidence to support its use. For example, Lowe et al. (1996) conducted a meta-analysis of MLQ literature and found the transformational leadership scales to be reliable and possess good predictive validity. The MLQ is now widely accepted as a key tool for the investigation of transformational and transactional leadership styles (Den Hartog et al., 1997).

In the current study the Multi-factor Leadership Questionnaire (5x short) was used. The MLQ (5x short) is made up of 45 items describing specific leader behaviours. Items such as 'is absent when needed', or 'provides me with assistance in exchange for my efforts' are examples. For each item the respondents are required to identify how frequently the person in question exhibits the stated behaviour. The same superiors who rated their subordinate managers and leaders on the PLIS-R also completed the MLQ for those same subjects.

#### EFFECTIVENESS MEASURES

Effectiveness measures used include four indicators of leader effectiveness, satisfaction with leadership, follower extra effort, and follower motivation, as well as two organisational measures indicating perceived organisational effectiveness and ability to achieve the bottom-line. All of the effectiveness measures are based on follower perceptions.

The use of both the MLQ and the PLIS-R is expected to provide empirical evidence pertaining to some important theoretical considerations concerning the integrity of transformational leadership.

#### SUBJECTS AND PROCEDURE

The scales were distributed to 6025 managers throughout New Zealand. This sample incorporated both public and private sector organisations as it was generated from member lists

of both the National Institute of Management and the National Institute of Public Administration. The PLIS-R and MLQ scales made up two sections of a larger survey addressing a broad range of leadership issues concerning future leaders nationally. The complete survey had a total of 144 items covering additional topics such as organisational culture type, role conflict, and social process of leadership. These surveys were accompanied by a cover letter from the relevant institutes encouraging members to participate. Surveys were completed and returned in reply paid envelopes.

1354 usable surveys were returned for a response rate of 22.5%. This is not an unusual response rate based on historical trends for this particular data set. The response rate was also confounded by the large number of potential respondents who did not have subordinates. Based on feedback from respondents and anecdotal evidence, it was assessed that this could account for up to 20% of the total sample. Due to this relatively low response rate cross-tabulations of early (within the first 2 weeks), medium (2-3 weeks) and late (after 3 weeks) responses against all demographic characteristics were performed. Identification of systematic response trends would indicate a non-response bias. This type of analysis is based on the premise that very late respondents in the research sample are the most akin to those that do not respond at all (Moser and Kalton, 1971).

No significant demographic differences were found between early and late respondent's distributions of gender, age, ethnicity, and industry type distributions. However, the only significant difference was found in management level between early and late respondents. The higher the organisational level of the respondent, the quicker the reply. Therefore, non-respondents are more likely to be middle or senior managers than CEOs.

To ascertain if the variation of management level in the late sample impacted on responses, cross-tabulation of early and late responses for each scale used in the survey were also run. The only significant finding was a small systematic trend toward higher reported display of MBE (passive) and Laissez-faire behaviours in accordance with lateness of response. Responses on all other scales did not differ across time of response. These findings together with the lack of significant differences in demographic distribution between early and late respondents suggest a low probability of response bias (Moser and Kalton, 1971).

Of those responding 77.6% were male and 22.4% were female. The majority of the sample identified themselves as European (95%), with the next largest group identifying themselves as Maori or Pacific Islander (2.64%). The mean age range was 40-55 years.

## RESULTS

### SCALE VALIDATION

Table 4 reports the Cronbach Alpha scores for the PLIS-R and for each factor of the MLQ. All are adequate to high. The validity and reliability of the PLIS were established by Craig and Gustafson (1998). Because the changes made to the PLIS to create the PLIS-R were minor, it was expected, and found, that the PLIS-R would have similarly high internal rigour. The internal validity of the entire MLQ has been established many times since its inception in 1985.

Factor analysis was not conducted on the MLQ because its factor structure has been confirmed many times since its inception in 1985. Because the PLIS-R is at an early stage of development, exploratory factor analysis only was conducted on it. A principal axis factor analysis of the PLIS-R, with promax rotation, found four highly correlated factors with eigenvalues greater than 1. These four factors accounted for 49% of the variance. As found by Craig and Gustafson, the first factor possessed an eigenvalue more than five times greater than the second eigenvalue, indicating a latent one-factor construct. Moreover, the first factor accounts for 35% of variance, and the remaining three factors together account for only 14% of variance. Finally, the high positive correlations between factors, and the high Cronbach alpha for the complete scale, support the finding of a latent one-factor construct. Further validation of the scale will have to deal with the potential effects of heteroscedasticity caused by highly-skewed means, before further detailed confirmatory factor analysis is undertaken.

## LEVEL OF INTEGRITY

The first general issue was to ascertain the degree of perceived integrity in future leaders. With an average across the total sample population of 3.73 on a scale 1 – 4, the results suggest that overall there is a high level of perceived integrity. This indicates that within the present sample, leaders are perceived to consistently act with a high level of integrity. However, as the results were gained through top-down ratings rather than the more conventional 'bottom-up' ratings, it could be suggested that such high integrity scores reflect evidence of inflated superior-subordinate assessments of integrity. To test this possibility t-tests were conducted between ratings of subordinate leaders and ratings of peers. Table 2 shows that top-down ratings provided for significantly higher identification of transformational leadership and developmental exchange leadership than did peer ratings. The magnitude of this difference is between seven and eight per cent. Top-down ratings also provided significantly higher perceptions of integrity than did peer ratings, by a magnitude of approximately five per cent.

(INSERT TABLE 2 ABOUT HERE)

Although these results suggest the possibility of artificially positive ratings of subordinate leaders, correlation results are consistent between top-down and peer ratings. In fact, peer ratings provide equal or higher strength correlations between integrity, leadership styles and measures of effectiveness. As such, the correlations described below are considered to be conservative estimations of the strength of relationships between perceived leader integrity, leadership styles, and effectiveness. However, in spite of the favourableness of correlations, we must conclude that there is the possibility of a systematic leniency bias when respondents rate subordinates, *vis-à-vis* when they rate peers. This finding is consistent with the findings of Morgan (1993).

Importantly also, the current results are very similar to previous results found using the PLIS. For example, Craig and Gustafson (1998), using bottom-up ratings, found American leaders of two respondent samples to have a mean of 3.63 on the PLIS. Furthermore, the present results parallel research on unethical behaviour using alternative ethical constructs to integrity. In the present study approximately five per cent of the sample population demonstrated low levels of integrity, scoring below the mid-point on the PLIS-R (2.5 on a scale of 1-4). Similarly, six per cent of subjects were rated below the mean for integrity and above the mean for transformational leadership. This latter cohort might represent the 'dark' side of transformational leadership, or the pseudo-transformational leaders. Remember that the PLIS-R measures beliefs about the intent of the focal leader, rather than actual behaviour.

*Hypothesis 1, that top-down ratings will provide higher evidence of transformational leadership than will peer ratings, was supported.*

*Hypothesis 1a, that top-down ratings will provide higher perceptions of integrity than will peer ratings, was supported.*

## PERCEIVED INTEGRITY AND EFFECTIVENESS

The second general issue was to verify the relationship between effectiveness and perceived integrity in this sample. Table 3 displays positive and significant correlations between perceived integrity and a range of subjective effectiveness measures. Items 2-5 in Table 3 reflect perceived leader effectiveness. Items 6 and 7 reflect organisational effectiveness. These results provide support for a consistent positive relationship between perceived integrity and leadership effectiveness and therefore suggest that Hypothesis 2 is supported.

*Hypothesis 2, that perceived integrity is positively correlated with leader effectiveness and organisational effectiveness, is supported.*

(INSERT TABLE 3 ABOUT HERE)

#### PERCEIVED INTEGRITY AND TRANSFORMATIONAL LEADERSHIP

*Hypothesis 3 stated that the perceived integrity of leaders is positively correlated with transformational leadership.*

The third and central hypothesis, that transformational leadership and perceived integrity are positively related, was supported in the findings. Table 4 indicates that there was a significant positive correlation between transformational leadership and perceived integrity. However, this correlation was moderate,  $r = 0.44$ ,  $p < 0.01$ . Consequently, Hypothesis 3 was supported.

Scatter-plot analysis of the correlations between perceived integrity and the leadership factors confirmed that the perceived integrity data were heteroscedastic. Because of the skewed nature of the perceived integrity data, all correlations reported in this study are Spearman's rank order correlations, which do not assume a normal distribution of data (Bryman and Cramer, 1994). Specifically, they were concentrated toward the higher perceptions of integrity. On the other hand, the leadership data were much more normally distributed. The heteroscedasticity of the data means that conventional regression analysis is limited in its explanatory power. Accordingly, tests of difference were conducted between the perceived integrity for high and low display of each leadership factor. High display of leadership is classed as being in the top decile of frequency, and low display is classed as being in the bottom decile of frequency. The results are displayed in Tables 5. Upper and lower limit deciles are quite extreme indications of frequency. However, this study had a sufficiently large data set to provide adequate internal validity and statistical reliability at these extremes.

High-order leadership factors were tested against perceived integrity, then low-order leadership factors were examined to ascertain which ones contributed most to the impact of the high-order factors. As shown in Table 5, extremes of display of developmental exchange leadership actually explain a greater variation in perceived integrity than extremes in display of transformational leadership do, even though transformational leadership has the stronger correlation (Table 4). Specifically, contingent reward has the greatest impact on high perceptions of integrity, even though it does not have the highest correlations with perceived integrity (Table 4).

These results do suggest that transformational leadership and perceived integrity are positively related, i.e. those leaders who demonstrate strong patterns of transformational leadership in their behaviour are also perceived to possess the most integrity. However, the results suggest that developmental exchange leadership has at least as strong a relationship with perceived integrity. Highest perceptions of integrity are best explained by frequent display of developmental exchange leadership, especially contingent reward (a transactional behaviour). Lowest perceptions of integrity are best explained by infrequent display of idealised attributes.

Owing to the heteroscedasticity of the integrity data, there was only a small range in perceptions of integrity across the leaders with highest displays of all the transformational and developmental exchange behaviours. However, in contrast, *low* displays of transformational and developmental exchange leadership appeared to produce a greater range of perceptions of integrity. Specifically, low idealised attributes and low contingent reward resulted in the lowest perceptions of integrity. The presence or absence of these two low-order leadership factors explained the greatest range in perceptions on integrity.

(INSERT TABLE 4 ABOUT HERE)

(INSERT TABLE 5 ABOUT HERE)

*Hypothesis 3a stated that idealised influence/ charisma will correlate positively with perceived integrity.*

A further aim of this study was to investigate the relationship between the transformational factor of charisma and perceived integrity. Table 4 shows that there are consistent, moderate, positive correlations between charisma (idealised attributes and idealised behaviours) and perceived integrity. Hence, Hypothesis 3a is supported. Table 5 shows that *low* display of idealised attributes provided the best explanation of variance in perceived integrity.

Therefore, these results do not provide any support to the notion that charismatic leadership is related to unethical and immoral leadership. On the contrary, low displays of 'going beyond self-interest for the good of the group' and low 'display of a sense of power and confidence', which represent a lack of charisma, can create perceptions of a lack of integrity. Conversely, frequent displays of these attributes result in high perceptions of integrity.

#### INTEGRITY AND DEVELOPMENTAL EXCHANGE LEADERSHIP.

Table 4 shows positive and significant correlations between perceived integrity and developmental exchange leadership. It also shows consistent positive correlations across the two factors that constitute developmental exchange leadership.

*Therefore, Hypothesis 4, that developmental exchange leadership will correlate positively with perceived integrity, was supported.*

#### INTEGRITY AND CORRECTIVE-AVOIDANT LEADERSHIP.

Table 4 shows that MBE-active had no significant correlation with perceived integrity. *Hence, Hypothesis 4a was supported.*

Of all the transactional factors, management-by-exception (passive) and laissez-faire demonstrate the strongest negative correlations with perceived integrity ( $r = -0.40$  and  $-0.48$  respectively). The latter was the highest absolute correlation with perceived integrity (Table 4). Table 5 shows that of all the leadership styles, laissez-faire explains the greatest variation in perceptions of integrity. As Table 5 also shows, *high* display of laissez-faire behaviour correlates with the *lowest* perceptions of integrity, whereas *low* display of corrective-avoidant behaviours correlates with the *highest* perceptions of integrity.

*Hypotheses 5, that corrective-avoidant leadership will demonstrate negative correlations with perceived integrity, is supported.*

*Hypotheses 5a, that management-by-exception-passive and laissez-faire leadership will demonstrate negative correlations with perceived integrity, is supported.*

In summary, it would appear that for the highest perceptions of integrity, leaders should engage in (a) high levels of developmental exchange behaviour and (b) low levels of corrective avoidant behaviour (especially laissez-faire). Also, it would appear that for the lowest perceptions of integrity, leaders should engage in (a) high levels of laissez-faire behaviour and (b) low levels of idealised attributes.

#### GENERAL FINDINGS

As expected, there was a significant positive correlation between transformational leadership and perceived integrity. However, transactional leadership, in particular corrective-avoidant leadership, was found to explain extreme perceptions about leader integrity. Low levels of corrective-avoidant leadership best explain the highest perceptions of integrity. The lowest perceptions of integrity are best explained by high display of laissez-faire leadership.

One potential limitation of the present research is the possibility of same source bias. Respondents are rating for leadership and integrity concurrently for the same focal leader. It could be argued that if respondents think that their leader is displaying transformational leadership, which is intuitively a desirable thing to do, then they could possibly believe that their leader also possesses integrity. To circumvent this problem in future, this study should be replicated with multiple data sources for each subject.

## CONCLUSIONS AND DISCUSSION

The extant literature suggests a critical relationship between integrity and measures of effectiveness (Mowday, Porter & Steers, 1982). In the current study the relationship between perceived integrity and perceived effectiveness is quite clear. Perceived integrity was found to correlate significantly and positively with a range of effectiveness measures, but specifically leader integrity correlated most strongly with rater satisfaction and rater perceptions of leadership effectiveness. Perhaps one could say that no longer is ethical conduct simply a desirable 'feel good' quality of organisational functioning, but rather it is becoming recognised as an essential component of success. We know from the extant literature (Lowe et al., 1996) that transformational leadership impacts upon the 'bottom-line' of organisations. We now know from the present study that leadership correlates with integrity. Finally, we now know that perceptions of integrity correlate with perceptions of organisational bottom-line effectiveness. Therefore, we can posit that the presence of integrity will improve organisational effectiveness. The present research has given empirical support to what has hitherto been only a theoretical proposition.

A second issue involves the main research question, the integrity of transformational leadership. Unlike Burns' morally uplifting transforming Leadership, the ethical nature of transformational leadership has consistently been considered, questioned and debated. The current study has directly addressed this issue, and has provided empirical support to suggest that transformational leadership and the perceived integrity of leaders are significantly and positively related. Nevertheless, the fact that the correlation between transformational leadership and perceived integrity was only moderate suggests that a range of additional variables may moderate this relationship. Some of these likely include various alternative leadership styles. Therefore it should be helpful to consider integrity within the context of a different range of leadership variables. For example, although transformational leadership, including individualised consideration, may prove to be an important leadership style contributing to perceptions of integrity, active-transactional leadership (contingent reward) also appears to contribute greatly, and thus both should be developed. On the other hand, corrective-avoidant or non-leadership demonstrates a negative relationship with integrity and should be minimised while simultaneously maximising the display of transformational and developmental exchange leadership. Unpublished data from The Centre for the Study of Leadership in New Zealand suggest that through training to consciously raise the frequency of display of transformational behaviours, corrective-avoidant behaviours automatically become less frequently displayed, and return to a sustainable level. These findings emphasise the importance of developing an appropriate balance and range of leadership styles, a strategy that has been extensively discussed by Bass and Avolio (1994) in their analysis of the 'full range of leadership'.

Third, charisma was not found to be negatively related to perceptions of integrity. At first glance, this might debunk notions that there is a 'dark side' to charisma. However, again, more research is needed. In particular, in-depth qualitative case-study analysis is needed to determine the ways in which a comparatively small number of leaders can demonstrate high levels of charisma or transformational leadership and yet still be perceived as lacking in integrity. In other words, they are doing the 'right' thing (behaving like transformational leaders) but other interactions with co-workers have led those co-workers to believe that they have unethical intentions, motivations or tendencies. In the present study, 6.4% of the data set was above average in their demonstration of transformational leadership and below average in perceived integrity. Such a finding is consistent with previous research that has found that only about five per cent of the workforce demonstrate the unethical and partially psychopathic behaviour of 'aberrant self-promotion', while the majority act ethically and morally (Gustafson and Ritzer, 1995). As noted earlier, this cohort within the present study might represent the 'dark' side of charisma, or the pseudo-transformational leader. Therefore, future research needs to determine the moderating and intervening variables and factors that would contribute to perceptions of a lack of integrity being cast upon this small group of 'transformational' leaders. We need to understand how and why these anomalies occur. If it is possible to establish

distinguishing trademarks for these 'pseudo-transformational' leaders (Bass and Steidlmeier, 1999), unethical aspects of leadership may be more visible and thus more easily controlled.

However, recent discussion (Bass and Steidlmeier, 1999; Conger and Kanungo, 1998; Howell and Avolio, 1992; Kelly, 1987), suggests that the core difference between authentic and pseudo-transformational leaders is the intention or moral/ethical/philosophical background of the leader, rather than the outward demonstration of behaviour. To date, the success in transformational leader development has been based on a transformation of the *behaviours* of leaders, rather than the intentions (although a transformation of intentions is normally a core objective of the change in behaviours). In addition, due to practical limitations, most research of transformational leadership has necessarily been assessed through frequency of behaviours, rather than the moral mindset of the leader. It is likely that information on the intricacies of the intentions within transformational leadership, and the relationship between these and integrity, will be found in detailed qualitative research and case studies. By focussing on the material distinction between authentic and pseudo-transformational leadership we may gain a better understanding of the dynamics of effective ethical leadership. Without such qualitative work it may be impossible to tease apart the complexity involved in the study of intentions versus behaviour. Also, the range of variables that moderate the relationship between the phenomena of charisma and perceived integrity need to be tested with more comprehensive, varied and intense psychometric analysis.

Finally, integrity is not only about not doing the wrong thing. It is also about doing the right thing. At the very least, we have found that perceived integrity is about being seen to be doing something positive, active and proactive; not necessarily only doing 'ethical' things. This suggestion is well supported in the literature on trust and integrity (Becker, 1998; Butler, 1991; Butler and Cantrell, 1984; Hosmer, 1995; Jarvenpaa, Knoll, and Leidner, 1998; Mayer, Davis, and Schoorman, 1995; Murphy, 1999). Corrective-avoidant leadership involves being absent, uninvolved, not taking appropriate responsibility, and not dealing with problems until they are too late. Under such conditions followers, superordinates, and peers cannot rely on leadership being present and therefore lose trust in their leaders to fulfil key responsibilities.

Thus, it appears that perceptions of low integrity can come from doing the wrong thing (i.e. unethical conduct) and from not doing what is expected and valued by followers. Also, perceptions of high integrity (and development of trust) may be based upon a critical threshold of active and positive leadership being present (doing the right thing), whereas a lack of such leadership (i.e. not being seen doing the right thing) may be sufficient to support assumptions of immoral and unethical intentions. The strength of the transactional factor contingent reward lends support to the above conclusion that more than just 'transformational' leadership will contribute to enhanced perceptions of the integrity of leaders. Thus, in the case of corrective-avoidant behaviours, where there is a lack of manifest leadership, followers, regardless of the presence or absence of actual unethical conduct, may assume low integrity. The message for managers who are potential leaders is that if they don't fail to interfere, don't avoid getting involved, don't wait for things to go wrong, don't avoid making decisions and don't delay in responding to questions, they will enhance the perceptions from followers of their integrity.

The current research suggests that active leadership behaviour is related to integrity. This includes behaviour spanning collaborative, visionary, developmental, and personalised leadership strategies. Without such positive behaviours, as in the case of corrective-avoidant leadership, perceptions of integrity decrease.

## DEVELOPMENTAL IMPLICATIONS

One implication for organisations is to assess the extent to which staff believe that their managers possess integrity. Paradoxically, auditing for the presence of integrity offers an ethical dilemma. Actual integrity can only be assessed with self-rating personality measures. The gathering of such data is unethical if used for performance management or used as a measure of management effectiveness. Moreover, auditing for the presence of perceived integrity *per se* is unethical because it can only be done at the individual level, and inadequate because it only gauges perceptions of integrity, not actual integrity. However, the results of the present research show that if we audit for the presence of leadership, we are also identifying a

level of perceived integrity that may be present within our organisations. In other words, we can get at perceived integrity via a circuitous route. Similarly, if we develop leadership we can be confident that we are also developing integrity and ethical behaviour. Specifically, we should develop transformational and developmental exchange leadership, especially idealised influence and contingent reward leadership. The development of these leadership behaviours will also reduce the levels of corrective-avoidant leadership to reasonable levels, which means that the levels of unethical behaviour will reduce accordingly.

#### FUTURE RESEARCH DIRECTIONS

Discussion above has already noted the need for replication of this study with multiple data sources for each focal leader. Similarly, the need for case study work on pseudo-transformational leaders and on the intentions of transformational leaders has already been noted. Finally, the need to test psychometrically a wider range of contributing variables has already been noted in earlier discussion. Included within this need is the requirement to use measures of leadership other than Bass and Avolio's measure of transformational leadership. Podsakoff et al.'s measure of transformational leadership (1990) and Kouzes and Posner's LPI (1990) are other relevant measures.

In addition, it is necessary to continue research focussed on integrity in organisational settings. Not only is more work needed on the development of tools that measure integrity or perceived integrity (like the PLIS) in order to consider relationships between integrity and other variables and outcomes, but also as yet there is still little agreement to the definition of integrity (Becker, 1998). Although the PLIS-R may be useful in measuring a level of global perceived integrity, the results did demonstrate a ceiling effect on the positive end of the scale, thus limiting the potential analyses that such a scale would provide. There remains a need to create theory about the contributing factors in the perception of integrity. Apart from the obvious practical benefits in leader development of knowing behaviours and actions that contribute to integrity, this knowledge would also help develop a more useful definition of integrity.

However, this research has raised other issues that have yet to be considered in empirical research. The first issue is the degree to which the distinction between 'doing the wrong thing' and 'not doing the right thing' explains perceptions of low integrity. Second, whether unethical behaviour directed at individuals and unethical behaviour directed at organisations have equal impact on perceptions of integrity. The third issue is the degree to which perceptions of the integrity of a focal leader vary across people and roles.

At the dependent variable end of the spectrum is the need to measure actual organisational performance against integrity. The present research has measured only perceived organisational effectiveness. Finally, across the spectrum of potential variables, there is a need for qualitative work to uncover the range of variables that relate to perceived integrity. Such work should use rigorous emergent methods such as the full grounded theory method (Parry, 1998a). Such theory-emergent methods would complement the theory-testing work outlined above, and provide researchers with a more complete understanding of the relationships between leadership, integrity, and organisational performance.

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**Table 1. Qualities of transformational and transactional leadership styles**

Idealised Attributes and Idealised Behaviours ( <i>transformational</i> )	Leaders are seen as respected, trusted role models, they can be counted on, and demonstrate high moral and ethical standards.
Inspirational Motivation ( <i>transformational</i> )	Leader's behaviour motivates and inspires followers, team spirit is aroused, enthusiasm and optimism is displayed and both leaders and followers create positive visions of the future.
Intellectual Stimulation ( <i>transformational</i> )	Leaders stimulate and encourage innovation, creativity, and questioning of old assumptions. New ideas are welcomed and there should be no fear of mistakes or going against the grain.
Idealised attributes, idealised behaviours, inspirational motivation and intellectual stimulation constitute <b>Transformational Leadership</b> (Avolio, Bass and Jung, 1999).	
Individualised Consideration ( <i>transformational</i> )	Special attention is paid to each individual's needs and differences. Effective listening, developing of potential and personalised interaction are all components of this leadership style.
Contingent Reward ( <i>transactional</i> )	Leader and follower agree on what needs to be done and for what reward.
Individualised consideration and contingent reward constitute a <b>Developmental Exchange</b> .	
Management-by-exception (active) ( <i>transactional</i> )	Leader actively monitors errors, mistakes or any deviation from standards and norms.
Management-by-exception (passive) ( <i>transactional</i> )	Leader passively waits until problem or mistake arises then reacts.
Laissez-faire ( <i>transactional</i> )	Non-transaction, necessary decisions left unmade, responsibilities of leadership ignored
MBE-a, MBE-p and laissez faire constitute <b>Corrective Avoidant</b> leadership.	

Sources: Bass and Avolio (1994), Bass (1998), Avolio, Bass and Jung (1999)

**Table 2. Mean differences of leadership components and perceived integrity between peer ratings (across) and subordinate leader ratings (top-down)**

<b>Factors</b>	<i>MEAN SCORE, SCALE 0-4</i>		<i>2-TAILED T-TEST, sig.</i>
	Peer ratings	Top-down ratings	
<i>Factors that correlate positively with perceived integrity</i>			
Idealised Attributes	2.61	<b>2.96</b>	.000
Idealised Behaviours	2.50	<b>2.65</b>	.010
Inspirational Motivation	2.63	2.73	.094 n.s.
Intellectual Stimulation	2.41	<b>2.59</b>	.001
<b>Transformational Leadership</b>	2.54	<b>2.73</b>	.000
Individualised Consideration	2.46	<b>2.61</b>	.008
Contingent Reward	2.46	<b>2.74</b>	.000
<b>Developmental Exchange</b>	2.46	<b>2.67</b>	.000
<i>Factors which correlate negatively with perceived integrity</i>			
MBE-A	1.87	<b>2.14</b>	.000
MBE-P	<b>1.37</b>	1.16	.000
Laissez Faire	<b>.98</b>	.75	.000
<b>Corrective Avoidant</b>	<b>1.41</b>	1.35	.144 n.s.
<b>Integrity (scale 1-4)*</b>	3.59*	<b>3.78*</b>	.000

\* perceived integrity scale (PLIS-R) scale is 1-4. All other scales are 0-4

**Table 3. Correlation Matrix of Perceived Integrity and Effectiveness measures**

	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
1 PLIS-R Scale	-						
2 Satisfaction with leadership	.49	-					
3 Perceived leader effectiveness	.45	.79	-				
4 Extra Effort from followers	.27	.55	.60	-			
5 Motivation of followers	.47	.69	.68	.56	-		
6 Organisational Effectiveness	.34	.45	.49	.36	.50	-	
7 'Bottom-line' achievement by the organisation	.19	.31	.35	.20	.30	.50	-
MEAN	3.73*	2.96	2.89	2.35	2.79	2.06*	1.90*
STANDARD DEVIATION	.49	.89	.85	.93	1.08	.79	.84

Note: All correlations significant,  $p < 0.001$

$n = 1354$

\* Scale 1-4; for all other variables scale 0-4.

**Table 4. Correlation matrix of transformational and transactional factors with perceived integrity**

<i>Multifactor Leadership Questionnaire (MLQ)</i>													
<i>Transformational and Transactional Leadership</i>													
	<i>PLIS-R</i>	<i>II-A</i>	<i>II-B</i>	<i>IM</i>	<i>IS</i>	<i>TF</i>	<i>IC</i>	<i>CR</i>	<i>D.E.</i>	<i>MBE-a</i>	<i>MBE-p</i>	<i>LF</i>	<i>C.A.</i>
PLIS-R	(.92)												
Ideal Attributes	.46	(.78)											
Ideal Behaviours	.34	.64	(.76)										
Insp Motiv	.35	.71	.71	(.85)									
Intell Stim	.37	.63	.63	.63	(.79)								
<b>Transformational</b>	.44	.85	.87	.88	.83	(.93)							
Indiv Consid	.35	.63	.60	.56	.63	.67	(.61)						
Cont Reward	.38	.70	.69	.67	.64	.78	.63	(.74)					
<b>Developmental Exchange</b>	.40	.73	.71	.68	.70	.81	.90	.90	(.81)				
MBE-a	-.002*	.21	.21	.09	.21	.20	.18	.24	.24	(.67)			
MBE-p	-.40	-.41	-.34	-.37	-.38	-.42	-.30	-.35	-.35	-.02*	(.65)		
Laissez Faire	-.48	-.53	-.42	-.48	-.43	-.53	-.38	-.45	-.45	-.06°	.57	(.74)	
<b>Corrective Avoidant</b>	-.42	-.34	-.25	-.36	-.28	-.35	-.24	-.25	-.27	.50	.75	.69	(.70)
MEAN	3.73*	2.87	2.61	2.70	2.54	2.68	2.57	2.67	2.62	2.07	1.21	.81	1.36
STD. DEVIATION	.49	.80	.84	.86	.79	.72	.78	.81	.72	.85	.77	.75	.52

Note: all correlations significant,  $p < 0.001$ , except ° which indicates significance,  $p < 0.05$ , and \* which is not significant. n = 1354

\* Scale for PLIS-R 1-4; scale for all other variables 0-4

Figures in brackets are Cronbach's Alphas

**Table 5. Integrity Scores for High and Low Displays of Leadership Behaviours**

	<i>MEAN PERCEIVED INTEGRITY SCORE</i>		<i>DIFFERENCE</i>
	<i>At highest decile frequency of leadership behaviour</i>	<i>At lowest decile frequency of leadership behaviour</i>	
<b>Factors that correlate positively with perceived integrity</b>			
Idealised Attributes	3.93 n=98	c.f. 2.97 n=113	.96
Idealised Behaviours	3.89 n=131	3.30 n=119	.59
Inspirational Motivation	3.91 n=92	3.20 n=105	.71
Intellectual Stimulation	3.94 n=93	3.18 n=114	.76
<i>Transformational Leadership*</i>	<i>3.94 n=113</i>	<i>3.09 n=133</i>	<i>.85</i>
Individualised Consideration	3.91 n=94	3.03 n=103	.88
Contingent Reward	3.94 n=122	3.00 n=98	.94
<i>Developmental Exchange*</i>	<i>3.95 n=99</i>	<i>3.01 n=128</i>	<i>.94</i>
	<i>Range .06</i>	<i>Range .33</i>	
<b>Factors which correlate negatively with perceived integrity</b>			
MBE (active)	3.77 n=113	c.f. 3.75 n=92	.02**
MBE (passive)	3.08 n=106	3.91 n=91	.83
Laissez-faire	2.92 n=120	3.94 n=250	1.02
<i>Corrective Avoidant*</i>	<i>3.02 n=124</i>	<i>3.96 n=133</i>	<i>.94</i>
	<i>Range .85</i>	<i>Range .21</i>	

Note: mean Perceived Integrity score for total sample population = 3.73 (scale 1-4)

Total n = 1354

All differences are significant at  $p < .001$ , except for \*\* which is not significant

\* variations between low-order and high-order factor scores result from overlaps in decile cut-offs  
t scores relate directly to the magnitude of the difference in score, so are not included