An Assessment of Leadership Style as Perceived by Followers When Considering Leader Integrity and Employee Attitudes Towards Whistleblowing

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Abstract

Corporate illegal behavior, wrong doing and unethical behavior is a global concern. The Association of Certified Fraud Examiners (2016) reports that approximately 50% of fraud related cases stem from poor internal controls due to lack of leadership. Current literature suggests that whistleblowing is an ethical issue upheld by positive leadership. Therefore, we cannot discount the importance of leadership as a deterrent (Lui, Liao, & Wei, 2015). Although there are some studies that reflect upon authentic leadership and whistleblowing, very little has been done to expand upon the correlation of a follower's perception of leader integrity and attitudes towards whistleblowing; and how both may conceptually predict leadership style. This study first explores the relationship between the follower's perception of leader integrity measured by Craig and Gustafson's (1998) Perceived Leader Integrity Scale and his/her attitude towards whistleblowing which is measured by the Attitudes Toward Whistleblowing Scale (Park & Blenkinsopp, 2008). The study then examined the relationship between perceived leader integrity and attitude towards whistleblowing as predictors of the follower's rating of the leader's style as transformational, transactional, and passive-avoidant as measured by the Multifactor Leadership Questionnaire (Bass & Avolio, 2004).

Keywords: Leadership, Whistleblowing, Integrity, Ethics, Correlation, Multiple Regression

1   Introduction

Our corporate history is plagued with fraud and corporate scandals, such as billing, accounting and purchasing schemes, asset misappropriations, skimming, bid rigging, invoice kickbacks, and other facets of unethical behavior. A few well known cases include Bernhard Madoff, R. Allen Stanford, Enron, and WorldCom (Steinbauer, Remm, Taylor, & Njoroge, 2014). In the 2016 Report to the Nations, the top three frauds by category and occurrence in all cases are listed as asset misappropriations 83.5%; corruption 35.4%; and financial statement fraud 9.6% (Association of Certified Fraud Examiners, 2016). We have a global concern on our hands. A person of sound mind has to question how the fraud was perpetrated for such a long time without someone coming forward to report the wrong doing. More importantly, where is the leadership in all of this?

While the federal government, as well as corporations have implemented programs to deter fraud, highlight compliance, and promote a safe-landing for all whistleblowers; still only 20% of employees report the crime (MacGregor & Stuebs, 2014). Approximately 50% of fraud related cases stem from poor internal controls due to leadership – tone from the top and lack of management overview combined (Association of Certified Fraud Examiners, 2016).

One of the noteworthy cases pertains to the recent Wells Fargo scandal. As reported by Pickens (2016), management set aggressive annual productivity targets in an attempt to increase stock value. The inability to reach such targets carried a hefty consequence; and therefore, an unrealistic goal led to a miscalculation in professional judgement. The outcome of fraudulently opening an excess of two million accounts and assessing fees, resulted in 5,000 employees terminated, Wells Fargo paying $200 million in fines, and a public lynching. Pickens goes on to report that thousands of Wells Fargo employees knew of the scheme, but no one came forward.

Authors April, Peters, Locke, and Mlambo (2010) references Mahoney's (1998) explanation that ethics shapes what we do, who we are, and provides the moral courage to do the right thing. Even so, the integrity of future leaders and their ability to be value driven is deeply rooted in education, experiences and family influences.

Every building that lasts is built on solid foundations. Similarly when we build our 'self' – our character or personality – we need a solid platform to build on. It is therefore vital that we have an ethical foundation that we use to judge our actions or viewpoints (p. 158).

According to Liu, Liao, and Wei (2015), whistleblowing is an ethical issue which is upheld by positive leadership. The authors identify studies concluding that ethical behavior and transformational leadership serve to predict attitudes towards whistleblowing. Steinbauer, et al. (2014) further elaborates to state ethical leadership serves to promote positive self-leadership; which in turn promotes positive moral judgment and enhances ethical behavior. Some valid recommendations to ensure ethical behavior: accept accountability, act in accordance with my values and beliefs, act with courage, be open-minded/suspend judgement, be open, honest and transparent, define your sense of purpose, first do no harm, practice an internal locus of control, and treat others as you would like to be treated (April, et al., 2010).

Transformational leadership lends itself to an ethical climate. A leader of this caliber is unselfish and thinks and acts based upon what is good for the organization, community and nation. The transformational leader establishes and upholds the type of behavior that reinforces the look, feel, and being of an ethical climate. He/she models the personal conduct to show the effectiveness of organizational codes, policies and procedures. It is this very moment when the organization is shaped and an ethical climate is cultivated giving rise to a system of ethics, upheld by leadership grounded in integrity, credibility, trustworthy, and dependable (Engelbrecht, van Aswegen, & Theron, 2005).

2 Purpose of the Study

Although there are some studies that reflect upon authentic leadership and whistleblowing, very little has been done to expand upon the correlation of a follower's perception of leader integrity and attitudes towards whistleblowing; and how both may conceptually affect the perceived leadership style. Therefore, the purpose is summarized in three parts: (a) to examine whether or not perceive leader integrity predicts employee attitudes toward whistleblowing; (b) to further evaluate the relationship of perceived leader integrity and attitudes toward whistleblowing as predictors of leadership style; and (c) to add to the current body of literature as it relates to these specific variables.

Based upon my experience as a compliance officer and fraud investigator, it is imperative that we examine this relationship given we have an ethical and moral responsibility to model behavior of integrity and encourage a model of transparency. Due to the fact that our business world is global and meshed with various cultures, we need to develop a common language that involves a pledge to ethical behavior at all times. It is my opinion the message should read 'as a leader, I will only model ethical behavior to be observed and carried forward by future leaders in motion.'

The undertone of this study is to ignite a discussion that says our focus has been in the wrong direction. Internal framework, compliance structures, and reporting mechanisms are no match in the absence of ethical leadership (MacGregor & Stuebs, 2014). I propose the battlefield is looking us in the face each week. It is our leader; and without shining a light on this correlation between leader integrity, attitudes toward whistleblowing, and leadership style, we continue to nurture a generation of fallacious silence; thereby failing to mitigate risks, protect the interest of the public, and increasing the likelihood that fraud schemes will continue to be committed and go unreported (Lui, et al., 2015).

3 Methodology

3.1 Sample

Participants were derived from the principal's researcher professional network. Permission was granted from the Association of Certified Fraud Examiners to post a survey link to the General Forum of the Members site. In addition, a survey was posted to LinkedIn – a professional social network site.

3.2 Instrumentation

3.2.1 Perceived Leader Integrity

In order to determine the perception of leader integrity, Craig and Gustafson (1998) designed an instrument to assess the follower's perception of leader integrity concerning moral and ethical issues. Participants are asked to rate their leader utilizing this instrument consisting of 31 questionnaire items scored on a scale utilizing a four point Likert scale: (1) not at all; (2) somewhat; (3) very much; and (4) exactly. The Cronbach

Alpha internal reliability was demonstrated at $\alpha = .97$. The follower's scoring of their leaders is reported as: 31-35 as displaying high integrity; 36-66 as a moderate level of integrity; and 67-127 as low integrity. Example questions are as follows: (a) would use my mistakes to attack me personally; (b) always gets even; (c) would lie to me; (d) would risk me to protect himself/herself in work matters; and (e) makes fun of my mistakes instead of coaching me as to how to do my job better.

3.2.2 Attitudes Toward Whistleblowing Scale

Park and Blenkinsopp (2008) wanted to assess whistleblowing behavior. The Attitudes Toward Whistleblowing Scale was developed to assess attitudes, inclusive of reporting wrong doing of illegal activity or unethical behavior. The instrument consists of 14 items; utilizing a five point scale, ranging from 1) strongly disagree; 2) disagree; 3) neutral; 4) agree; and 5) strongly agree. The scale is determined to be reliable via Cronbach Alpha $\alpha = .78$. A defined vignette is provided: "assume that the sales department of a company for whom one employee has worked for five years has committed the crime of tax evasion by manipulating its account books and receipts. The employee discovers it one day by chance" (pg. 932); and participants are asked to assess their attitudes towards reporting the wrong doing. Some examples of the questions: (a) he/she reports the wrong doing to the appropriate person within the workplace; (b) he/she reports the wrong doing to the appropriate authorities outside of the workplace; (c) he/she informs the public of it; (d) he/she reports the wrong doing by giving detailed information about himself; and (e) he/she informally reports it to someone he trusts who is in charge of correcting it.

It should be noted that the original survey as created by Parks and Blenkinsopp assess attitudes towards internal/external; formal/informal; and identified/anonymous whistleblowing. Per a virtual meeting with Professor Blenkinsopp, it was agreed that per my research questions, the instrument allows some flexibility for the researcher to assess employee attitudes utilizing an overall score representative of an employee's attitude towards whistleblowing (J. Blenkinsopp, personal communication, June 3, 2017). Using this variation did not require the instrument to be altered.

In an email communication with Blenkinsopp and Park, the scoring to be utilized: 3.5 or higher: positive attitude towards whistleblowing and greater intent and likelihood to report; 2.5 – 3.4: neutral and less intent to report; and 2.4 or lower: negative attitude and no intent to report (J. Blenkinsopp and H. Park, personal communication, Feb. 7, 2018).

3.2.3 Multifactor Leadership Questionnaire

Bass and Avolio (1994) discussed leadership style along the spectrum of transformational, transactional, and passive avoidant. The Multifactor Leadership Questionnaire (MLQ) assesses leadership style of the full range. The instrument consists of 36 questions; and participants are asked to rate their leaders. A Likert scale is utilized ranging from (0) not at all to (4) frequently. The instrument is determined to be reliable, ranging from $\alpha = .74 - .94$. The outcome score is to be interpreted as whether or not a leader is more or less transformational, transactional, or passive-avoidant than the norm.

3.3 Research Design

The research will cover two areas: (a) attitudes toward whistleblowing as determined by perceived leader integrity; and (b) the outcome of leadership styles of transformational, transactional, and passive avoidant as predicted by perceived leader integrity and attitudes towards whistleblowing. Both areas will operate under the control variables follower's age (continuous variable); follower's gender (dichotomous variable); follower's ethnicity (categorical variable); follower's education level (categorical variable); follower's professional level (categorical variable); follower's tenure (categorical variable); and industry type (categorical variable).

The data analysis consist of correlation and multiple regression, with a level of significance at or below $p = .05$ as required by social science. To assess the significance of categorical variables with less than two groups, a t-test will be conducted. For those categorical variables with

more than two groups, an ANOVA will be conducted, followed by a Scheffé Post hoc to identify specific differences among the different groups. Likewise, the significant continuous variables will be documented via determination of the change in variance, beta weights and partial correlation.

3.3.1 Null Hypothesis

Ho1: There is no relationship between perceived leader integrity and attitudes toward whistleblowing when controlling for followers' age, gender, ethnicity, education, professional level, tenure, and industry type.

Ho2: There is no relationship between perceived leader integrity and attitudes toward whistleblowing and the follower's rating of (his/her) leader's style as transformational when controlling for followers' age, gender, ethnicity, education, professional level, tenure, and industry type.

Ho3: There is no relationship between perceived leader integrity and attitudes toward whistleblowing and the follower's rating of (his/her) leader's style as transactional when controlling for followers' age, gender, ethnicity, education, professional level, tenure, and industry type.

Ho4: There is no relationship between perceived leader integrity and attitudes toward whistleblowing and the follower's rating of (his/her) leader's style as passive-avoidant when controlling for followers' age, gender, ethnicity, education, professional level, tenure, and industry type.

3.3.2 Data Collection

The survey was distributed to individuals within the principal investigator's professional network via posting to a social network site for career minded professionals, and posted to the Member's General Forum of the Association of Certified Fraud Examiners. The post provided an online link to the web based survey hosted by Survey Monkey. Although there is no way to assign a numeric outcome as to the number of people whom actually viewed the online posting invitation for participation, a total of 164 professionals participated in the study providing full completion. Participants were identified due to ease of access and availability; and therefore this study is considered to be based upon a convenience sample.

4 Results

Results displayed in Table 1 revealed that a significant negative relationship exists between perceived leader integrity and transformational leadership ($r = -.607, p > .01$). Keeping in mind the scoring scale for perceived leader integrity to indicate the higher the score, the less the follower perceives the leader to display ethical behavior. Likewise, the data indicates the more the follower perceived the leader to be unethical, the less transformational than the norm.

A negative relationship exists between perceived leader integrity and transactional leadership ($r = -.200, p < .01$). The more the follower perceived the leader to be unethical, the less transactional.

Additional results show that a significant relationship exists between perceived leader integrity and passive-avoidant leadership ($r = .651, p < .01$). The more the follower perceived the leader to be unethical, the more passive-avoidant leadership style.

Other associative data is reported as follows: perceived leader integrity and attitude towards whistleblowing ($r = -.056$); attitude towards whistleblowing and transformational leadership ($r = .099$); transactional ($r = -.030$); passive-avoidant ($r = .013$); all lacking the standard minimum $p < .05$ significance.

You will notice the intercorrelation amongst transformational and transactional. This shows that these two variables are measuring similar things. In opposition to passive-avoidant and transformational and transactional measuring different items.

Table 1. Abridged Correlation Matrix

	Age	TA	TF	PA	PLIS	AT WS
Age	1					
TA	-.010	1				
TF	-.009	.540**	1			
PA	.057	-.716**	-.354**	1		
PLIS	.019	-.607**	-.200**	.651**	1	
ATWS	.018	.099	-.030	.013	-.056	1

**Correlation is significant at the .01 level
*Correlation is significant at the .05 level
(PLI) Perceived Leader Integrity; (ATW) Attitudes Toward Whistleblowing; (TF) Transformational; (TA) Transactional; (PA) Passive-Avoidant

To test all null hypotheses, a multiple regression was conducted to (a) analyze multiple variables; (b) determine which variables are significant predictors of the dependent variable; and (c) document the variance in predicting the dependent variable.

Null Hypothesis One: Fail to Reject

Null Hypothesis Two: Reject

The results of the second regression as illustrated in Table 2 signifies that perceived leader integrity is a predictor of transformational leadership. Perceived leader integrity explained 36.8% of the variance in transformational leadership scores ($R^2 = .36, ß = -.633, p = .00$). This indicates the more followers perceived their leader to be unethical, the less transformational.

Table 2. Model Summary for Significant Predictors for Transformational Leadership

Model Summary	R	R^2	ß	df1	df2	Sig. F Change
1	.607ᵃ	.368	-.633	1	159	.000

a. Predictors: (Constant) Perceived Leader Integrity

Null Hypothesis Three: Reject

As documented in Table 3, perceived leader integrity explained an additional 4.3% of the variance in transactional leadership scores ($\Delta R^2 = .043; ß = -.217, r_p = -.215, p = .01$). This indicates the more followers perceived their leader to have low integrity, the less transactional.

Table 3. Model Summary for Significant Predictors for Transactional Leadership

Model Summary	R	R^2	R^2 Change	ß	df1	df2	Sig. F Change
1	.257ᵃ	.066			3	157	.013
2	.331ᵇ	.110	.043	-.217	1	156	.006

a. Predictors: (Constant) Ethnicity

b. Predictors: (Constant) Ethnicity, Perceived Leader Integrity

To further explore ethnicity – a categorical variable consisting of more than two groups, a ONE-WAY ANOVA was conducted to report the comparison of the four groups assessing the leadership style as transactional. This analysis produced a statistically significant result ($F_{(3, 158)} = 3.60$, $p < .01$) – see Table 4.

Table 4. ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.302	3	1.767	3.596	.015
Within Groups	77.643	158	.491		
Total	82.945	161			

A Scheffé post-hoc revealed differences between the groups and as illustrated in Table 5. Followers who identified themselves as African Americans ($M = 1.87$) rated their leader more transactional than all other three groups; and followers who identified themselves as White ($M = 1.81$) rated their leader as more transactional than Hispanics.

Table 5. Ethnicity and Transactional Leadership Style

Ethnicity	Transactional Leadership (Mean)
White	1.81
African American	1.87
Hispanic	1.28
Other	1.43

Null Hypothesis Four: Reject

The results of the fourth regression displayed in Table 6 illustrates that perceived leader integrity is a predictor of passive-avoidant leadership. Perceived leader integrity explained 42.4% of the variance in passive avoidant leadership scores ($R^2 = .424$, $\beta = .679$, $p = .00$). This indicates the more followers perceive their leader to be unethical, the more passive-avoidant leadership style than the norm.

Table 6. Model Summary for Significant Predictors for Passive-Avoidant Leadership

Model Summary	R	R²	ß	df1	df2	Sig. F Change
1	.651ª	.424	.679	1	152	.000

a. Predictors: (Constant) Perceived Leader Integrity

5   Study Implications

As noted in the research, perceived leader integrity is a significant predictor of transformational and transactional leadership styles. Leaders who model integrity may help to promote an ethical environment. Likewise, leaders who model ethical behaviors such as honesty, trust, and respect may help to develop and promote transformational and transactional leadership styles.

Given that the perceived leader integrity proved to be significant, organizations may want to consider utilizing the Perceived Leader Integrity Instrument as a way to gain insight into follower perceptions. The data obtained could be employed as a starting point for assessing the ethical health of the organizational climate and promoting ethical behavior.

On an individual level, human resource business partners can utilize the Perceived Leader Integrity Instrument to signal which managers may need to take ethics training. In an attempt to develop the manager and enabling him/her to derive some benefit in taking ethics/integrity training, this may improve their transformational and transactional leadership styles. In general, this may serve to benefit the followers, as well as the organization as a whole.

In consideration of ethnicity accounting for 6.6% of variance in explaining transactional leadership, organizations may want to consider how ethnicity may affect follower perceptions of transactional leadership. Given this difference in relation to transactional leadership, organizations may want to ponder adding a segment on diversity training within leadership development programs.

Lastly, although attitudes toward whistleblowing was not found to be a significant predictor of leadership style, I would like to point out three distinct reminders: a) attitude is different from actual behavior; b) attitudes can be impacted by personal and situational factors; and c) a different – more specific vignette could very well lobby a different survey outcome.

6   Limitations of the Study

There are several limitations to be noted for this study. First, a convenience sample was used based upon researcher's knowledge of the population. Therefore caution should be exercised as to refraining from generalizing the results onto the general population.

Second, although Whites and African Americans were in the majority groups participating, the research is lacking an equal representation of all ethnic groups. This lends itself to the possibility of cultural bias which in turn may impact beliefs as to what constitutes ethical/unethical behavior within an organizational setting.

Next, the research sample consisted of participants primarily with a Master's Degree level of education. People with different experiences and education levels may be exposed to varying situations which may in turn cause them to respond differently in comparison to others. As such, attitudes will differ.

Both instruments – Perceived Leader Integrity and Attitudes Toward Whistleblowing are still evolving. There is room for additional research to further expound on both instruments (Craig & Gustafson, 1998; Park & Blenkinsopp, 2008).

Specific to perceived leader integrity, the instrument gauges the perception of integrity, not actual integrity. Likewise, "we do not know exactly when followers' impressions of leaders' integrity develop, how those impressions change over time, nor even which leader behaviors are most influential in the impression formation process" (Craig and Gustafson, 1998, pg. 128).

Lastly, given the fact that the survey consisted of ninety-one questions, with an average time of completion at 12 minutes, and numerous instances of respondents failing to complete the entire questionnaire, it is speculated that survey fatigue was may have been a factor.

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