

## Public sector potential for organisational innovation: examining impact of good governance principles and integrity.

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### Abstract

Organisational Innovation is deeply entrenched in the leadership, cultural and ethical values of public and private sector organisations. Currently, governance in public administration has been exposed to public criticism due to the governance failure, fraud, corruption and poor internal control. The purpose of the study is to examine the relationship between factors of good governance and the practice of integrity in academic institution that create a conducive environment for organization innovation. The simple random sampling was used to select the sample for the study. The questionnaire survey was distributed to 98 academics from two academic institutions in Malaysia. Such sample was chosen since this study was focused on the academic's perspective on integrity practice in academic institutions and no research has been done in term of good governance and integrity in academic institutions Malaysia. This study found that all three factors of good governance which are ethical leadership, financial resources and asset management have significant relationship on integrity practice in academic institution. The findings of this study can assist academic institutions in Malaysia to improve their governance system and also code of ethics in their organization. In order to improve future studies, it is recommended that the data collection made to be more extensive.

Keywords: Integrity, good governance, ethical leadership, asset management, financial resource, academic institution.

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## 1.0 Introduction

In recent times, innovation has been discussed to be the bedrock of firm competitiveness, growth and new product and processes. Organizational culture internal set-up and leadership style has been mooted to be a bedrock that facilitates organizational innovation. As researched by Laforet (2016), a paternalistic and founder culture type does not spur on family firm innovation performance, unlike an entrepreneurial-like culture, i.e. one that is externally focused, flexible, proactive and long-term oriented. In the same vein, an internally focused culture such as, the founder culture inhibits innovation; where as an outward focused culture like, an external orientation culture has a direct effect on family firm innovation performance as also concurred by Çakar and Ertürk (2010).

Recently, there are many issues discussed regarding the integrity in the public sector administration especially among the public servants. The issues of misuse of authority, conflict of interest, bribery, misuse of insider knowledge, abuse of confidential information for personal purposes, corruption and misuse of trust, even though have been committed by a few of the public servants, their effect, has tarnished the image of public servants in overall. These issues have become the global issues due to the continuous stream of governance failure. A lot of cases are reported almost every day in the newspaper and social media on the unethical behaviors committed by the public servants especially in Malaysia. For instance, according to Malaysian Anti-Corruption Commission Deputy Chief Commission (Prevention), Datuk Shamsun Bahrin, half of the Malaysian government officers found guilty of graft were under the age of 40 (Noorsila, 2017, Önder 2018). Another example related to the issue of unethical behavior was the reported case regarding the investment of Johor civil servant due to bribery case of RM 30 000 and also hidden cash of RM 18 505 in his house (Bernama, 2017, Okpechi, et.al 2018).

In terms of government perspective, its aim is to safeguard public interest, protect the rights and inculcate accountability and integrity in the daily work of public servants (Said, Alam, & Khalid, 2016, Likitrattanaporn 2018). However, currently, governance in public administration has been exposed to public criticism due to the governance failure, fraud, corruption and poor internal control. According to Huberts, Kaptein, and Lasthuizen (2007) integrity abuse can lead to the biggest financial loss, damaged reputation, bankruptcy and collapse a country's economic and political system. Therefore, good governance principles are very important to increase citizens' trust (Said et al., 2016, Obiero 2018) and provide emphasis towards achieving integrity.

This study aims to examine the relationship between several factors of good governance and integrity in public academic institution. The factors of good governance consist of ethical leadership, financial resources and asset management. In order to identify the relationship between factors of good governance and practice of integrity in the academic institutions, this study aimed at verifying hypothesis, which will be discussed in literature below.

## 2.0 Literature review

The integrity of public officials is considered a key determinant of public trust in government, a central concept in good governance and facilitator of internal organizational innovation. The development of integrity in the beginning was stated as the moral notion that conveys the meaning of moral uprightness and wholeness (Aziz, Hilmi, Md. Mahmudul, & Jamaliah, 2015, Obi & Okekeokosisi 2018). According to Huberts et al. (2007), integrity is the quality of acting based on suitable moral values, norms and rules accepted by a society. Basically, it refers to the quality of individuals and organizations that corresponds with the words and actions or how well people match their adopted values to their actual values (Hooijberg, Lane, & Diverse, 2010, Nair & Hui 2018).

In public administration, integrity refers to employees' honesty and trustworthiness in performing their official duties, avoiding corruption and the misuse of power. Having integrity criteria in every person is important for the employees to maintain their disciplines, follow the rules and regulations of their organization and to become accountable for their own actions, which can help them to comply and instill values leading to ethical behavior (Aziz et al., 2015, Mwirigi, et. al 2017, Kyrychenko 2018). It is valuable among public sector servants to offer better service to the public. Hence, it is important for the government or public sector itself to have efficient good governance to improve the integrity practice among their staff and set them up on a good path to creating organizational innovation.

Good governance is a concept that verifies an ideal administrative behavior and rejects unethical behaviours (Salminen & Rinna, 2010, Jr & Peñol 2018). The basis of good governance is built on laws and regulations; therefore, the ethics of public organisations are safeguarded by legislation with general norms and specific regulations used as the foundation of ethical conducts in practice (Salminen & Rinna, 2010). The basis of good governance is the ability to provide an efficient and effective governance system that supports the important aim of the government in safeguarding the public interest. Moreover, it can lift the protection of rights, increase accountability and integrity among the public officers in their daily activities (Aziz et al., 2015) . According to Monteduro, Hinna, and Moi (2016), the concept of good governance is related to the measurement of governance in terms of efficiency, effectiveness, economy and achievement of social outcome. Based on the study carried out by Aziz et al., (2015) and Hossain (2018), it has been suggested that every department and ministry should produce or report on its ethics and integrity activities. All the integrity activities organised by the government departments and ministries will encourage the good governance in their organisations. It is always a challenging task to construct and maintain a good governance system and prevent non-integrity actions in the public sectors (Salminen & Rinna, 2010).

## **2.1 Factors of good governance and integrity practice**

This study considered three factors of good governance to explore their relationship with integrity practice in academic institution.

### **2.1.1 Ethical Leadership and Integrity Practice**

Palanski & Yammarino (2007) argued that leaders' integrity has an encouraging impact on the moral purposes among workers. This is due to the high level of inspirations that the leader normally applies, and the workers or employees that expect high integrity practice from their leader. In addition, the importance of ethical leadership can enforce the standards and provide clear guidance to the public servants and government agencies to carry out their responsibilities and accountabilities in their daily works (Aulich, 2011, Hassan & Kommers 2018).

As good ethical leaders, they must possess certain qualities. Among the qualities of ethical leadership that influence the integrity of the employees are by setting a good example for their employees, strictness of management in spreading the ethical norms and curbing the misbehavior of employees as well as the openness of management to discuss integrity problems and dilemmas among employees (Huberts et al., 2007). Other ways of setting examples include having compatible morals and values, highly ethical, honoring integrity, honesty and trust (Aziz et al., 2015). These kinds of qualities are essential to build the reputation of ethical leadership and become the pillar of the moral leader in organisations. According to Huberts et al. (2007), there is a belief that the leader with ethical integrity will influence the integrity of the employees.

Leadership in the public sector has its challenges (Tizard, 2012, Ha & Tran 2018) and becomes a crucial factor when dealing with ethical issues (Aziz et al., 2015). To be excellent public sector leaders, they need to strategize their approaches to address budget pressure, understand the impact of interferences and actions of the organization and staff, and set assessable criteria toward the value of public money. Besides, the public sector leaders need to ensure that their organisations possess necessary skills, competencies and are able to adopt the right values and behaviors to achieve the objectives that have been set up. Furthermore, they also have to be open, transparent and accountable in practicing the public service ethics. According to (Tizard, 2012), the future demand on the public sector leaders is so different due to the tough challenges on budget and other pressures that require them to be more innovative, motivated, empowered and skillful to be good and ethical leaders.

### 2.1.2 *Financial Resources and Integrity Practice*

According to Boea and Kvalvika (2015), resources can be categorized in either quantity or money, which become the factors that contribute to the process of creating value. Bosoia et al. (2017), defined financial resources as the utilization of financial capital that can be changed by the organisations to achieve their goals. On the other hand, Siano, Kitchen, and Confetto (2010) mentioned that financial resources make up the capital, land and labor that signify the element of production.

In order to have efficient financial resources, organisations need financial sustainability. Villegas (2015) mentioned that financial sustainability is important as the capacity to generate resources based on demands so that it can maintain productive process in producing result and savings. To make it a success, four financial management functions need to be adhered to. One of them is in terms of budgeting that supports the planning of programme through committed financial resources to achieve the planned programme or activity.

In terms of financial resource management in the Malaysian public sector and based on the survey on Open Budget Index 2017 mentioned earlier, Malaysia was categorized in the group of limited in providing information in transparency on the government budget and financial activities. The score was only 46 out of 100 points, which ranked Malaysia at 56th place. Therefore, this makes it difficult for the public to hold the government accountable on the public's money management and intricate the issue of integrity.

In order to curb the problem, Bakar and Ismail (2011) observed that the Malaysian National Audit Department had carried out Financial Management Accountability Index (FMAI) assessment to assess financial management observance in the government bodies such as Ministries, Departments, Statutory Body, Local Authorities and Islamic Religious Council in terms of financial laws and regulations and the element of financial management. This type of measurement can improve the accountability and integrity in managing financial resources especially the public money.

### 2.1.3 *Asset Management and Integrity Practice*

Beitelmal, Molenaar, Javernick-Will, and Pellicer (2017), proposed that asset management is the framework of decision making guided by the goal to improve efficiency and preserve asset value through timely and cost-effective decisions. On the other hand, Jolicoeur and Barrett (2005) referred asset management as the process of maximizing the value of property from the processes of acquisition to disposition according to the owner's objective. This was then supported by the Government of Victoria, Australia, which defined asset management as the process of acquisition, disposal of asset and risk management and cost of the entire asset life cycle (Rymarzak & Trojanowski, 2015).

Asset management has been used as an approach in the sector of public infrastructure to achieve more values with fewer resources. The principles in asset management have been used as the practice in public agencies to support decision making for the infrastructures (Schraven, Hartmann, & Dwulf, 2011). However, it seemed to be more challenging due to the complexity of infrastructure assets' function, the need to define failure and benefits of assets and the hardness on quantifying or measuring the failure and benefits (Schraven et al., 2011). Poor management of asset in public sector will lead to the misappropriation of asset

According to Haron, Paino, and Mohamed (2015), misappropriation of government assets has become another major issue of unethical behavior among the public servants and among the types of fraudulent activities in the public sector (Mustafa, Mohamed, & Said, 2017). This is consistent with the survey conducted by PwC, revealing the most pervasive economic crimes reported by the respondents for the year 2016, with asset misappropriation as the top ranking contributed 54 percent of the response followed by bribery and corruption, 30 percent and procurement fraud as the third ranking with is 17 percent ("Global Economic Crime Report ", 2016). Therefore, it is important to have good governance and reliable policy practice to achieve organizational goal to safeguard assets.

According to a study done by Joseph, Albert, and Byaruhanga (2015), 25 percent to 30 percent of the national Kenya budget was lost annually through fraud and the government did not properly account the fund allocated. Hence, the good governance of government management becomes the crucial factor for determining the attitude of public sector employees in dealing with asset management (Xerri, Nelson, Brunetto, & Reid, 2015).

To study the relationship of these three factors of good governance with the practice of integrity and its consequent effect on organization innovation, the three hypotheses were formulated:

- H1 There is significant relationship between ethical leadership and practice of integrity*
- H2 There is significant relationship between financial resource and practice of integrity*
- H3 There is significant relationship between asset management and practice of integrity*

### **3.0 Methodology**

#### **3.1 Design and sampling**

The data required for this study was gathered through the distribution of questionnaire forms. The questionnaire was designed to measure the relationship between good governance and practice of integrity in academic institution. The questionnaire consisted of 51 items, which were divided into three sections. The items in the questionnaire were measured using seven-Likert scale in identifying individual's perception. The seven-Likert scale was ranged from strongly disagree of '1' to strongly agree represented by '7'. The questionnaire was adapted from Said et al. (2016), Huberts et al. (2007), and *Financial Index Reporting Management* 2016) with some modifications to suit the context of this study.

This study selected the academic staff of two academic institutions Malaysia as the sample study. The academics involved in the questionnaire survey hold the positions ranging from top managements such as director, deputy director, head of department, and head of programme to lecturers. This sample was chosen since this study was focused on the academic's perspective on integrity practice in academic institutions. Simple random sampling technique was used since it is less complex and the simplest sampling technique compared to other techniques. Furthermore, the unit analysis of this study is organization.

### 3.2 Measurement of variables

The dependent variable of this study is practice of integrity. A total of twelve items adopted from Said et al. (2016) were used to measure the dependent variable. The independent variables of this study is factors of good governance, which consists of ethical leadership, financial resources and asset management. A total of nine items adopted from Huberts et al. (2007) were used to measure ethical leadership. To measure financial resources, ten item which were adopted from Said et al. (2016) were used, and for asset management, the total of fifteen items were used which is adopted from Financial Index Reporting Management and National Audit Department (National Audit, 2016).

Table 1 shows the result of Cronbach's alpha. The Cronbach's alpha for factors of good governance comprising ethical leadership, financial resource and asset management displayed values ranging from 0.909 to 0.960. The Cronbach's alpha for ethical leadership was 0.922, followed by financial resources with 0.909 and asset management with 0.960. The Cronbach's alpha for integrity practice was 0.940. Hence, the results indicated that the data used in this study has excellent values and achieved the required level of reliability for significant analysis. Such results also indicated that the data used for the study has achieved good internal consistency reliable for scale.

Table 1: Table of Reliability Statistics

Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardised items	N of Items
Ethical leadership	0.922	0.928	9
Financial resources	0.909	0.912	10
Asset Management	0.960	0.961	15
Integrity Practice	0.940	0.939	12

### 4.0 Data analysis procedures

The collected data from the properly completed questionnaires was analyzed using various relevant methods such as frequency, Cronbach Alpha, correlation analysis and multiple regression analysis. Descriptive statistics was performed to profile the characteristics of the respondents. A correlation matrix was generated to determine the presence of multi-collinearity among the variables. The mean and standard deviation values were computed as a check on the existence of outliers. A standardized regression coefficients test was performed to determine the goodness-of-fit of the model. The Statistical Package for Social Science (SPSS version 23.0) software was used in order to facilitate in the data analysis.

The responses received for this study through the questionnaire are satisfactory. This is based on the returned questionnaire forms that were duly completed by the respondents. Out of 226 copies of questionnaires distributed, only 98 sets were returned. The collected questionnaires resulting in response rate of 43 percent. According to Sekaran and Bougie (2016), a 30 percent response rate is considered acceptable, and in many cases even exceptional. Hence, the number of sample is considered sufficient to achieve significant results in multiple regression analysis.

### 4.1 Demographic results

The study collected few demographic data of the respondents which includes gender, age, level of education, job position and duration of services. The result shows 71.4% of the respondents are

female and 28.6% are male. Most of the respondents are in the 31 to 40 years age group, which contributed 65% of the total respondents. Through the analysis, it was found that the respondents possess different educational background. The result shows 51% of the respondents possess Master’s Degree, 41% possess Bachelor’s Degree and only 4% possess Diploma. In term of job position, 83% of the respondents are Academic staff. Meanwhile, in terms of duration of service, 34.7% of the respondents have been working between 12 to 14 years and 27.6% have been working for 9 to 11 years. Furthermore, 24.5% of the respondents have been working for more than 15 years, 10.2% have been working for 6 to 8 years and 3.1% of them have been working for 5 years and below.

## 4.2 Normality test

Normality test is performed to determine whether the general assumption of data normality has been violated. The assumption of data normality is necessary to ensure that the statistical test is valid. Normality test assists as a prerequisite for inferential statistical technique to minimize risk of error. Field (2015) stated that the general assumption of parametric test is that the data should be normally distributed. There are numerous ways to test normality of the data such as by using Kolmogorov-Smirnov and Shapiro Wilk, Skewness and Kurtosis and Normal Q-Q plot (Field, 2015; Pallant, 2011).

This study used Skewness and Kurtosis test to determine data normality. A rule of thumb for Skewness and Kurtosis would be between -1 to 1 (i.e., absolute value less than 1) to show slightly skewed, between -2 to 2 (i.e., -2 to -1, 1 to 2) to show moderately skewed and outside of -2 to 2 (i.e., less than -2 or larger than 2) to show heavily skewed. However, according to Field (2012), the central limit theorem state that as a sample size become larger than thirty (30), the assumptions of normality does not really matter. This is because the sampling distribution would become normal regardless of what population data would look like. Table 2 illustrates the results of Skewness, Kurtosis and 5% Trimmed mean for all variables. Based on the results, the value of Skewness range between -0.358 and -0.877, mean while the value of Kurtosis range from 0.053 to 1.528. It shows that the data is within the values provided in a rule of thumb for Skewness and Kurtosis; hence, it is assumed that the data is normally distributed.

The results also illustrate 5% trimmed mean. According to Pallant (2011), the normality of data can be determined based on the value of the original mean score and the value of 5% trimmed mean score. Results on Table 2 show the small differences between the value of mean score and 5% trimmed mean score for each of the independent variable; ethical leadership, financial resource and asset management and dependent variable; integrity practice. Therefore, it indicates that the mean scores have strong influence on trimmed mean scores which represents the normal distribution of the data.

Table 2: Skewness, Kurtosis, Mean and 5% Trimmed Mean

<b>Variables</b>	<b>Skewness</b>	<b>Kurtosis</b>	<b>Mean</b>	<b>5% Trimmed Mean</b>
Ethical leadership	-0.358	0.053	5.8197	5.8422
Financial resources	-0.584	0.251	5.7204	5.7440
Asset management	-0.877	1.528	5.6388	5.6753
Integrity practice	-0.604	0.532	5.6471	5.6759

### 4.3 Correlation analysis

Correlation analysis was conducted in this study to see the linear strength of the direction between two variables. It needs to be performed because it is one of the fundamental assumptions for regression analysis. This study used Pearson correlation coefficient analyses.

The correlation analysis is performed in this study to ensure that there is no existence of multicollinearity between variables. The multicollinearity exists when there is strong correlation between two or more variables (Field, 2015). The value of correlation greater than 0.9 between independent variables and dependent variables indicates the probability of multicollinearity problem (Pallant, 2011; Tabachnick & Fidell, 2013). The multicollinearity test for this study was carried out to see whether there is multicollinearity problem regarding the variables used.

Table 3 provides the summary of correlation results of factors of good governance that include ethical leadership, financial resource and asset management on the integrity practice. The overall result indicates that there is a positive correlation between all variables at 0.01 level of significant. Based on the results on Table 3, there is significant positive correlation between ethical leadership and integrity practice at  $r = 0.546$ . Financial resource has significant positive relationship with practice of integrity at  $r = 0.662$ . The third factor of good governance which is asset management also has significant positive relationship at  $r = 0.582$  with the integrity practice.

Overall, the values of correlation coefficients between variables range from 0.445 to 0.669. Thus, there is no existence of multicollinearity since the correlation results are below 0.90. Hence, the results show a positive significant correlation between the three factors of good governance and practice of integrity in academic institution. Therefore, the finding indicates that ethical leadership, financial resource and asset management are positively associated with the practice of integrity. In other words, if the condition of good governance were good, then it would be reflected in the good practice of integrity among the staff creating a conducive environment for organizational innovation in the public sector.

Table 3: Pearson correlation test

<b>Variables</b>	<b>Ethical Leadership</b>	<b>Financial Resources</b>	<b>Asset Management</b>	<b>Integrity system</b>
Ethical Leadership	1			
Financial Resources	0.669**	1		
Asset Management	0.445**	0.664**	1	
Integrity system	0.546**	0.662**	0.582**	1

Note: \*\* Correlation is significant at the 0.01 level.

Tolerance and Variance Inflation factors (VIF) test was also performed in this study to assess multicollinearity events. VIF test is conducted to determine the degree of multicollinearity of independent variable with other independent variable. The VIF indicates whether a dependent variable has a strong linear relationship with independent variables (Field, 2015). Multicollinearity is assumed exist if the value of VIF greater than ten (10) and as for tolerance, there is no violation of multicollinearity if the value is higher than 0.1 (Pallant, 2011). Table 4 discusses the results of Tolerance and VIF analyses. The results show that the VIF value for each of the factor of good governance is below than ten (10) as the value range from 1.788 to 2.596. The values are, ethical leadership (VIF = 1.810), financial resource (VIF = 2.596) and asset management (VIF = 1.788).

Apart from that, the tolerance value for each of the independent variables is also higher than 0.1. The tolerance values range from 0.385 to 0.559. The tolerance value of ethical leadership is 0.552, for financial resource the tolerance value is 0.385 and for asset management, the tolerance value is 0.559. Hence, the results in Table 4 indicate that there is no violation of assumption of multicollinearity. In addition, it shows that the regression model is met the condition guided by Pallant (2011) and Tabachnick and Fidell (2013) which has been discussed earlier. According to the Table 3, we can identify that there is a strong correlation between integrity practice as dependent variable with factors of good governance, which comprises of ethical leadership, financial resources and asset management as independent variables.

Table 4: Tolerance and Variance Inflation Factors (VIF) value

Variables	Tolerance	Variance Inflation Factor (VIF)
Independent Variables:		
Ethical leadership	0.552	1.810
Financial resources	0.385	2.596
Asset management	0.559	1.788

#### 4.4 Regression analysis

Regression analysis was performed to determine the relationship between factors of good governance and practice of integrity in academic institution. The multiple regression analysis was conducted to test the hypotheses that have been developed in the research framework in Chapter 2. It describes the relationship between factor of good governance, which comprises of three independent variables and the practice of integrity. For this study, there were three hypotheses that have been developed in order to answer three research questions in Chapter 1. The hypotheses are stated below:

$H_1$	There is significant relationship between ethical leadership and practice of integrity
$H_2$	There is significant relationship between financial resource and practice of integrity
$H_3$	There is significant relationship between asset management and practice of integrity

A model was developed in this study to test the relationship between factors of good governance and practice of integrity. To examine the significant relationship between factor of good governance; ethical leadership, financial resources and asset management, with the practice of integrity, regression analysis was performed based on the following model:

$$IS_i = b_0 + b_1EL_i + b_2FR_i + b_3AM_i + e \quad (1)$$

Where:

IS = Practice of integrity in academic institution

EL = Ethical leadership in academic institution

FR = Financial resources in academic institution

AM = Asset management in academic institution

$e$  = Error term

Table 5 illustrates the results of multiple regression based on the model provided above. It shows the existence of a positive significant relationship between factors of good governance and practice of integrity. Specifically the results show ethical leadership (t-statistics = 1.855, p-value = 0.062), financial resource (t-statistics = 3.109, p-value = 0.002) and asset management (t-statistics =

2.591, p-value = 0.011). The result also signifies that 47.7 percent of the variation on integrity practice is explained by the variation of factors of good governance. The positive relationship between factors of good governance and integrity practice confirms that high ethical leadership, financial resource and asset management, result to high integrity practice in academic institution especially among the lecturers.

The Durbin-Watson test was also carried out to see whether the assumption linear models are correlated. A value greater than two (2) indicates negative correlation, while the value below two (2) indicates a positive correlation (Field, 2015). The value of Durbin-Watson is 1.908, which is less than two (2). It can be concluded that all three variables have positive correlation with the practice of integrity due to the values of Durbin-Watson test for three independent variables whose sum are below 2.

Table 5: Multiple regression result

Variables	Coefficient	Beta	t-value	p-value
Constant	0.649		1.214	0.228
Ethical leadership	0.202	0.186	1.885	0.062*
Financial Resources	0.414	0.368	3.109	0.002 **
Asset Management	0.257	0.254	2.591	0.011 **
R	0.702			
R <sup>2</sup>	0.493			
Adjusted R <sup>2</sup>	0.477			
Durbin-Watson	1.908			

Note: \*\*\* Significant at 0.01 level; \*\* Significant at 0.05 level; \* Significant at 0.10 level

## 4.5 Hypotheses testing

### 4.5.1 Ethical leadership and practice of integrity ( $H_1$ )

Hypothesis 1 ( $H_1$ ) in this study stated “there is significant relationship between ethical leadership and practice of integrity. Based on Table 5, the result indicates that there is positive significant relationship between ethical leadership and integrity practice due to the positive coefficient value of 0.202. Apart from that, the result also signifies that the t-value show 1.885 with the p-value is 0.062. It shows significant of p-value less than 0.10. The result indicates that the relationship between ethical leadership and practice of integrity is significant. It means that ethical leadership influences the practice of integrity. The more ethical the leaders in an academic institution, it influences the staff or specifically the lecturers to be more ethical in their profession. Overall, based on the result and discussion above, Hypothesis 1 ( $H_1$ ) is supported that there is significant relationship between ethical leadership and practice of integrity.

### 4.5.2 Financial resources and practice of integrity ( $H_2$ )

Hypothesis 2 ( $H_2$ ) of this study stated “there is significant relationship between financial resource and practice of integrity”. Based on the results shown in Table 6, the t-value for financial resource is  $t = 3.109$  which p-value is 0.002. Hence, the result shows the significant relationship since

the p-value of financial resource is less than 0.05. Apart from that, the coefficient value of 0.414 indicates the positive relationship between financial resource and practice of integrity. The result signifies the existence of strong financial resource affects the practice of integrity. In other word, there is strong influence of financial resource to the practice of integrity.

When compared to the other factors of good governance that influence the integrity practice, financial resource produces the highest coefficient value. Hence, it indicates that the financial resource is the strongest unique contribution to explain practice of integrity. It can be assumed that the more financial resource gained by the institution, it would help the institution to carry out more programs to enhance the integrity practice among their staff. Overall, based on the above result and discussion, Hypothesis 2 ( $H_2$ ) is supported, as there is significant relationship between financial resource and practice of integrity.

#### 4.5.3 Asset management and practice of integrity ( $H_3$ )

Hypothesis 3 ( $H_3$ ) in this study stated “there is significant relationship between asset management and practice of integrity. Based on Table 5, the regression result indicates that there is positive significant relationship between asset management and integrity practice due to the positive coefficient value of 0.257. The result also indicates the relationship between asset management and integrity practice as significant at t-value of 2.591 with p-value of 0.011 which significant at p-value less than 0.05. Overall, based on the result, it can be concluded that asset management influences the practice of integrity. Hence, Hypothesis 3 ( $H_3$ ) is supported due to the significant relationship between asset management and practice of integrity. Table 6 presents the summary of the hypotheses results.

Table 6: Summary of Hypotheses Results

Hypotheses		Findings
$H_1$	There is significant relationship between ethical leadership and practice of integrity	Supported
$H_2$	There is significant relationship between financial resource and practice of integrity	Supported
$H_3$	There is significant relationship between asset management and practice of integrity	Supported

## 5.0 Findings and discussions

The overall analyses indicate that ethical leadership has significant positive relationship with integrity practice. It showed that, the organization possess high ethical leadership, hence, the practice of integrity will also be higher. This result is consistent with the argument from the study done by Bakri, Said, and Karim (2015), which stated that high integrity among the leaders would help the company to curb unethical behavior among the employees. It also alliance with the finding from Den Hartog and Belschak (2012) that argued on the higher engagement among the employees if the leaders acting ethically and according to Mathenge (2014), strong implementation of regulation will increase the integrity level among the workers. Results also buttresses the findings of Trung, Nghi, Soldier, Hoi and Kim (2014) which revealed that corporate leadership innovatively transforms organization setting it on course to achieve its mission.

This study also found the significant positive relationship between financial resource and integrity practice. Based on the results too, compared to ethical leadership and asset management, financial resource has highest coefficient value, which indicates strongest unique contribution in explaining the integrity practice. It shows that, financial resource is important determinants to enhance practice of integrity. If the financial resources are being well planned and effectively managed such as providing integrity training to the staff, it will reduce the unethical behavior such as fraud and will boost the higher practice of integrity. This result is consistent with the research done by Rozaiha, Nafsiah, Rosmawati, Nor Bahiyah, and Besty (2014) which argued that trust issue, difficulties in verifying revenue and expenses which related to financial resources and unclear policy and procedure of public procurement are the reason of occurrence of unethical behavior such as fraud in organization and government sector.

Another finding of the study is that there is significant positive relationship between asset management and practice of integrity. The finding indicates that asset management also influences the integrity practice in the academic institutions. It signifies that, the important thing of handling the asset management among the academics is their attitude. All academics are accountable for the proper management of their institution public assets in term of facilities and infrastructure to ensure that integrity and a more conducive innovation environment. It is supported by the argument from Xerri et al. (2015) which stated that good governance is the crucial factor of determining the attitude of public sector employees in dealing with asset management. Apart from that, the study done by Mustafa et al. (2017) also mentioned that attitude is most important risk factor to mitigate the misstatement of misappropriation of asset in public sector. Hence, the good attitude in handling asset management among the academics will portray the good practice of integrity and create an acceptable environment for trust, information sharing and in-house organizational innovation.

## **6.0 Conclusion and recommendations**

This study was conducted to examine the significant relationship between factors of good governance and the practice of integrity in academic institution that creates the environment for organizational innovation. This study contributes in the area of public sector practice, which is more related to code of conduct. From general perspective, since the population and the sample are from academic institution in Malaysia, the study is useful for the academics in bringing up the good moral practice environment among the students. This study is also useful to the practitioner to run any programs that can help their staff or department to improve their integrity awareness. Since the academics are the agent of the development of the students to provide the integrity future workers, this study may be useful to support government policy to enhance public trust. Apart from that, it would help the academic institutions to develop efficiency internal measurement for their organization. In term of academic contribution, this study can be used as addition to the source of literature review.

In order to improve research in future, data collection should be more extensive to other academic institutions. Research in this topic could be carried out in other government departments and other public agencies. This is because; the public sector departments and agencies also need to have good governance implementation along with the practice of integrity. Since, the public sector is the main stream of channelling out the country's revenue to meet the needs of the citizens. Therefore, by using the findings of this research, it will give benefits to other government departments and public sector agencies in order to improve services. Apart from that, the future research can focus extensively on the small issues. Since, one of the independent variables is asset management; the further research can be narrowed down to the use of small assets such as stationeries. This is because in academic institutions there are provision of stationeries that are given to the staff. By focusing on this issue, we

can see narrower on the practice of integrity in terms of asset management used by the respondents. Another suggestion is the study could be carried out by using another independent variables or factor of good governance such as internal control, human resource management, risk management and fraud control, whether there are relationship and influence on integrity practice in academic institutions. According to the research done by Said et al. (2016), the findings stated that risk management and human resources management does not have statistically significant influence on the practice of integrity. Therefore, future research can use these variables to see whether there are significant influences on the integrity practice in public academic institutions.

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