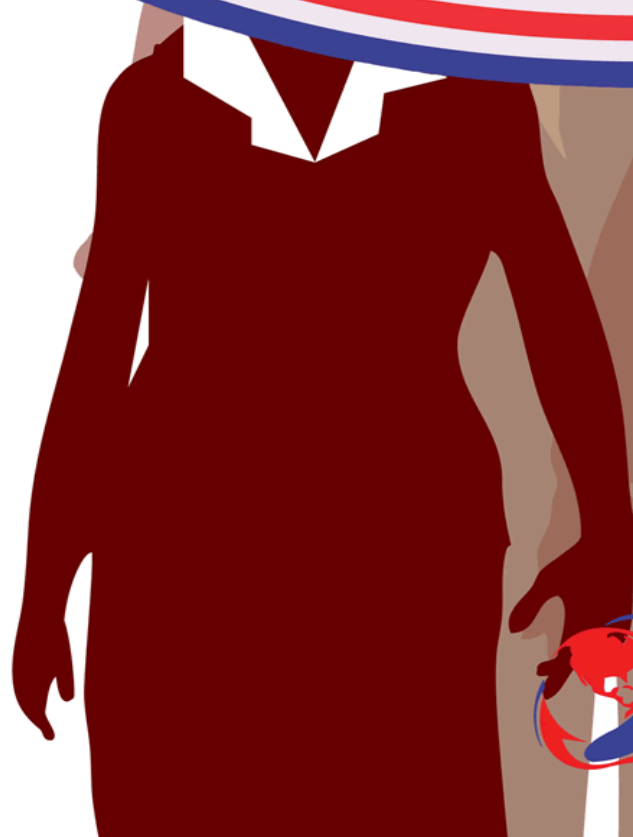


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**EFFECT OF LEADERS INTEGRITY AND ETHICS TRAINING
ON PERFORMANCE OF STATE CORPORATIONS IN KENYA:
A CASE STUDY OF KENYA REVENUE AUTHORITY**



EFFECT OF LEADERS INTEGRITY AND ETHICS TRAINING ON PERFORMANCE OF STATE CORPORATIONS IN KENYA: A CASE STUDY OF KENYA REVENUE AUTHORITY

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Abstract

Purpose: The purpose of the study was to determine the effect of leaders integrity and ethics training on performance of state corporations in Kenya.

Methodology: The study adopted a descriptive survey. Target population was composed of 320 employees of Kenya Revenue Authority. The sample size consisted of 175 respondents who were drawn from the senior level management, middle level management and non-management staff all of whom are members of Kenya Revenue Authority. Stratified random sampling was employed in constituting the sample since it enables inclusion of all divisions in the sample. Data was obtained using questionnaires, containing both open ended and closed ended questions. The questionnaires were self-administered and they were first pilot tested for reliability and validity. Statistical package for social sciences was used for data analysis and generation of tables, figures and relationships. Data was analysed by use of descriptive statistics and inferential statistics.

Findings: The study found that leader's integrity and ethics training have a positive and significant relationship with performance of state corporations.

Policy Recommendations: Organizations should ensure all their leaders are competent so as to boost their performance. Scholarships and sponsorships should be made available to all staffs

Keywords: *Ethics Training, Leaders Integrity, Performance, State Corporation*

1.0 INTRODUCTION

1.1 Background of Study

Ethical leaders bear the purpose, vision, and values of an organization and the constituents, within the parameters of ethical ideals. These individuals connect the goals of organization with those of employees and external stakeholders. Nevertheless, ethical leaders should comprehend that positive relationships with all stakeholders are the gold standard for all organizational efforts (Burns, 2008). Good quality relationships built on respect and trust are the most important determinants of organizational success. These leaders understand that these levels of relationships germinate and grow in the deep rich soils of fundamental standards for instance, honesty, fairness, equity, trust, respect, integrity, justice and compassion. The ethical leader should well know that coexisting in harmony with these basic principles, human enterprise flourishes and can be sustained (Brown & Treviño, 2014).

Ethical leaders help in giving meaning to their employees' work and also ensure that decisions are based on moral values (Avolio et al, 2011). Ethical leaders are always making efforts to incorporate moral principles in their beliefs, values and behaviour; they are committed to higher purpose, prudence, pride, patience, and persistence (Kellowa, 2007).

Brown and Trevino (2014) posit that an executive must be perceived as both a "moral person" and a "moral manager to have a reputation of ethical leadership." A "moral person" has good character; i.e he is honest and trustworthy, should show concern for the welfare of employee and is approachable. Whereas, a "moral manager," is one who leads others on ethical dimension, allows others know what is expected, and holds them accountable. Moral managers set ethical principles, communicate ethics messages, use the position of leadership to promote ethical conduct at work and use rewards and punishments to guide ethical behaviour in the place of work (Trevino & Brown, 2014).

1.2 Statement of the Problem

Leadership is critical for the success of any organization. Employees, suppliers, the general public and all other firm related stakeholders will behave and impact performance differently under a given form of leadership (Wang et al, 2012). The Kenya public sector has faced many claims, and criticisms due to poor leadership and governance that has contributed to wastages, inefficiencies, corruptions, poor service delivery and low performance (Mwakera & Mathias, 2016). Poor service delivery also undermines the resolve and achievement of the Vision 2030 anchored on continuity towards governance reforms (Ministry of Planning and National Development, 2010). Much effort have been put into place for enhancing the ethical conduct of public sector leaders for instance the introduction of the code of conduct. Nevertheless, the adoption of the set of accepted rules out in the public sector remains constrained while these human features would affect proficiency and adequacy of the state corporations (Grimland et al, 2012).

A critical issue in many organizations on practicing ethical leadership from the top management is not on its effect on the firm's value but also on its employees because unethical leadership might have a negative effect on employee job satisfaction and performance. Therefore, an association's authority is viewed as a central point that has an unquestionable impact on

representative execution in any sort of association (Ogbonna & Harris, 2010). Mwaponda (2009) concluded that compliance of ethical standards was essential in achieving corporate goals. Piccolo et al (2010) found the existence of a positive relationship between ethical leadership and workers efforts. Walumbwa and Schaubroeck (2009) argued that the attitude of ethical leadership had positive connections to enhanced employees psychological safety. Onyango (2012) found that leaders had an influence on employees' ethical behaviour. Nthini (2013) found that effective strategic leadership influenced organizational performance.

1.3 Objectives of the Study

The main objective of the study was to assess the effect of leaders' integrity and ethics training on state corporations' performance in Kenya, a case study of Kenya Revenue Authority

2.0 LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1 Social Learning Theory

Social learning theory was proposed by Bandura in 1977. The theory posits that leaders influence their employees through the modelling of processes involving the transition of values, attitudes, and behaviours. This makes employees learn more on what to do, and also what not to do, through observing their pioneers conduct themselves and also watches their outcomes. Therefore, moral leaders are going to be models by excellence of their relegated part, their status and accomplishment in the organisation, and their energy to influence the results of employees. Nevertheless, forerunners who take part in untrustworthy practices in association make a setting supporting parallel aberrance, which lead to employees observing and imitating inappropriate conduct from the leader.

For effective ethical leadership workers can likewise figure out how to be moral by watching pioneers who stand up for doing what is correct, particularly if the pioneers are effective in doing moral direct. According to Treviño (2009) stressed that social learning suggestion in associations like teaching sends capable flags about the estimation of authoritative standards and pioneers' ability to remain behind them. This suggests representatives who are rehearsing the best thing anticipate that unfortunate behavior was rebuffed brutally, and they are frustrated on the off chance that it is most certainly not.

The hypothesis stipulates that leaders have authority of energy to remunerate and rebuff. This makes representatives to give careful consideration and copy pioneers' conduct, and they will do what is remunerated and abstain from doing what is rebuffed in the association. In this way, prizes and disciplines ought not to be immediate but rather additionally can be adapted vicariously by watching how others in the association are remunerated and restrained (Yukl, 2006). This means that social learning theory support that leaders need ethical conduct of employees in organization. This means that managerial urge to give an appropriate case of what is in store in moral activities so as to have others comprehend what this will resemble. A pioneer need to give a case of what they need to see will enhance the origination of moral practices for

the other managers. This theory guided this study in understanding the influence training has on the performance of state corporations.

2.2 Empirical Literature Review

Ethical leadership is characterized by five principles; an ethical leader respects others, serves others, shows justice, manifests honesty and builds community (Northouse, 2013). According to Rieke and Guastello (2001) the duo describe integrity as an idea generally utilized inside formal and casual talks of moral initiative, yet is not unmistakably characterized and comprehended. While Becker (2008) expressed that uprightness is moral defence in view of a generally accepted fact or reality instead of only an endless supply of ethics and values by an individual or gathering. It is immovably implanted inside the ethical relativist custom in which impression of proper conduct can fluctuate amongst people groups and societies. Integrity in organization needs to begin at the top and be found in the direct and exercises of the administrators. The honesty in individual pioneers of respectability can make an agreement around a culture of trustworthiness inside association. This show respectability will make an exceedingly esteemed workplace; the association will work with its concentrate on the long-run great of its clients, representatives and financial specialists; and as an after effect of this centre, the association will exceed expectations in execution. For the organization to practice integrity there must be fruitful within the leader. It is turning out to be progressively obvious that the full incorporation of moral guidelines into business practice is best, as well as important for long haul authoritative survival.

The examination of Scandula (2009) revealed that ethical planning subjects should consolidate general capacities, for instance, instruction, particular aptitudes, presentation about the affiliation, and furthermore programs proposed to evade cases, surveys, and fines, for instance, licentious conduct getting ready, security getting ready, and ethics preparing .The investigation of Nu' a (2006) meant to quantify the connection of preparing to people execution who work at the Middle administration level in the college and to look at purpose of perspectives of upper administration and people at the center administration as to the preparation procedure as far as (characterizing the preparation needs, coaches determination, outlining of instructional classes and preparing process assessment). This examination managed just with people who went to instructional classes. Results demonstrated the disregard the cutting edge preparing strategies; rather, the emphasis is on the conventional techniques in giving instructional classes. The investigation has uncovered that the way toward preparing assessment is insufficient which diminishes the advantage rate that the college had accomplished from directing instructional classes. This investigation depicts applied hole as it center around a college while the present examination centred around the state enterprise.

3.0 RESEARCH METHODOLOGY

The study adopted a descriptive survey. Target population was composed of 320 employees of Kenya Revenue Authority. The sample size consisted of 175 respondents who were drawn from the senior level management, middle level management and non-management staff all of whom are members of Kenya Revenue Authority. Stratified random sampling was employed in constituting the sample since it enables inclusion of all divisions in the sample. Data was obtained using questionnaires, containing both open ended and closed ended questions. The questionnaires were self-administered and they were first pilot tested for reliability and validity.

Statistical package for social sciences was used for data analysis and generation of tables, figures and relationships. The data was coded and organized into concepts from which generalization was made of entire population. Data was analysed by use of descriptive statistics and inferential statistics. Quantitative data was analyzed using multi linear regression. The descriptive statistics consisted of means, percentages and frequencies. Multi linear regression was used to show the relationship between the variables. The data was presented using tables, charts and graphs.

4.0 RESULTS AND DISCUSSION

4.1 Demographic Characteristics

4.1.1 Gender of the Respondents

The respondents were asked to indicate their gender. Majority of the respondents who were 68% were males while only 32% were females. This implies that most top level, middle level and non-administration staffs of KRA were men.

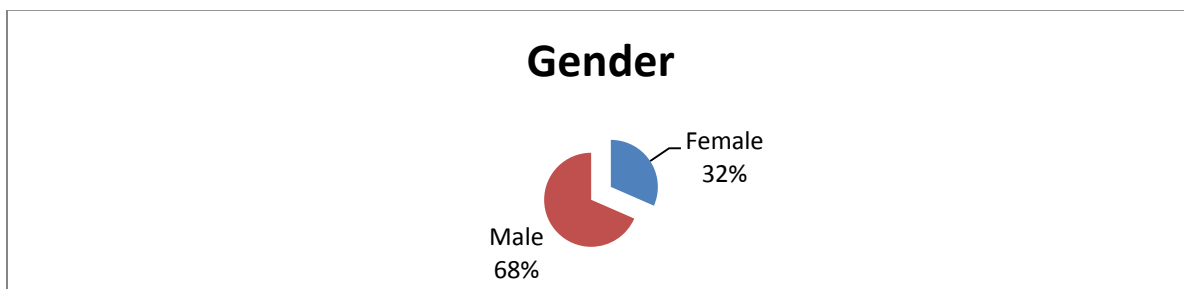


Figure 1: Gender of the Respondents

4.1.2 Age Group of the Respondents

The respondents were asked to indicate their age. Majority of the respondents who were 46% indicated that they were between 36 – 41 years, 28% were 42 years and above, 12% indicated that they were between 30 – 35 years, 7% indicated that they were 24 – 29 years while another 7% indicates that they were between 18 – 23 years.

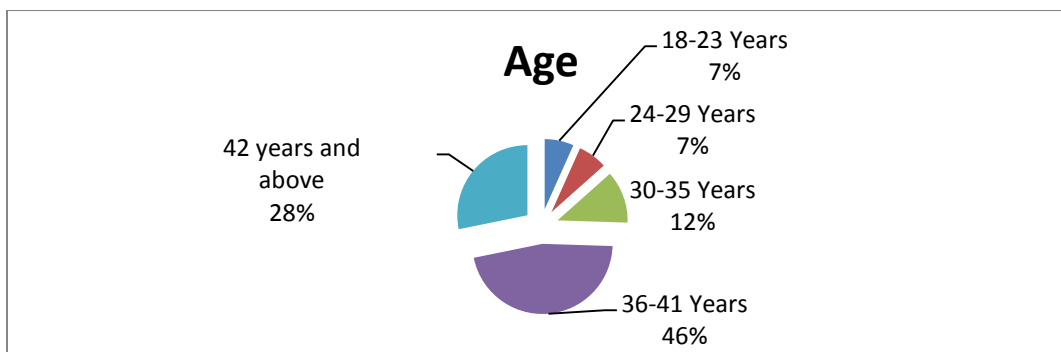


Figure 2: Age of the Respondents

4.2 Descriptive Statistics

4.2.1 Leaders Integrity and Performance

The respondents were asked to indicate whether leadership integrity affect performance of state corporations. Majority of the respondents who were 90% indicated that leaders integrity affect performance of state corporations, 7% indicated that leaders integrity does not affect performance of state corporations while only 3% who were not sure

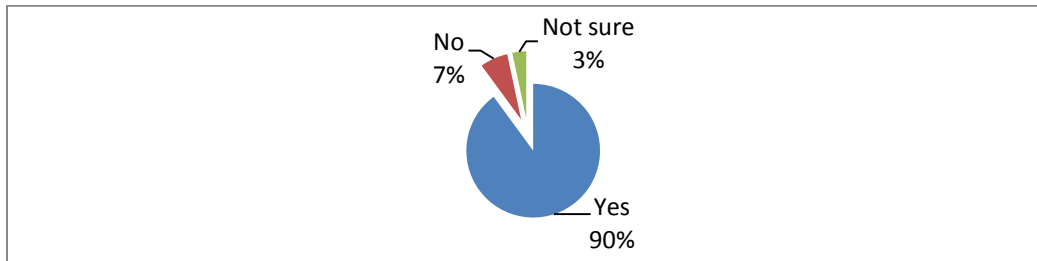


Figure 3: Leadership integrity and performance

The respondents were further asked to indicate the extent to which leaders integrity affect performance of state corporations. Majority of the respondents who were 45% indicated that leaders integrity affect performance of state corporations to a great extent, 34% indicated to a very great extent, 11% indicated to a moderate extent, 5% indicated to a little extent while another 5% indicated to a very little extent.

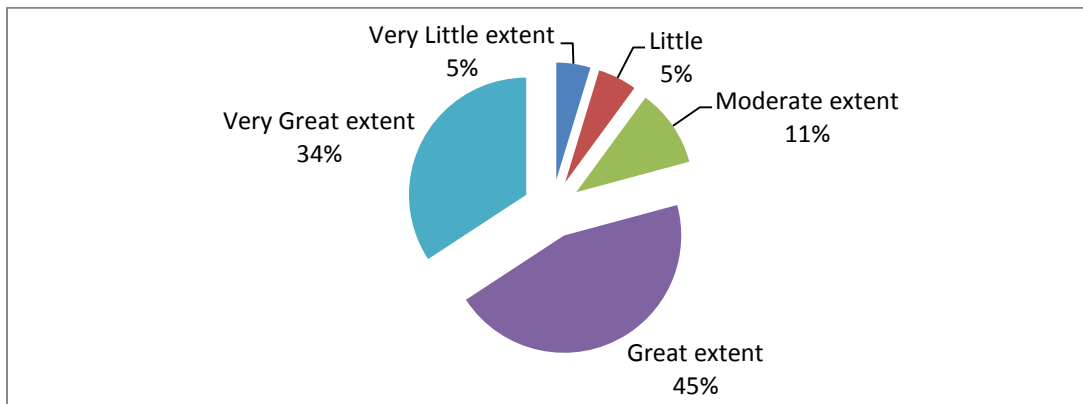


Figure 4: Leadership integrity and performance

The results revealed that majority of the respondents who were 79.2% agreed with the statement that management at KRA always encourage open and honest communication. In addition, the results showed that majority of the respondents who were 77.2% agreed with the statement that KRA leadership always base their decision on moral justification based on reality rather than merely an agreed-upon set of morals and values by an individual. The results further showed that majority of the respondents 79.2% agreed with the statement that whenever the leadership faces

a decision that might be in conflict, they usually declare their interest. The results further showed that majority of the respondents 79.8% agreed with the statement that KRA leadership exhibit strong moral principles; moral uprightness in financial transactions. The results further showed that majority of the respondents 79.8% agreed with the statement that KRA leadership exhibit strong moral principles; moral uprightness in financial transactions. The results further showed that majority of the respondents 81.2% agreed with the statement that there has been increased level of employee compliance to standards and reduction in incidences of dishonesty and communication breakdowns at KRA.

In addition, the result revealed that majority of the respondents 73.8% agreed with the statement that straight forwardness has been encouraged at the place of work in KRA. The results further showed that majority of the respondents 74.5% agreed with the statement that there is mutual respect among teammates at KRA. The results further showed that majority of the respondents 73.8% agreed with the statement that there is fairness and equity regarding promotions, recruitments and rewards at KRA.

On a five point scale, the average mean of the responses was 3.9 which means that majority of the respondents were agreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 1.14.

Table 1: Leaders integrity and performance

Statement	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	Mean	Std.Dev
The management at KRA always encourage open and honest communication	4.00%	7.40%	9.40%	43.60%	35.60%	3.99	1.06
KRA leadership always base their decision on moral justification based on reality rather than merely an agreed-upon set of morals and values by an individual	6.00%	8.70%	8.10%	43.60%	33.60%	3.90	1.14
Whenever the leadership face a decision that might be in conflict, they usually declare their interest.	5.40%	6.70%	8.70%	38.90%	40.30%	4.02	1.12
KRA leadership exhibit strong moral principles; moral uprightness in financial transactions	8.70%	6.00%	5.40%	43.60%	36.20%	3.93	1.20
There has been increased level of employee compliance to standards and reduction in incidences of dishonesty and communication breakdowns at KRA	6.00%	6.70%	6.00%	46.30%	34.90%	3.97	1.11
Straightforwardness has been encouraged at the place of work in KRA	7.40%	7.40%	11.40%	43.60%	30.20%	3.82	1.16
There is mutual respect among teammates at KRA	6.70%	6.70%	12.10%	46.30%	28.20%	3.83	1.12
There is fairness and equity regarding promotions, recruitments and rewards at KRA.	8.70%	8.10%	9.40%	47.00%	26.80%	3.75	1.19
Average						3.90	1.14

4.2.2 Ethics Training and Performance

The respondents were asked to indicate whether ethics training affect performance of state corporations. Majority of the respondents who were 78% indicated that ethics training affect performance of state corporations, 17% indicated that ethics training does not affect performance of state corporations while only 5% who were not sure.

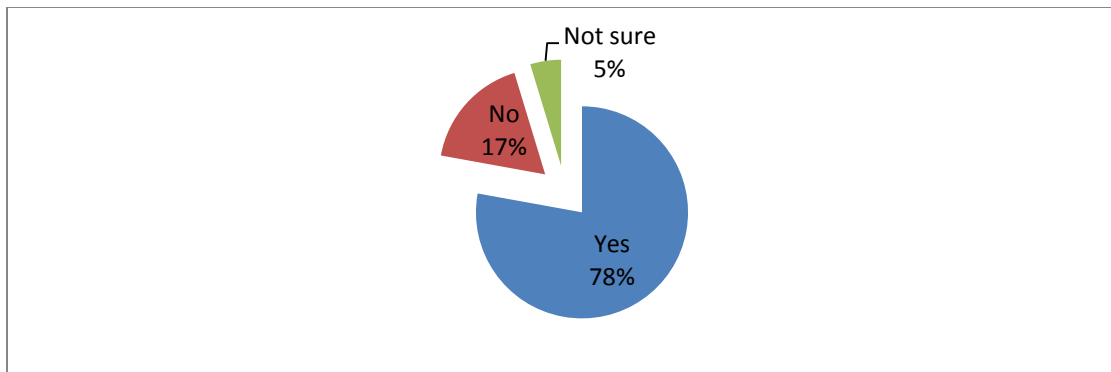


Figure 5: Ethics Training and performance

The respondents were further asked to indicate the extent to which ethics training affect performance of state corporations. Majority of the respondents who were 46% indicated ethics training affect performance of state corporations to a great extent, 34% indicated to a very great extent, 9% indicated to a moderate extent, 8% indicated to a little extent while only 3% who indicated to a very little extent.

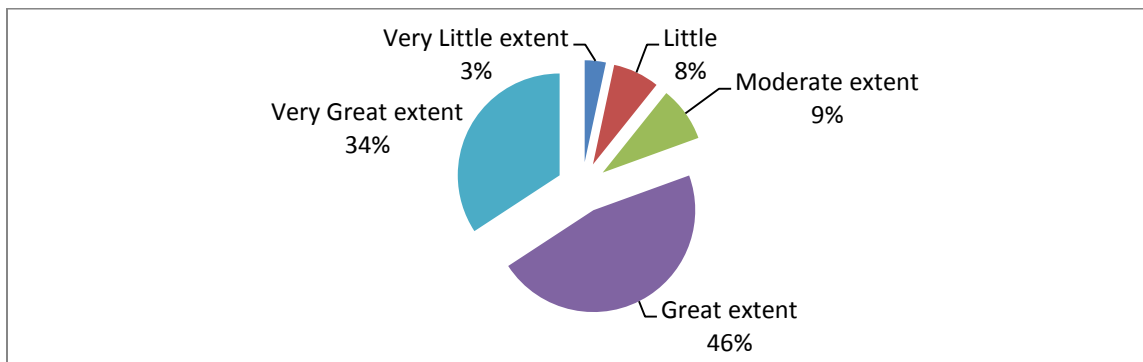


Figure 6: Ethics Training and performance

The results revealed that majority of the respondents who were 79.2% agreed with the statement that all leaders in the organization are competent. The results also showed that majority of the respondents who were 75.8% agreed with the statement that leaders trainings are oftenly held in the organization. The results also showed that majority of the respondents who were 81.2% agreed with the statement that staff competency on revenue collection affects financial performance. The results also showed that majority of the respondents who were 81.2% agreed with the statement that scholarship and sponsorship are available for all staff to be trained on good leadership. In addition, the results showed that majority of the respondents who were

82.6% agreed with the statement that leaders are sent for training on leadership skills as a ticket for promotional purposes. The results also showed that majority of the respondents who were 81.2% agreed with the statement that organization invest on improving skills of the leaders.

On a five point scale, the average mean of the responses was 3.97 which means that majority of the respondents were agreeing to the statements in the questionnaire; however the answers were varied as shown by a standard deviation of 1.07.

Table 2: Ethics Training and performance

Statement	Strongly disagree	Disagree	Undecided	Agree	Strongly Agree	Mean	Std. Dev
All leaders in the organization are competent	6.00%	5.40%	9.40%	45.00%	34.20%	3.96	1.10
Leaders trainings are oftenly held in the organization	6.00%	8.70%	9.40%	45.60%	30.20%	3.85	1.13
Staff competency on revenue collection affects financial performance of the county	4.70%	5.40%	8.70%	47.00%	34.20%	4.01	1.04
Scholarship and sponsorship are available for all staff to be trained on good leadership	4.70%	5.40%	8.70%	49.00%	32.20%	3.99	1.03
Leaders are sent for training on leadership skills as a ticket for promotional purposes.	4.00%	5.40%	8.10%	45.00%	37.60%	4.07	1.02
Our organization invest on improving skills of the leaders	5.40%	6.00%	13.40%	43.00%	32.20%	3.91	1.09
Average						3.97	1.07

4.3 Inferential Statistics

4.3.1 Correlation Analysis

Table 3 below presents the results of the correlation analysis. This show that leaders integrity and performance of state corporations have a positively and significant association ($r=0.619$, $p=0.000$). The results further revealed that that ethics training and performance of state corporations have a positively and significant association ($r=0.673$, $p=0.000$).

Table 3: Correlation Matrix

		performa nce	leaders integrity	ethics training	ethical recruitment process	Organizational culture
performanc e	Pearson Correlation	1.000				
	Sig. (2-tailed)					
leaders integrity	Pearson Correlation	.619**	1.000			
	Sig. (2-tailed)	0.000				
ethics training	Pearson Correlation	.673**	.370**	1.000		
	Sig. (2-tailed)	0.000	0.000			

** Correlation is significant at the 0.01 level (2-tailed).

4.3.1 Regression Analysis

The results presented in table 4 present the fitness of model used of the regression model in explaining the study phenomena. Leader's integrity and ethics training were found to be satisfactory variables in explaining performance of state corporations. This means leader's integrity and ethics training explain 61.1% of the variations in the dependent variable which is performance of state corporations. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 4: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782a	0.611	0.606	0.213

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 5 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables indeed promote performance of state corporations. This was supported by an F statistic of 114.822 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Table 5: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	10.454	2	5.227	114.822	.000b
Residual	6.646	146	0.046		
Total	17.1	148			

Regression of coefficients results in table 6 shows that there is a positive and significant relationship between leaders integrity and performance ($\beta=0.269$, $p=0.000$). The results further showed that there is a positive and significant relationship between ethics training and performance ($\beta=0.538$, $p=0.000$).

Table 6: Regression of Coefficients

	B	Std. Error	t	Sig.
(Constant)	0.259	0.24	1.079	0.282
leaders integrity	0.409	0.053	7.707	0.000
Ethics training	0.539	0.058	9.269	0.000

Optimal model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

$$\text{Performance of state corporation} = 0.256 + 0.409 \text{ leaders integrity} + 0.539 \text{ ethics training} + e$$

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

From the descriptive results, majority of the respondents agreed that; management at KRA always encourage open and honest communication, KRA leadership always base their decision on moral justification based on reality rather than merely an agreed-upon set of morals and values by an individual, whenever the leadership faces a decision that might be in conflict, they usually declare their interest, KRA leadership exhibit strong moral principles; moral uprightness in financial transactions, there has been increased level of employee compliance to standards and reduction in incidences of dishonesty and communication breakdowns at KRA, straight forwardness has been encouraged at the place of work in KRA, there is mutual respect among teammates at KRA, there is fairness and equity regarding promotions, recruitments and rewards at KRA.

The correlation results showed that leaders integrity and performance of state corporation have a positively and significant association. The regression results showed that there is a positive and significant relationship between leaders integrity and performance of state corporation as supported by a beta coefficient of 0.409 and a p value of 0.000. These results imply that an increase in the unit change of leaders integrity would lead to better performance.

From the descriptive results, majority of the respondents agreed that; all leaders in the organization are competent, leaders trainings are oftenly held in the organization, staff competency on revenue collection affects financial performance, scholarship and sponsorship are available for all staff to be trained on good leadership, leaders are sent for training on leadership skills as a ticket for promotional purposes, organization invest on improving skills of the leaders.

The correlation results showed that ethics training and performance of state corporation have a positively and significant association. The regression results showed that there is a positive and significant relationship between ethics training and performance of State Corporation as supported by a beta coefficient of 0.539 and a p value of 0.000. These results imply that an increase in the unit change of ethics training would lead to better performance.

5.2 Conclusions

Based on the findings the study concluded that leader's integrity and ethics training have a positive and significant relationship with performance of state corporations.

The study further concluded that moral values positively affects employee commitment to situations and their relationship and interact with people. In addition leaders in state corporations are able to meet short-term demands without compromising their long-term vision.

5.3 Recommendations

Based on the findings the study made the following recommendations;

- Organizations should ensure all their leaders are competent so as to boost their performance
- Scholarships and sponsorships should be made available to all staffs
- Leaders should always be sent for training on leadership skills as a ticket for promotional purposes
- State organization invest on improving skills of the leaders

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