

**THE ROLE OF LEADERSHIP IN THE RESULT OF INTEGRITY  
ASSESSMENT SURVEY IN MINISTRY OF FINANCE OF THE  
REPUBLIC OF INDONESIA**

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**ABSTRACT**

This article reviews the relationship between leadership in the Ministry of Finance of The Republic of Indonesia and the results of the 2020 Integrity Assessment Survey conducted by the Corruption Eradication Commission of The Republic of Indonesia, where the Ministry of Finance obtained an index of 87.86 on a scale of 100.00. This achievement was classified as good because the average achievement index for the ministries/agencies and local governments was 82.6. With the various definitions of leadership, it is generally agreed that leadership plays an essential role in determining the success of an organization or group within the organization. Leaders have the authority to make decisions and in carrying out what has become a decision. In addition, through the authority possessed, the leader plays a role in determining the work culture and values that are embraced and carried out by everyone in the organization in relation to the implementation of work. This article aims to examine the role of leadership in the achievement of integrity assessment surveys in the Ministry of Finance of The Republic of Indonesia. From a theoretical perspective and studies related to leadership that scholars have previously carried out, there is a common thread between leadership and the results of the integrity assessment survey. It is necessary to conduct a more in-depth empirical study to find out how significant leadership contributes to the achievement of the results of the integrity assessment survey.

Keywords: Leadership, integrity, human resources, management.

**INTRODUCTION**

The Ministry of Finance of the Republic of Indonesia is the state ministry within the Government of Indonesia that carries out government affairs in state finance to assist the President in administering the state. The organizational structure of the Ministry of Finance includes 15 echelons, one unit, and echelon two units at the head office and regional offices in all provinces in Indonesia. The main task of the ministry is to assist the President in administering the government in the field of state finance. These tasks include, among others, the formulation, stipulation, implementation, and evaluation of policies in the areas of budgeting, revenue, treasury, financial management, and state financial risk. In this regard,

integrity and leadership are essential issues for every employee of the Ministry of Finance.

The Integrity Assessment Survey is a study conducted by the Research and Development Directorate of the Corruption Eradication Commission. This survey is conducted annually on several targeted ministries/agencies and local governments. At the same time, one of the sources of problems identified as hampering efforts to achieve clean governance at both the central and regional levels is the poor integrity of the bureaucracy. This condition may impact unaccountable public services or budget leakage. Various ministries/agencies and local governments have initiated multiple efforts to eradicate corruption through improving integrity. However, the achievements of these efforts to eradicate corruption do not yet have an objective measurement. Integrity Assessment Survey seeks to answer the need for diagnostic tools to help map the achievements of corruption eradication efforts carried out by ministries/agencies and local governments (KPK, 2020).

Its leaders also determine organization achievements at both the highest level and the leaders of the sub-organizations. A leader will face global pressures and trends and leadership challenges in a global context to turn these risks into opportunities. Effective leadership provides higher performance, a sense of cohesiveness, personal development, and satisfaction among those involved in work. Effective leadership also provides a holistic understanding of direction and vision, an alignment with the environment, healthy mechanisms for innovation and creativity, and a resource for strengthening organizational culture (Van Wart, 2003).

In a public organization, a leader must have integrity and encourage employees to create an environment of integrity. The leadership principles in public sector institutions refer to the adjustment of "tone at the top," where a leader in a public sector institution applies and supports the principles of good governance with a leadership style and role model. Leadership like this is essential in achieving organizational commitment towards good governance (Asia-Pacific Economic Cooperation, 2011), as a form of accountability to the public.

Transactional leadership stands from the point of view of social exchange. Leaders must provide an adequate reward for followers to carry out their duties. For

example, when political leaders promise jobs to voters, or manager offers financial tips to employees who perform well. Transactional leadership emphasizes transactions or exchanges between elements in the organization (leaders, colleagues, and followers). Exchanges are made based on the communication of what conditions are expected to be achieved and what rewards will be obtained if these conditions are met. On the other hand, transformational leaders motivate and inspire their followers to achieve extraordinary performance, and at the same time, develop followers' leadership capacities. Transformational leaders help followers develop into leaders by empowering followers and aligning the goals and objectives of individuals, leaders, groups, and organizations. Transformational leadership requires followers' commitment to the organization's vision and goals, providing opportunities for followers to become innovative problem-solvers and developing followers' leadership capacity through coaching and mentoring (Bass & Riggio, 2006).

The higher level of authority and responsibility to the public for leaders in public sector organizations than in the private sector augments the flexibility and possibility for practitioners and scholars to exercise the leadership of public officers from different perspectives. However, dates on this issue are currently being developed very fragmentarily, with varying definitions of public sector leadership and a lack of communication between scholars, practitioners, and educational institutions in charge of developing leadership programs in public sector organizations (Orazi, Turrini, & Valotti, 2013). The notion of leadership is possibly viewed from the purpose of the organization in which leadership is conducted. Van wart (2003) described public sector leadership as (1) an efficient, effective, and legal process in providing the requested result from authorized processes, (2) the process of developing/supporting subordinates who create the results, and (3) the process of aligning the organization with its environment and realigning the culture as appropriate. Furhermore, Van Wart (2003) stated that leaders in public sector organizations building their stewardship roles should create a sense of public trust; leaders need to be responsive, open, and dedicated to the common good (Van Wart, 2003). Post Van Wart (2003) studies suggest that the relevant differences between private and public sector leaders are public sector leaders have to ensure higher

accountability to stakeholders and face a higher level of bureaucracy. As a result, public sector leaders exhibit lower levels of satisfaction due to excessive constraints, but they are also characterized by higher public service motivation (Orazi, Turrini, & Valotti, 2013).

In 2007, Palanski & Yammarino wrote an article related to integrity and leadership because integrity is often used in management literature as a normative pronoun, primarily associated with leadership. However, studies related to integrity and leadership are considered to lack a well-identified theoretical basis. Palanski & Yammarino reviewed more than 30 articles containing definitions of integrity, and this shows that integrity is used for a variety of different things, but can be classified into five categories: 1) integrity as a wholeness; 2) integrity as consistency of words and actions; 3) integrity as consistency in adversity; 4) integrity as being true to someone, and 5) integrity as moral or ethical behavior. Unfortunately, the five definitions overlap with one another and are used interchangeably, which becomes difficult to operate, measure, and test the level of integrity. Palanski & Yammarino (2007) suggest overcoming this problem by considering integrity as a virtue, and it is defined as a separate component of good character (Palanski & Yammarino, 2007).

Furthermore, in 2009, Palanski & Yammarino returned to writing articles related to integrity and leadership that focus on integrity which is defined as the consistency of words and actions and how it is conceptualized at several different levels of analysis such as individuals, groups, and organizations. Palanski & Yammarino also used four leadership theories in the study where integrity plays an essential role in leadership, even though integrity is not clearly defined in those four leadership theories. Those four leadership theories are transformational, ethical, spiritual, and authentic leadership (Palanski & Yammarino, 2009).

Research shows that when subordinates develop trust in their leader, they tend to perform better, exhibit more organizational citizenship behaviors (OCB), more significant commitment to the organization, experience more extraordinary job decisions, and less desire to leave the organization (Dirks & Ferrin, 2002). Furthermore, leaders influence the values and actions of subordinates by providing exemplary or being role models. Or in other words, the leader's integrity is

positively related to the integrity of subordinates. Still, this relationship is partly influenced by trust in the leader and the norms of integrity applied in a group or organization (Palanski & Yammarino, 2009).

A group that carries out one or more functions of an organization has integrity built from within the group due to group composition and group norms. In addition, group-level integrity is positively related to stakeholder trust in the group and absolute group performance (Palanski & Yammarino, 2009). Regarding leaders and subordinates, high integrity can lead to better performance as the group promises and gives the desired impact on stakeholders.

According to Palanski & Yammarino (2009), stakeholder trust in the organization positively affects organizational-level integrity. Consumer trust in the organization has a crucial role in the impact expected by the organization, such as satisfaction and loyalty. In addition, the condition of organizational integrity is positively related to the integrity of the group leader. The state of organizational integrity can also have a strong influence on group and individual behavior. Direct leaders are the link between the organization and its member. The enactment of the supervisor's values by supporting or inhibiting ethical policies communicates the immediate importance for the subordinate (Grojean, Resick, Dickson, & Smith, 2004). Organizational integrity formalized through policies or directives from top management is transmitted and disseminated to each individual through direct superiors.

Leaders at the middle and lower levels are considered the leaders who are most often given the responsibility for aligning integrity across levels and, more importantly, often given the responsibility for resolving conflicts across levels and organizations at the middle and lower classes. Palanski & Yammarino (2009) state that it is necessary to emphasize that an effective leader is obliged to develop self-awareness regarding integrity before overcoming integrity problems. Conflicts of personal integrity between leaders and subordinates may occur because of differences in the relative levels of integrity between the two individuals. A leader may facilitate resolving disputes by helping subordinates clarify integrity such as values held or promises made and demonstrating consistency in acting according to these values. Integrity problems can be resolved through exemplary and creating

conditions where integrity values are esteemed and rewarded (Brown & Trevino, 2006). For example, a leader can reward subordinates who implement the values of integrity. However, it needs to be realized by a leader that the values of integrity owned by subordinates are different (Grojean, Resick, Dickson, & Smith, 2004). Therefore, aligning integrity takes time and effort.

A typical conflict that arises in ethical issues is if a leader must determine actions that will enhance his integrity and actions that will improve organizational integrity. Grojean et al. (2004) suggest a way to overcome this problem for a leader is first to recognize and emphasize activities that enhance organizational and personal integrity. In addition, authentic leadership theory emphasizes the importance of transparency when a leader is forced to make decisions related to integrity conflicts. Possible negative consequences that may occur both for the organization and the leader may be mitigated when the leader explains clearly, and the reasons behind the decision are open to all stakeholders (Luthans & Avolio, 2003).

The Integrity Assessment Survey was initiated by the Corruption Eradication Commission, which is in 2020 the implementation in collaboration with the Central Statistics Bureau. The survey was conducted to mapping the risk of corruption and the progress of corruption prevention efforts undertaken by the ministries/government institution / local governments. The presence of integrity at the individual, organizational, and national levels at the Ministries/government institution / local governments is the best defense to prevent corruption. In Indonesia, these efforts have emerged, initiated by various government institutions. Initiations carried out by government institutions include the declaration of integrity zone development towards a free from corruption area, reporting of State Officials' Wealth Report, and so on. However, unfortunately, the achievement of these efforts to eradicate corruption does not yet have an objective measurement. Therefore, a diagnostic tool is needed to help public organizations map integrity issues, develop prevention and prosecution programs, and measure the success of corruption prevention strategies (KPK, 2020). The theoretical basis is Torsello (2018), which stated that creating an environment where organizations can build integrity and culture is essential. Although the relationship between organizational culture and

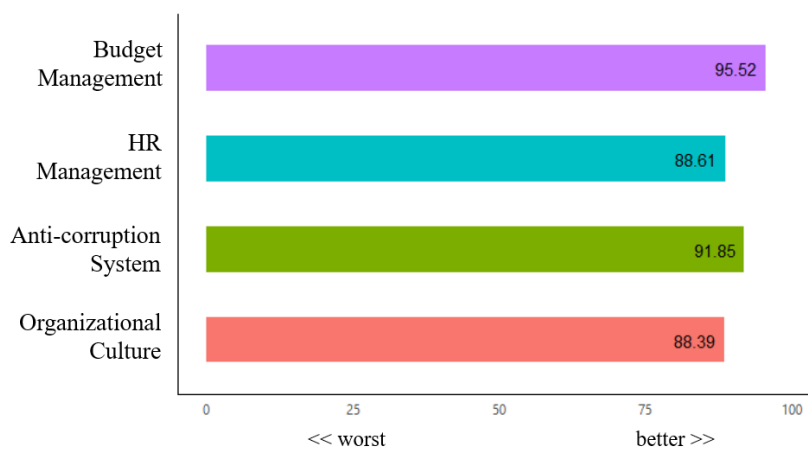
corruption cannot be immediately seen, this relationship can be identified through 3 (three) approaches, first, by looking at corrupt behavior as an individual act or decision that can burden the organization. For example, individuals decide to make bribes/gratuities to abuse the organization's facilities for personal gain. Second, by looking at the tendency of collusion patterns between individuals and the work environment. This behavior usually involves middle to high-level management in an organization by creating a corrupt system. Examples of this behavior are nepotism, conflicts of interest, the presence of brokers, abuse of power by superiors. And the last is by looking at the relationship between corrupt behavior and organizational culture, exchanging cultures with the individual's origin (Torsello, 2018). By looking at these various approaches, Torsello (2018) reports on individual integrity and organizational culture with a socio-cultural aspect (KPK, 2020).

Another theory used is that empirically, leadership, control, and the system built-in an organization can affect the prevalence of corruption in that organization. An anti-corruption system that works well can reduce the prevalence of corruption in an organization. This empirically tested anti-corruption system covers the dissemination of integrity norms and values, following up corruption reports and whistleblowers protection, and how the organizational environment provides an example of the implementation of integrity norms and values (Hechanova, Ma. Regina M.; Melgar, Isabel; Falguera, Patrick Z.; Villaverde, Mario, 2014). In terms of human resources, Antonakes et al. (2014) found that the recruitment, appraisal, and promotion of public employees that are not appropriate and are not carried out objectively and uphold meritocracy are factors that influence the high level of corruption (Antonakas, Konstantopoulos, & Ioannis, 2014). Weak human resource management in the public sector can also lead to overly large and incompetent public services (Chêne, 2015). Ineffective management and incentive structures and a poor work ethic will make it more challenging to achieve a robust, efficient, and accountable public sector (Chêne, 2015).

The Integrity Assessment Survey is based on the perceptions and experiences of service users (external), employees (internal), and experts, explicitly people who understand the condition of integrity, the risk of corruption within the

ministry, and efforts to prevent corruption by the ministry. The internal assessment variables include four indicators: organizational culture, anti-corruption system, human resource management, and budget management. The four indicators are formed from 34 variables, which include (KPK, 2020):

- a. Organizational culture, including transparency, utilization of work facilities for personal gain, presence of brokers/intermediaries/service bureaus, corruption, collusion, and nepotism in carrying out their duties, as well as orders from superiors that infringe regulations.
- b. An anti-corruption system includes anti-corruption socialization activities, sanctions for corruption actors, a safe and secure climate for those who report corrupt practices, and anti-corruption role models from the leaders.
- c. Human resource management includes negative things in the selection of recruitment and corruption, collusion, and nepotism practices in enhancing employee careers.
- d. Budget management includes misappropriation of budgets, official travel, deductions of honorarium / local transport, and official travel.



Source: KPK (2020)

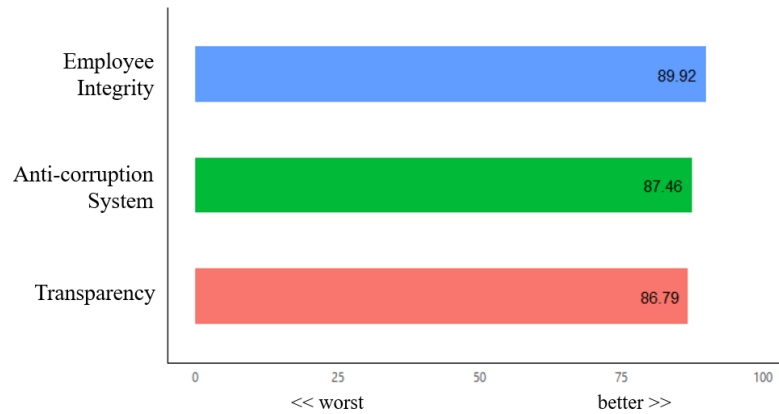
**Figure 1. The variables of internal assessment result**

The variables of external Assessment include three indicators, namely transparency, anti-corruption system, and employee integrity. The three variables are formed from 15 variables, which include (KPK, 2020):

- a. Transparency, including transparency, adherence to service procedures, and freedom from privileges of certain groups.

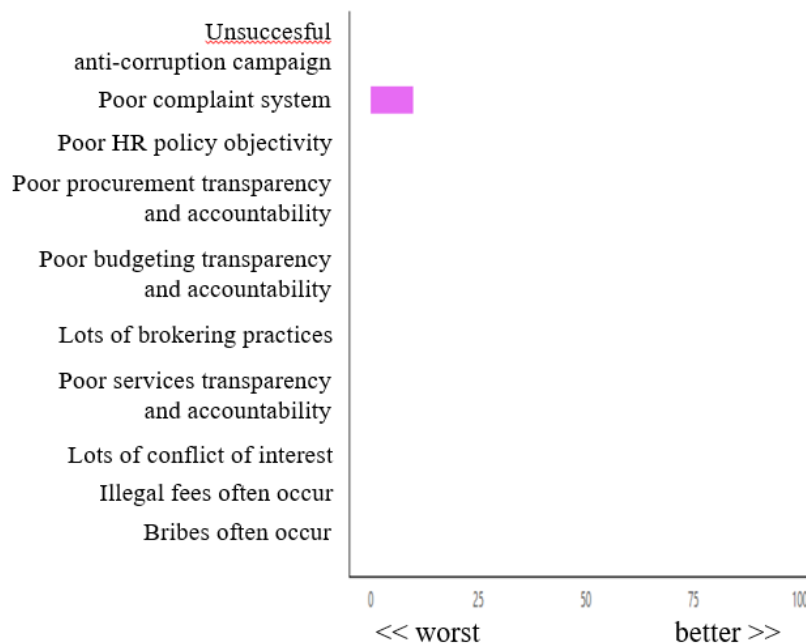


- b. An anti-corruption system includes an anti-corruption campaign, an effective corruption prevention system, the provision of appropriate punishments for perpetrators of corruption, whistle-blowing mechanisms, and responsiveness.
- c. Employee integrity, including an organizational culture of honesty, free from personal interests, free from abuse of power, excellent service, and free of accepting bribes.



**Figure 2. The variables of external assessment result**

The variables of expert assessment composed of 11 variables, which include transparency, prioritizing public interest before personal interest, adhere to existing procedures, giving special treatment, abuse of power, the existence of bribes, and so on (KPK, 2020).



**Figure 3. The variables of expert assessment result**

The results of the 2020 Integrity Assessment Survey at the Ministry of

Finance, which took the survey locus in 3 units, showed that the Ministry of Finance's integrity index was 87.86, which included: internal assessment index of 91.01, external assessment index of 88.13, and expert assessment index of 91.97. This achievement is considered good because the average index of ministries/government institutions and local governments in the 2020 Integrity Assessment Survey is 82.6.

This article aims to examine the role of leadership in the achievement of integrity assessment surveys in the Ministry of Finance of The Republic of Indonesia. From a theoretical perspective and studies related to leadership.

## **METHODOLOGY**

The analysis of this article is based on information obtained by desk research from various journals and literature related to leadership and its relation to integrity.

## **RESULTS AND DISCUSSION**

Van Wart (2003) argues that leaders make a difference. However, how much difference leaders make depends on what level of authority leaders have, as increased discretion is possible as one moves up to a higher level in an organization. The definition of integrity in leadership used in the Integrity Assessment Survey is to act consistently between what is said and their behavior according to the values adopted, where the values adopted can come from the values of the code of conduct in the workplace (KPK, 2020). According to Palanski & Yammarino (2007), this definition is classified as a definition of integrity as consistency between words and actions.

The Integrity Assessment Survey was conducted to map the risk of corruption at individual and organizational levels and assess the organization's progress of corruption prevention efforts. Of the four variables measured, several questions are directly related to leadership and other questions that are indirectly related to leadership, such as the presence or absence of employees who use office facilities for personal gain, the existence of brokers, racial practices, the existence of gratification practices, the application of anti-corruption values, whistleblower protection, regulation enforcement, budget management, and others. However, it can be considered that questions that are not directly related to the leadership

ultimately lead to what is set as policies and orders by leaders at each level of the ministry of the finance organization.

Several variables that are directly related to leadership show positive results or have minimal risk of corruption.

- Regarding abuse of authority by the leaders, 8.67% of internal respondents believe that their superiors have given orders that are not according to regulations.
- Based on internal respondents' experience, around 7.33% have seen or heard of a superior who gave orders that were not according to the rules in the last 12 months.
- The majority of respondents think that the highest level leaders and respondents' group-leaders efforts to encourage corruption prevention are sufficient. Only 2.67% of employees think otherwise.
- Around 4.67% of internal respondents argue that it is very likely that external parties, such as political parties, organizations, or the private sector (vendors), can influence decisions (tenders, recommendations, sanctions, etc.).

Regarding variables that are indirectly related to leadership, such as budget management, transparency, utilization of work facilities for personal gain, bribe, illegal fee practices, etc., are variables used to assess integrity variables in the organization. What the result is a picture of the integrity that exists within the organization. This result can happen because of what the leaders set as policies that eventually becomes entrenched and becomes a common practice in the organization.

The leadership principles in public sector organizations refer to the adjustment of "tone at the top," which a leader in public sector institutions applies and supports the principles of good governance with a leadership style and role model (Asia-Pacific Economic Cooperation, 2011). Then, the level of virtue in respondents' perceptions and experiences is also influenced by leaders' policies at each level in the Ministry of Finance related to organizational culture, anti-corruption systems, human resource management, and budget management. According to Palanski and Yammarino (2009), leaders influence the values and actions of subordinates by providing exemplary or being role models. Or in other

words, the leader's integrity is positively related to subordinates' integrity and ultimately affects the integrity of the organization.

## CONCLUSION AND RECOMMENDATION

The Ministry of Finance's integrity assessment survey reaches an index of 87.86 from the average survey result of 82.60. Therefore, it can be said that the integrity of the Ministry of Finance is generally reasonable. Furthermore, associated with leadership, this achievement of the integrity assessment survey can be said to be inseparable from the role of leaders at each level in the organization of the Ministry of Finance. However, it is necessary to conduct a more in-depth empirical study to find out how significant leadership contributes to the achievement of the results of the integrity assessment survey.

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