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Understanding Leader Integrity on Employees' Perceived Inclusion through Mediating Role of Leader-Member Exchange

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ABSTRACT

The emphasis of the current study is to investigate the relationship between leader integrity, and employees perceived inclusion in the workplace where Leader-Member Exchange (LMX) plays a mediating role. This study proposes and tests a mediation model to explain how leader integrity impacts employees' perceived inclusion from the employees' points of view. Drawing from the social exchange theory, this study argues that leader integrity affects LMX relationships, subsequently affecting employees' perceived inclusion at work. Time-lagged data were collected from a public-school system in the southeastern United States using a field survey research design. The hypothesized relationships were examined using data from 263 (n = 263) full-time teachers and staff from 79 elementary, middle, and high schools, with an approximate average of four participants for each school/principal. The results confirm that leader integrity is positively related to LMX, and LMX is positively associated with employees' perceived inclusion. Furthermore, there is a significant mediating effect in the relationship. These results suggest that leader integrity and LMX are critical for establishing perceived inclusion. By being the first study to consider LMX as a mediator from leader integrity for predicting perceived inclusion, this study contented a theoretical gap in the literature, thus advancing our knowledge of integrity in leadership and its relationship with other organizational phenomena. Finally, the paper discusses theoretical and practical implications, limitations, and future research directions.

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Leader integrity has drawn much attention in the current state of leadership practices and research (Simons et al., 2013). From achieving beneficial outcomes at work (Craig &

Gustafson, 1998; Leroy et al., 2012; Palanski & Yammarino, 2009; Zhu et al., 2004) to preventing moral crises (Sims & Brinkman, 2002), leader integrity is a dominant criterion for organizational effectiveness. Integrity has been defined in numerous studies as authenticity (Koehn, 2005), ethical and moral conduct (Palanski & Yammarino, 2007), constancy in terms of obstacles (Paine, 2005), and stability in words and activities (Paine, 2005; Simons, 2002). The lack of leader integrity at the upper and lower level work teams has been documented to be immoral and disreputable behavior at work. As a result, organizational leaders develop standards for workplace behavior and foster a culture to bring employees and organizational effectiveness (Sims & Brinkmann 2002).

Leader integrity has shown to be one of the attributes of leader characters that predicts various follower attitudes and behavior (Davis & Rothstein, 2006; Moorman & Grover, 2009; Parry & Proctor-Thomson, 2002; Simons et al., 2013). For example, scholars have connected leader integrity to subordinates' attitudes, including job satisfaction, affective organizational commitment, and organizational citizenship behavior (Avey et al., 2012; Mayer et al., 2009; Neubert et al., 2009). However, very few empirical studies have been directed toward explicitly examining the relationship of leader integrity with contemporary work life, such as perceived inclusion. Studies have found that perceived inclusion increases employee commitment and job satisfaction as it develops positive work experience (Acquavita et al., 2009; Chen & Tang, 2018; Hwang & Hopkins, 2012).

The current study aims to investigate the influence of leader integrity on followers' perceptions of inclusion in the workplace. It is, therefore, important to examine the possible mechanism of how leader integrity influences perceived inclusion in the workplace. This study, therefore, adopted the social exchange theory to examine how leader integrity affects perceived inclusion in the workplace. Social exchange theory describes a mutually reliant interaction between two parties where one party provides the other with necessary assistance, knowledge, or resources to achieve the desired results (Blau, 1964). The quality of interactions occurs when valuable resources, support, and information are shared equally in the exchange relationship.

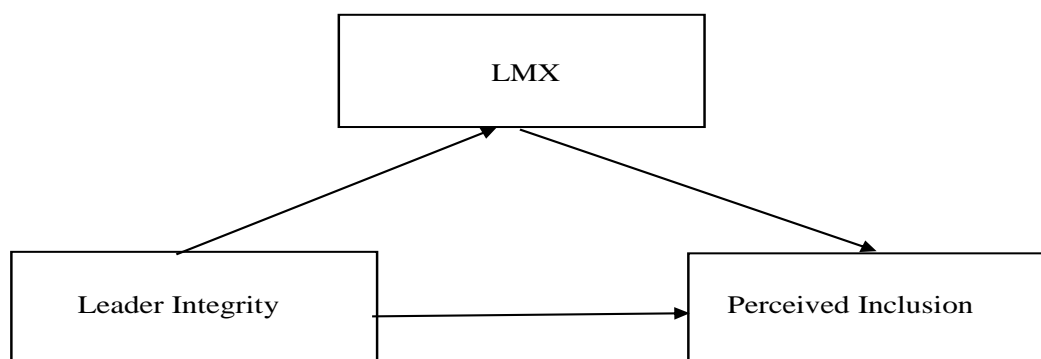
From a foundation of social exchange theory, this study explains that perceived leader integrity impacts perceived inclusion through the influence of Leader-Member Exchange (LMX) relationships. LMX can be defined as a quality relationship that occurs between a leader and followers (Graen & Uhl-Bien, 1995). When followers perceive leaders' integrity appropriately regarding their actions and deeds in the exchange relationship, they develop trust perceptions in leaders (Simon, 2008). Sue-Chan et al. (2012) found that followers' trust in leaders positively assesses their experience of LMX quality. The quality LMX relationship is built on a people-oriented approach in which a leader perceives each person as an important representative of the organization, thus encouraging mutual trust (Brimhall et al., 2016). Additionally, when followers perceive positive LMX relationships with their leaders, all members, including a low LMX group, receive quality and equitable resource exchanges (Scandura, 1999). Thus, quality LMX can bring fair and equal treatment for all and the perceptions of inclusion in the workplace. The theoretical framework is shown in Figure 1.

The current study can make several contributions to leader integrity and perceived inclusion literature. *First*, the study may advance the research of leader integrity in the perceived inclusion domain. Leader integrity is a well-researched area in leadership behaviors and practices; however, empirical evidence on how leader integrity influences perceived inclusion

in the workplace remains insufficient. Perhaps limited studies explored the possible relationship between leader integrity and perceived inclusion. *Second*, the current study may broaden the leader integrity research by identifying LMX as the potential mechanism causing the effects of leader integrity on perceived inclusion. LMX can be a fundamental way to corroborate leader integrity in followers' perceptions of inclusion. Its presence as a mediator will broaden the scope of leader integrity and inclusion literature by connecting them both. *Third*, the current study may support the theoretical development of employees' perceptions of inclusion and give new insights into developing quality exchange relationships in organizations by examining leadership behaviors and practices through connecting with leader integrity. *Finally*, the possible relationship between leader integrity and perceived inclusion may thrust the organization to develop integrity in leadership through supporting interventions such as training and development, promoting pro-social behaviors, and challenging experiences. If leader integrity is essential for leader effectiveness and positive organizational values, an organization should provide the support and facilities necessary for developing leaders to preserve their integrity.

Figure 1

Theoretical Framework



Theoretical Background and Hypotheses

Leader Integrity

Integrity is often used in management literature to represent a leader. Integrity is characterized and covered by different concepts, including profound quality, morals, principles, fairness, and dependability (Lowe et al., 2004). Integrity does not have a universally recognized definition. Numerous studies defined integrity from different viewpoints, such as authenticity (Koehn, 2005), ethical and moral practices (Palanski & Yammarino, 2007), uniformity during difficult times (Paine, 2005), and consistency in words and activities (Paine, 2005; Simons, 2002). Integrity, as often as possible, utilizes to portray a person's ethical or moral excellencies, for example, courage (Riggio et al., 2010; Sekerka et al., 2009), truthfulness (Peterson & Seligman, 2004; Yukl & Van Fleet, 1992), trust (Paine, 2005), empathy and kindness (Koehn, 2005; Teutsch, 2007), justice (Bews & Rossouw, 2002; Case & Smith, 2012), and equality (Ardichvili et al., 2009).

The more exact definition of integrity came from the philosophical construct of objectivism (Becker, 1998). Objectivists characterize integrity as an action-based loyalty to reasonable

standards and values (Peikoff, 1991; Rand, 1964). This definition brings two critical perspectives of integrity- i) integrity needs acting following judicious values where people are prone to change their values for good reasons, and ii) integrity includes acting towards an ethical value system. The objectivist point of view demonstrates that integrity is more closely tied to behavioral judgment regarding how much a course of action is consistent with an ethically acceptable value system (Becker, 1998). According to Peikoff (1991), integrity does not involve conformity to irrational beliefs, no matter how strongly one believes they are true; however, it is a commitment to knowledge and logically supported conclusions. Leaders should act with ethical standards and realistic ideologies to have integrity.

Kouzes and Posner (2007) researched more than 75,000 people throughout the globe to determine how people define and regard a leader. Most respondents from this survey chose integrity, which is more connected to honesty than any other leadership quality. Leader integrity is a continuing focus in leadership literature as studies found the importance of integrity in leadership effectiveness and, thus, beneficial organizational outcomes (Covey, 1992; Gardner, 1993; Morrison, 2001). Therefore, organizations need to support leaders who have authenticity, have the highest integrity, are committed to building resilient organizations, have a sense of reason, and are consistent with their fundamental values (George, 2003).

Distinctive researchers come across leader integrity in leadership practices considering profound quality, trustworthiness, genuineness, and straightforwardness. For example, Brown and Trevino (2009) mentioned that leader integrity is eminently understood in the ethical leadership perspective in which leader's behaviors are focused by agreeing to the ethical and moral principles in general. They also mentioned that the actions of moral leaders are remarkably similar to the values they uphold and the moral and ethical principles they and their followers adhere to. Gardner et al. (2005) revealed that authentic leaders are more concerned with self-knowledge, getting their values, and acting transparently upon them.

While leader integrity is covered with various perceptions such as morality, ethics, authenticity, trustworthiness, etc., the best way to assess integrity could be the qualities of good leaders with which they should lead (Palanski & Yammarino, 2007). Therefore, the current study focuses on leader integrity, considering leadership virtues or qualities. The assessment of virtuous leadership is related to leadership behaviors and practices that are aligned with prudence, temperance, fortitude, and justice (Riggio et al., 2010). Riggio et al. (2010) defined each of these virtues as follows: *Prudence* is a leader's ability to decide the right things to do. *Fortitude* is often called courage, which works with fear to do the right things. *Temperance* is related to one's potential to control emotions to make the right decisions. Finally, *justice* virtue deals with following laws and fairness. Therefore, this study enormously considered leader integrity from a leadership behavior perspective.

Leader Integrity and LMX

Organizational studies frequently focus on relationships between leaders and followers or managers and employees. The leader-follower or manager-employee relationship, as known as LMX, was formed primarily as a practice of dyadic relationship for explaining how a leader's exchanges with subordinates relate to their attitudes and intent to impact behavior beyond authority and decision-making power (Dansereau et al., 1975). The distinctive feature of the LMX study stresses leader-follower interactions instead of common characteristics or behaviors

of leaders (Bauer & Erdogan, 2015). The level of emotional support and resource exchange between leaders and followers is referred to as LMX (Newman et al., 2017). In other words, LMX is a reciprocal exchange process where leaders and followers are engaged. Mutual understanding, obligation, and commitment between leaders and followers are necessary for the LMX quality to exist.

In LMX, leaders should encourage positive interactions with their employees by establishing a quality exchange relationship. This favorable exchange relationship encourages cooperation, interaction, and a productive work attitude among employees. The LMX relationship develops differently when one side exhibits low integrity, contrary to the theory's assumption that both leaders and followers should embrace high integrity and trust to establish a mutually reciprocal relationship (Jiang et al., 2014). Integrity is a form of alignment between an individual's words and actions (Simons, 2002). When leaders' behaviors are seen as transparent in their acts and deeds in the exchange relationship, followers are more likely to trust them (Simons, 2008). Leader integrity fosters trust in view of the fact that followers may believe in leaders whose actions are constant throughout time to judge how they would adapt to a circumstance. The idea of integrity here concerns how followers admit the association between a leader's words and actions in leadership practices (Dineen et al., 2006; Simons et al., 2007).

According to Simons' (2008) research, employees' commitment to and trust in leaders are closely correlated with leadership integrity. Integrity is essential for developing trust in individuals as integrity brings more observant information about leader character and consistency (Moorman et al., 2018). Employees' trust in leaders predicts their experience of quality LMX relationships (Sue-Chan et al., 2012). Trust in a leader encompasses an emotional state where employees feel safe and supported and, thus, behave realistically (Farmanesh & Zargar, 2021). It can, therefore, argue that high trust in interpersonal relationships considerably influences the development of high-quality LMX relationships. High-quality LMX develops only when a high level of trust, respect, support, and communication occurs in an interpersonal relationship (Chen & Tjosvold, 2013).

Employees who engage in high-quality exchange relationships with their leaders experience close interaction, receive constructive feedback from their leaders, and have greater access to information and resources for accomplishing their jobs. Due to the positive assessments of leaders' dependability and integrity, the high LMX employees are more likely to attribute a favorable relationship to their leaders (Kim, 2019). Research also indicated the relationship of leaders' honesty, integrity, and fair-mindedness with LMX (Mahsud et al., 2010; Walumbwa & Hartnell, 2011). Brown et al. (2005) found that moral leaders demonstrate an excellent example for their followers by modeling ethical behavior in their practices and interpersonal interactions, which assist their followers in adopting similar behavior by developing interdependence, providing support, and encouraging decision-making. The moral dimension of leadership plays a significant role in developing high-quality relationships with followers. Herttalaampi et al. (2022) found that a leader's moral behavior and behavioral integrity are associated with assessing better LMX relationship quality. Therefore, our first hypothesis predicts that:

H1: *Leader integrity is positively associated with LMX*

LMX and Inclusion

The workforce is evolving around gender, race, ethnicity, and immigrants due to greater globalization, advances in information technology, changing immigration laws, economic restructuring, etc. (Green et al., 2015). As a result, workforces are becoming more diverse in the current state of the phenomena. However, women and ethnic minorities, for instance, are not yet represented in workplace interactions. Instead, the representation of men and Caucasians are more dominant in the organization's decision-making process and social setups (Mor Barak et al., 2001; Mor Barak & Levin, 2002). Gaining competitive advantages and utilizing the potential benefits of diversity depends on fostering an inclusive work environment. Without inclusivity, diverse ideas will not come up in the organization, thus impairing its effectiveness. Brimhall et al. (2014) found that an inclusive workplace positively impacts workers' well-being, commitment to their jobs, innovation, and creativity. Employees perceive inclusion at work when they are cared for equally with other employees, valued and appreciated for their originality, and allowed to participate enthusiastically in decision-making. Cho and Mor Barak (2008) stated that employees' view of inclusiveness also influences their commitment to the organization and their tasks.

LMX occurs through the interactions and connections between leaders and a set of followers. It is profoundly dependent on a human-centric approach, where a leader considers each of his followers an essential organization member, thus facilitating shared trust (Brimhall et al., 2016). An employee's identity in an organization can be established through his relationship with the respective leader. A leader can influence his followers' identity by communicating his principles to followers and representing role-modeling behavior (Epitropaki et al., 2017). Therefore, a leader's identity influences the identity of their followers. Leaders who understand shared and individual identity in the workplace can support a greater sense of similarity (Stobbeleir et al., 2018) and, therefore, develop a sense of inclusion.

Similarly, leaders' identification develops when followers see their leaders possessing a positive quality, like maintaining consistency with their leadership practices and behaviors (Wang et al., 2005). A leader's identification likely motivates followers to behave corresponding to those identifications (Tang & Liu, 2012; Wang et al., 2005). Thus, leaders who show their subordinates greater appreciation and admiration can strengthen the LMX quality. When supervisors appreciate and compliment their employees, subordinates feel more included in the exchange relationship, thus minimizing LMX variability. Low LMX variability is associated with high LMX quality that helps foster a sense of shared identity within an organization by ensuring the supervisor's fair treatment of employees. Leaders can provide better and equitable resource exchanges for all employees, including low LMX quality groups, as long as followers believe leaders as fair and unbiased (Scandura, 1999).

The LMX may significantly boost employees' identification with the organization since it builds on quality relationships between leaders and followers. The capability of a leader to evaluate a person's emotions, intentions, thoughts, etc., is labeled as a quality exchange relationship (Buengeler et al., 2018). A leader can better understand his subordinates and their motivations in the organization through high-quality exchange relationships and interactions. A leader can better understand subordinates' needs and expectations through quality exchange relationships and satisfy them accordingly, facilitating better employee consideration. A follower and supervisor's good exchange relationship indicates that the supervisor relies on and

admits the follower in the work process, which increases the possibility that other employees will also treat this employee the same way in the workplace (Nishii & Mayer, 2009). Javed et al. (2019) also mentioned that leaders create an environment for employees to express new ideas and thoughts without fear in a good-quality exchange relationship.

According to Ferdman (2014), inclusion is a set of practices related to macro, meso, and micro processes and perspectives and interacts with organizational ideologies, structure, norms, values, policies, and interpersonal behaviors. A leader's role within an organization impacts how inclusive perceptions can be fostered through maintaining a quality-exchange relationship with members. Additionally, in high-quality exchange relationships, leaders are expected to provide challenging tasks to employees, encouraging employees' feelings of empowerment and shared trust (Kangas, 2014). Thus, it clarifies that leaders care about employees, their mutual trust, individual identity, and opinion when they engage in high-quality exchange relationships. In high-quality leader-member relationships, interpersonal interactions such as communication, support, and decision influence are necessary (Chen & Tjosvold, 2013). Subordinates who receive more support and decision influences from their leaders develop potential LMX relationships, which relate them to the organization to work together (Kim & Beehr, 2018). Therefore, our second hypothesis predicts that:

H2: *LMX relationship is positively associated with employees' perception of inclusion in the workplace*

The Mediating Role of LMX between Leader Integrity and Employees' Perception of Inclusion

The current study's perspective argues that LMX mediates leader integrity and employees' perception of inclusion relationship. LMX is developed initially from the social exchange theory. LMX point towards quality exchange relationships between leaders and followers where high-quality exchange relationships minimize the LMX variability through developing shared identity and providing fair and equitable treatment in exchanges (Hogg et al., 2005). Stryker and Burke (2000) suggest that individuals have different identities in the organization, and it is very challenging to examine them. Therefore, a high-quality LMX can be a basis for developing a shared identity within a group by reducing LMX variability.

Badaracco and Ellsworth (1989) suggest that leaders who upkeep integrity make every effort consistent regarding what they believe in, how they lead, and how they want to identify themselves with the organization. Leaders are determined to keep up with their words even though it is inconvenient to make (Cadogan et al., 2009). These leaders typically foster open and honest communication with followers, especially in decision-making discussions (Van Aswegen & Engelbrecht, 2009), thus including them in the decision-making process. Craig and Gustafson (1998) suggest that leaders become effective when their integrity meets followers' expectations. According to LMX theory, an effective leader can develop high-quality LMX relationships by attaching followers with trustworthiness, gratitude, and a feeling of inclusion (Hogg et al., 2005).

Leader integrity promotes employees' social exchange relationships within the organization when quality LMX relationships exist. Leaders who value ethics, fairness, and integrity in leadership can facilitate LMX. Ethical or moral leaders show respect, care, sympathy, and

justice for employees to establish high levels of trustworthiness (Farh et al., 2008). Leaders with integrity, honesty, and moral principles can have an impact on the thoughts and value systems of their subordinates by establishing long-lasting and shared exchange relationships with them and listening to them, and giving them the freedom to express themselves with them or with their colleagues (Avolio et al., 2004). Significantly, based on the social exchange theory, when followers receive ethical and fair treatment from the moral behaviors of their leaders, they should feel obligated to pay back this exemplary behavior. According to Gu et al. (2015), subordinates delineate their perceptions, attitudes, and behaviors based on what their leaders demonstrate. Therefore, fairness and justice can be prolifically expressed in exchanging relationships between leaders and followers in promoting followers' perceptions of inclusions. Thus, our third hypothesis predicts that:

H3: *LMX mediates the relationship between leader integrity and employees' perception of inclusion*

Method

Participants and Procedures

For the purpose of this study, we collected data from a public school system in the Southeastern United States to test hypothesized relationships. Participants consist of full-time teachers and staff from elementary, middle, high, and other schools working under the supervision of their corresponding principals (supervisors). The final sample comprises 263 teachers and staff from 79 schools, and the average number of participants covers approximately four respondents for each school/principal. The total participants consisted of 215 females (81.7%), 36 males (13.7%), 9 who preferred not to answer (3.4%), and 3 who missed information (1.1%). Ethnicity is estimated as African-American 44 (16.7%), White or Caucasian 198 (75.3%), Hispanic 5 (1.9%), Native 4 (1.5%), Other 7 (2.7%), and Missing 5 (1.9%).

Time-lagged data were collected from different schools within the school system using a field survey research design. We followed a simple random sampling technique where participants were chosen randomly for this study. A survey link was provided to the target population, where each participant had an equal chance of being selected. We applied this technique to choose a sample from a large population to make generalizations about the population as a whole.

To reduce the issue of common method variance (Podsakoff et al., 2012), we collected data at three different time points, considering three weeks apart from each. Combining participants' data for all three times, we asked them to provide their email addresses every time they participated in the survey. In time 1, we collected data on leader integrity and demographic information. In times 2 and 3, we collected data for measuring employees' perceptions of inclusion and LMX, respectively. At each time, an information sheet covering the study's objective, privacy, discretion, and rights of participants was attached with the survey link.

Measures

Leader Integrity: The followers measured Leader integrity following the Leadership Virtues Questionnaire (LVQ) developed by Riggio et al. (2010). LVQ is a 19-item scale that measures four virtues: *prudence, fortitude, temperance, and justice* as distinct constructs. However, to

develop an overall understanding of leader's integrity, we measured these virtues altogether. Sample scale items are – “The leader fails to make the morally best decision in a given situation (R)”, “ The leader respects the right and integrity of others”, The leader seems to be overly concerned for his/her personal power (R)”. Scale items were measured following a 5-point rating scale ranging from Not at all (1) to Frequently (5). A reported Cronbach's alpha is .93.

Leader-member exchange (LMX): The LMX-7 scale was used to measure LMX, developed by Graen and Uhl-Bien (1995). It is the most widely used scale to estimate the LMX, which has an alpha of .93 and has proven reliable. The measure's items are intended to show how individuals perceive their interactions with their respective principals. A number of statements, for example, Do you know where you stand with your leader?, How well does your leader recognize your potential? etc., were presented to the participants to measure their level of agreement with each statement. 5-point scales varying across seven items ranging from "Rarely" (1) to "Very often" (5) and "Strongly Disagree (1) to "Strongly Agree" (5) were used to gather respondents' information. The reported Cronbach's alpha is .93.

Inclusion: A 10-item scale was used to measure employees' perceived inclusion, as developed by Chung et al. (2020). An alpha of .94 indicates that this scale is reliable. An example of the scale item is “ I feel that my leader cares about me and my workgroup”. The 5-point scale ranging from Strongly disagree (1) to Strongly agree (5) was used to record participants' responses. The reported Cronbach's alpha is .95.

Control Variables: Age, gender, experience, ethnicity, and education variables were controlled to avoid alternative explanations in the causal relationships. Tsui and O'Reilly (1989) mentioned that the quality leader-member relationship could be manipulated by the degree of similarity in demographic aspects such as age, gender, ethnicity, education, etc. Control also helps the researcher to establish internal validity to find the causation. One of the three conditions for causality is to control extraneous variables to reduce the threat to the study's internal validity (Christensen et al., 2014). We, therefore, controlled for demographic attributes, considering them as extraneous variables.

Results

Data Accuracy

For the current study, a single source, self-report data, was used to analyze the results that may increase the concern of common method variance. The literature on common method variance suggests that common method variance has no significant influence on the analysis of the results (Crampton & Wagner, 1994; Doty & Glick, 1998). However, we followed the Hermon one-factor test (Podsakoff & Organ, 1986) to assess common method issues. The results suggest that the current data has no problem with common method variance, as the calculated value (44%) is lower than the cutoff value (50%). However, Podsakoff et al. (2003) mentioned that the recent criticism of common method variance is widely recognized. Therefore, we acknowledge the possible issue of common method variance as a limitation of our study.

Validity and Reliability of Research Instruments

In assessing the validity and reliability of the scale, we performed Bartlett's Test of Sphericity and Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Cronbach's alpha coefficient. The results, as shown in Table 1, indicate that Bartlett's test of Sphericity is

significant ($p < .001$) with KMO value of greater than .90 for each construct which is highly acceptable. The Chronbach's alpha coefficient value for each construct is above .90, representing the higher consistency in measurements.

Table 1

Validity and Reliability of the Scale

Construct	Bartlett's Test of Sphericity			Cronbach's Alpha
	KMO	Chi-Square	Sig.	
LMX	.92	1366.88	.000***	.93
Leader Integrity	.94	3071.48	.000***	.93
Perceived Inclusion	.93	2164.14	.000***	.95

Note. *** $p < .001$

Descriptive Statistics

As presented in Table 2, descriptive statistics indicate the mean, standard deviation, and correlation of the variables of this study. There are several significant relationships between variables. For example, leader integrity is significantly related to LMX ($r = .73, p < .01$) and Perceived Inclusion ($r = .47, p < .01$). LMX had a significant relationship with perceived inclusion ($r = .60, p < .01$).

Table 2

Means, Standard Deviations, and Intercorrelations

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7
1. Gender	0.90	0.40							
2. Age	44.15	10.74	-.05						
3. Experience	2.38	1.53	.07	.40**					
4. Education	7.24	2.05	.05	.17**	.16*				
5. Ethnicity	1.96	0.71	.17**	-.10	-.07	.02			
6. Leader Integrity	78.85	14.79	-.10	.16*	-.06	.01	-.11		
7. LMX	26.33	6.91	-.10	.24**	.06	-.02	-.12	.73**	
8. Perceived Inclusion	40.90	7.21	-.11	.22**	.03	-.05	-.13*	.47**	.60**

Note. L_INTE- Leader Integrity, INCLUS-Perceived Inclusion; LMX-Leader-member exchange. Statistical significance of the correlations - **($p < .01$), *($p < .05$)

Test of Hypotheses

A mediation analysis was conducted using Andrew Hayes PROCESS macro following a series of regression analyses to test our hypotheses. As the results are shown in Table 3, we *first* examined the direct effects of hypothesis 1, which states that leader integrity is positively related to LMX. In analyzing the direct effect, the results show that leader integrity positively affects LMX ($\beta = .35, t(226) = 16.21, p < .001$) and thus supports hypothesis 1. *Second*, we examine the direct effects of hypothesis 2, which states a significant positive relationship between LMX and perceived inclusion ($\beta = .60, t(225) = 7.37, p < .001$), thus supporting this hypothesis.

To assess the indirect effects of the mediating variable, we examined hypothesis 3, which states the mediating effects of LMX on leader integrity and perceived inclusion relationship. We analyze the effects following bootstrap upper and lower limit confidence intervals. The

findings suggest that LMX significantly mediates the relationship between leader integrity and perceived inclusion, b indirect = .21, 95% BC CI [.14, .28] and thus, supported hypothesis 3.

Table 3

Hypothesized Relationships-Direct and Indirect Effects

Structural Path	Coefficient	SE	p	Hypothesis	Supported?
Direct Effects					
Leader integrity -> LMX	.35	.02	.000	H1	Yes
LMX -> Perceived Inclusion	.60	.08	.000	H2	Yes
Indirect Effects					
	Effect	BootLLCI	BootULCI	Hypothesis	Supported?
Leader integrity-> LMX -> Perceived Inclusion	.21	.14	.28	H3	Yes

The results also show the significant total effect of leader integrity on perceived inclusion ($\beta = .23$, $t(225) = 7.80$, $p < .001$). However, with the addition of a mediator such as LMX, the results show no significant effect of leader integrity on perceived inclusion ($\beta = .01$, $t(225) = .49$, $p > .05$). Therefore, we can say that LMX fully mediates the relationship between leader integrity and perceived inclusion. The summary of the results for total, direct, and indirect effects is shown in Table 4.

Table 4

Total, Direct, and Indirect Effects of Leader Integrity on Perceived Inclusion

Model Summary	Effect	SE	t	p	LLCI	ULCI	C_cs
Total effect of leader integrity on perceived inclusion	0.23	0.02	7.80	.000	0.17	0.28	0.46
Direct effect of leader integrity on perceived inclusion	.01	.03	.49	.62	-.05	.09	.03
Indirect effect(s) of leader integrity on perceived inclusion	Effect	BootSE	BootLLCI	BootULCI			
LMX	.21	.03	.14	.27			
Completely standardized indirect effect(s) of leader integrity on perceived inclusion	Effect	BootSE	BootLLCI	BootULCI			
LMX	.42	.06	.30	.55			

Discussion

Grounded in social exchange theory (Blau, 1964), this study examined a process for understanding and explaining why leader integrity is essential for employees' perceptions of inclusion. Demonstrating the interplay between leader integrity, LMX, and perceived inclusion, this study extends our knowledge of existing literature by incorporating the three fundamental streams of research. Specific emphasis was given to the importance of leader integrity in understanding employees' perceptions of inclusion in the workplace, focusing on leader's quality exchange relationships with subordinates. We found that leader integrity positively impacts the quality exchange relationship between leaders and followers and, thus, followers' perception of inclusion. This finding suggests that leader integrity influences the development of relational significance at work. Employees identify their leaders by observing leaders' behavior, such as equal and fair treatment, justice, and support, during leader-follower exchange relationships, thus encouraging their positive behaviors. Organizational behavior researchers continuously show interest in examining the influence of employees' perceptions of leaders and their work-related behavior and thoughts (Kim et al., 2020). Jung et al. (2020) further recommended researching leader integrity in positive psychological responses. Therefore, the current study's findings will light on the aspects of followers' perceptions of positive work-related thoughts and psychological responses considering perceived inclusion by examining

leader integrity. The study's overall findings have several significant implications for theory and practice.

Theoretical Implications

The relationship between leader integrity and employees' perceptions of inclusion through LMX builds upon leadership and inclusion literature (Stobbeleir et al., 2018). The study's findings will expand our understanding of what leadership quality is necessary for demonstrating leader integrity, thus developing high-quality LMX relationships for developing perceived inclusion at work. More specifically, we will understand how the nature of leader integrity, as perceived by followers, significantly influences quality LMX relationships at work, thus contributing to perceived inclusion.

A leader with high integrity develops high-quality LMX as it contributes to establishing trust in employees. Higher leader trustworthiness supports a better social exchange process in which followers are more likely to shape their behaviors and perceptions based on what their leaders demonstrate. Therefore, the findings of this study contribute to advancing social exchange theory in developing trust in interpersonal relationships following leader behavior such as integrity.

Through establishing trustworthy and transparent behaviors, leaders can better understand mutual interactions and relate employees with their individuality and the complex social system relating to the set of inclusion practices (Ferdman, 2014). When employees perceive a positive attitude toward leader behaviors, they are more likely to connect this quality with good intentions from leaders, such as equal and fair treatment in the organization (Mahsud et al., 2010; Walumbwa & Hartnell, 2011). Emphasizing leader integrity on positive employee impressions, it is therefore eloquent that leader integrity, as perceived by subordinates, can develop justice perceptions in the workplace as leaders play the most influential role.

The findings of the study also bring implications for social comparison theory. From leader integrity to high-quality LMX to perceived inclusion, attention is paid to the minimization of social comparison at work and the maximization of employee commonality. As leader integrity contributes to developing high-quality LMX relationships, leaders can minimize LMX variability by providing fair and equitable exchanges of resources for all employees. Therefore, employees will be less motivated to engage them to compare with others in the organization, thus contributing to employee collaboration in the workplace.

The positive relationship between leader integrity and LMX will help employees to positively assess their leaders' representation in the organization through the exchange process and perceive fair and equal treatment from their leaders. Social exchange theory posits that employees are obliged to reciprocate the behavior if they are treated fairly and ethically in an organization. Similarly, when leaders' actions and behaviors maintain consistency, subordinates will be more likely to develop positive intentions about their leaders and accomplish things according to their values and expectations. Therefore, a mutual obligation arises, contributing to high-quality LMX relationships, and increased positive work behavior. Additionally, the leader integrity and LMX relationship perspective can contribute to developing followers' identification at work through leader-follower exchanges, specifying the importance of follower's perceptions of equal and fair treatment.

Most earlier studies focused on understanding leadership practices on subordinates' behaviors, and they looked at leaders' ethical behaviors from the perspective of an organizational leader rather than a leader from the educational system. This study also contributes distinctively to non-profit organizational leadership practices by concentrating on the perceptions of schools' teachers and staff to assess their leaders' or principals' behaviors. Leaders in any organization must understand how their behaviors impact creating a shared identity among followers and foster an environment where employees feel they are part of a broader social system, such as an organization, than their own.

Practical Implications

The field of organizational inclusion research has recently emphasized how to create an inclusive workplace by minimizing workplace inequalities (Adamson et al., 2021). Therefore, organizations must change to accommodate employees' different needs and interests (Ferdman, 2014). From the current study's perspective, leader integrity and efforts towards inclusion give a positive impression about organizations and employees' interpersonal relationships. The current study is an initial empirical investigation to consider how leader integrity influences followers' perception of inclusion in the organization. Leaders with high integrity have the mechanism to foster inclusion in the workplace and high-quality relationships. As leader integrity ensures quality relationships for increased perceived inclusion, organizational leaders could potentially make substantial changes in the organization, such as developing a culture for managing diversity through employee inclusivity.

The findings suggest that leaders' actions, words, decisions, and approaches help to create an inclusion perception and, thus, build positive relationships with subordinates. The influence of leader integrity on the LMX relationship is not overestimated. The findings support the impact of leader integrity on developing LMX and, thus, on developing employees' perceived inclusion in the workplace. Leader integrity should be considered an influential factor for developing high-quality exchange relationships and positive organizational approaches considering inclusion. Therefore, organizations should be vigilant enough to assess leader integrity when hiring and look for possibilities for how leader integrity can be maintained.

Through integrity following high-quality LMX, leaders demonstrate supportive and acceptable behaviors that develop positive employee perceptions. In high-quality LMX relationships, followers can positively assess their leaders at work and reciprocate the same. As a result, employees may exhibit positive behaviors that care for others in the workplace and are more likely to be considerate at work. This positive approach might impact other aspects of an organization, such as facilitating employee collaboration within the work team. Therefore, an organization must select and assess leaders with high integrity to manage a situation where employee collaboration is important for organizational success.

Not many studies' considered data from the educational system to understand leadership practices. This study reveals how leader integrity affects perceived inclusion following data from a public-school system setting. Therefore, attention should be given to leader integrity in the educational system when selecting leaders. Leaders must aim to develop high-quality relationships with their followers to bring a positive organizational outlook, such as inclusion.

Limitations and Future Research

This study assessed leader integrity from an individual level of analysis. Following a survey method, it may not accurately point towards the assessment of leader integrity as leaders are not likely to allow their integrity to be measured directly. The current study assesses leader integrity without considering leaders' accurate integrity. Therefore, future studies must generalize the results to accept possible implications. We only studied how leader integrity is important for developing perceived inclusion through maintaining quality LMX relationships. The dynamic of LMX relationships can also produce different outcomes, including reducing conflicts in leadership within the organization. Therefore, future studies may add additional data to assist organizations in resolving conflicts in leadership and organizational values.

Conclusion

To achieve organizational benefits, an organization must understand the importance of an inclusive workplace. What factors significantly contribute to individuals feeling included and perceiving equal and fair treatment in an organization are fundamental to achieving beneficial organizational outcomes? Although several factors, including organizational policies, practices, and behaviors, are obvious realities for answering the question, the current study emphasizes leadership practices following leader integrity. Earlier studies showed leader integrity has significant effects on employee attitudes and behaviors. This study provides additional evidence of its positive effects on LMX and its indirect impact on employees' perceived inclusion. The study's findings provide a convenient path in traveling the road toward understanding why and how leader integrity affects LMX and, subsequently, followers' perceptions of inclusion in the workplace, thus achieving organizational benefits.

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