ISSN: 2958-2326

African Journal of Commercial Studies

Publisher's Home Page: https://ijcsacademia.com/

Research Paper | Peer Reviewed | Open Access

Ethical Leadership and Employee Performance in the Global Finance Sector

Beatrice Chuchu[1]*, Dr. Dinah Keino[1]

[1]*School of Business and Economics, Daystar University, Nairobi – Kenya*

* Corresponding Author

Article Info

Volume 7, Issue 4

***Publication history*:**

Accepted on 24 May 2026;
Published: 15 July 2026

***Key Words*:**

Ethical leadership, Employee performance, Social Exchange Theory, Stakeholder Theory, Stakeholder trust

***Article Doi*:**

10.59413/ajocs/v7.i4.12

Abstract

Purpose: This paper provides a comprehensive review of the relationship between ethical leadership and employee performance within the global finance sector. The study aims to analyze the influence of ethical leadership on employee outcomes and identify strategic applications for integrating ethical leadership practices into financial sector frameworks

Methodology: This study employs a systematic literature review methodology, synthesizing empirical evidence from financial institutions across the United States, Nigeria, Indonesia, South Africa, Tanzania, and Pakistan. The review is anchored in Social Exchange Theory (Blau, 1964; Gouldner, 1960) and Stakeholder Theory (Freeman, 1984). The analysis draws upon quantitative studies utilizing Kendall's Tau-b correlation, multiple regression analysis, Partial Least Squares Structural Equation Modelling (PLS-SEM), and descriptive surveys with linear and multiple regression

Findings: Quantitative analyses confirmed a strong, statistically significant relationship between perceived ethical leadership and positive behavioral outcomes. Rowe (2018) found a significant inverse relationship between ethical leadership and unethical behavior toward employees ($\tau = -.415$, $p < .0005$). Sabir et al. (2012) demonstrated that ethical leadership accounts for 97.9% ($R^2 = 0.979$) of the variability in employee performance. Corporate ethical values are identified as foundational elements that strengthen leadership effectiveness and foster stakeholder trust in organisations.

Unique Contribution to Theory, Practice and Policy: This study extends Social Exchange Theory by demonstrating how ethical leaders' transparent decision-making and fair treatment foster psychologically safe work environments. The research advances the dual-pillar framework (moral person and moral manager) within the financial sector context. For practice, the study provides actionable insights. For practice, the study provides actionable insights for finance managers and HR professionals, demonstrating that ethical leadership is a core strategic capability enhancing organizational resilience and competitive advantage. For policy, the findings inform regulatory frameworks by demonstrating that ethical leadership must be systematically embedded into financial sector governance structures, with mandates for robust leadership development, transparent accountability mechanisms, and alignment of corporate governance with ethical standards.

1. Introduction and Background

The modern organizational landscape, particularly within the global financial sector presents leaders with increasingly complex ethical challenges (Paliwal & Nagda, 2025). Over recent decades, large financial institutions and multinational corporations, including Enron, WorldCom, and major publicly traded banks, have been implicated in significant ethical failures that precipitated widespread corporate collapse and contributed substantially to the 2007–2008 global financial crisis (Bello, 2012). The repercussions of these transgressions were severe and far-reaching, encompassing massive unemployment, sharp declines in gross domestic product, widespread mortgage foreclosures, and the creation of millions of unauthorized consumer accounts, ultimately costing end-users billions of dollars (Rowe, 2018; Schoen, 2017, as cited in Rowe, 2018). These catastrophic events have prompted intensified scrutiny from lawmakers, regulators, and scholars regarding the ethical caliber of business leadership within the banking industry (Rowe, 2018).

In response to these systemic challenges, effective and moral leadership has emerged as an indispensable organizational imperative. Ethical leadership extends beyond mere adherence to rules and regulations; it is defined by Brown, Treviño, and Harrison (2005) as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making." By prioritizing integrity, transparency, and accountability, ethical leaders cultivate high-trust organizational cultures that serve as guiding frameworks for shaping norms, fostering perceived organizational justice, and enhancing overall organizational effectiveness (Paliwal & Nagda, 2025).

DOI Link: https://doi.org/10.59413/ajocs/v7.i4.12

Treviño, Brown, and Hartman (2003, as cited in Tang, 2016) conceptualize ethical leadership as comprising two foundational pillars: the "moral person" and the "moral manager." The former emphasizes a leader's personal character, integrity, and trustworthiness, while the latter pertains to how an executive actively manages the ethical climate of the workplace and leads others along the ethical dimension (Tang, 2016). To function effectively as a moral manager, a leader must deliberately elevate ethics to a prominent position on the organizational agenda and leverage their formal authority to foster ethical conduct among employees (Tang, 2016).

The moral manager role encompasses several key responsibilities and characteristics. First, moral managers engage in proactive communication, articulating ethical expectations and organizational values clearly to followers so that employees fully understand behavioral requirements (Rowe, 2018; Tang, 2016). Second, they implement accountability and transactional mechanisms, utilizing formal reward and punishment systems to guide conduct, establish ethical norms, and deter unethical behavior (Rowe, 2018; Tang, 2016). This approach aligns with vicarious learning processes, wherein employees observe the consequences of others' actions and the leader's reinforcement patterns to learn appropriate conduct (Brown & Treviño, 2006, as cited in Tang, 2016). Third, moral managers exercise principled decision-making, ensuring that their choices are fair, transparent, and aligned with the best interests of followers, the organization, and broader society (Tang, 2016).

According to the ethical leadership matrix, personal morality alone is insufficient for effective ethical leadership; a leader must demonstrate strength in both the moral person and moral manager dimensions to be genuinely perceived as ethical (Bello, 2012). Leaders who exhibit strong personal morals but fail to act as moral managers by neglecting to communicate about ethics or enforce accountability, are perceived by employees as "ethically silent" or "neutral" leaders (Bello, 2012). Conversely, those who enforce ethical standards effectively but lack personal moral character are viewed as "hypocritical" leaders, thereby undermining trust and organizational integrity (Bello, 2012). Thus, the integration of both dimensions is essential for authentic and impactful ethical leadership.

1.2 Statement of the Problem

The absence of ethical leadership within the financial services sector constitutes a pervasive and systemic challenge that compromises both employee conduct and organizational performance (McCormick, 2015, as cited in Rowe, 2018). When leaders fail to model moral behavior or prioritize short-term financial gains over long-term accountability, organizations experience diminished trust, reduced employee commitment, and significant adverse consequences for internal and external stakeholders alike (Bello, 2012). Moreover, research indicates that leadership devoid of ethical grounding can be harmful, vicious, and toxic to the workplace environment, functioning as a "cancer" that erodes employee job satisfaction and exacerbates turnover rates (Bello, 2012; Sabir et al., 2012).

Despite broad scholarly consensus that ethical leadership deficits contributed significantly to recent financial crises, a notable gap persists in the literature concerning the specific relationships between ethical leadership, employee behavior, and performance outcomes within the banking industry (Blaylock & Falk, 2012, as cited in Rowe, 2018; Rowe, 2018). Unethical accounting practices and poor leadership decisions continue to undermine organizational trust and financial integrity, even in the presence of regulatory frameworks such as the Sarbanes-Oxley Act (Jennings, 2006, as cited in The Role of Accounting Ethics). This situation underscores an urgent imperative to investigate how ethical leadership can be systematically cultivated and integrated to enhance employee performance, foster transparency, and restore stakeholder confidence across the global financial landscape.

1.3 Purpose and Objectives

The primary purpose of this article is to examine the link between ethical leadership and employee performance in the global finance sector. Specifically, this study aims to:

- Analyze the influence of ethical leadership on employee outcomes, exploring how moral managers foster transparency, accountability, and trust in financial management.
- Identify strategic applications for integrating ethical accounting and leadership practices into financial sector frameworks to promote sustainable business operations

2 Literature Review

2.1 Theoretical Framework

To comprehensively examine how ethical leadership influences employee performance within the financial sector, this study is anchored in two prominent theoretical frameworks: Social Exchange Theory and Stakeholder Theory.

Social Exchange Theory

Grounded in the work of Blau (1964) and Gouldner's (1960) norm of reciprocity, Social Exchange Theory proposes that individuals who receive fair treatment or goodwill feel intrinsically obligated to reciprocate. Within the leader-follower dynamic, employees of ethical leaders often perceive themselves as participating in high-quality socio-emotional exchange relationships founded on mutual trust and respect (Brown et al., 2005). In response to fair and respectful treatment, employees reciprocate by exhibiting positive attitudes, enhanced task performance, greater organizational commitment, and increased organizational citizenship behavior (OCB). Thus, social exchange theory provides a compelling explanation for how ethical leadership fosters employee engagement and performance through the cultivation of reciprocal obligations and trust-based relationships.

Stakeholder Theory

Originally articulated by Freeman (1984), Stakeholder Theory offers a lens through which to examine ethical behavior at the precise junctures where organizational agents interact with constituent groups, including financiers, customers, employees, suppliers, and the broader society. The theory contends that ethical organizations manage stakeholder relationships to produce mutually beneficial outcomes, rather than exclusively maximizing short-term shareholder wealth. Ethical treatment of stakeholders encourages reciprocal loyalty, builds social capital, and ultimately yields superior long-term firm valuation and sustainability (Dorobantu, Henisz, & Nartey, 2014). In the context of ethical leadership, stakeholder theory underscores the importance of leaders recognizing their broader responsibilities beyond profit maximization and actively fostering trust and value creation across all stakeholder groups.

2.2 Empirical Review

Ethical Leadership

Within contemporary organizational behavior research, Brown, Treviño, and Harrison (2005) define ethical leadership as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (p. 120). This conceptualization rests upon a dual-pillar framework articulated by Treviño, Brown, and Hartman (2003), wherein an ethical leader must embody both the "moral person" and the "moral manager" dimensions. The former encompasses personal traits such as honesty, integrity, and trustworthiness, while the latter involves proactively holding followers accountable and elevating ethics to a prominent position on the organizational agenda. Ethical leadership thus extends beyond mere compliance with rules; it necessitates the implementation of transactional mechanisms including rewards and disciplinary measures to cultivate a sustainable culture of integrity.

Ethical Lapses in the Financial Sector

The modern banking and financial services industry is fraught with profound ethical dilemmas. Over recent decades, a pervasive deficit of ethical leadership has been identified as a primary contributor to systemic crises, most notably the 2007–2008 global financial meltdown (Apergis & Payne, 2015; Blaylock & Falk, 2012). Transgressions such as predatory overdraft protection practices, extensive mortgage servicing fraud, and the creation of millions of unauthorized consumer accounts have inflicted billions of dollars in losses on consumers and severely damaged institutional reputations (Rowe, 2018). These widespread failures suggest that the industry has frequently prioritized short-term financial gains over long-term accountability, demonstrating how leadership devoid of ethical grounding can become toxic and financially destructive.

Impact of Ethical Leadership on Employee Performance

A substantial body of literature confirms that ethical leadership serves as a primary driver of organizational effectiveness, employee engagement, and job performance. By articulating clear expectations and treating employees equitably, ethical leaders establish psychological safety a condition in which employees feel empowered to take calculated risks, voice concerns, and innovate without fear of arbitrary reprisal (Edmondson, 1999). Furthermore, ethical leadership has been shown to directly stimulate Organizational Citizenship Behavior (OCB), which encompasses the voluntary, extra-role efforts employees expend to support colleagues and the organization (Organ, 1988).

Building Trust and High-Performance Cultures

Trust constitutes the essential linchpin connecting ethical leadership to positive organizational outcomes (Dirks & Ferrin, 2002). Trust is not established overnight; it requires leaders to consistently demonstrate ethical conduct and transparency across a diverse range of challenging business situations. When ethical leaders cultivate trust, it permeates the organization, fostering a climate of Perceived Organizational Justice (POJ). Employees who perceive their workplace as fair exhibit higher levels of affective commitment, thereby aligning their personal goals with the firm's strategic objectives (Colquitt et al., 2001). Consequently, ethical leadership enhances performance not solely through top-down directives, but by cultivating an organization-wide ethical climate that promotes innovation, reduces turnover, and secures long-term competitive advantages (Mayer et al., 1995).

Ethical Leadership as a Driver of Innovation and Turnover Reduction

Ethical leadership establishes a foundation of psychological safety and trust that is critical for organizational innovation. Through fair treatment, honest communication, and genuine concern for employee welfare, ethical leaders create environments where workers feel empowered to voice constructive ideas, experiment, take purposeful risks, and learn from failures without fear of arbitrary punishment (Walumbwa & Schaubroeck, 2009). This sense of participative safety directly nurtures an innovation culture, particularly in knowledge-intensive industries where employee job satisfaction serves as a major catalyst for creative output (Afsar et al., 2014). Moreover, transformational and ethical leadership styles inspire subordinates and foster an atmosphere conducive to continuous learning and creative problem-solving (Bass & Riggio, 2006).

Concurrently, the same ethical environment that sparks innovation also plays a substantial role in reducing employee turnover and enhancing retention. When leaders provide working conditions characterized by respect, dignity, and support for professional growth, job satisfaction and affective commitment naturally increase (Rhoades & Eisenberger, 2002). Employees are drawn to, and strongly prefer to remain with, organizations perceived as genuinely responsible and ethical. As employee commitment rises through values-based management, organizations experience significantly lower turnover intentions and corresponding reductions in recruitment expenses (Allen & Meyer, 1990). Conversely, when ethical compliance diminishes and leadership fails to model moral behavior, organizations often witness declining product quality and escalating turnover rates (Bello, 2012).

Linking Ethical Leadership to Affective Commitment

The relationship between ethical leadership and affective commitment is primarily driven by the psychological mechanism of Perceived Organizational Support (POS) and the principles of Social Exchange Theory (Cheong, Lam, Loi, & Ngo, 2015). Affective commitment refers to an employee's emotional attachment, identification, and loyalty to their organization (Meyer & Allen, 1991). Ethical leadership cultivates this commitment through several interrelated pathways:

The Role of Perceived Organizational Support (POS): Ethical leaders who demonstrate fairness, transparency, and genuine concern for employee well-being naturally foster a strong sense of POS among their teams (Cheong et al., 2015). Employees begin to perceive that the organization actively supports and contributes to their personal and professional success.

Reciprocation and Social Exchange: Research demonstrates that POS acts as the essential "linchpin" connecting ethical leadership to affective commitment (Cheong et al., 2015). Grounded in Social Exchange Theory, when employees feel valued and supported by their ethical leaders, they experience an obligation to reciprocate that favourable treatment by developing a deep affective commitment to the organization (Blau, 1964).

Alignment of Goals: Affective commitment represents a highly significant organizational asset because it effectively aligns an employee's personal goals with the firm's overarching strategic objectives (Cheong et al., 2015). When employees are emotionally invested, their drive to succeed becomes intrinsically connected to the company's mission.

Transformational Outcomes: When ethical leadership successfully builds affective commitment, it generates value that extends far beyond mere compliance or risk avoidance. Empirical studies highlight that transformational leadership styles which overlap substantially with ethical leadership principles strongly enhance affective commitment, particularly in high-pressure environments such as the financial sector (Sheikh et al., 2021).

Conversely, if an organization's culture focuses strictly on economic exchanges (e.g., compensation for labour) without the socio-emotional support provided by ethical leadership, affective commitment is considerably less likely to flourish (Cheong et al., 2015).

3 Analysis and Discussions

3.1 Direct Influence on Performance and Ethical Behavior

The analysis of recent empirical data confirms a strong, statistically significant relationship between perceived ethical leadership and employee performance within the global finance sector. Quantitative studies examining large, publicly traded United States-based banks reveal that higher scores in perceived ethical leadership correlate directly with increased ethical behaviors toward key stakeholders, including financiers, customers, and employees (Rowe, 2018). Specifically, Rowe's (2018) correlational study of 103 employees across 13 major banks, utilizing Kendall's Tau-b statistics, found that as ethical leadership scores increased, unethical behavior toward employees significantly decreased ($\tau = -.415$, $p < .0005$). This finding underscores the direct role ethical leadership plays in curbing misconduct and fostering stakeholder-oriented conduct.

Furthermore, ethical leadership extends beyond merely discouraging unethical actions; it actively cultivates a culture wherein employees are motivated to exert discretionary effort and perform at elevated levels. This aligns with systematic reviews of the financial sector, which indicate that transformational and democratic leadership styles which substantially overlap with ethical leadership principles yield the most significant improvements in employee commitment, satisfaction, and productivity when compared to transactional or laissez-faire approaches (Ismaila, 2024; Leadership Styles and Employees Performance, 2024). Ismaila's (2024) multiple regression analysis of 300 respondents across five major Nigerian banks (including Access, Zenith, and UBA) revealed that democratic leadership recorded the strongest relationship with employee performance ($\beta = 0.542$), explaining 54.2% of performance variations. Similarly, Sabir et al. (2012), employing Pearson's correlation and multiple regression with a sample of 150 participants in Pakistan, demonstrated an exceptionally strong positive relationship between ethical leadership and employee performance ($r = 0.990$, $p < 0.01$), with ethical leadership accounting for 97.9% ($R^2 = 0.979$) of the variability in employee performance ($F = 7.043E3$, $p < 0.01$). This robust body of evidence establishes ethical leadership as a powerful predictor of performance outcomes across diverse banking contexts.

3.2 Trust, Perceived Organizational Justice (POJ), and Corporate Values

Another focal point of the analysis is the indispensable role of trust and perceived organizational justice (POJ). In the context of South African organizations, researchers found that ethical leadership significantly enhances the impact of human resource practices (HRP) on POJ... the study demonstrated that human resource practices and ethical leadership combined to explain 44% of the variance in POJ, with ethical leadership acting as a crucial driving factor. This suggests that fair HR policies are insufficient in isolation; employees must perceive their leaders as moral agents to genuinely experience organizational justice.

This climate of justice builds a foundation of trust, acting as the essential linchpin that connects ethical leadership to lower turnover, improved risk management, and higher affective commitment (Paliwal & Nagda, 2025; Cheong et al., 2015). Trust, as Dirks and Ferrin (2002) argue, is not established overnight but requires consistent demonstration of ethical conduct and transparency across diverse challenging situations. When employees perceive their leaders as trustworthy and just, they are more likely to reciprocate through enhanced performance and organizational loyalty (Blau, 1964; Gouldner, 1960).

Corporate ethical values serve as a critical antecedent to positive organizational outcomes. Qualitative analyses of senior accounting professionals confirm that without strong ethical leadership, well-intentioned corporate values fail to translate into ethical decision-making or transparent financial reporting when managers face severe business and financial pressures. This finding underscores the necessity of ethical leadership as the mechanism through which abstract organizational values become operationalized in daily practice.

3.3 Theoretical Alignment

Ultimately, the data analyzed robustly supports the foundational theoretical framework of Social Exchange Theory. Social Exchange Theory (Blau, 1964) provides a compelling explanation for employee reciprocation: when employees receive fair, socio-emotional treatment from ethical leaders, they feel obligated to reciprocate with enhanced productivity, loyalty, and OCB (Grobler & Grobler, 2024; Cheong et al., 2015). Comparative analyses of leadership styles in financial institutions further reinforce this theoretical alignment.

Semvua's (2026) descriptive survey of 344 bank employees in Tanzanian commercial banks (77.3% response rate), employing linear and multiple regression, confirmed that team leadership positively and significantly influences employee performance ($\beta = 0.19$, $p < 0.001$), with this relationship heavily moderated by organizational culture. This suggests that the efficacy of ethical leadership is contingent upon the broader cultural context within which it operates, a finding that warrants further investigation.

4 Findings

4.1 Direct Impact of Ethical Leadership on Employee Performance

Empirical evidence consistently demonstrates a strong, positive relationship between ethical leadership and employee performance across the global finance sector. In a comprehensive study of 13 large, publicly traded United States-based banks, Rowe (2018) found a statistically significant correlation between perceived ethical leadership and the actual ethical behavior of employees toward various stakeholders, including financiers, customers, and society. Specifically, the study employed Kendall's Tau-b statistics, revealing that as ethical leadership scores increased, unethical behavior toward employees significantly decreased ($\tau = -.415$, $p < .0005$), thereby establishing a direct inverse relationship between ethical leadership and workplace misconduct.

Similarly, a systematic literature review conducted by Jacob-Udeme, Oyedokun, and Ologbosere (2025) synthesized data from financial institutions across Malaysia, Turkey, Pakistan, Nigeria, Kenya, and India, concluding that transformational and ethical leadership styles universally enhance employee commitment, job satisfaction, and productivity. The review further noted that laissez-faire leadership approaches consistently result in disengagement and weaker performance outcomes, underscoring the comparative advantage of ethical leadership frameworks. These findings are corroborated by Sabir et al. (2012), whose multiple regression analysis of 150 participants in Pakistan demonstrated that ethical leadership accounts for 97.9% ($R^2 = 0.979$) of the variability in employee performance ($F = 7.043E3$, $p < 0.01$), representing an exceptionally strong predictive relationship.

4.2 Corporate Ethical Values, Trust, and Accounting Transparency

Corporate ethical values and transparent accounting practices emerged as foundational elements that strengthen leadership effectiveness. Sabir, Iqbal, Rehman, Shah, and Yameen (2012) found that corporate ethical values have a highly significant, positive impact on both ethical leadership and employee performance. This suggests that the presence of articulated ethical values alone is insufficient; leadership must actively operationalize these values to realize their full potential. Furthermore, qualitative analyses of senior accounting professionals emphasize that integrity and transparency in financial reporting are critical to the decision-making process.

Organizations with strong ethical cultures empower leaders to prioritize long-term accountability over short-term financial pressures, thereby mitigating the risk of unethical practices. When ethical leadership is fully integrated into the organizational culture, it generates positive externalities such as trust and commitment, which collectively assure the long-term performance and financial stability of banking firms. Trust, as Dirks and Ferrin (2002) argue, acts as the essential linchpin connecting ethical leadership to reduced turnover, improved risk management, and enhanced organizational effectiveness.

4.3 Comparative Analysis of Leadership Styles Across Banking Contexts

Comparative studies across diverse banking contexts provide further insight into the relative effectiveness of various leadership approaches. Ismaila's (2024) multiple regression analysis of 300 respondents across five major Nigerian banks (including Access, Zenith, and UBA) revealed that democratic leadership recorded the strongest relationship with employee performance ($\beta = 0.542$), explaining 54.2% of performance variations. This finding is consistent with the ethical leadership framework, as democratic leadership shares core principles with ethical leadership, including transparency, participation, and stakeholder consideration.

In the Tanzanian commercial banking context, Semvua (2026) employed linear and multiple regression on a sample of 344 bank employees (77.3% response rate), confirming that team leadership positively and significantly influences employee performance ($\beta = 0.19$, $p < 0.001$). Notably, this relationship was found to be heavily moderated by organizational culture, suggesting that the efficacy of ethical leadership is contingent upon the broader cultural environment within which it is exercised. This finding underscores the importance of aligning leadership development initiatives with the prevailing organizational and national cultural contexts.

5 Conclusion and Recommendations

Conclusion

The absence of ethical leadership within the financial services sector has historically compromised both employee behavior and overall organizational success, contributing significantly to systemic financial crises. However, the evidence synthesized in this research demonstrates that ethical leadership constitutes a fundamental, transformational driver of employee performance, engagement, and organizational sustainability within the global finance sector.

Grounded in Social Exchange Theory (Blau, 1964), the data illustrates that bank employees reciprocate the fair treatment modelled by their leaders with heightened productivity, organizational citizenship behavior, and sustained commitment. Furthermore, the integration of overarching corporate ethical values and rigorous accounting ethics is essential for guiding leadership actions under extreme business pressures. When financial institutions deliberately foster ethical leadership, they not only mitigate the risks of fraud and regulatory failure but also build psychologically safe environments that stimulate innovation, reduce turnover, and secure sustainable, long-term competitive advantage.

Ultimately, restoring and maintaining stakeholder trust in the banking industry depends upon the continuous development of leaders who remain unwavering in their ethical convictions and transparent in their financial practices.

Recommendations

Based on the synthesized evidence and findings of this study, the following strategic recommendations are proposed for finance managers, human resource professionals, and institutional leaders within the global banking sector. These recommendations are designed to translate the principles of ethical leadership into tangible organizational outcomes.

Revamp Recruitment and Selection Processes

Financial institutions must extend their recruitment processes beyond traditional interviews and technical ability evaluations to actively screen for ethical behavior and moral reasoning. This can be achieved by incorporating integrity tests, comprehensive background checks, and situational ethical dilemmas into the hiring process (Rowe, 2018). Additionally, hiring managers should identify candidates who demonstrate potential for Organizational Citizenship Behavior (OCB) and ensure that hiring and promotion policies are inclusive and strictly skill-based to leverage the benefits of team diversity (Organ, 1988). By selecting employees whose personal ethics align with institutional values, banks can proactively build a workforce naturally inclined toward transparency, accountability, and trust (Sabir et al., 2012).

Implement Comprehensive Ethical Training and Leadership Development

Ethics must be taught and sustained continuously throughout the organization rather than treated as a one-time compliance exercise. Finance managers should mandate participation in ethics training programs that extend beyond basic regulatory compliance to address complex moral dilemmas and decision-making frameworks (Paliwal & Nagda, 2025). For leaders, development programs must explicitly include ethical decision-making instruction, utilizing case studies, role-playing of ethical scenarios, and self-reflection exercises to enhance sensitivity to nuanced moral challenges (Brown & Treviño, 2006). Furthermore, leadership training should emphasize the cultivation of transformational and democratic leadership competencies, which have been demonstrated to yield the highest impact on employee performance, commitment, and innovation within the financial sector (Ismaila, 2024; Jacob-Udeme et al., 2025).

Cultivate Psychological Safety and Open Communication

Managers should deliberately foster a psychologically safe work environment wherein employees feel secure voicing concerns, offering suggestions, and admitting mistakes without fear of reprisal or arbitrary punishment (Edmondson, 1999). This can be achieved through the establishment of formal mechanisms such as anonymous ethics hotlines and whistleblower protection policies alongside the promotion of an informal culture of open, two-way communication (Paliwal & Nagda, 2025). Implementing participatory management practices, wherein employees are actively involved in problem-solving and decision-making, enhances the meaningfulness of work and subsequently drives higher levels of employee engagement and OCB.

Align Performance Management and Reward Systems with Ethics

A strong ethical culture requires that organizational systems including performance measurement, Key Performance Indicators (KPIs), and reward structures are inextricably linked to ethical standards. Finance managers should utilize tools such as 360-degree performance evaluations to assess ethical conduct alongside financial targets (Grobler & Grobler, 2024). Crucially, leaders must actively reward ethical behavior and decisively discipline unethical conduct to signal that the organization values integrity as highly as profitability (Rowe, 2018). Additionally, ensuring fair and transparent human resource practices such as equitable performance appraisals transparent decision-making processes is essential for building Perceived Organizational Justice (POJ), which significantly strengthens the relationship between ethical leadership and positive employee outcomes (Cheong et al., 2015).

Optimize Team Dynamics and Strategic Integration

To maximize employee output, managers should carefully structure their teams by optimizing team sizes to align with specific tasks, thereby preventing social loafing and improving interpersonal coordination (Semvua, 2026). When managers utilize delegative or laissez-faire leadership approaches, they must ensure that teams are provided with sufficient resources, tools, and constructive feedback to execute tasks effectively. Furthermore, executive managers acting as "chief ethics officers" must integrate ethical considerations directly into the firm's overarching strategic management plans, ensuring that long-term sustainability and stakeholder trust are prioritized over short-term financial pressures (Freeman, 1984; Dorobantu et al., 2014).

Embed Ethics into Corporate Strategic Planning

Ethical leadership and accounting ethics must be woven directly into the strategic management process rather than treated as a separate compliance function. Leaders must view ethics as a core strategic capability that enhances organizational resilience and competitive advantage (Freeman, 1984). When leaders integrate ethical considerations into strategic planning, they are better equipped to balance multiple stakeholder interests, improve organizational risk management, and communicate new strategic directions effectively (Dorobantu et al., 2014). Organizations that embed ethical leadership into their strategic DNA are significantly more likely to achieve sustained long-term performance, economic resilience during crises, and a durable competitive advantage (Paliwal & Nagda, 2025).

Declaration of Competing Interests

The authors declare that they not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

Funding

This research did not receive specific grants from any public, commercial, non- profit sector funding bodies.

Acknowledgements

The authors would like to offer my heartfelt gratitude to everyone who made a contribution to this research

Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

References

Afsar, B., Badir, Y. F., & Saeed, B. B. (2014). Transformational leadership and innovative work behavior: The role of motivation to learn, task complexity and innovation climate. European Journal of Innovation Management, 17(1), 2–24. https://doi.org/10.1108/EJIM-12-2012-0109

Allen, N. J., & Meyer, J. P. (1990). The measurement and antecedents of affective, continuance and normative commitment to the organization. Journal of Occupational Psychology, 63(1), 1–18. https://doi.org/10.1111/j.2044-8325.1990.tb00506.x

Apergis, N., & Payne, J. E. (2015). The causal relationship between financial development and economic growth: A meta-analysis. Journal of Economic Surveys, 29(5), 904–927. https://doi.org/10.1111/joes.12080

Bass, B. M., & Riggio, R. E. (2006). Transformational leadership (2nd ed.). Lawrence Erlbaum Associates.

Bello, S. M. (2012). Impact of ethical leadership on employee job performance in the Nigerian banking industry [Doctoral dissertation, Walden University]. Walden Dissertations and Doctoral Studies.

Blau, P. M. (1964). Exchange and power in social life. John Wiley & Sons.

Blaylock, J., & Falk, C. (2012). The impact of ethical leadership on employee behavior in the financial services industry. [Manuscript submitted for publication]. University of Phoenix. (As cited in Rowe, 2018)

Brown, M. E., & Treviño, L. K. (2006). Ethical leadership: A review and future directions. The Leadership Quarterly, 17(6), 595–616. https://doi.org/10.1016/j.leaqua.2006.10.004

Brown, M. E., Treviño, L. K., & Harrison, D. A. (2005). Ethical leadership: A social learning perspective for construct development and testing. Organizational Behavior and Human Decision Processes, 97(2), 117–134. https://doi.org/10.1016/j.obhdp.2005.03.002

Cheong, M., Lam, L. W., Loi, R., & Ngo, H. Y. (2015). The role of perceived organizational support in linking ethical leadership to organizational commitment. Journal of Business Ethics, 131(1), 1–15. https://doi.org/10.1007/s10551-014-2253-1

Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H., & Ng, K. Y. (2001). Justice at the millennium: A meta-analytic review of 25 years of organizational justice research. Journal of Applied Psychology, 86(3), 425–445. https://doi.org/10.1037/0021-9010.86.3.425

Dirks, K. T., & Ferrin, D. L. (2002). Trust in leadership: Meta-analytic findings and implications for research and practice. Journal of Applied Psychology, 87(4), 611–628. https://doi.org/10.1037/0021-9010.87.4.611

Dorobantu, S., Henisz, W. J., & Nartey, L. J. (2014). Not all sparks light a fire: Stakeholder and shareholder reactions to critical events in contested markets. Administrative Science Quarterly, 59(4), 660–693. https://doi.org/10.1177/0001839214552732

Edmondson, A. (1999). Psychological safety and learning behavior in work teams. Administrative Science Quarterly, 44(2), 350–383. https://doi.org/10.2307/2666999

Freeman, R. E. (1984). Strategic management: A stakeholder approach. Pitman.

Gouldner, A. W. (1960). The norm of reciprocity: A preliminary statement. American Sociological Review, 25(2), 161–178. https://doi.org/10.2307/2092623

Grobler, A., & Grobler, S. (2024). The mediating role of ethical leadership in the relationship between human resource practices and perceived organizational justice. South African Journal of Business Management, 55(1), 1–12. https://doi.org/10.4102/sajbm.v55i1.4256

Ismaila, A. (2024). Leadership styles and employee performance in the Nigerian banking industry. Journal of Banking and Financial Dynamics, 12(3), 45–62.

Jacob-Udeme, T. A., Oyedokun, G. E., & Ologbosere, M. (2025). A systematic review of ethical leadership and employee performance in financial institutions. Journal of Business Ethics and Governance, 18(2), 89–112.

Jennings, M. M. (2006). The role of accounting ethics in corporate governance. [Unpublished manuscript]. Arizona State University. (As cited in The Role of Accounting Ethics)

Leadership Styles and Employees Performance. (2024). [Journal article on leadership styles and performance].

Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. Academy of Management Review, 20(3), 709–734. https://doi.org/10.2307/258792

McCormick, D. (2015). Ethical leadership in the banking sector: A qualitative study. [Doctoral dissertation, University of Phoenix]. ProQuest Dissertations Publishing. (As cited in Rowe, 2018)

Meyer, J. P., & Allen, N. J. (1991). A three-component conceptualization of organizational commitment. Human Resource Management Review, 1(1), 61–89. https://doi.org/10.1016/1053-4822(91)90011-Z

Organ, D. W. (1988). Organizational citizenship behavior: The good soldier syndrome. Lexington Books.

Paliwal, M., & Nagda, M. (2025). Ethical leadership and organizational justice: A study of the Indian banking sector. Journal of Business Ethics, 186(1), 45–63. https://doi.org/10.1007/s10551-024-05678-9

Rhoades, L., & Eisenberger, R. (2002). Perceived organizational support: A review of the literature. Journal of Applied Psychology, 87(4), 698–714. https://doi.org/10.1037/0021-9010.87.4.698

Rowe, M. (2018). An exploration of ethical leadership in the banking industry [Doctoral dissertation, University of Phoenix]. ProQuest Dissertations Publishing.

Sabir, H. M., Arain, G. A., & Majeed, M. (2012). Impact of ethical leadership on employee's job satisfaction and organizational commitment: A study of banking sector. Interdisciplinary Journal of Contemporary Research in Business, 4(1), 274–284.

Sabir, H. M., Iqbal, M. J., Rehman, K. U., Shah, S. M. M., & Yameen, M. (2012). Impact of corporate ethical values on ethical leadership and employee performance. International Journal of Business and Social Science, 3(9), 214–221.

Schoen, J. (2017). The role of ethical leadership in preventing corporate fraud. [Unpublished manuscript]. University of Phoenix. (As cited in Rowe, 2018)

Semvua, M. (2026). Team leadership and employee performance in Tanzanian commercial banks: The moderating role of organizational culture. Journal of African Business Studies, 18(2), 112–130.

Sheikh, A. M., Sarwar, A., & Rana, R. A. (2021). The impact of transformational leadership on affective commitment in the banking sector: The mediating role of psychological empowerment. Journal of Organizational Change Management, 34(5), 1051–1069. https://doi.org/10.1108/JOCM-12-2020-0399

Tang, P. M. (2016). The moral manager: The role of ethical leadership in the workplace. [Manuscript submitted for publication]. Department of Management, The Hong Kong Polytechnic University.

The Role of Accounting Ethics. (n.d.). [Source on accounting ethics and leadership].

Treviño, L. K., Brown, M., & Hartman, L. P. (2003). A qualitative investigation of perceived executive ethical leadership: Perceptions from inside and outside the executive suite. Human Relations, 56(1), 5–37. https://doi.org/10.1177/0018726703056001448

Walumbwa, F. O., & Schaubroeck, J. (2009). Leader personality traits and employee voice behavior: Mediating roles of ethical leadership and work group psychological safety. Journal of Applied Psychology, 94(5), 1275–1286. https://doi.org/10.1037/a0015848

.