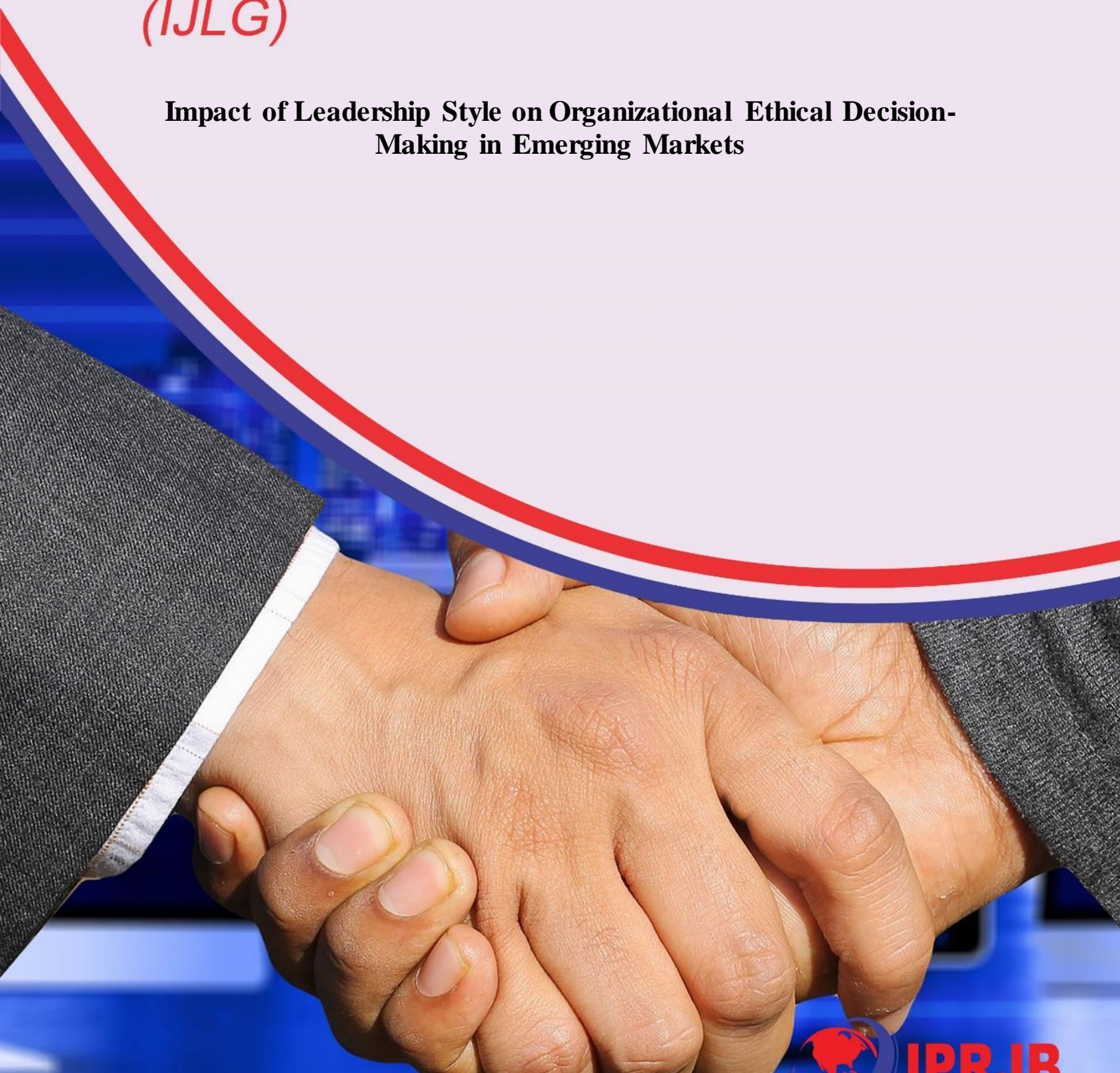


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**Impact of Leadership Style on Organizational Ethical Decision-
Making in Emerging Markets**



Impact of Leadership Style on Organizational Ethical Decision-Making in Emerging Markets in South Africa



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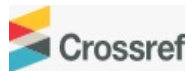
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Abstract

Purpose: To aim of the study was to analyze the impact of leadership style on organizational ethical decision-making in emerging markets.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: Leadership style strongly influences ethical decision-making in emerging markets. Transformational leaders promote ethical behavior by inspiring trust and encouraging long-term ethical practices, while transactional leaders focus on rewards and punishments, which are less effective in fostering ethics. Transformational leadership also leads to better corporate social responsibility (CSR) practices. In regions with weaker governance, ethical leadership is essential for sustainable business practices. Companies should prioritize transformational leadership to enhance ethical decision-making and align with global standards.

Unique Contribution to Theory, Practice and Policy: Transformational leadership theory, ethical leadership theory & servant leadership theory may be used to anchor future studies on the impact of leadership style on organizational ethical decision-making in emerging markets. Organizations in emerging markets should prioritize leadership development programs that promote transformational, ethical, and servant leadership. Governments and industry regulators in emerging markets should establish clear standards for ethical leadership and decision-making.

Keywords: Leadership Style, Organizational Ethical Decision-Making

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INTRODUCTION

Organizational ethical decision-making refers to the process through which organizations make decisions that align with ethical standards, corporate social responsibility (CSR) principles, and societal expectations. It involves leaders and employees considering the impact of their actions on stakeholders, including customers, employees, suppliers, and the broader community. In developed economies, ethical decision-making is increasingly becoming a priority, as businesses are pressured to align their practices with sustainability and ethical guidelines. For instance, in the United States, companies like Patagonia have adopted CSR strategies that focus on environmental sustainability, reflecting ethical decision-making in their operations. According to a 2020 report by McKinsey, 61% of consumers in the U.S. are willing to pay more for sustainable products, demonstrating the importance of ethics in corporate decision-making (McKinsey & Company, 2020). Furthermore, the United Kingdom has also seen an increase in ethical decision-making, with Unilever pledging to make 100% of its plastic packaging recyclable or compostable by 2025, signaling a strong commitment to environmental ethics (Unilever, 2020).

In developing economies, ethical decision-making is influenced by both global pressures and local cultural dynamics, often challenging businesses to balance economic growth with ethical responsibilities. These economies face unique challenges, such as corruption, weak regulatory frameworks, and a lack of enforcement mechanisms for ethical practices. In India, for example, multinational companies are increasingly expected to adhere to international standards of ethical behavior, even though the local business environment may be less regulated. A 2018 study by Transparency International revealed that 69% of people in India believed that businesses in the country frequently engage in corrupt practices (Transparency International, 2018). However, some firms, such as Tata Group, have set a high ethical standard, demonstrating commitment to transparency and social responsibility in their operations. Despite these efforts, the lack of robust legal structures often makes it challenging for businesses to consistently uphold ethical decision-making across all levels.

In Sub-Saharan Africa, organizational ethical decision-making is often shaped by systemic challenges, including corruption, limited access to ethical training, and inconsistent government oversight. The ethical landscape in these economies is further complicated by political instability and low levels of enforcement for business regulations. In Nigeria, for instance, while international companies such as Shell face criticism for their environmental impact, the ethical decision-making of local businesses can be influenced by local norms and informal networks. According to a 2019 report by PwC, corruption and lack of ethical leadership in the region contribute to inefficiencies, with 45% of surveyed companies in Sub-Saharan Africa stating that corruption remains one of the biggest challenges they face (PwC, 2019). However, there are also positive examples, such as Safaricom in Kenya, which has made strides in ethical decision-making by promoting transparency and corporate social responsibility through initiatives like its M-Pesa mobile banking service, which has significantly improved financial inclusion. These efforts indicate a growing recognition of the importance of ethics in decision-making, though challenges persist.

Leadership style refers to the approach that leaders take in managing, guiding, and influencing their teams. It encompasses various behaviors, attitudes, and methods that leaders use to achieve organizational goals, while also considering the well-being and development of their employees. Different leadership styles, such as transformational, transactional, ethical, and servant leadership,

can significantly impact the ethical decision-making process within organizations. Transformational leadership, characterized by inspiring and motivating employees toward shared goals, tends to foster an ethical climate as it encourages innovation and commitment to organizational values (Bass & Avolio, 1994). On the other hand, transactional leadership, which focuses on reward and punishment based on performance, may have a less direct influence on ethical decision-making, as it often prioritizes short-term goals over long-term ethical considerations.

The link between leadership style and organizational ethical decision-making is crucial as the leader's behavior sets the tone for ethical standards within the company. Ethical leadership, which emphasizes integrity, transparency, and fairness, directly promotes an environment where ethical decisions are prioritized (Brown & Treviño, 2006). Additionally, servant leadership, which focuses on serving others and empowering employees, is linked to improved ethical behavior within organizations as it creates a culture of trust and moral responsibility (Greenleaf, 1977). Each of these leadership styles contributes differently to organizational ethical decision-making, either by fostering open communication, encouraging moral action, or establishing clear ethical norms that guide decision-making. Thus, the leadership style adopted within an organization is a key determinant in shaping its ethical decision-making framework.

Problem Statement

The impact of leadership style on organizational ethical decision-making in emerging markets remains a critical but under-explored area in contemporary business research. As organizations in emerging markets strive to grow within increasingly competitive global landscapes, understanding how leadership influences ethical behavior is essential for fostering sustainability and corporate social responsibility. In these markets, leaders face unique challenges, including weaker regulatory frameworks, cultural diversity, and varying levels of economic development, all of which complicate the ethical decision-making process (Shin, 2021). Additionally, leadership styles whether transformational, transactional, or ethical can significantly shape organizational culture and employee behavior in these contexts, influencing decisions that affect not only profit but also social and environmental impact (Avolio, 2020). However, there is limited empirical evidence on how different leadership styles contribute to ethical decision-making practices in emerging markets, and how these practices can be improved to align with global ethical standards and corporate governance norms (Kouzes & Posner, 2019). This gap highlights the need for further research to understand the specific dynamics of leadership and ethics within these growing and often volatile economies.

Theoretical Review

Transformational Leadership Theory

Transformational leadership emphasizes the ability of leaders to inspire, motivate, and engage employees by fostering a shared vision and higher moral values. This leadership style encourages followers to transcend their self-interest for the good of the organization and is particularly effective in promoting ethical decision-making. Leaders adopting this style work toward elevating their teams' values and ethical standards, which is critical in emerging markets where institutional frameworks may not always support ethical practices. Transformational leaders serve as role models for ethical behavior, creating an organizational culture that prioritizes ethical decision-

making and corporate social responsibility. This theory, developed by James MacGregor Burns (1978) and later expanded by Bernard Bass (1985), is relevant for emerging markets because these environments often face ethical challenges such as corruption, weak regulatory enforcement, and cultural ambiguity in decision-making. Studies show that transformational leadership enhances ethical behavior by inspiring followers to align with organizational values and promoting ethical conduct (Wang, 2021).

Ethical Leadership Theory

Ethical leadership emphasizes the importance of leaders acting as role models for ethical behavior by demonstrating integrity, fairness, and transparency in their decisions. Leaders who adopt this style create an ethical climate within their organizations by consistently making decisions that are morally sound and by encouraging employees to do the same. This leadership theory is particularly important in emerging markets, where organizations may face ethical challenges such as corruption and lack of transparency. Ethical leadership fosters a culture of trust and accountability, ensuring that ethical considerations are central to decision-making processes. Brown and Treviño (2006) initially developed this concept, emphasizing the need for leaders to model ethical behavior, which in turn influences employees' actions and decisions. Recent studies have shown that ethical leadership directly influences organizational ethical decision-making, particularly in markets where ethical behavior can be inconsistent or undervalued (Zhao & Li, 2020).

Servant Leadership Theory

Servant leadership centers on the leader's role in serving the needs of employees and focusing on their personal and professional growth. This approach emphasizes empathy, listening, and a commitment to the well-being of others, promoting an ethical culture by fostering trust and collaboration within the organization. Leaders who adopt a servant leadership style prioritize ethical decision-making by empowering their teams and placing a high value on the ethical treatment of employees. In emerging markets, where traditional leadership may be more hierarchical, servant leadership offers an alternative that emphasizes moral values and ethical behavior. Robert Greenleaf (1977) originally introduced this theory, highlighting how leaders who serve their followers foster an environment of ethical responsibility and trust. Recent studies suggest that servant leadership positively influences organizational ethical decision-making by creating a culture where ethical practices are nurtured and prioritized (Parolini, 2019).

Empirical Review

Wang (2021) investigated the relationship between transformational leadership and ethical decision-making in emerging markets, specifically focusing on China and India. The study aimed to determine whether transformational leadership, which encourages leaders to inspire and motivate their followers, has a positive impact on ethical decision-making in organizations. The authors employed a quantitative survey method, gathering data from 500 employees across multiple sectors. The results revealed a strong positive correlation between transformational leadership and ethical decision-making, showing that leaders who inspired higher ethical standards also fostered a culture of corporate social responsibility. Furthermore, the study found that organizations led by transformational leaders were more likely to make decisions aligned with global ethical practices, despite challenges unique to emerging markets, such as corruption or weak legal systems. The authors emphasized that transformational leadership contributed not only to

employee motivation but also to the broader ethical climate of the organization, promoting long-term sustainability. A significant finding was that transformational leaders' ability to articulate a shared vision and model ethical behavior was key to improving ethical standards in decision-making. The study recommended that organizations in emerging markets, particularly those in China and India, adopt transformational leadership practices to create more ethically responsible work environments. This could be achieved by training leaders to embody ethical values and act as role models for their teams. The research also pointed to the need for organizations to implement ethical leadership programs to reinforce ethical decision-making at all levels. Additionally, the study suggested that transformational leadership could help organizations in emerging markets better navigate the complex ethical challenges posed by rapid economic growth and globalization. Overall, Wang underscored that leadership style plays a pivotal role in shaping ethical decision-making in emerging markets and recommended further research on how leadership styles impact organizational ethics.

Zhao and Li (2020) examined the role of ethical leadership in fostering ethical decision-making in organizations across China, focusing on how leaders' ethical behavior influences the ethical decisions of their subordinates. The study was motivated by the increasing importance of ethical leadership, particularly in emerging markets where governance structures may be weak, and the prevalence of unethical practices can undermine organizational integrity. To explore this relationship, Zhao and Li utilized a mixed-methods approach, combining quantitative surveys with qualitative interviews from 300 employees in various industries in China. The findings revealed a significant positive relationship between ethical leadership and ethical decision-making, with leaders who demonstrated high levels of integrity and transparency significantly improving the ethical behavior of their subordinates. One of the most important insights was that ethical leadership provided a framework for decision-making that emphasized fairness, trust, and accountability, thereby creating a more ethically-conscious organizational culture. Moreover, the study found that organizations with ethical leaders were better at managing ethical challenges and improving their reputation, even in the face of external pressures or weak regulatory environments. The research suggested that ethical leadership could be particularly impactful in emerging markets like China, where traditional governance structures may not always prioritize ethical practices. The authors recommended that companies in emerging markets invest in training and developing ethical leaders who can set the tone for ethical behavior throughout the organization. Zhao and Li (2020) also highlighted the importance of continuous ethical leadership development programs to ensure leaders maintain high ethical standards. The study pointed out that ethical leadership is not a one-time effort but requires continuous reinforcement to ensure lasting impacts on organizational behavior. The findings further indicated that ethical leadership could help mitigate the challenges posed by corruption and weak legal enforcement, which are prevalent in many emerging markets. Based on their findings, the study suggested that organizations adopt ethical decision-making frameworks and provide ethical leadership training to enhance organizational ethics. Overall, Zhao and Li concluded that ethical leadership is crucial for promoting ethical decision-making and fostering a culture of transparency and accountability in emerging markets.

Parolini (2019) investigated into the impact of servant leadership on organizational ethical decision-making, particularly in Kenya. The study sought to understand how servant leadership, which emphasizes the leader's role in serving and empowering employees, influences the ethical decision-making process in organizations within emerging markets. The authors utilized a

qualitative methodology, conducting interviews with 50 managers and employees from a variety of Kenyan firms. The findings revealed that servant leadership played a significant role in promoting ethical decision-making by fostering an environment of trust, collaboration, and moral responsibility. Leaders who adopted a servant leadership style were seen as role models who prioritized the well-being of employees, which in turn created a culture of ethical behavior within the organization. Additionally, the study found that servant leaders' focus on empowerment and ethical treatment of employees led to more transparent and socially responsible decisions. This was especially important in Kenya, where ethical challenges such as corruption and inequality are often present. The authors noted that servant leadership could be an effective way to overcome these challenges by emphasizing values such as empathy, listening, and stewardship. Based on their findings, Parolini (2019) recommended that organizations in Kenya and other emerging markets adopt servant leadership practices to improve ethical decision-making. They argued that servant leadership helps organizations build ethical cultures by focusing on long-term relationships and social responsibility, rather than just short-term financial gains. The study also suggested that integrating servant leadership into leadership development programs could promote ethical behavior at all organizational levels. Furthermore, the research indicated that servant leadership could enhance employee engagement and satisfaction, which are critical for ethical decision-making in organizations. Parolini (2019) concluded that servant leadership has the potential to significantly impact organizational ethics by nurturing a supportive and ethical organizational culture, particularly in emerging markets like Kenya.

Singh and Rani (2020) explored the impact of transactional leadership on ethical decision-making within Indian organizations, particularly in the manufacturing sector. Their study was driven by the need to understand whether transactional leadership, which emphasizes rewards and punishments, could influence the ethical behavior of employees. The authors used a quantitative survey methodology, collecting data from 350 employees working in manufacturing companies across India. The results indicated that while transactional leadership was effective in ensuring task performance, it had limited influence on promoting ethical decision-making. The study found that transactional leaders, who focus more on extrinsic motivation and adherence to rules, were less likely to foster an ethical work environment compared to other leadership styles. However, transactional leadership was still seen as beneficial in ensuring compliance with organizational goals and maintaining order. Singh and Rani (2020) recommended that transactional leaders incorporate ethical decision-making frameworks into their leadership practices to address the shortcomings of their leadership style in fostering ethical behavior. The study suggested that by integrating ethical standards into reward systems and performance evaluations, transactional leaders could enhance ethical decision-making within their organizations. Moreover, the authors emphasized that ethical training for transactional leaders could bridge the gap between performance-based leadership and the need for ethical decision-making. Singh and Rani (2020) also recommended a hybrid approach that combines transactional and ethical leadership to foster both performance and ethical behavior in organizations. The study concluded that transactional leadership alone is insufficient for promoting ethical decision-making in organizations in emerging markets, and leaders must be trained to prioritize ethical values in their decision-making processes.

Khan (2018) examined how transformational leaders influenced ethical decision-making practices in the face of organizational challenges, particularly in emerging markets. Using a case study methodology, the researchers followed three SMEs over a six-month period, observing leadership

behavior and decision-making processes. The study found that transformational leaders had a significant positive influence on ethical decision-making, as they encouraged ethical behavior through role modeling, communication, and the promotion of ethical values. Employees in organizations led by transformational leaders reported higher levels of job satisfaction, commitment, and engagement, which in turn facilitated ethical decision-making. Khan suggested that transformational leadership can be particularly effective in SMEs in emerging markets, where organizations often face resource constraints and ethical challenges. The study recommended that SMEs in emerging markets invest in leadership development programs to cultivate transformational leaders who can drive ethical decision-making. Additionally, the research emphasized the importance of creating an organizational culture that supports ethical behavior, which transformational leaders can establish by leading through example. Khan et al. (2018) concluded that the adoption of transformational leadership could help SMEs in Pakistan and similar emerging markets navigate the complexities of ethical decision-making and corporate responsibility.

Cheng (2021) explored the effects of ethical leadership on decision-making in Southeast Asia, with a focus on Vietnam. The research aimed to understand the impact of ethical leadership on improving ethical standards in decision-making within organizations in emerging markets. The study employed a survey method, collecting data from 400 employees across various industries in Vietnam. The findings revealed that ethical leadership positively influenced ethical decision-making, especially in organizations that had a low level of regulatory oversight. The research showed that ethical leadership created a culture of trust, transparency, and accountability, which led to more ethical decisions, even in complex or ambiguous situations. Cheng et al. (2021) highlighted that ethical leaders were able to effectively guide their organizations through ethical dilemmas by setting clear ethical standards and fostering open communication. Based on their findings, the authors recommended that organizations in Southeast Asia and other emerging markets prioritize ethical leadership development programs to improve organizational ethics. The study also suggested that ethical leadership could help mitigate the challenges posed by corruption, poor governance, and low legal enforcement. Cheng et al. (2021) concluded that ethical leadership is crucial for fostering ethical decision-making and improving organizational performance in emerging markets.

Nguyen and Le (2019) examined the relationship between leadership styles and ethical decision-making in the banking sector in Vietnam. The study sought to understand how different leadership styles, particularly transformational and ethical leadership, influenced ethical decision-making in the financial sector. Using a survey methodology, the researchers collected data from 200 employees across 10 Vietnamese banks. The study found that both transformational leadership and ethical leadership were positively related to ethical decision-making, with ethical leadership having a slightly stronger influence. However, transactional leadership was found to have a neutral effect on ethical decision-making, as it focused more on compliance and performance rather than moral considerations. The authors recommended that banks in Vietnam adopt a hybrid leadership model that combines transformational and ethical leadership to foster both high performance and ethical behavior. Nguyen and Le (2019) also suggested that leadership training programs should focus on integrating ethical decision-making frameworks with leadership development to address the challenges of operating in emerging markets. The research concluded that leadership plays a

critical role in shaping ethical behavior in organizations and that a focus on ethical leadership is essential for improving organizational ethics in the banking sector in emerging markets.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS

The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps

Conceptual Gaps

Although the studies by Wang (2021), Zhao and Li (2020), and Parolini (2019) contribute to understanding the impact of leadership styles on ethical decision-making, there is a lack of integration between various leadership styles in the same organizational context. For example, while the studies focus on transformational, ethical, and servant leadership in isolation, there is limited research that compares the effectiveness of these leadership styles in driving ethical decision-making within the same organization or across multiple sectors. Additionally, while transformational leadership is shown to have a positive impact on ethical behavior (Wang et al., 2021), the specific mechanisms through which it influences ethical decision-making, such as trust-building or emotional engagement, remain underexplored. A clearer conceptual framework that integrates multiple leadership styles in a single study could provide a more nuanced understanding of how different leadership styles interact to shape organizational ethics. Furthermore, the role of leadership authenticity and its connection to ethical decision-making in emerging markets remains unexplored.

Contextual Gaps

Many studies, including those by Zhao and Li (2020) and Parolini (2019), focus on specific industries or organizations in a limited context, such as manufacturing or SMEs in emerging markets like China, India, and Kenya. However, the contextual differences in ethical challenges between various industries such as technology, finance, and natural resources have not been adequately examined. Ethical decision-making may vary significantly across sectors, as the pressures and ethical dilemmas differ. Moreover, while studies have been conducted in large emerging economies, there is limited research on how leadership style impacts ethical decision-making in small-scale businesses or informal sectors, which are more prevalent in many emerging markets. Expanding research to include diverse industries and types of businesses would allow for a deeper understanding of how leadership styles influence ethics in varied contexts.

Geographical Gaps

While much of the existing research, such as that by Wang (2021) and Khan (2018), focused on countries like China, India, and Kenya, there is a notable gap in research on leadership styles and ethical decision-making in other regions of the world, particularly in Sub-Saharan Africa, Southeast Asia, and Latin America. For instance, the study by Cheng (2021) focused on Vietnam,

but the impact of leadership styles in countries with different socio-political and economic environments, such as those in Latin America or Sub-Saharan Africa, remains unexplored. The varying levels of corruption, economic development, and regulatory frameworks in these regions could yield different insights into how leadership influences ethical decision-making. Further research could examine how leadership styles operate in regions with unstable political climates or where governance structures are weak. By extending the geographical scope of research, we can better understand the universal versus region-specific effects of leadership on ethical decision-making in emerging markets.

CONCLUSION AND RECOMMENDATIONS

Conclusions

The impact of leadership style on organizational ethical decision-making in emerging markets is profound and multifaceted, with different leadership approaches shaping ethical behavior in unique ways. Transformational leadership, with its focus on inspiration, motivation, and vision, plays a crucial role in fostering a culture of ethical decision-making by encouraging employees to align with organizational values and global ethical standards. Ethical leadership, with an emphasis on integrity, fairness, and transparency, is particularly vital in environments with weak governance and regulatory systems, as it helps organizations navigate ethical challenges and build trust with stakeholders. Similarly, servant leadership, which prioritizes the well-being and empowerment of employees, creates a supportive environment conducive to ethical behavior and long-term organizational sustainability. However, the impact of transactional leadership on ethical decision-making remains limited, as its focus on rewards and punishments may not directly promote ethical behavior but can ensure compliance with organizational rules and goals.

Despite these insights, there remain significant gaps in the conceptual, contextual, and geographical understanding of how leadership styles influence ethical decision-making across different industries and regions. More research is needed to explore the nuances of leadership styles in diverse emerging markets, particularly in sectors with varying ethical challenges and in regions with different socio-political climates. Additionally, future studies should integrate multiple leadership styles within the same organizational context to provide a comprehensive understanding of how they interact and shape ethical behavior. In conclusion, while leadership style undeniably impacts organizational ethical decision-making in emerging markets, a deeper exploration of its mechanisms and contextual variations will provide more actionable insights for businesses aiming to enhance ethical standards in complex and rapidly developing economies.

Recommendations

Theory

Future research should focus on integrating various leadership styles (transformational, ethical, servant, and transactional) within the same organizational context. This integrated approach could offer a more nuanced understanding of how different leadership styles interact and complement one another to shape ethical decision-making, particularly in emerging markets with unique challenges. Theoretical models should expand to encompass how leaders adapt their style based on the ethical challenges they face in rapidly evolving economies. While studies have demonstrated the positive relationship between transformational and ethical leadership and ethical behavior, more research is needed to uncover the underlying mechanisms. Researchers should

focus on exploring the specific processes through which leadership influences ethical decision-making, such as trust-building, role modeling, and emotional engagement. This can refine existing leadership theories by incorporating the ethical dimension into leadership models that traditionally prioritize performance.

Practice

Organizations in emerging markets should prioritize leadership development programs that promote transformational, ethical, and servant leadership. By fostering leaders who inspire, model, and empower ethical behavior, businesses can create cultures that support long-term sustainability and socially responsible decision-making. These programs should be tailored to address the unique ethical challenges faced in specific industries or regions, ensuring that leaders are equipped to handle contextual challenges such as corruption and weak governance frameworks. Companies should integrate formal ethical decision-making frameworks into their leadership practices. These frameworks can guide leaders in making consistent and morally sound decisions, particularly in organizations where leaders are often faced with ethical dilemmas. Regular training on ethical decision-making will enable leaders to balance performance with ethics, ensuring that organizational goals align with global standards of corporate responsibility.

Policy

Governments and industry regulators in emerging markets should establish clear standards for ethical leadership and decision-making. Policymakers can collaborate with organizations to create ethical leadership certifications or guidelines that set expectations for leaders in both public and private sectors. This would encourage the adoption of ethical leadership practices at all levels of an organization, ensuring that leadership is held accountable for promoting ethical behavior across industries. Policymakers can implement incentives for organizations that demonstrate a commitment to ethical leadership, such as tax breaks or public recognition. These policies could encourage businesses to invest in leadership development programs and align their organizational practices with ethical standards. Additionally, introducing penalties for unethical behavior would create a more transparent and accountable business environment, ensuring that companies operating in emerging markets are committed to ethical decision-making.

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