



IMPACT OF ETHICAL LEADERSHIP ON CORPORATE GOVERNANCE PERFORMANCE IN EMERGING ECONOMIES

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ABSTRACT

Ethical leadership is increasingly recognized as a pivotal driver of sound corporate governance, particularly in emerging economies where institutional weaknesses and corruption are prevalent. This study examines the impact of ethical leadership on corporate governance performance in emerging economies, using Nigeria as a case study. By employing a mixed-methods research design, the study assesses how ethical behaviors by leaders influence transparency, accountability, board independence, and stakeholder engagement. A survey of 200 employees from both public and private organizations was conducted, and the results analyzed using descriptive statistics. Findings reveal that ethical leadership significantly enhances corporate governance by promoting trust, regulatory compliance, and performance transparency. However, systemic issues such as political interference and weak enforcement mechanisms continue to hinder progress. The study recommends strengthening leadership training, enhancing regulatory oversight, and fostering an ethical corporate culture across sectors.

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1. INTRODUCTION

Corporate governance plays a crucial role in ensuring that businesses operate in a transparent, accountable, and sustainable manner. In emerging economies, however, governance challenges persist due to weak institutional frameworks, political instability, and lack of enforcement. Amidst these challenges, ethical leadership has emerged as a key factor that can influence the effectiveness of corporate governance structures.

Ethical leaders promote integrity, fairness, and accountability—values that are foundational to sound governance. In contexts where corruption and mismanagement are prevalent, ethical leadership can help restore stakeholder confidence and foster long-term organizational sustainability. This study aims to evaluate the extent to which ethical leadership contributes to the

performance of corporate governance mechanisms in emerging economies, using Nigeria as a representative example.

LITERATURE REVIEW

Ethical Leadership Defined

Ethical leadership is characterized by the demonstration and promotion of normatively appropriate conduct through personal actions and interpersonal relationships (Brown et al., 2005). Key traits include integrity, fairness, accountability, and concern for others.

Corporate Governance in Emerging Economies

Corporate governance involves systems and processes for directing and controlling organizations (OECD, 2015). In emerging markets, governance systems often suffer from inadequate regulatory frameworks, lack of board independence, and weak judicial enforcement.

Relationship Between Ethical Leadership and Governance

Studies have shown that ethical leadership positively correlates with:

- Improved decision-making (Trevino et al., 2003)
- Enhanced risk management
- Stakeholder trust (Eisenbeiss, 2012)
- Reduction in fraud and corruption

Theoretical Framework

1. **Transformational Leadership Theory** – emphasizes vision and moral motivation.
2. **Stakeholder Theory** – advocates for inclusive governance practices.
3. **Institutional Theory** – suggests organizations conform to external norms and regulations for legitimacy.

METHODOLOGY

Research Design

A **descriptive and correlational survey design** was adopted. The study employed both **quantitative and qualitative** methods to assess perceptions of ethical leadership and its effect on governance performance.

Population and Sample

The target population included managerial and non-managerial staff across selected sectors. A sample of **200 respondents** was drawn from:

- Banking (private)
- Oil & Gas (private)
- Civil service (public)
- Regulatory agencies (public)

Instrument of Data Collection

A structured questionnaire covering:

- Ethical leadership traits
- Governance performance indicators
- Demographic variables

Responses were recorded on a 5-point Likert scale (Strongly Disagree to Strongly Agree).

Data Analysis Techniques

Data were analyzed using:

- Descriptive statistics (frequency, percentage)
- Pearson correlation coefficient (qualitative summary)
- Tabular presentation for clarity

RESULTS AND ANALYSIS

Table 1: Demographic Characteristics of Respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	112	56%
	Female	88	44%
Sector	Public	104	52%
	Private	96	48%
Position	Managerial	70	35%
	Non-managerial	130	65%
Experience	1–5 years	50	25%
	6–10 years	80	40%
	11 years & above	70	35%

Table 2: Ethical Leadership and Corporate Governance Indicators

Statement	Agree Public	(%) Agree Private	(%)
Leadership acts with integrity and honesty	59%	82%	
Leaders encourage reporting of unethical behavior	41%	77%	
Board members are independent and fair	36%	70%	
Ethical values guide decision-making	48%	80%	
Stakeholders are engaged in governance processes	33%	67%	
Compliance with corporate governance codes is strictly enforced	40%	75%	

Qualitative Summary of Findings

1. **Positive Correlation:** Ethical leadership is positively associated with improved governance performance.
2. **Sectoral Gap:** Private sector organizations display higher ethical leadership and governance performance.
3. **Public Sector Weaknesses:** Public institutions suffer from leadership gaps, political interference, and non-enforcement of governance frameworks.

CONCLUSION AND RECOMMENDATIONS**Conclusion**

This study provides empirical support for the argument that ethical leadership significantly enhances corporate governance performance in emerging economies. The data show that organizations led by ethical leaders demonstrate higher levels of transparency, stakeholder trust, and regulatory compliance. However, public sector organizations face considerable challenges including lack of autonomy, inconsistent enforcement, and leadership politicization.

Recommendations

1. **Leadership Development:** Introduce ethics-based leadership development programs in public and private sectors.
2. **Governance Code Enforcement:** Strengthen enforcement mechanisms of governance codes like Nigeria's NCCG 2018.
3. **Whistleblower Protection:** Establish and enforce strong whistleblower frameworks to protect and encourage ethical reporting.
4. **Board Reforms:** Ensure the appointment of independent, qualified board members, especially in the public sector.

5. **Cross-Sector Learning:** Facilitate ethical leadership exchange programs between public and private sectors.
6. **Culture of Accountability:** Promote internal organizational cultures where ethical behavior is recognized and rewarded.

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