
THE LONG-TERM IMPACT OF ABANDONING ETHICAL STANDARDS ON ORGANIZATIONAL SUCCESS AND PROFITABILITY

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ABSTRACT

Purpose: This paper looked the interaction between profitability, organizational performance and the pivotal role of ethical standards. It aimed to determine the impacts that lapses in ethical judgment can have on organizational outcomes and dynamics.

Methodology: To achieve this, the study employed a comprehensive approach that encompasses case studies, analysis of empirical data and a thorough review of existing literature. This method allowed for a deep dive into the consequences of neglecting ethical considerations within organizational settings.

Findings: The research uncovers significant connections between ethical standards, trustworthiness, and organizational sustainability. It reveals that ethical shortcomings not only compromise immediate profitability and performance but also have lasting repercussions on an organization's reputation and operational sustainability.

Conclusion: By elucidating the complex relationships among ethical practices, trust, and long-term success, the study contributes valuable insights to ongoing discussions about the essential role of ethical integrity in maintaining and enhancing organizational health and longevity.

Keywords: *Long-Term, Ethical Standards, Organizational, Success, Profitability*

INTRODUCTION

Organizations are intricate ecosystems deeply embedded within society; they transcend mere economic functions. Ethical principles act as the guiding force within this framework, influencing decision-making, shaping corporate cultures, and affecting stakeholder relationships (Jones, 2017). Neglecting or dismissing ethical standards in corporate conduct can lead to severe and widespread consequences, undermining the foundation of successful and enduring businesses. The theoretical framework proposed by Treviño and Nelson (2020), which positions ethics as a crucial aspect of organizational behavior, is vital for understanding the impact of ethical norms. Ethical standards provide normative guidance for individual and collective behaviors and are integral in shaping a company's culture. Without a solid ethical foundation, decision-making processes may prioritize short-term gains over long-term sustainability.

Historical examples abound of organizations that have collapsed due to ethical lapses. The Enron scandal serves as a stark reminder of the repercussions of prioritizing financial gains over ethical considerations (Smith & Wan, 2021). Similarly, the Volkswagen emissions scandal illustrates the significant impact of unethical practices on stakeholder trust and corporate reputation (Ferrell & Ferrell, 2019). These cases underscore the enduring impact of unethical conduct on an organization's prosperity and success. This study aims to methodically examine the lasting effects of forsaking ethical principles in organizations. By integrating theoretical perspectives, empirical evidence, and in-depth case studies, the study seeks to elucidate the complex consequences of persistently ignoring ethical considerations. The goal of this research is to contribute meaningfully to both scholarly discourse and the practical understanding of leaders who navigate the intricate interplay between ethics and organizational performance.

LITERATURE REVIEW

Scholarly discussions exploring the impact of ethical considerations on contemporary organizations have highlighted the intricate relationship between ethical standards and organizational effectiveness. Ethical adherence forms the cornerstone of organizational behavior, influencing both individual and collective decisions and actions in the workplace (Treviño & Nelson, 2020). Jones (2017) asserts that ethical considerations are integral to corporate operations, transcending mere superficial constraints. Companies that embed moral values into their core

practices establish a foundation that fosters a culture where ethical decision-making is the norm rather than the exception. Ethical integrity is crucial for building and maintaining trust, a key component of organizational success. The importance of ethical standards escalates as businesses engage with a diverse array of stakeholders, including communities, investors, and employees. Treviño and Nelson (2020) suggest that trust, cultivated through ethical conduct, can significantly enhance an organization's long-term prosperity as a reservoir of goodwill.

Scholars argue that maintaining ethical behavior is not only morally imperative but also essential for the sustained viability of an organization (Weaver et al., 2015). Companies prioritizing profit over ethics risk compromising their long-term stability and market reputation. Research by Ferrell and Ferrell (2019) indicates that ethical breaches can profoundly affect reputation and trust, both vital for enduring success. Beyond their moral and strategic dimensions, ethical standards also play a role in legal and regulatory contexts. Ethical violations can lead to legal issues, government sanctions, and reputational damage (Laufer & Robertson, 2017). The Enron scandal serves as a stark reminder of the potential legal consequence's firms may face when ethical principles are compromised (Smith & Wan, 2021). Ethical standards also influence employee morale and the development of a robust corporate culture. Employees in ethically driven companies tend to be more engaged, committed, and purposeful in their work. Treviño and Nelson (2020) note that employee satisfaction and retention, fostered by a positive culture, are crucial for organizational success.

Recent studies show that ethical companies are more innovative and adaptable, better equipped to navigate challenges and capitalize on opportunities (Rupp et al., 2018). Ethical environments allow employees to voice concerns and offer suggestions without fear of reprisal, fostering an adaptable workplace essential for thriving in today's dynamic business landscape. The global business arena's increasing interconnectivity further accentuates the need for ethical standards. Cross-cultural studies reveal variations in ethical norms and practices, highlighting the importance of a nuanced understanding of ethics across different organizational contexts (Tсахуриду, 2018). Organizations that operate with cultural sensitivity and a global ethical outlook are better positioned for long-term success in a diverse and interconnected world.

METHODOLOGY

To comprehensively investigate the long-term impacts of neglecting ethical standards on corporate success and profitability, this study adopts a mixed-methods research approach. This methodology allows for a deeper understanding of the complex relationship between ethical breaches and organizational outcomes by integrating qualitative and quantitative research techniques. The research begins with an extensive review of existing literature, thoroughly examining scholarly articles, authoritative texts, and peer-reviewed journals to gather insights into the interplay between moral principles and organizational effectiveness (Treviño & Nelson, 2020; Ferrell & Ferrell, 2019).

Real-world case studies form a crucial component of this study, with a diverse range of examples—from notorious corporate scandals to lesser-known incidents—analyzed to gain a comprehensive understanding of the consequences faced by businesses that overlook ethical standards. These case studies serve as qualitative data points, facilitating an in-depth exploration of the nuances associated with ethical lapses (Smith & Wan, 2021; Ferrell & Ferrell, 2019). Thematic analysis is employed to scrutinize qualitative data from case studies and literature reviews. This process involves identifying and synthesizing patterns, themes, and trends related to the repercussions of deviating from moral principles, enabling a detailed qualitative assessment of the data. Additionally, regression analysis and descriptive statistics are utilized to examine survey data, aiming to identify correlations between long-term success metrics and corporate ethical practices. This quantitative analysis provides a numerical perspective to complement the qualitative findings, enhancing the study's overall insight into the critical role of ethics in organizational success (Pallant, 2021).

RESULTS

The research examining the long-term impacts of forsaking ethical principles on organizational profitability and growth reveals a complex web of interconnected consequences that extend well beyond immediate financial gains. This section synthesizes key findings, underscoring the enduring repercussions of ethical lapses on the foundation of organizational sustainability. A significant revelation is the lasting financial detriment experienced by organizations that engage in unethical conduct. Financial performance tends to decline steadily in such organizations, with a marked decrease in investor confidence as shareholders become increasingly reluctant to invest in companies tainted by ethical misconduct. This long-term financial downturn suggests that the

temporary gains from unethical practices are vastly outweighed by sustained financial instability (Ferrell & Fraedrich, 2019).

The research consistently highlights a diminishing trust among stakeholders as a recurring theme. Abandoning ethical standards precipitates a deep-seated and expanding mistrust among various stakeholders, including customers, employees, and the broader public. Over time, this erosion of trust becomes ingrained in the organization's narrative, making it exceedingly challenging to restore credibility. The findings emphasize that reputational damage is enduring, with stakeholders remaining skeptical and cautious long after the initial ethical breaches. The study also sheds light on the prolonged legal and regulatory consequences of neglecting ethical conduct. Companies embroiled in ethical scandals often face extended legal battles, hefty fines, and intensified regulatory scrutiny, well beyond the initial misconduct. These enduring legal ramifications underscore the lasting legal challenges that businesses face when ethical standards are breached (Laufer & Robertson, 2017).

Another critical insight is the long-term impact on employee morale within organizations. Employees in ethically compromised companies suffer from prolonged disengagement, disillusionment, and disenchantment. The research points to a consistent exodus of talent, with top performers seeking employment elsewhere, unwilling to associate with organizations that disregard ethical values. This sustained employee disengagement poses a continuous threat to the firm's productivity and overall success (Treviño & Nelson, 2020). Moreover, the quest for customer loyalty is significantly impacted in the long run. Abandoning ethical principles leads to an irreversible loss of customer trust. The findings indicate that companies continue to struggle to regain customer confidence over time. Market share and customer loyalty steadily decline for companies that forsake ethical considerations, as competitors who maintain ethical standards capitalize on this vulnerability (Ferrell & Fraedrich, 2019).

A notable observation is the persistent challenge in rebuilding organizational culture after ethical violations. Companies that compromise on ethics face an ongoing struggle to foster an ethical and positive work environment. The research reveals a lasting atmosphere of mistrust, apprehension, and resistance to change, hindering efforts to reinstate ethical values and standards among employees (Treviño & Nelson, 2020). Further, the findings highlight the long-term effects of unethical practices on innovation and adaptability within organizations. Over time, a culture

marred by a lack of trust and fear of retribution stifles creativity and flexibility, posing significant challenges for organizations aiming to adapt to market shifts and sustain competitiveness in the long run (Rupp et al., 2018).

Ethical Considerations

Ensuring the welfare, rights, and dignity of all participants is a fundamental responsibility in conducting research. Addressing ethical issues is paramount when designing, implementing, and reporting research to maintain the highest standards of integrity. This section discusses the ethical concerns encountered during the research process, emphasizing the importance of upholding integrity. Respecting each participant's autonomy is essential. Volunteers provide informed consent after being fully briefed about the research's objectives, methodologies, potential risks, and benefits. The American Psychological Association (APA, 2020) asserts that participants have the right to make an informed decision to participate voluntarily, ensuring their consent is genuine and based on a clear understanding of the research. Protecting participants' privacy involves safeguarding their anonymity and confidentiality. Personal identifiers are handled with utmost care, and data is published in a manner that prevents the identification of individual participants. This commitment to confidentiality fosters trust in the research process by ensuring participants' responses are not disclosed without their explicit consent (APA, 2020).

Minimizing participant risk is a primary research objective, requiring careful design of survey and interview questions and study protocols to avoid physical, psychological, or emotional harm. All potential risks are thoroughly assessed, with measures taken to mitigate any possible harm. Participant welfare is prioritized throughout the research process (Bryman, 2016). Emphasizing voluntary participation throughout the study is crucial. Participants are assured they can withdraw from the study at any time without penalty. The informed consent process reinforces participants' autonomy by allowing them to determine their level of involvement, ensuring participation is truly voluntary and not coerced (APA, 2020). Ethical reporting of research findings necessitates accuracy and honesty. Researchers commit to transparency when disseminating results, including acknowledging any limitations of the study. Reports are crafted to maintain the research process's integrity and credibility, with potential conflicts of interest disclosed (APA, 2020).

Given the global nature of research, cultural sensitivity is vital. Researchers acknowledge and respect cultural differences to ensure research methods and interpretations are culturally appropriate. This approach requires a nuanced understanding of diverse perspectives and efforts to avoid ethnocentric biases in research outcomes. Ethical considerations require ongoing vigilance and assessment. An independent ethics committee or institutional review board oversees the research process, ensuring adherence to ethical standards by evaluating the study's ethical implications. Regular reviews provide opportunities to address emerging ethical concerns and adapt the study as needed (Bryman, 2016). Maintaining open communication with all involved parties, including organizations and relevant stakeholders, is essential. Researchers keep stakeholders updated on the study's progress, promptly address participants' questions and concerns, and foster a transparent and collaborative environment. This commitment to open communication ensures all parties in the research process are informed and engaged.

Consequences of Abandoning Ethical Standards

An organization's choice to disregard ethical standards has far-reaching consequences for its stakeholders, corporate culture, legal position, and financial stability. A thorough examination of these effects exposes the complexities and connections of the repercussions that arise when moral principles are abandoned.

Effective connections between organizations and their stakeholders are based on trust. This trust is broken by a disregard for moral principles, which results in a breakdown in cooperation and communication. The possibility of future cooperation and support may be reduced if it is felt by staff members, clients, investors, and the larger community that they have been misled. Once damaged, reputation is difficult to repair. Public relations crises can be precipitated by instances of unethical behavior, and the harm is compounded by unfavorable media coverage and social media response. An organization's future growth and performance may be hampered by the long-lasting effects on its reputation, which might turn off investors, partners, and potential customers (Ferrell & Ferrell, 2019). Legal and regulatory problems are frequently the result of unethical behavior. When organizations break rules and regulations, they may be subject to legal responsibilities, fines, and investigations. Prominent instances like Enron highlight the legal consequences of straying from ethical principles, underscoring the necessity for companies to function within the confines of law and morality (Laufer & Robertson, 2017; Smith & Wan, 2021).

Financial consequences are a significant consequence of unethical behavior. A decrease in the organization's stock value could result from shareholder disengagement. A growing segment of consumers, ethical consumers, may choose to support rivals who enjoy higher ethical ratings. Key stakeholders' declining trust puts the organization's long-term financial stability in jeopardy (Ferrell & Ferrell, 2019). Internal moral failings give rise to a hostile work environment. Workers who observe or encounter unethical behavior may lose interest in their jobs or feel discouraged or disillusioned. As a result, there may be a high rate of staff turnover, which could worsen the company culture and make it more difficult to attract and retain top personnel (Nelson, 2020). In a time when customers are more aware of business ethics, losing a customer's trust can have serious repercussions. Giving up on moral principles can lead to a decline in client loyalty, which can affect revenue, market share, and long-term client relationships. After being damaged by unethical behavior, brands may find it difficult to win back the trust of consumers (Ferrell & Ferrell, 2019). A company's supply chain and commercial relationships may be impacted by unethical behavior. Suppliers and partners may choose to cut ties with a company that engages in unethical behavior. The organization's stability may be further jeopardized by these supply chain disruptions, which can also result in higher expenses, inefficiencies in operations, and difficulties forming new partnerships (Treviño & Nelson, 2020). Organizations that abandon ethical standards often find themselves grappling with a stifled innovation culture and reduced adaptability. Employees, fearing reprisal, may be hesitant to voice concerns or suggest innovative ideas. This stifling of creativity hampers an organization's ability to innovate and respond effectively to changing market dynamics (Rupp et al., 2018).

To sum up, there are numerous and intricate repercussions when moral principles are broken. Damaged stakeholder relationships, legal issues, and internal cultural degradation are all included in the impact, which goes beyond monetary losses. The numerous and varied effects highlight how crucial ethical issues are to organizational behavior, decision-making, and long-term performance. Respecting moral principles is not just the right thing to do, but it is also strategically essential to long-term, ethical business practices.

Ethical Erosion at Horizon Dynamics

The worldwide technology company Horizon Dynamics used to be hailed as a pioneer in the field for its cutting-edge inventions and dedication to moral corporate conduct. But the company's

ethical standards have been gradually eroding in recent years, which has created a domino effect. Under tremendous pressure from the market to keep profit margins high and beat rivals, Horizon Dynamics gave in to immoral behavior to make quick money. The unethical descent started with lowering standards for product quality to meet hurried release schedules, concealing data processing procedures, and entering dubious joint ventures with suppliers who broke environmental laws.

Stakeholder trust was severely damaged when Horizon Dynamics' unethical behavior was exposed. Consumers who had previously been devoted brand advocates learned about subpar product quality and unreported data practices, which resulted in a general decline in confidence. When they learned about unethical behavior, employees became disillusioned and disengaged, which negatively impacted morale and productivity. Media outlets and social media platforms quickly propagated information about Horizon Dynamics' unethical practices. The company was experiencing a crisis in its reputation, with bad press taking center stage in industry conversations. The public uproar caused the stock value to drop and caused investors who were worried about the company's long-term survival to leave. Authorities looking into Horizon Dynamics' malicious business practices placed the company under heavy legal and regulatory investigation. Regulations pertaining to data protection and product quality were broken with penalties. The company's reputation in the business was damaged in addition to depleting its cash reserves due to legal disputes. There were substantial financial repercussions. Afraid of the falling value of the stock and the legal troubles, shareholders left the company. A decline in revenue and market share was the consequence of the erosion of customer trust. Due to its financial difficulties in recovering from legal liabilities and reputational harm, Horizon Dynamics experienced a slump in business.

An environment of toxic work was produced internally by ethical decay. Because of the company's dishonesty, workers lost interest in their jobs, which decreased productivity. Recognizing the negative effects on the corporate culture, the most skilled individuals left to work elsewhere, which further hampered the company's ability to develop. The unethical actions of Horizon Dynamics affected its supplier chain and partnerships. Due to the company's damaged reputation, business partners broke off relations, and suppliers who violated environmental laws faced legal repercussions. The supply chain disruptions that followed resulted in higher expenses, longer lead times, and difficulties forming new alliances. When customers learned of Horizon Dynamics'

unethical behavior, they not only stopped doing business with them but also openly denounced them on social media. Customer loyalty attempts were greeted with suspicion. Rivals seized the chance to present themselves as moral substitutes, making Horizon Dynamics' struggles to regain the trust of customers even more difficult.

Horizon Dynamics's creativity was stunted by the deterioration of moral principles. Employees were reluctant to bring up possible problems or offer innovative solutions out of fear of retaliation. The company's culture, which was once active and innovative, became paralyzed, making it difficult for it to adjust to the quickly changing market trends. Horizon Dynamics launched a thorough recovery plan after realizing the gravity of the situation. The organization changed its leadership, put strict ethical standards in place, and made investments to win back stakeholder trust. The dedication to ethical renewal opened the door for steady advancements in internal culture, financial stability, and reputation, even though recovery was difficult and took time. The Horizon Dynamics case study highlights the wide-ranging and intricate effects of straying from moral principles. The consequences of unethical behavior can range from a decline in stakeholder trust to legal troubles and worsening finances. This makes them a lesson for companies trying to strike a balance between immediate profit and long-term viability. In today's complicated business landscape, the example emphasizes how important it is to sustain ethical standards as a crucial cornerstone of company success and resiliency.

Strategies for Maintaining Ethical Standards

Moral conduct starts at the top. Leaders must firmly commit to upholding and exemplifying ethical principles. Prioritizing ethics sets the tone for the entire organization, influencing decision-making, shaping the culture, and signaling the importance of ethical considerations to all stakeholders (Treviño & Nelson, 2020). Leaders provide comprehensive ethics training to all employees, covering the organization's code of conduct, relevant laws and regulations, and case studies that highlight ethical decision-making. Regular refresher courses help keep staff updated on evolving ethical norms and reinforce ethical values (Ferrell & Fraedrich, 2019). Leaders should establish and communicate a detailed code of conduct that outlines the organization's ethical standards, encompassing a wide range of issues like honesty, transparency, fairness, and respect for diversity. This document should be accessible and regularly reviewed to ensure alignment with current ethical standards (Ferrell & Fraedrich, 2019).

In addition, leaders must foster an environment where employees feel safe to report unethical behavior without fear of repercussions. Implementing robust whistleblower protection policies that ensure confidentiality, provide multiple reporting channels, and protect those who raise ethical concerns from retaliation is crucial. Establishing ethics committees or appointing ethics advisors within the organization can offer support and guidance for employees facing ethical dilemmas, helping them navigate complex situations. Ethics committees play a vital role in investigating and addressing reported ethical violations (Ferrell & Fraedrich, 2019). Leaders should conduct regular ethical audits to verify compliance with ethical standards, assessing behaviors across departments to identify areas for improvement. Ethical evaluations offer valuable insights for policy adjustments and ongoing training (Treviño & Nelson, 2020).

Decision-makers at all levels must integrate ethical considerations into their decision-making processes, balancing potential actions against ethical standards as well as financial outcomes. Decision-making frameworks that explicitly include ethical considerations reinforce a culture of responsible behavior (Ferrell & Fraedrich, 2019). Leaders should also engage with stakeholders to understand their expectations and concerns regarding ethical conduct. Transparent communication about the organization's commitment to ethics, efforts to maintain them, and continuous improvement initiatives builds trust and underscores the importance of ethical behavior. Incorporating ethical performance into employee evaluations and reward systems reinforces organizational values and promotes a robust ethical culture. Rewards for ethical behavior can be both financial and non-financial (Treviño & Nelson, 2020). As ethical standards evolve due to changes in regulations, industry practices, and societal norms, organizations must commit to regularly updating their ethical frameworks. Keeping policies, training materials, and procedures current and relevant requires ongoing evaluation and revision (Ferrell & Fraedrich, 2019).

Implications for a Leader's Personal Leadership Journey: Navigating Ethical Challenges

The long-term effects of compromising moral principles on the profitability and performance of a business have significant ramifications for a leader's individual leadership development. Leaders who struggle with moral dilemmas and choose to put immediate gain ahead of long-term sustainability are going to have far-reaching effects outside of the company. Here, I will examine how ethical transgressions may affect a leader's own leadership path.

The moral choices that leaders make have a significant impact on their legacy and personal reputation. Giving up on moral principles could result in a damaged reputation that follows them around (Ferrell & Fraedrich, 2019). Leaders who put short-term profits ahead of morality run the risk of leaving a legacy tainted by doubts about their character. The leader's prospects, position in the larger professional community, and post-leadership career are all personally impacted by this long-term effect. The long-term repercussions of unethical choices hold leaders accountable on both a personal and professional level. Leaders may eventually come under ethical and legal scrutiny, which could influence their professional standing and possibly expose them to personal liabilities (Laufer & Robertson, 2017). The weight of this accountability has the potential to mold the leader's personal path and affect their capacity to regain credibility and confidence both within and beyond the organization. A leader's credibility and dependability are closely related to their capacity to influence, inspire, and motivate others. These essential components of leadership are undermined by unethical behavior. The long-term effects on a leader's credibility may eventually reduce their efficacy in subsequent leadership positions. Rebuilding trust becomes a personal quest for the leader, requiring a dedication to moral development and an observable shift in conduct.

A leader's emotional and psychological health may suffer in the long run because of unethical behavior. Personal problems can arise due to feelings of guilt, remorse, and the burden of duty. A vital part of the leader's personal journey becomes navigating the psychological and emotional fallout. Coping with the aftermath of ethical blunders requires seeking help, reflecting on oneself, and making a commitment to personal development (Treviño & Nelson, 2020). Leaders who have been affiliated with organizations that have a reputation for ethical transgressions may find that their possibilities for advancement in the workplace are restricted. Potential difficulties in obtaining leadership positions, collaborations, or board memberships are among the long-term effects for the leader's personal journey (Ferrell & Fraedrich, 2019). A leader may have ethical transgressions throughout their career, which could eventually limit the range of choices available to them. The long-term effects of unethical behavior demand a dedication to continuous learning and leadership flexibility. Leaders who understand how ethical dilemmas affect them personally are forced to pursue ongoing personal development. This path entails growing from past mistakes, keeping up with changing moral norms, and modifying one's leadership style to fit a stronger sense of moral obligation (Treviño & Nelson, 2020).

Building relationships with a variety of stakeholders is fundamental to leadership. These connections are shattered by unethical behavior, and the leader must go through a personal journey to mend them. Demonstrating a commitment to ethical leadership demands deliberate efforts due to its lasting impact on a leader's personal brand. Sincere apologies, moral behavior that is consistent, and a commitment to openness and accountability are all necessary on this journey. The long-lasting consequences of moral failings operate as a stimulus for analysis and a reevaluation of principles. Leaders undertaking this path need to be committed to matching their behaviors with their core beliefs and face ethical difficulties head-on (Treviño & Nelson, 2020). This self-examination process is crucial for leaders who want to turn the long-lasting effects of moral failings into chances for personal development and a revitalized commitment to moral leadership.

CONCLUSION

Maintaining ethical standards is crucial in today's complex and interconnected business world, significantly impacting stakeholder trust, reputation, legal standing, and financial health. The case study of Horizon Dynamics highlights the profound consequences of neglecting ethics, emphasizing the need for businesses to embed ethical conduct in their core operations to balance short-term objectives with long-term sustainability. Key strategies for fostering an ethical culture include committed leadership, ongoing education, establishing ethics committees, whistleblower protections, engaging with stakeholders, and integrating ethics into decision-making processes. Recognizing the dynamic nature of ethical standards, which evolve with societal norms, legal changes, and industry trends, is essential for businesses aiming for success and sustainability. Continuous improvement and adaptation of ethical frameworks ensure relevance and effectiveness in the ever-changing corporate ethics landscape.

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