

## Transformational Ethical Leadership: A Comprehensive Framework for Building Resilient and Values-Driven Organizational Cultures in Contemporary Business Environments

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**Abstract:** This paper examines how integrating ethical leadership principles with transformational leadership theory can foster resilient, values-driven organizational cultures in today's complex business environment. Through a comprehensive literature review and theoretical synthesis, we present a new framework that highlights the synergistic effects of transformational ethical leadership on organizational resilience, employee wellbeing, and sustained performance. Our analysis reveals that leaders who combine transformational vision with ethical integrity shape cultures of trust, innovation, and adaptability, resulting in superior crisis management, employee engagement, stakeholder relationships, and long-term growth. By uniting transformational and ethical leadership models, this research advances theory and provides actionable guidance for developing leaders capable of driving ethical organizational transformation.

**Keywords:** *Transformational ethical leadership, organizational resilience, values-driven culture, employee wellbeing, crisis management, moral leadership*

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### Introduction

In a time characterized by unprecedented global challenges, technological upheaval, and shifting stakeholder expectations, organizations are faced with the dual responsibility of driving transformation while upholding ethical standards. The conventional split between achieving business success and adhering to moral values has evolved into a more nuanced understanding that ethical conduct and organizational achievements are not just compatible but actually reinforce each other (Ciulla, 2005; Den Hartog, 2015). This shift in perspective has sparked interest in transformational ethical leadership—a leadership style that merges the motivational and change-driven elements of transformational leadership with the moral foundation and integrity-centered decision-

making typical of ethical leadership (Brown & Treviño, 2006).

The importance of this holistic approach cannot be overstated in today's business world, where success is judged not only by financial performance but also by social impact, environmental responsibility, and stakeholder confidence (Schein, 1992; Den Hartog, 2015). In these intricate ecosystems, organizations need leaders who can navigate ethical complexities while fostering innovation, motivate their teams toward shared values while accommodating diverse viewpoints, and cultivate resilient organizational cultures that can quickly adapt to change without compromising core ethical standards (Bass & Avolio, 1994; Judge & Piccolo, 2004).

Recent studies reveal that 95% of employees find moral leadership crucial, although only 10% of leaders consistently adhere to these ideals, resulting in a substantial trust deficit within today's organizations. This discrepancy between expectations and actual performance underscores the pressing need for a thorough understanding of how leaders can effectively integrate transformational skills with ethical decision-making processes to cultivate more effective, sustainable, and value-driven organizations.

This research aims to fill this essential void by examining the theoretical underpinnings, practical uses, and organizational impacts of ethical transformational leadership. By thoroughly analyzing existing literature and integrating current research findings (Brown & Treviño, 2006; Bass & Avolio, 1994), this study presents a unified framework that illustrates how leaders can drive organizational change while adhering steadfastly to ethical standards.

## **Literature Review and Theoretical Foundations**

### **Transformational Leadership Theory**

Transformational leadership, first introduced by Burns in 1978 and further developed by Bass and Avolio in 1994, embodies a leadership approach centered around inspiring followers to prioritize the organization's greater good over personal interests. The framework of transformational leadership is built upon four key dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. These dimensions provide insight into how leaders can encourage followers to achieve outstanding performance levels while also fostering their personal and professional growth.

Modern studies have repeatedly shown the beneficial effects of transformational leadership on organizational outcomes (Eisenbeiss et al., 2008; Breevaart & Bakker, 2018). Research reveals that transformational leaders foster work environments with higher

levels of employee engagement, greater innovation potential, and enhanced organizational performance (Lei et al., 2020; Jabbour Al Maalouf et al., 2025). Their skill in articulating compelling visions, questioning current assumptions, and nurturing individual capacities makes transformational leaders especially adept at facilitating organizational change and adaptation (Bass & Avolio, 1994; Judge & Piccolo, 2004).

Recent meta-analyses indicate a positive correlation between transformational leadership and employee performance ( $\beta = 0.319$ ,  $p < 0.05$ ), with job satisfaction and organizational commitment serving as mediating factors (Judge & Piccolo, 2004). Moreover, organizations with transformational leaders exhibit a significantly greater ability to handle complex change initiatives, achieving success rates that are roughly 40% higher than those led by traditional leadership methods (Manu, 2022).

### **Ethical Leadership Foundations**

Ethical leadership involves displaying behavior that aligns with accepted moral standards through one's actions and interactions with others, and encouraging such behavior among followers via reciprocal communication, incentives, and choices. According to Brown and Treviño (2006), ethical leadership is defined as a unique concept that combines the aspects of a moral individual and a moral manager, where leaders not only exemplify ethical values but also foster ethical conduct throughout their organizations.

The moral person dimension comprises attributes such as integrity, honesty, and trustworthiness, whereas the moral manager dimension pertains to the active initiative to guide others' ethical conduct through communication, reward systems, and role modeling. This dual conceptual framework provides a comprehensive understanding of how leaders can cultivate ethical environments that become an integral part of organizational culture.

Research has consistently demonstrated strong positive relationships between ethical leadership and various organizational outcomes (Mayer et al., 2009; Rantika & Yustina, 2017). Studies show that ethical leadership significantly enhances employee well-being ( $\beta = 0.47$ ,  $p < 0.001$ ), with effects explaining approximately 23% of the variance in employee well-being measures (Fu et al., 2020; Saleem et al., 2024).

Additionally, ethical leadership reduces emotional exhaustion while increasing work engagement through psychological empowerment mechanisms (Inocêncio et al., 2024; Breevaart & Bakker, 2018).

### **Integration of Transformational and Ethical Leadership**

The merging of transformational and ethical leadership models represents a logical progression in leadership theory, addressing the shortcomings that arise when each is viewed separately. Transformational leadership provides the vision and motivation necessary for organizational change, whereas ethical leadership ensures that this transformation occurs within a morally responsible framework that considers the interests of all stakeholders.

This integration addresses essential issues highlighted by scholars regarding transformational leaders who may seek change without properly considering its ethical consequences. By incorporating ethical decision-making models into transformational leadership methods, leaders can ensure that organizational transformation not only meets performance goals but also aligns with the broader interests of stakeholders and societal values.

Studies indicate that leaders who effectively blend these methods develop a style known as "transformational ethical leadership." This type of leadership is characterized by the ability to motivate followers towards shared values while consistently upholding high ethical standards. Such leaders exhibit an exceptional ability to handle intricate

stakeholder interactions, navigate through ethical uncertainties, and cultivate organizational cultures that can adapt to change without compromising fundamental values.

### **Organizational Culture and Values-Driven Leadership**

Organizational culture, which encompasses the collective values, beliefs, and assumptions that shape behavior in organizations, acts as both a framework for and a result of leadership actions. Schein's 1992 three-tier model of organizational culture—comprising artifacts, espoused values, and underlying assumptions—provides a framework for understanding how leaders can influence cultural change through deliberate efforts across various tiers.

Values-driven leadership embodies a distinct method of cultural growth that emphasizes the alignment of personal and organizational values as a cornerstone for enduring success. Studies show that organizations with robust, values-based cultures excel across various metrics, including employee engagement, customer satisfaction, and financial performance.

To create cultures grounded in values, leaders must undertake a deliberate transformation process that involves evaluating values, crafting communication strategies, reinforcing desired behaviors, and consistently monitoring progress. Research indicates that organizations adopting values-driven methods achieve 40% better performance in essential business metrics than those using conventional management methods.

### **Transformational Ethical Leadership Framework**

#### **Conceptual Model Development**

Drawing from a thorough examination of current literature and merging transformational and ethical leadership theories, this study introduces a detailed framework for transformational ethical leadership. This framework encompasses five

key dimensions that collectively outline the skills and actions characteristic of leaders who effectively integrate transformational abilities with ethical principles.

#### Dimension 1 Ethical Vision and Purpose

Transformational ethical leaders communicate inspiring visions that not only motivate their followers but also embody clear moral values. These leaders transcend conventional vision-setting by aligning organizational goals with the wider interests of stakeholders and offering purposeful guidance to their followers. Studies show that when leaders effectively incorporate ethical principles into the creation of their visions, they foster greater employee dedication and enhance the organization's resilience.

#### Dimension 2 Moral Courage and Decision-Making

This dimension involves the readiness to make tough decisions grounded in ethical principles, even if these decisions might lead to temporary costs or challenges. Transformational ethical leaders demonstrate moral courage by consistently applying ethical decision-making frameworks, engaging stakeholders in moral reasoning, and accepting responsibility for the ethical implications of their decisions.

#### Dimension 3: Empowering Ethical Development

Instead of merely enforcing ethical conduct, transformational ethical leaders aim to enhance their followers' abilities to reason morally. They achieve this by offering opportunities for ethical reflection, creating environments conducive to moral development, and recognizing those who demonstrate exceptional ethical qualities in their work.

#### Dimension 4: Transparent Communication and Accountability

Effective transformational ethical leaders ensure open and honest communication about challenges, decisions, and outcomes within the organization. They establish

accountability systems that are equally applicable across all levels and uphold transparency in decision-making processes, while also respecting necessary confidentiality requirements.

#### Dimension 5 Stakeholder Integration and Social Responsibility

This aspect involves the careful consideration of all stakeholder interests during organizational decision-making and the integration of social responsibility principles into business strategy. Leaders who are ethically transformational recognize that achieving lasting organizational success requires fostering positive relationships with diverse stakeholder groups, while also contributing to the broader well-being of society.

#### Mechanisms of Influence

The transformational ethical leadership model functions through various core mechanisms that allow leaders to impact organizational culture and performance:

**Values Alignment Processes:** Leaders consistently strive to harmonize their personal values with the organization's objectives through open dialogue, shared experiences, and joint goal-setting. This alignment fosters greater employee commitment and minimizes value conflicts that could negatively impact performance.

**Ethical Climate Development:** By consistently demonstrating ethical conduct, clearly communicating ethical standards, and systematically reinforcing ethical actions, leaders cultivate an organizational environment that encourages and rewards ethical behavior throughout the organization.

**Transformational Change Management:** Leaders utilize transformational skills within ethical frameworks to guide organizational change in a manner that honors stakeholder interests, while also implementing essential adjustments to meet environmental challenges.

**Resilience Building:** Leaders enhance an organization's ability to effectively address

crises and challenges by integrating inspirational motivation with ethical principles, all while preserving core values and stakeholder relationships.

1. **Organizational Outcomes and Performance Implications**
2. **Employee Wellbeing and Engagement**

Extensive research consistently indicates that transformational ethical leadership plays a crucial role in greatly improving employee well-being in various aspects. Findings suggest that employees guided by transformational ethical leaders experience increased job satisfaction, lower stress and burnout levels, and a heightened sense of purpose in their work. These positive outcomes are facilitated by the establishment of workplace environments that foster trust, provide support, and ensure alignment between personal and organizational values.

Specific outcomes include:

**Psychological Safety:** Employees feel safe to express concerns, admit mistakes, and propose innovative ideas without fear of punishment or retaliation

**Work Engagement:** Higher levels of vigor, dedication, and absorption in work activities, leading to improved performance and job satisfaction

**Stress Reduction:** Lower levels of role conflict and ambiguity resulting from clear ethical guidelines and supportive leadership practices

**Personal Growth:** Enhanced opportunities for moral and professional development through challenging assignments and ethical mentoring

### **Organizational Resilience and Crisis Management**

Organizations guided by transformational ethical leaders excel in handling crises and adapting to environmental challenges. This increased resilience stems from various factors, including solid stakeholder

relationships, well-defined value systems that guide decision-making in high-pressure situations, and employee dedication that supports organizational recovery efforts.

Key resilience capabilities include:

**Anticipatory Capacity:** Ability to identify potential challenges and ethical dilemmas before they become critical issues

**Adaptive Response:** Flexibility to modify strategies and practices while maintaining core ethical principles

**Recovery Mechanisms:** Strong internal relationships and external stakeholder support that facilitate rapid recovery from setbacks

**Learning Integration:** Systematic processes for capturing lessons learned from challenges and integrating insights into future practices

### **Innovation and Performance Outcomes**

The blend of transformational inspiration and ethical principles creates an environment that is particularly conducive to innovation and exceptional performance. Transformational ethical leaders cultivate environments where psychological safety and intellectual stimulation thrive within ethical boundaries, allowing employees to explore creative solutions while upholding the organization's values.

Performance outcomes include:

**Innovation Metrics:** Higher rates of new product development, process improvements, and creative problem-solving

**Financial Performance:** Superior financial results stemming from enhanced employee engagement, stakeholder trust, and operational efficiency

**Market Position:** Stronger competitive positioning based on reputation, customer loyalty, and stakeholder support

**Sustainability Measures:** Better performance on environmental, social, and governance metrics that increasingly influence organizational success



## 1. Implementation Strategies and Best Practices

### 2. Leadership Development Programs

To cultivate transformational ethical leadership skills, comprehensive development programs are essential, encompassing both transformative abilities and ethical reasoning skills. Successful programs usually incorporate several vital components:

**Values Clarification Exercises:** Activities designed to help leaders identify and articulate their personal values while understanding how these values align with organizational purposes and stakeholder expectations.

**Ethical Decision-Making Training:** Systematic instruction in ethical frameworks, stakeholder analysis, and moral reasoning processes that enable leaders to navigate complex ethical dilemmas effectively.

**Transformational Skill Building:** Development of specific capabilities, including vision articulation, inspirational communication, coaching and mentoring, and change management within ethical frameworks.

**Experiential Learning Opportunities:** Real-world projects and simulations that allow leaders to practice integrating transformational and ethical approaches while receiving feedback and support from experienced mentors.

### 1. Organizational Culture Transformation

To implement transformational ethical leadership effectively, it is essential to systematically focus on cultivating the organizational culture. Some crucial strategies to achieve this include:

**Culture Assessment:** Comprehensive evaluation of current organizational culture including values alignment, ethical climate measures, and stakeholder relationship quality.

**Values Integration:** Systematic processes for embedding organizational values into policies,

procedures, decision-making processes, and performance management systems.

**Communication Systems:** Development of transparent communication channels that support open dialogue about ethical issues while maintaining appropriate confidentiality.

**Recognition and Reward Systems:** Alignment of organizational recognition and reward systems with both performance outcomes and ethical behavior, ensuring that ethical excellence is valued and reinforced.

### 1. Measurement and Monitoring Systems

The successful implementation of transformational ethical leadership requires robust measurement frameworks that track both performance outcomes and ethical indicators. Essential metrics comprise:

**Employee Engagement Surveys:** Regular assessment of employee satisfaction, commitment, and perceived organizational support for ethical behavior.

**Stakeholder Relationship Measures:** Systematic evaluation of relationships with customers, suppliers, community members, and other key stakeholders.

**Ethical Climate Assessments:** Periodic measurement of organizational ethical climate, including perceptions of ethical leadership, fair treatment, and organizational support for ethical behavior.

**Performance Integration Metrics:** Measures that assess the integration of ethical considerations into business processes and decision-making systems.

### 1. Challenges and Limitations

#### 2. Implementation Challenges

Organizations attempting to implement transformational ethical leadership face several significant challenges:

**Resource Requirements:** Developing transformational ethical leadership capabilities requires a substantial investment in training, development, and organizational

change processes, which may strain organizational resources.

**Resistance to Change:** Employees and managers accustomed to traditional leadership approaches may resist efforts to integrate ethical considerations into performance-oriented environments.

**Measurement Complexity:** Evaluating the efficacy of transformational ethical leadership requires advanced measurement systems that can capture both quantitative performance outcomes and qualitative ethical indicators.

**Time Horizons:** The benefits of transformational ethical leadership may require extended time periods to fully manifest, creating challenges for organizations focused on short-term results.

### Contextual Limitations

The impact of transformational ethical leadership can differ depending on the organizational setting:

**Industry Variations:** Organizations operating in highly regulated industries may find it easier to implement ethical requirements than those in less regulated environments.

**Cultural Differences:** National and regional cultural differences may influence the effectiveness of specific transformational ethical leadership approaches.

**Organizational Size:** Large organizations may face greater complexity in implementing comprehensive transformational ethical leadership programs compared to smaller organizations.

**Market Pressures:** Organizations facing intense competitive pressures may struggle to maintain ethical standards while pursuing necessary performance outcomes.

#### 1. Future Research Directions

#### 2. Theoretical Development

Future research should focus on further refinement of transformational ethical leadership theory through:

**Dimension Validation:** Empirical studies that validate the proposed five-dimensional framework through quantitative research methods.

**Cross-Cultural Studies:** Research examining how transformational ethical leadership operates across different cultural contexts and organizational environments.

**Longitudinal Analysis:** Long-term studies that track the development and outcomes of transformational ethical leadership over extended time periods.

**Integration Studies:** Research exploring how transformational ethical leadership integrates with other contemporary leadership theories and approaches.

### 1. Practical Applications

Applied research should focus on developing practical tools and methods for implementing transformational ethical leadership:

**Assessment Instruments:** Development of validated instruments for measuring transformational ethical leadership capabilities and organizational outcomes.

**Training Programs:** Research evaluating the effectiveness of different approaches to developing transformational ethical leadership capabilities.

**Implementation Models:** Studies examining successful implementation strategies across different organizational contexts and industries.

**Technology Integration:** Research exploring how technology can support the development and implementation of transformational ethical leadership practices.

### Implications for Practice

#### a. Leadership Development

Organizations should allocate resources toward comprehensive leadership development programs that incorporate both transformational and ethical leadership skills. Some principal suggestions are:

Establish leadership development pathways that emphasize both performance excellence and ethical reasoning.

Create mentoring programs that pair emerging leaders with experienced, transformational, ethical leaders.

Implement experiential learning opportunities that allow leaders to practice integrating ethics and transformation.

Develop assessment systems that evaluate leaders on both performance outcomes and ethical behavior.

### **Organizational Design**

Organizations should align their structures, systems, and processes with transformational ethical leadership principles:

Design decision-making processes that systematically incorporate ethical considerations. Create communication systems that support transparency while respecting legitimate

confidentiality requirements

Implement performance management systems that recognize both results achievement and ethical excellence.

Establish stakeholder engagement processes that ensure diverse perspectives are considered in organizational decisions.

### **Culture Development**

Organizations should focus on building cultures that support and reinforce transformational ethical leadership:

Conduct regular culture assessments to identify alignment between stated values and actual behaviors.

Implement systematic values integration processes that embed ethical principles into daily operations.

Create recognition systems that celebrate ethical excellence alongside performance achievement.

Establish feedback mechanisms that allow employees to raise ethical concerns without fear of retaliation.

### **Discussion**

The findings of this theoretical study underscore the critical importance of integrating ethical principles with transformational leadership to build resilient, values-driven organizational cultures. By uniting the motivational and visionary capabilities of transformational leadership with the moral foundation of ethical leadership, organizations can foster environments where trust, innovation, and adaptability flourish. This synergy addresses contemporary organizational challenges more effectively than either leadership model in isolation.

The enhanced employee wellbeing associated with transformational ethical leadership is particularly noteworthy. Leaders who exemplify moral courage, transparent communication, and accountability not only gain followers' trust but also create psychologically safe workplaces. These environments reduce stress and burnout while improving work engagement and personal growth. Given the increasing emphasis on employee welfare in modern workplaces, this association has profound practical implications for leadership development.

Moreover, the model's emphasis on stakeholder integration and social responsibility reflects evolving expectations for businesses to contribute positively to society beyond profitability. Organizations guided by transformational ethical leaders are better positioned to navigate crises, sustain innovation, and maintain competitive advantage through enhanced stakeholder relationships and corporate reputation. This suggests that ethical considerations should be foundational rather than auxiliary in strategic leadership.

Challenges in implementing transformational ethical leadership—such as resistance to change, resource demands, and measurement



complexities—highlight the need for a committed organizational culture and ongoing leadership development initiatives. Importantly, context-specific adaptations may be necessary to address variable cultural, industry, and organizational dynamics. Future empirical studies could explore these nuances and provide refined frameworks for diverse settings.

In sum, the comprehensive framework presented promotes a paradigm shift towards leadership that is simultaneously performance-oriented and ethically grounded, offering a robust pathway to sustainable organizational success. Organizations that embrace this integrated approach stand to improve not only their internal culture and employee outcomes but also their broader societal impact.

## Conclusion

The merging of transformational and ethical leadership models represents a significant advancement in both leadership theory and its practical application. This is especially significant for organizations operating in fast-paced, complex environments where stakeholder expectations are constantly evolving. This thorough examination reveals that transformational ethical leadership provides a robust framework for creating organizations that can achieve high performance while upholding ethical standards.

The suggested five-dimensional framework – which encompasses ethical vision and purpose, moral courage and decision-making, fostering ethical growth, open communication and accountability, and stakeholder engagement and social responsibility – provides a comprehensive strategy for leadership development, addressing the complex challenges that modern organizations face.

Studies consistently show that companies guided by transformational ethical leaders outperform their peers in various areas, including employee engagement, stakeholder

relations, crisis resilience, and long-term financial success. These achievements result from cultivating organizational cultures marked by trust, innovation, moral courage, and adaptability – the exact skills needed for sustainable success in ever-changing business landscapes.

To implement transformational ethical leadership effectively, organizations must make substantial commitments, including investing in leadership development, transforming their culture, and establishing effective measurement systems. Despite these demands, evidence indicates that organizations that invest in these areas are better equipped to handle the complex challenges of modern business and can establish sustainable competitive advantages rooted in stakeholder trust and employee loyalty.

As business landscapes continue to change and stakeholder demands grow, the significance of transformational ethical leadership will become even more crucial. Companies that take the initiative to cultivate these skills will find themselves in a favorable position to succeed in settings where ethical conduct and transformational achievement complement each other as key components of long-lasting organizational success.

The path to becoming a transformational ethical leader is intricate and demanding, necessitating ongoing dedication from company leaders and thorough change management strategies. Despite the challenges, organizations that are prepared to invest in this journey can reap significant rewards. These include enhanced employee welfare, stronger relationships with stakeholders, increased innovation capabilities, and improved long-term outcomes. Therefore, investing in this transformation is not only valuable but crucial for achieving sustainable success in the 21st-century business landscape.

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