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Research Article

Linking Ethical Leadership To Corporate Governance Effectiveness: A Study Of Public Interest Entities (Pies) In Nigeria

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ARTICLE INFO	ABSTRACT

Ethical leadership is an important and arguably a concept that influences corporate governance effectiveness of Public Interest Entities-PIEs. Guided by moral foundation theory, this study investigated the influence of ethical leadership on corporate governance effectiveness of PIEs in Nigeria. The study used cross- sectional survey research design to obtain data from 288 senior managers in 96 PIEs in the Nigeria specifically in the banking and insurance sectors. Linear regression analysis was used to test the hypothesis. Results of the hypothesis testing showed that ethical leadership influences all the four dimensions of corporate governance effectiveness. Precisely, ethical leadership and board practices (β= .356, p<.001), ethical leadership and transparent disclosure (β= .445, p<.001), ethical leadership and board commitment (β= .423, p<.001), and ethical leadership and control environment (β= .390, R^2 =16.3, p<.001). Based on the findings, the study concludes that the ethical stance of leaders is a significant issue towards influencing and improving corporate governance effectiveness. The study recommends that to improve ethical leadership, ethical codes of conduct must be stated clearly and appropriate guidelines put in place to ensure that corporate leaders understand expectations and this should be contemplated within the culture of leadership recruitment, training and capacity development of those in leadership position

Keywords: corporate governance effectiveness, board practices, transparent disclosure, board commitment, control environment, public interest entities

1. Introduction

The general opinion and expectation are that people who occupy leadership positions are those that possess outstanding character, integrity and high sense of morality. Nevertheless, as long as there have been documented instances of good leaders in corporate organizations, private sector, and political space to mention a few, also, there have been leaders who have purposefully compromised the ideals expected of a leader. An assessment of the causes for the collapse of hitherto too big to fail corporate organizations such as Nortel in Canada, Tyco in United States of America, Satyam in India, Enron in United Sates, Golden Key in Sri Lanka, Parmalat in Italy, Wells Fargo in United States of America and Ahold in Netherlands etc. proves beyond reasonable doubt that there was a wide-ranging disregard for ethics in their leaders or incapability to fulfil their duties and responsibilities ethically. Diane (2009) compares leadership unethical behavior to the formation of tornadoes, which creates storms resulting from diverse influences and whose outcomes is challenging to predict. Similar to the above description, unethical leadership behaviour harms all involved including leaders, subordinates, corporate organizations, investors, and the society at large. Academics claimed that the conduct of ethical leaders filters down from top business executives to supervisors and then cascades to subordinates (Tu & Lu, 2016). Studies have documented mounting evidence that attests that unethical behavior of leaders exacts several costs to corporate organizations (Jeffrey, Yuarong, Cedric, & Herve, 2012; Xin, Hui, Rellie, Xiaoming, Elijah. & Wee, 2020; Banks, Fischer, Gooty, & Stock, 2021). Besides, researchers have reported that ethical leadership is connected to numerous positive outcomes, such as

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improved job performance (Joplin, Greenbaum, & Wallance, 2021; Budi & Ahmad, 2023), citizenship behavior (Hoch, Bommer, Dulebohn, & Wu, 2018; Tourigny, Han, & Baba, 2019), job engagement (Huma, Muhammad, Anam, & Roheel 2020; Talat, Areela, Amna, & Yasir, 2024), job commitment (Kim & Brymer, 2011), service innovation (Muhammad, Zahid, Puneet, & Amandeep, 2024), service performance (Mingjun, Tuan, & Giang, 2023), organizational politics (Ayshe & Serife, 2023), conflict management (Babalola, Stouten, Euwema, & Ovadje, 2016), team performance (Halil, Ahmet, & Taylan 2021), and environmental performance (Zahid, Rana, , Pooja, Varun, & Areej, 2023) among others.

Central to the study of leadership in organizations is the conviction that leaders are a necessary constituent of organizational change. With the exemption of a few theoretical viewpoints elucidating specific circumstances in which leadership may not be essential (Kerr & Jermier, 1978), substantial number of leadership literature rests on the aforementioned principle. Greater part of literature supports the idea that certain forms of positive leadership conducts (i.e., charismatic leadership, transformational leadership, leader-member exchange, and so forth) are connected with a diverse array of individual and organizational outcomes. On the contrary, considerable research point out that negative forms of leadership behaviour (i.e., oppression, supervisor hostility, or abusive supervision etc.) results in harmful individual and organizational outcomes (Tepper, 2007). Crises connected to ethical leadership are not new (Brown & Trevino, 2006; Shakeel, Kruyen, & Van Thiel. 2019). According to Kuvaas and Buch (2018), the corporate world aside its financial concerns is more becoming a keen observer to plethora of unethical leadership practices happening in the corporate world. In fact, it is mostly during corporate scandals and moral lapses that the larger public and diverse stakeholders in a corporation ask themselves the central question: who are corporate leaders and are they ethical? According to Fulmer (2004), concerns relating to ethical issues arise when leadership legitimacy or otherwise is probed and when public's trust in corporate governance is exceptionally low.
Even though ethical behavior is the collective responsibility organizational wide, but numerous initiatives and efforts rely largely on the leadership. Thus, at the root of many organizational procedures and practices stand leaders whose values, conduct and interests shape the degree to which they incorporate ethics in their decisions. Brown and Trevino (2006) stated that the ideal of effective leadership is ethical behavior. Ann and Dongkyu (2020) maintained that ethical leadership refers to leader's demonstration of normatively suitable conduct and the progression of such behavior among subordinates. The concept of ethical leadership (ELS) has been conceptualized in extant literature using numerous narratives such as ethical leader behaviour, authentic leadership, leadership ethics, moralized leadership, responsible leadership, and managerial ethical leadership among others. Attention regarding the notion "ethical leadership" is intensely influenced by Brown and Trevino who stimulated new directions for future research on the antecedents and consequences of ethical leadership (Trevino, Brown, & Hartman, 2003). For the past three decades, research attention on ethical leadership has grown remarkably due to varying forms of scandals (Eluka & Chukwu, 2013).

Unethical leadership condoles and promotes bad corporate governance practices which cast doubt on a firm's dependability, integrity, and transparency, and by extension influence its financial health. Good governance is presumed by many to be effective governance. Nevertheless, effective governance extends beyond mere obedience with standards/codes and is also connected to the success and sustainability of the company. Effective corporate governance is mostly significant in the case of Public Interest Entities (PIEs). The meaning of PIEs differ significantly across member states. Nevertheless, PIEs is generally recognized as corporate entities that are run and whose securities are transferable and are recognized for trading purposes among member state. In Nigeria, policy effort is ongoing by the Federal government to enlarge the classification of PIEs, bringing as many as 600 new companies under the new group. According to Sinmi-Adetona, Zainab, Oghogho, and Cephas (2024), most prominent agenda is the broadening of PIEs guidelines to accommodate private firms. Studies carried out on ethical leadership in the domain of corporate governance acknowledged certain practices of governance, such as board practices, transparent disclosure, board commitment, and control environment within the purview of leadership responsibilities. The concept "corporate governance" refers to the practice or application of ethical and effective leadership through institutionalization of moral conduct and best practices in the workplace (Institute of Director in Southern African -IODSA 2016). In essence, corporate governance symbolizes how corporate organizations are governed instead of the way they are managed.

Adherence to corporate governance is strongly connected to leadership. As clearly specified in the Kings Report (2002) corporate governance is basically linked with leadership who exercise power in connection with the governance practices of a corporation. Corporate governance outlines the framework for setting objectives and determining the procedures to accomplish them, as well as for monitoring the performance and efficiency of the company. The effectiveness and quality of governance practices depend on the application of corporate governance principles and framework in such a way that adhering to these principles may influence corporate practices (Mousavi & Moridipour, 2013). The quality or effectiveness of corporate governance upsurges when the company meets the prescribed or common standards of corporate governance (Beeks & Brown, 2006). An effective governance framework guarantees submission and compliance of a company with statutory regulations. Similarly, effective governance represents the level of quality and pro-activeness in responding to the firm's guiding principles and strategic directions concerning what is right, dependable, and responsible corporate conduct within the context of a cohesive surveillance system for business control. Therefore, a company with improved corporate governance principles is the one which possesses and meets the common standards of corporate governance set by the regulatory authorities (Lokman, Corter, & Mula, 2012). To this end, Public Interest Entities-PIEs have to take stock of its corporate governance culture to attract investment, because of the positive externalities of corporate governance.

All too frequently, greed and opportunistic tendency have turned out to be center-stage in leadership decisions, which was evidently demonstrated when many firms slip into financial crisis and eventually failed. More worrisome, all of these decisions convey pain and hurt the entire stakeholders. Nowhere is this need and desire for ethical leadership standards and exemplars more urgent and essential than in the Nigerian Public Interest Entities-PIEs where rapid changes and transformations in its business context recurrently prompt questions of ethics and morality in the conduct of their affairs and business activities. Ann and Dongkyu (2020), Otekunrin, Nwaji, Egbide, Fakile, Ajayi, Falaye et al., (2018) and Oshagbemi and Ocholi (2006) stated that the level of success and fiasco of a firm is contingent on the behaviour of the leaders. According to Newhaul (2012), an estimated 50% to 60% leaders in most corporate organizations acknowledged being ineffective in demonstrating important leadership behaviour and competences required to promote desired workplace conducts. Leslie (2015) affirmed that the contemporary level of uncertainty and unpredictability across industries have outstretched the complications for any leader to function effectively. In her opinion, while the complicated business environment is obviously a limitation to leadership roles and responsibilities, abilities to develop positive leadership behaviors and practices presents further difficulties.

According to Crane, Matten, Glozer, and Spence (2019), wide-ranging reports were made in both prints and news media concerning unethical corporate behaviour of business executives, which continued notwithstanding the introduction of governance and legislation guidelines enacted to impose business integrity. Elena, Kim, Stephen, and Dina (2017) maintained that the leadership or Chief Executive Officer-CEO role is no doubt a tough position to occupy. The stake are not only high, but the expectations in terms of moral and ethical stance are great, thus too many CEOs wane in the job. For example, approximately a quarter of the Fortune 500 business executives who leave their firms each year are forced out (Elena et al., 2017). Accordingly, there is a severe malfunction in the ethical filter where the values championed by the organizations at the corporate levels are unsatisfactory and therefore fail to cascade positive tone to those at the lower level (Hegarty & Moccia, 2018). Over the past decades, several business frauds and instances of scandalous leadership behaviour have generated growing research and media attention. With the growing number of extensively deliberated indignities of business executives, the question has arisen - how they could have been stopped? Jurists, public analysts, politicians, economists, and academicians among others have searched for approaches and strategies that could promote ethics, and prevent unethical behaviour in the workplace. Consequently, guidelines and regulations (i.e. the Sarbanes– Oxley Act of 2002), voluntary commitments of diverse forms (i.e. code of conduct and ethics), as well as introduction of ethics programs and corporate ethics executives have been introduced. Nevertheless, the consequence of these measures has often been rather unsatisfactory. Scholars like Webley and Werner (2008) alluded that a code of ethics only does not guarantee ethical behavior.

Over the past decades, the search for motives for poor or ineffective governance measures has progressively focused on business leaders. According to Otekunrin et al., (2018), absence of commitment of top business leaders is the major cause of business failure. Both scholars and business practitioners are recognizing that while legislation is essential, leadership may be the major determinant in ethical action (Uhl-Bien 2006; Lemoine, Hartnell, & Leroy, 2018). According to Gini (1998), the ethics of leadership whether good or bad, positive or negative—impacts the ethos of the workplace and therefore influences ethical choices and decisions. Pollard (2005) alluded that while rules may bring about higher standard of accountability and add the 'flex' of punishments, they do not define the trustworthiness, good character, or integrity of the people involved. Thus, there must be a substitute and more internalized moral set of tendencies that can be nurtured amongst business executives to guarantee conformity to ethical norms and expectations. According to Darko, Katarina, and Mia (2020), assessing the quality or effectiveness of corporate governance is still a fairly new concept, thus every region/country is in a diverse stage of instituting strong structure and system of corporate governance. Against the research background, this study seeks to investigate the influence of ethical leadership on corporate governance effectiveness of Public Interest Entities in Nigeria.

2. Theoretical review

Moral Foundations Theory-MFT

The Moral Foundations Theory-MFT provides the theoretical underpinning for understanding the nuances of ethical leadership. MFT elucidated an intuitionist and pluralist approach to the study of morality (Graham, Haidt, Koleva, Motyl, Lyer, & Wojeik, 2013; Weaver, Reynolds, & Brown, 2014). Consequently, MFT diverges from monistic tactics with their conventional focus on concerns of welfare and equality (Brown & Trevino 2006; Weaver et al. 2014). Precisely, MFT suggests five moral structures, namely: care/harm, fairness/cheating, loyalty/betrayal, authority/subversion and sanctity/degradation that are believed to be responsible for dissimilarities in morality across individuals and social contexts (Graham et al. 2013; Haidt 2012). Based on MFT viewpoint, the level to which individuals are thoughtful to and favor certain moral ideologies, or whether they are enthusiastic to disrupt them, is a function of their level of moral foundations. The theory undertakes that morality is partly inherent and innate, thus further developed and distinguished within a precise social context and societal values. The important central principle of MFT is that moral decisions are intensely compelled by intuitive influences, meaning that they occur spontaneous, non-deliberative and are often emotionally predisposed. Moral intuition is viewed as the swift presence in awareness of a moral judgment, comprising an affective valence (like-dislike or good-bad), without any cognizant awareness of having gone through stages of examining, considering evidence, or deducing a conclusion (Haidt, 2001). According to MFT, leaders and subordinates may differ remarkably in their validation of each of the five moral frameworks, which are likely to distinctively upset moral behaviour as well as sensitivities of moral behaviour (Weaver & Brown 2012; Weaver et al. 2014). Thus, when those in leadership position differ in their level of sensitivity for certain facets of morality and the inclination to disrupt them, they may adopt a dissimilar overt and implied understanding of leadership and thus choose or avoid precise forms of leadership behaviour (Egorov & Verdorfer, 2017).

3. Literature review and hypotheses development

3.1 Ethical leadership and Perspectives

The notion of ethical leadership has appeared as a noticeable theme in academic literature, with an intense proliferation since the mid-2000s. The rising admiration for research enquiry on ethical leadership is powered, in part, by growing corporate scandals (Ann & Dongkyu, 2020), but also by an increasing recognition that businesses should serve and strive to stimulate positive outcomes for all stakeholders and not just investors (Freeman, 2019). From the perspective of the social exchange theory, ethical leaders exhibit fairness and caring for subordinates. Who in turn, feel indebted to reciprocate and act in a way and manner that meet the ethical leader's expectations (Brown & Trevino, 2006). According to Kanungo (2001), ethical leaders engage in acts and behavioural disposition that benefit others, and at the same time, they refrain from behaviour that can generate any harm to others. Ciulla (1995) maintained that an ethical leader is an effective leader, but in practice, it is possible to find effective and unethical or ineffective and ethical leaders. In theorizing ethical leadership, Trevino, Hartman and Brown (2000) present a matrix encompassing along unethical leadership, hypocritical leadership, ethical leader, and ethically silent or neutral leadership typologies. Based on Brown and Trevino's (2006) framework, ethical leadership has two foremost classifications of precursors: situational and individual influences.

The ideas about a dual pillar perspective (moral person and manager) are not new. Chester Barnard voiced the idea some years back when He spoke about executive obligation in terms of ensuring conformance to a "complex code of morals"' (moral person) as well as constructing moral codes for others (moral manager). The role of moral person describes the ethical values of the leader, while the moral manager highlights the activities that the leader undertakes to indoctrinate such ethical values in subordinates (Heres & Lasthuizen, 2012). Ethical leadership builds upon the forte of both moral person and moral manager (Trevino et al., 2003). According to Trevino et al. (2000), one must first be an ethical person so as to become an ethical manager. Thus, the managerial feature denotes to a leader's deliberate efforts not only to influence others but to guide the ethical behavior of subordinates. Being ethical encompasses "doing more than accomplishing moral minima and moral resolution (Murphy & Enderle, 1995). Gardner (1991) alluded that individual with an ethical mind, asks himself or herself questions such as: "What kind of a person, employee and citizen do I want to be? Ann and Dongkyu (2020) maintained that as a moral person, ethical leaders exhibit strong sense of dependability, have their workers' interests at heart, and safeguard their compliance with ethical and normative standards. Therefore, ethical leaders are moral individuals who evident moral characters and behaviour in their personal lives. But in addition to these personal features, ethical leaders also promote and practice moral management, by actively influencing workers to be meticulous of ethics and inspiring them to act morally (Brown & Trevino, 2006).

The domain of ethical leadership has benefited considerably from Brown, Trevino and Harrison (2005) conceptualization of ethical leadership. Shakeel et al. (2019) maintained that ethical leadership has been conceptualized in diverse ways, but the explanation proposed by Brown, Trevino, and Harrison (2005) remains most popular. Ethical leadership can be defined as the demonstration of normatively suitable conduct through individual actions and interpersonal dealings, and the advancement of such act to subordinates through two-way communication, positive reinforcement, and decision-making procedure (Brown et al., 2005). An analysis of the above definition, reveals that ethical leadership encompasses some features of individual conduct, thought to be ethically correct, in decision-making and creating relations with others. But what does this imply to be an ethical leader? Giessner and Quaquebeke (2011) and Eisenbeiss (2012) contended that it remains somewhat vague and therefore called for a clear-cut description of what 'normatively' really entails. Other academics have voiced the need for further and improved operationalization of ethical leadership behaviour in terms of its inherent concrete and noticeable actions (Kalshoven, Hartog, & De Hoogh, 2011). Notwithstanding wider recognition and admiration of Brown et al. (2005) description and delineation of ethical leadership, a number of condemnations have been voiced by scholars. John (2024) remarked that the notion of ethical leadership by Brown et al. (2005) is largely descriptive, elucidating dominant moral norms that do not permit for a critical defense of what is ethically correct. Eisenbei (2012) stated that Brown et al.'s (2005) conceptualization of ethical leadership seems too vague and Western-inclined. Fehr, Yam, and Dang (2015) stated that the definition of ethical leadership offers an unstable basis on which to build an inclusive theory of ethical leadership. Yukl (2013) alluded that Brown et al.'s scale of assessing ethical leadership lacks a number of relevant components of ethical leadership, like sincere communication, behaviour connected to espoused values, and reasonable allocation of tasks and reward systems. The last criticism voiced against Brown et al. 2005 conceptualization of ethical leadership is that the scale is not multidimensional.

3.2 Ethical leadership and corporate governance effectiveness

Extant literature on ethical leadership is not the first to elucidate the prominence of ethics for corporate leaders. A number of other influential scholarly writings such as those relating to transformational and authentic leadership have already inferred a focus on the significance of ethics (Bass, 1990). Increasing evidence proves that unethical behaviour in the workplace exacts substantial costs to business organizations. For instance, Cialdini, Petrova, and Goldstein (2004) stated that the costs of unethical behaviour in organizations comprise growing truancy, declining job satisfaction, turnover intention, reduced trust, and decline of positive behavior. Consequently, any efforts and policy guidelines that firms can enact to evade ethical lapses are necessary from both philosophical and pragmatic viewpoints. Through improved or effective governance, a leader can be more accountable to the people and promote improved system of governance. Mayer, Aquino, Greenbaum, and Kuenzi (2012) and Schaubroeck, Hannah, Avolio, Kozlowski, Lord, Trevino et al., (2012) stated that growing literature proposed that firms that endorse strong ethical and moral stance are more likely to recruit leaders that will shun unethical behaviour. Leadership hold the responsibility for evolving and sustaining circumstances that encourage workers to behave ethically, and evading situations that propel misconduct (Goleman, 1998). Hobbes (n.d) claimed that the enthusiasm to be ethical comes from one's decision to live life in a particular way. Based on this premise, the conception that the tone for ethical conducts is at the top, no doubt is crucial, but not a sufficient condition.

Brown (2007) alluded that research on ethics and leadership shows that leadership, whether ethical or not ethical, is predisposed by numerous influences and is not simply the result of demonstrating the "right" character on the part of people who occupy leadership position. Therefore, ethical leaders must ensure the right conditions and corporate culture to nurture moral development in the workplace (Butcher, 1997). Thus, corporate moral standing and effectiveness of a firm is contingent upon the standards and the instance of the CEO to promote effective corporate governance. Effective corporate governance can lessen information gaps that occur among stakeholders. From both market and societal perspectives, a vital element of effective corporate governance relates to the degree to which firms publicly disclose their governance structure and practices. Therefore, a connection between the major elements of effective governance such as board practices, transparent disclosure, control environment, and board commitment should be in the center of studying leadership. The vibrancy and effectiveness of corporate governance is traditionally viewed from the board's composition and practices, with a significant major role in oversight of the CEO (Nadler, 2004). The board is the highest governing body in a company, and it is part of its responsibilities to ensure that the company operates within moral and legal confines by instituting vibrant policies and procedures that safeguard full compliance with extant laws and policies (Abdullah, 2018). Transparent disclosure of financial and non-financial information also constitute vital activities in public interest entities. According to Ofoegbu, Odoemelam and Okafor (2018), it helps to have a perfect idea of the financial and nonfinancial exposures and contingencies. Nevertheless, the effectiveness in accomplishing this objective is contingent on the leadership structure (Cosmas, Grace, Judith, & Onyekachi, 2019). Transparent disclosure of corporate governance practices is vital because it offers relevant information for stakeholders allowing them to make an informed decision (Torchia & Calabro, 2016). The corporate board is a vibrant internal governance structure in the workplace, performing a vital role in modifying agency complications, therefore, their commitment to governance guidelines and rules are critical towards enhancing firm success and sustainability (Borlea, Achin, & Mare, 2017; Ciftci, Tatoglu, Wood, Demirbag, & Zaim, 2019). Effective and committed board can lessen deceptive behaviour of business managers by discovering opportunistic tendencies, fraudulent practices of CEO, and ensuring that leadership operate with the framework of guidelines and rules of corporate governance. Control environment consisting of both internal and external systems ensures that corporate goals are achieved effectively (Committee of Sponsoring Organizations- COSO, 2013). The capability of a CEO to sustain a company's environmental efficiency is vital, thus successful companies depend on corporate environmental effectiveness for improved business performance (Ullah, Wang, Mohsin, Jiang, & Abbas, 2021, Zhang, Ulllah, Diao, & Abbas, 2022). Research enquiries have largely focused on corporate governance mechanisms, specifically focusing on corporate governance and financial performance of firms in developed countries (Kukah, Muhammed, & Joshua, 2016; Abdullahi, Rohami, & Kuwata, 2017; Jantadej & Wattanatorn, 2020). Also, there are divergent findings on the linkage between corporate governance and financial performance

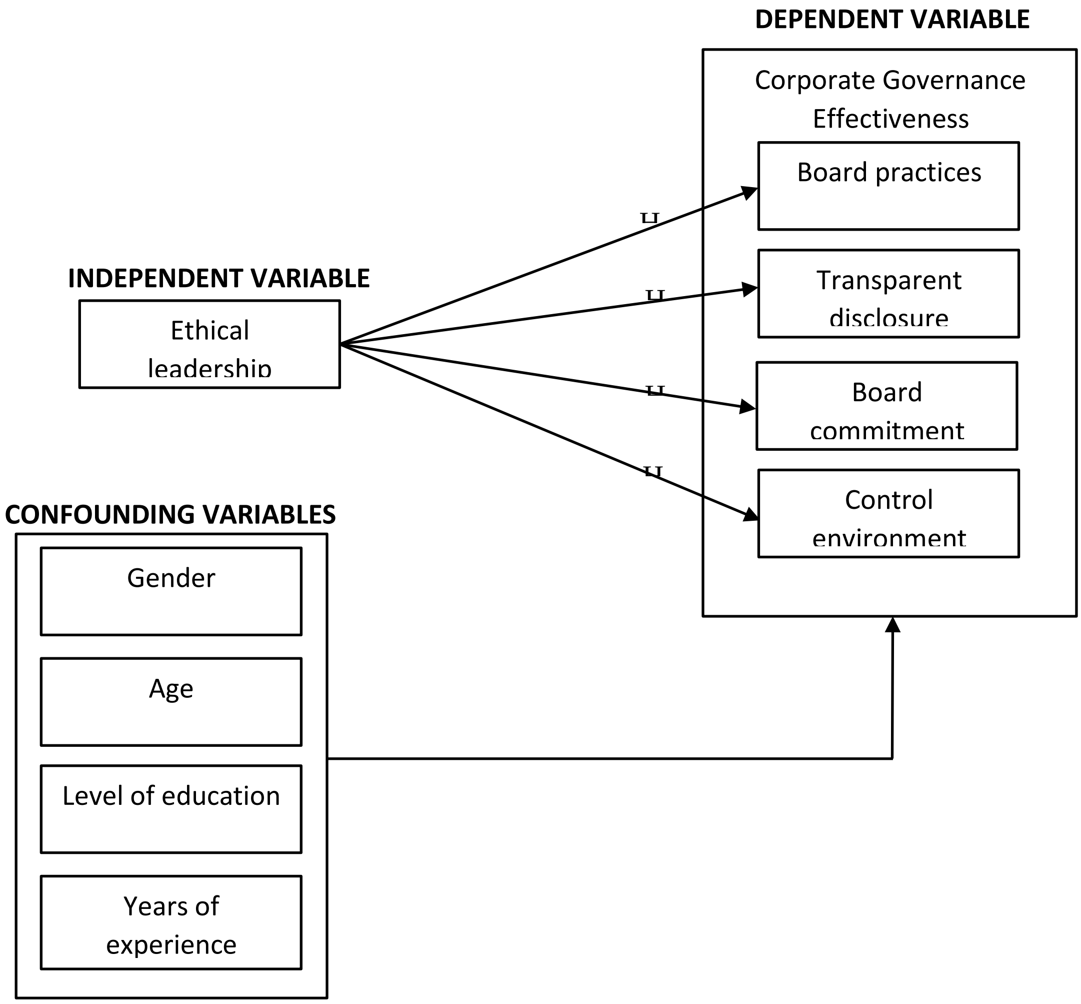
(Malik & Makhdoom, 2016; Joseph & Ahmed, 2017; Khan & Subhan, 2019; Ozili, 2020). No doubt, ethical leadership is an important issue that determines corporate governance effectiveness. Despite growing recognition of the increasing role of business leader in shaping ethical climate of business organizations and corporate governance effectiveness, its exact influence has not enjoined significant research attention. On the basis of the aforementioned, it is hypothesized that ethical leadership will not significantly influence corporate governance effectiveness of PIEs in Nigeria. The hypothesis is further broken down into four sub-hypotheses:
H1: Ethical leadership will not significantly influence board practices of PIEs in Nigeria.
H2: Ethical leadership will not significantly influence transparent disclosure of PIEs in Nigeria.
H3: Ethical leadership will not significantly influence board commitment of PIEs in Nigeria.
H4: Ethical leadership will not significantly influence control environment of PIEs in Nigeria.

4. Research design

4.1 Methodology

This study adopted positivist paradigm using quantitative technique to test hypothesized relationship between the independent (ethical leadership) and the dependent variables (corporate governance effectiveness). The nature of the study is cross-sectional in nature, therefore, survey research design is most appropriate. To address the problem under investigation, PIEs in the banking and insurance sectors in Nigeria were selected as the study context. To test the influence of ethical leadership on corporate governance effectiveness, we begin by developing a conceptual framework (Figure 1). The model depicts the relationship between the independent variable (ethical leadership) and the dependent variable (corporate governance effectiveness, comprising board practices, transparent disclosure, board commitment, and control environment).

Figure 1: Conceptual Model



4.2 Population, sample size and sampling procedure

The study population consisted of employees who are senior managers in Public Interest Entities-PIEs. The choice of senior managers in PIEs is because they work directly with the executive management to implement and execute strategies and policy decisions, therefore, they are able to assess the ethical stance of the leadership of the organization. Obtaining a precise population for this category of employees is not feasible, because there is no generic or commonly adopted nomenclature for employees in senior cadre across the 96 PIEs surveyed. The study sample size consisted of 480 senior managers in Public Interest Entities-PIEs. However, the minimum targeted response for the survey consisted of 288 employees.

Currently, there are 29 Public Interest Entities in the Nigerian banking industry and 67 insurance companies in the insurance industry, making a total of 96 PIEs in the two sectors. A total of 5 senior managers from each of the 96 Public Interest Entities in the two sectors were selected. For the study to have a good representation, a minimum of 3 respondents were targeted from each of the 96 PIEs. Details of sample selection and sampling approach is shown in Table 1 below.

Table 1. Sample Size and Sampling Approach

PIEs by Industry	No of PIEs	Sample Selected	Minimum Targeted Response
Banking Industry	29	145	87
Insurance Industry	67	335	201
Total	96	480	288

Source: Annual Reports of the Central Bank of Nigeria and National Insurance Commission, 2023
The sampling technique adopted is multistage in nature consisting of purposeful and convenience sampling approaches. In the first stage, purposive sampling enables careful selection of respondents that could provide deeper information about the subject matter. In the second stage, convenience sampling was adopted to survey respondents that were accessible and willing to participate in the survey.

4.3 Measures and data Collection instrument

Measures for the study were adapted, namely: Brown et al., (2005) ethical leadership (ELS) scale and scale develop by International Financial Corporation-IFC for measuring corporate governance effectiveness. The study controls for four confounding factors, namely: gender, age, level of education, and years of experience on the job. Controlling for these variables aids in establishing influence of the predictor on the criterion variables. Data for the study were gathered through questionnaire using Google Forms.

Both validity and reliability of the survey instrument were carried out. The survey instrument (questionnaire) was subjected to a pilot study consisting of 20 respondents. The result of the pilot study shows that the Cronbach alpha values for all the variables and dimensions are within acceptable benchmarks -$\alpha \geq 0.7$ (Hair, Black, Babin, & Anderson, 2010; Saunder, Lewis, & Thornhill, 2016). Inferential statistics (Linear regression analysis) was used to analyze the data and test the hypotheses.

5. Test of Hypotheses and Results

Hypothesis One

Ethical leadership will not significantly influence board practices of Public Interest Entities in Nigeria.

Table 2: Regression Model of the influence of ethical leadership on board practices

Explanatory variables	Coefficient	t-ratio	Sig.
(Constant)	1.844	6.536	.000**
Ethical leadership	.356	6.375	.000**
Gender	-.024	-.425	.671
Age	.068	1.104	.271
Level of education	-.009	-.150	.881
Years of experience	.195	3.312	.001**
R^2	.172		
Adjusted R^2	.156		
F-statistics	11.117		.000**
N	274		

** Correlation is significant at 1% level (2-tailed)

In Table 2, hypothesis 1 (H_1) shows the model is significant at the 1% ($p \leq 0.01$) significant level (f-statistics 11.117), with the coefficient (β=.356) showing a positive influence of ethical leadership on board practices. There is a similarity between the views stated in the extant literature and the current study (Caroline, Claude, Samuel, & Micheal, 2021; Hanafiah, Azlina, Enylina, Wan, & Nor, 2021; Eleri, 2024).

Hypothesis Two

Ethical leadership will not significantly influence transparent disclosure of Public Interest Entities in Nigeria.

Table 3: Regression Model of the influence of ethical leadership on transparent disclosure

Explanatory variables	Coefficient	t-ratio	Sig.
(Constant)	1.098	4.490	.000**
Ethical leadership	.445	8.638	.000**
Gender	.069	1.326	.186
Age	-.068	-1.188	.236
Level of education	.213	3.919	.000**
Years of experience	.279	5.146	.000**
R^2	.295		
Adjusted R^2	.282		
F-statistics	22.456		.000**
N	274		

** Correlation is significant at 1% level (2-tailed)

In Table 3, hypothesis 2 (H_2) results show the model is significant at the 1% ($p \leq 0.01$) significant level (f-statistics 22.456), with the coefficient (β=.445) showing a positive influence of ethical leadership on transparent disclosure. This results is compatible with existing literature that documented strong influence of ethical leadership on corporate governance effectiveness (Norman, Avolio, & Luthans, 2010; Rahim, Biggs, & Aly, 2017; Malik, Mahmood, Sarwar, Asfia, & Mumtaz, & Asadullah, 2022).

Hypothesis Three

Ethical leadership will not significantly influence board commitment of Public Interest Entities in Nigeria.

Table 4: Regression Model of the influence of ethical leadership on board commitment

Explanatory variables	Coefficient	t-ratio	Sig.
(Constant)	1.821	7.870	.000**
Ethical leadership	.423	7.715	.000**
Gender	-.013	-.236	.814
Age	-.013	-.216	.829
Level of education	.065	1.128	.260
Years of experience	.163	2.815	.005*
R^2	.201		
Adjusted R^2	.186		
F-statistics	13.504		.000**
N	274		

** Correlation is significant at 1% level (2-tailed)

Results of Hypothesis 3 (H_3) in Table 4, indicates that the model is significant at the 1% ($p \leq 0.01$) significant level (f-statistics 13.504), with the coefficient (β=.423) indicating a positive influence of ethical leadership on board commitment. Previous research unequivocally concluded that ethical leadership influence corporate governance effectiveness (Lita, & Junaidi, 2023; Eleri, 2024).

Hypothesis Four

Ethical leadership will not significantly influence control environment of Public Interest Entities in Nigeria.

Table 5: Regression Model of the influence of ethical leadership on control environment

Explanatory variables	Coefficient	t-ratio	Sig.
(Constant)	2.450	10.825	.000**
Ethical leadership	.390	6.947	.000**
Gender	-.047	-.824	.410
Age	-.026	-.420	.675
Level of education	.016	.269	.788
Years of experience	.112	1.889	.060
R^2	.163		
Adjusted R^2	.147		
F-statistics	10.420		.000**
N	274		

** Correlation is significant at 1% level (2-tailed)

As shown in Table 5, results of Hypothesis 4 (H_4) depicts that the model is significant at the 1% ($p \leq 0.01$) significant level (f-statistics 10.420), with the coefficient (β=.390) showing a positive influence of ethical leadership on control environment. Results of hypothesis 4, is compatible with a number of previous research (Michelle, Hendrik, & Koman, 2014; Nyangena, Protus, & Patrick, 2019; Afzal, Sharifah, Jamaliah, Dewi, & Hirnissa, 2023).

6. Discussion and Policy Implications

Formally or informally, the concept of leadership is an honour, privilege and position of responsibility that demands a good covenant from those who occupy and practice it. An ethical leader strives to manage company based on ethics and values, as a result, employees and other stakeholders know what to expect from an ethics viewpoint. However, growing corporate failures arising from fraud, and corruption highlight the need for ethical leadership, because it is obvious that when leaders engage in positive behaviour and practices, it benefits individuals and corporate organizations. Thus, given their positions of authority, business leaders are receiving serious attention and scrutiny, and correctly so, because they perform a vital role in providing a moral structure in the workplace (Grojean, Resick, Dickson, & Smith, 2004; Mendonca, 2001) and in determining the shared character of the organization (Moore, 2005; Wright & Goodstein, 2007). A deeper knowledge and understanding of issues that may give rise to unethical behaviour in the workplace is very important since even minor changes in this behaviour may propel severe costs to organizations. Despite growing need for business leaders who can efficiently navigate complicated and fast changing business environment, there is a substantial deterioration in the conduct and behaviour of leadership or what might be labelled leadership skills gaps across industry (Leslie, & Chandrasekar, 2009). While the responses to unethical leadership are quite diverse, the consequences are always negative. However, with improved governance structure and practices, a leader can be accountable to the stakeholders.

Arising from the positive and negative externalities of the separation of ownership and management, PIEs in the contemporary business world require improved corporate governance. Therefore, discourse and debate on leadership ethics have become a significant theme in such context due to growing corporate ethical degeneration and poor corporate governance among other complications. For PIEs to accomplish its objectives and goals, fulfil the expectations of diverse stakeholders it needs to perform, which is contingent on the effectiveness of the governance procedure, which is in turn also dependent on those involved in the process of governance. Effective corporate governance is particularly really desirable and essential for firms that have gone public, because its existence exert positive influence in coping with complex problems. By focusing on the influence of ethical leadership on corporate governance effectiveness, the outcome of this study contributes to social change by providing significant guidelines and recommendations to PIEs aimed at averting and lessening the prevalence and occurrence of unethical leadership behavior and practices.

7. Conclusion

The findings of this study enhance an understanding of ethical leadership and corporate governance effectiveness. Effective or good corporate governance is characterized by numerous practices such as board practices, transparent disclosure, board commitment and control environment. Findings of the study suggest that ethical leadership strongly influence board practices, transparent disclosure, board commitment and control environment, implying that leadership influence corporate governance effectiveness. Agency complication can be ascribed as the root of crisis in corporate governance (Solomon & Solomon, 2004; Bikki, 2021). Thus, one of the foremost reasons why companies fail has been attributed to ineffective corporate governance (Abu, Okpeh, and Okpeh (2016) and Otekunrin et al., 2018). While corporate governance involves the application of policy to safeguard corporate complications, the ethical behavior of business leaders highlights the firm's behavior as it interacts with the business environment (Ienciu (2012). Therefore, companies that institute effective corporate governance are less likely to experience financial difficulty and failure (Ikpesu, Olusegun, & Olamintunji, 2020).

To lead ethically entails procedures and practices regarding what is right or wrong. Also, a firm that requires ethical leadership must have clear expectations for leaders (Ebenezer, 2018). Therefore, the success and sustainability of a firm is strongly connected to leadership, because a good leader leads a company transparently, and sets a good instance across the organization (Nnablife, 2010). In addition, arising from their significant impact in governing business enterprises, leaders are expected to make ethical decisions (Banerji & Krishnan, 2000). According to Pollard (2005), where prescribed rules and guidelines leaves off, strong leadership helps with the creation of a moral climate that influences human character and behaviour. Gough (1998) corroborated the above position and claimed that when struggling with internal issues or contemplating what is good or bad, the compelling factor is the forte of which is largely shaped by leadership. Consequently, it is generally believed that the adoption of appropriate business ethics will offer a significant role in establishing effective corporate governance.

8. Limitations and Suggestion for future research

Common to most academic research, this study has some inherent limitations. Firstly, our study focused on ethical leadership and four dimensions of corporate governance effectiveness of the PIEs¸ signifying that other theoretically pertinent corporate governance dimensions may help account for the influence of ethical leadership. We recommend the inclusion of additional variables related to corporate governance practices such as relationship with stakeholders and citizenship behavior. Secondly, the study sample comprised workforces who are senior managers in PIEs in insurance and banking industry in Nigeria. This is a precise sample, and we are of opinion that our theoretical arguments and findings are comprehensive for empirical generalization to a broader contexts. But, to offer larger empirical evidence of external validity, future researchers should replicate our model by extending the study to other PIEs' clusters across diverse industries. Thirdly, the design of the study lacks random assignment and consequently, impractical to make any causal inferences. In similar vein, the nature of the study is cross sectional, thus difficult to infer causality among variables, therefore common method bias may account for the influence of ethical leadership on corporate governance effectiveness. To extend the findings of the current study, it may be valuable to conduct quasi-experimental study to enable for causal inferences.

9. Recommendations

i. Aside from regular business awards and recognition commonly used to recognize leaders who excel in improve performance, regulatory authority overseeing PIEs should institute fantastic compensation and rewards system as a bonus business leaders who have demonstrated strong ethical stance.
ii. Training and capacity development in the areas of ethical competence should be instituted and mandated for business leaders to enhance their knowledge and understanding of the relevance of ethics in managing corporate organizations.
iii. To cultivate ethical leaders, ethical codes of conduct need to be clear and appropriate guidelines put in place to drive understanding of expectations from corporate leaders. This should be contemplated within the culture of leadership recruitment, training and capacity development of those in leadership position.

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