

# Ethics beyond leadership: can ethics survive bad leadership?

Ethics beyond  
leadership

275

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## Abstract

**Purpose** – The purpose of this paper is to contribute to the relaxation on what can be done to develop ethical cultures that may be less permeable and more resilient to changes in leadership from an ethical point of view. The influence of leaders on organisational ethics is recognised, and there are even those who consider that it is not possible to maintain an ethical culture when leaders are not engaged. But, if this theory is true, all business ethics programmes that can be created, and the cultures that can gradually be developed in organisations, will always have their existence and robustness suspended at each leadership change. How to maintain an ethical culture beyond leadership?

**Design/methodology/approach** – As a strategy, we used the case study with a narrative methodology, in which a chief executive officer (CEO) and a chief compliance officer (CCO) narrate in the first person a case of perceived collapse of the ethical culture of a multinational company.

**Findings** – The findings point to the difficulty in maintaining ethical leadership. Key aspects to protect an organization from leadership changes are as follows: the management of the succession process, the quality of the training on ethics and the mechanisms developed by the organization to foment speak up and take notice of the situations. Moral blindness and the banality of evil that also can be observed in organizations appear as facilitating elements for collapse.

**Originality/value** – Ethical leadership is generally presented as a necessary condition for an ethical culture. However, leaders often have unethical or ethically neutral leadership. This case helps to understand the difficulties experienced by leaders in adopting ethical leadership and proposes a set of instruments and procedures that, when included in an ethical programme, can protect the company's ethical culture against unethical leaders. Some characteristics of our case study make it particularly relevant: action occurs in a multinational, a context where, by size and complexity, achieving uniformity in culture becomes particularly

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relevant, and actions happen in the context of a CEO succession process, something that may occur in any company and which is often a trigger for ethical misconducts. Additionally, our case is narrated by a CEO and a CCO, which makes it rare, as it is especially difficult to have access to these executives.

**Keywords** Adverse leadership, CEO Narrative, Ethics in transnational companies, Leadership succession, Resilient ethical culture

**Paper type** Case study

## 1. Introduction

The influence of leadership in organisation's ethical culture is commonly recognised and even considered as a necessary condition for the existence of this culture: "Without ethical leadership across the organisation, including at the board of directors level, there is little chance of establishing and sustaining an ethical corporate culture" (Schwartz, 2013, p. 46). Moreover, several authors present the ethical orientation of the leaders as "a key factor in promoting ethical behaviour in an organisation (Carlson and Perrewe, 1995; Posner and Schmidt, 1992) and to create an ethical organisational culture (Treviño, 1986, 1990)." in Hood (2003, p. 264).

Leaders have an enormous influence in the creation and support of an ethical culture and intrinsically also in its destruction: "A single change in top management can also have a significant negative impact on ethical corporate cultures" (Schwartz, 2013, p. 47). More than that, in some cases, "it only takes one bad leader to bring down an organization" (Boddy *et al.*, 2010, p. 125).

In fact, "top management set rules, standards and codes of conduct, which provide guidelines for ethical behavior (Beu and Buckley, 2001) and leaders can raise subordinates' awareness of such guidelines" (Kalshoven *et al.*, 2011, p. 53). That is, the leaders are a key element in culture creation and also in the ethical climate lived in the organisation.

Here, by ethical climate, we understand "the perceptions of managers and employees about what constitutes unethical and ethical behavior in the organization" (Kaptein, 2011, p. 846), that is, "a perceptual lens through which workers diagnose and assess situations" (Cullen *et al.*, 2003, p.129), that serves to resolve dilemmas and to identify ethical aspects in an organisation, making bad practices more or less visible (Cullen *et al.*, 2003).

By ethical culture, we understand "the conditions that are in place in the organization to comply or not comply with what constitutes unethical and ethical behavior" (Kaptein, 2011, p. 846). And, for the reasons we have already presented, leadership is always present as a fundamental part of culture. But if the leaders are not always ethical, all business ethics programmes that can be created, and the cultures that can gradually be developed in organisations, will always have their existence and robustness suspended at each leadership change.

In fact, ethical leadership cannot be taken for granted. Craig and Scott in a Harvard Business Review article suggest that despite the interest in purposeful leadership, few leaders have a strong sense of their own purpose and even fewer are able to distil this down into a specific statement of purpose or an action plan (Craig and Scott, 2014). So, we deal with leadership, with leaders, but they rarely are the heroes we created in our minds. CIPD (2017) developed a definition of purposeful leadership with three main dimensions, moral-self (leaders who are strong and see themselves as having adequate moral qualities), vision (leaders with an inspiring vision for their team and their purposes) and commitment to stakeholders (environmentally responsible, supporting good causes) and, in fact, most part of leaders have a feeling about all these dimensions but they are unable to integrate action in all dimensions. In terms of ethical behaviour (including listening to employees, being trustworthy, setting a good example, discussing ethics and values with employees and deciding in sustainable ways), Brown *et al.* (2005) present the same results; leaders very rarely can be considered consistent in these different behavioural indicators. Even more, CPID analysis shows that there is a link between purposeful leadership, as

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reported by leaders, and ethical leadership as reported by employees. So, we are in trouble, “The philosopher cannot think from an ideal man who does not exist” (Marzano, 2012, p. 21). This simple statement represents the perfect metaphor for our case, we cannot address what it could be, instead we can only understand reality and attempt to communicate at that level with the existent leader.

## 2. Methodological approach and relevance of the case

This paper has “two” main methodological pillars: one is narrative design, the structural pillar for the paper, and the other is case study, used as a strategy to situate action.

The case study was elaborated through the testimonies of a chief executive officer (CEO) and a chief compliance officer (CCO) of a multinational company. The case shows the degradation of the climate and ethical culture in an organisation after a change in leadership. Our purpose is to understand what has to be done to develop ethical cultures that can be less permeable and more resilient towards leadership changes. That’s in fact, ultimately, our research question.

This strategy of single case design can provide a rigorous experimental evaluation of situated and evolving organisational phenomena (Kratochwill and Levin, 1992; Shadish *et al.*, 2002; Yin, 1994). This approach can provide a strong basis for causal inference and abduction, two of the reasoning strategies that we use in our research. As Yin opportunely said (Yin, 1994), case studies can be exploratory, descriptive and explanatory. Our case explores the three roles. There are many case studies that perform all three roles and use multiple sources of data (primary and secondary), which means they combine direct discourse with literature review and contextual data. Being like this, it becomes apparent that cases can explore or be inscribed in more than one research paradigm, our is basically qualitative and interpretive. As to the reason why we explore a single case study, this particular approach has been identified as advantageous in addressing the complexity of path-dependent explanations, particularly in critical and crisis settings.

The natural use of inductive and abductive processes has advantages in the research flow, namely, in the eventual generation of new concerns that drive new exploratory procedures, eventually new theories. Single case usually provides some nuanced, empirically rich, holistic and systemic account, situating phenomena in a set of crucial parameters. When constructing a solution to our research question, the qualitative single case study raised the following specific framing topics (Eckstein, 1975): what was the initial perception (before the crisis) of the company’s ethical culture and climate; how could it be generally defined; what were the changes (triggers for change) leading up to the crisis; characterisation of the crisis itself; why the narrator didn’t report; and finally, the resulting image they had about the company. Based on the above framing topics, the research objectives were formulated and discussed in a situated manner. In fact, the use of case methods is becoming richer and more diverse with both more sophisticated research designs (Eisenhardt, 2020).

Some characteristics of our case study make it particularly relevant: action occurs in a multinational, a context with thousands of employees scattered around the world with different ethical perspectives and cultures, a context where, by size and complexity, achieving uniformity in culture becomes particularly relevant, especially in the risk management perspective.

It is also relevant because action happens in the context of a CEO succession process, something that may occur in any company and which is often a trigger for ethical misconducts: “The results, based on an aggregation of studies, strongly highlight the importance of CEO succession as a disruptive event given its often negative consequences.” (Schepker *et al.*, 2017, p. 718).

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Additionally our case is narrated by a CEO and a CCO which makes it rare, as it is especially difficult to have access to these executives, especially the CEO (Treviño *et al.*, 2003, p. 12).

For the case study, the two narrators were interviewed individually. Both interviews were semi-structured and covered the topics already mentioned. The interviews were recorded, transcribed, narrated, inserted in the company context as in a situational flow and subsequently sent to the interviewees for validation. No triangulation was made. The hypothesis of contacting other elements of the company and confirm the facts presented has been placed. However, knowing that the story being told was a risk for these CEO and CCO, we considered that the story, as counted and from whom, had already a significant leverage, both for the Academia and for organisations.

The narrative design results from a fluid informal collaboration between researcher and participants and uses storytelling and oral history to situate meanings as they emerge. As a qualitative approach, it follows an interpretive paradigm and a bottom-up approach. The researcher questions and dialogues with the participants, usually with an open-minded attitude, ready to inscribe action in the actual environment, considering climate and the underlying culture. Storytelling tries to convert the observation and permanent reflexive analysis produced into clear and sense-making descriptions. Narrative needs to be fluid and clear to attain an ontological mainstream. The basic concerns of narrative research design are about following individuals, situate space, respect the collection of individual stories, give plausible context for all settings, and retelling (reveal reflection about what happened and about was told in a chronological sequence) (Squire *et al.*, 2008). These concerns have a common operational characteristic that is the narrow collaboration between the researcher and the participant. In our case, we used situated stories of ethical problems and report decisions related to them and mainly related to a disruptive organisational crisis. It was important because we could render subjective and complex facts into a clear flow of action.

Within the narrative design we used also oral history, because, as Federer (2015) argues it is one of the best methods to use if one wants to incorporate human experience into the broader historical scale. Thus, the narrative of the case relays almost exclusively in the chain of excerpts of the interviews performed. Combining these facts with literature, to better understand the context of what is reported, was the researchers' craft. This option aims to give the reader an access to the person who tells the story, as Hannah Arendt says, through the "discourse, men show who they are, actively reveal their personal and singular identities" (Arendt, 2001, p. 228). This procedure allows us to show the state and feeling from which action develops, it unveils an element of complexity, to better understand the person involved, that is never standardised.

This approach, on the other hand, must take into account that "stories are essentially individual constructs of human experience, and have limitations that may affect objectivity in presentation." (Mitchell and Egudo, 2003, p. 5). Moreover, "the "same" story may be told quite differently from one instance to another, even by the same teller, challenging the notion of stories as stable data points." (Moezzi *et al.*, 2017, p. 3). This subjectivity requires the inclusion, in a complementary way, of other approaches. In this context, we have introduced a point, in the end, to proceed to the critical analysis of the narrative. This analysis offers a more objective view of the facts, supported in the literature.

Also, based on the literature and in our experience, in the conclusions, we draw hypothesis of elements and approaches which, if they were part of a business ethics programme, could have possibly boosted a different end. These hypotheses can be taken as our answer to the research question: what must be done to develop ethical cultures that may be less permeable and more resilient to changes in leadership?

What we are proposing – which is this investigation’s greater contribution for Academia and for companies – is the assumption that, in the current leadership context already presented, ethical performance programmes should not be anchored in leadership but instead in more preventive approaches regarding as little dependent as possible on the different leaders, as they arise in organisations. Our case, the critical analysis and the conclusions we present, can help to design ethical programmes that more effectively safeguard the culture and ethical climate of organisations.

### 3. The case

#### 3.1 *Company and narrators’ presentation/s situated environment for the case*

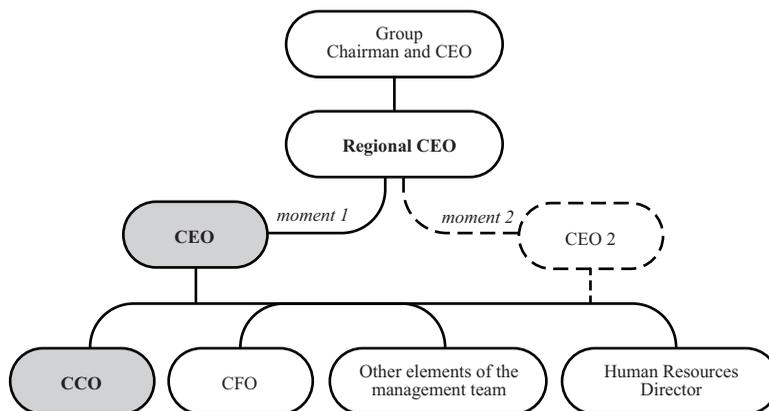
The facts occurred over four years in a branch of a multinational (Group), present in more than 50 countries, with about 170,000 employees and 70 million customers. The “observed” branch was, in its country, the first company in the sector to have a sustainability report and had been distinguished by public and private organisations with prizes relating to the nice work environmental conditions provided to workers. The branch was well positioned among the different branches of the group: it had been considered the most innovative in corporate social responsibility policies, had good results, and was considered a solid company before the crisis that is reported here. At the end of the crisis, it was a company considered unprofitable, a company that the group eventually discarded and sold.

For confidentiality reasons, the name of the company, the business area or the country are not referred, and neither are the names of the interviewees – their testimonies appear in italics, marked with the initials of their function and will be identified as participant narrators. Throughout the narrative, other elements are mentioned by the CEO and the CCO. The relationship between narrators and their insertion in the company is presented in Figure 1. The Regional CEO who has been at the origin of the crisis is presented in bold and the participant narrators, CEO and CCO of the branch, in grey.

#### 3.2 *Ethics in the company before the crisis*

*It was a very dynamic company with a set of very clear values. (CEO)*

This perception was so strong that in the end, as we shall see, the narrators continue to label the company, globally, as ethical. An ethical company that had a detour, fruit of people who passed through it and that conditioned the whole context.



**Figure 1.**  
Positions of the people referred to in the case and relations between them

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*It was a culture that made me say with some pride: The ethical principles of the group are my principles. And I believed that for most of the time. (CEO)*

This ethical character recognised to the company does not mean, as with people, that everything was good, and both had a clear perception that there were some aspects where the behaviour of the company was less correct from an ethical point of view:

*The Group is not perfect and never was. Those who know the history of the group at the highest level know that, when it was necessary to choose between economic and moral issues, the group was always in favour of the economic, and this is a posture of the group with which I never identified myself with. But I believe that things change from within and, therefore, in what I could influence, I did. (CCO)*

This Group posture naturally implied actions made by those who worked there and concretely choices and less ethical decisions by those who were in decision-making positions as was the case of the narrators.

*Every person in front of a company has been faced with dilemmas and has had to make choices, and these choices are not easy and if you want to know, rarely the choices are rosy [. . .] It is necessary to know that these decisions, and I watched many, were sometimes taken in five minutes in a meeting. (CEO)*

*If you ask me if it was possible for a CEO to say: we cannot do this business because this business is against our values? Yes, it would be possible, but he would be doomed. (CEO)*

These aspects in which the company eventually did not correspond to ethical standards were seen as an inevitability of the business that did not destroy the good image of the company. This good image was essentially made of the visible care with which people were treated and many contributions to society through its strong social responsibility policy which was, as already mentioned, recognised overtly and awarded.

Regarding the ethical culture, the company had developed at the Group level and implemented in each branch most of the procedures and instruments that allow us, according to [Kaptein \(2011\)](#), to say that we are in the presence of a business ethics programme: a code of ethics; a compliance office (which is incidentally represented by one of the narrators of our case); formal ethics training and other types of information and communications; policies to hold management and employees accountable for unethical behaviour; and policies on investigating allegations of unethical behaviour ([Kaptein, 2011](#), p. 854).

It should be noted, however, that the different elements of the “Programme” could vary qualitatively from country to country: in the code, it was stated that sometimes the rules could differ according to local regulations and legislation, which should tend to branch out to rules of the Group, but it was not stated which was the boundary line. In addition to the compliance officer in each branch (responsible for receiving the complaint), the document also presented the possibility of contacting the group’s compliance officer directly; however, there was no reference to the process of handling the complaints.

Regarding ethics training, and according to CCO, it seems it was developed essentially to ensure legal compliance and not to develop ethical competences and critical reasoning among employees.

### 3.3 *The changes that preceded the crisis*

*Crises are not events, but processes extended in time and place (Shrivastava, 1995, p. 2) in [Jaques, 2012, p.2](#).*

The background is the moment the succession of the CEO/Chair of the Group began to be prepared at central level:

*In reality, the business world is also made up of different worlds in parallel, and at that moment, the Group was discussing the process of replacing the CEO/Chair, and this process took place over two or three years. (CEO)*

*“There were many candidates for the position and the person who was leader in the region of which the branch was part [Regional CEO] had as great ambition to become President of the Group”. [. . . ] “There was a change in his behaviour, although he was in that positions for some years; at the moment when the succession race opens, he become a leader with a hidden agenda, with power and «doing whatever he wanted»”. (CCO)*

### 3.4 The crisis

*It was a real witch-hunt; it was a conspiracy! For the first time in my life I have seen a cabal literally being built! (CCO)*

This crisis began in Year 1 and ended formally in the Year 5 (Table 1). However, the last process that were pending has just been solved at the time this case was written: Year 7.

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#### Timeline

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|-------------|--|
| Year 1 2012 | • Beginning of the succession process    the first moment  |
| Year 2 2013 | • Degradation of relations between branch and region   |
| Year 3 2014 | • CEO transfer to another Branch of the Group<br>• Appointment of CEO2    the second moment<br>• New appointment for Director Human Resources<br>• CFO dismissal and other members of the Branch’s CEO management team   |
| Year 4 2015 | • Dismissal proposal presentation to the CCO<br>• Collective dismissal with inclusion of CCO<br>• CEO leaves the Group<br>• Opinion of the Court about the inclusion of the CCO in collective redundancies.<br>• Formal announcement of the Group decision to sell the Branch. |
| Year 5 2016 | • Effective sale of the Branch<br>• Completion of the CEO/Chairman Group’s succession process  |
| Year 6 2017 | • CCO stays in the new company without being given work  |
| Year 7 2018 | • Case of CCO is resolved  |

**Table 1.**  
Chronology of the  
crisis

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The crisis has a smooth start. The CEO (of the branch) knew the Regional CEO with whom he had developed a close relationship during a strategic Group meeting that brought together all CEOs. This meeting took a few days in a place surrounded by nature where they were housed in pairs in rudimentary houses and he had split the room with the Regional CEO. In this strange environment, isolated from the world, they ended up making confidences to one another and developing, or he thought they had developed, a great empathy:

*When he [the Regional CEO] was appointed, to me he was the guy I knew, who meant something to me and to whom I meant something. This circumstance put in me some inappropriate glasses, and I took some time to realise that he was not the one who I shared a room with and with whom I had talked about the Group and about so much stuff. (CEO)*

As a result of these “inappropriate glasses”, the CEO of the branch (the narrator) accepts and responds to the requests and demands of the Regional CEO team, which gradually installs itself in the branch with negative effects on its performance:

*I have always seen myself as an element of the Group, playing only a role and therefore I have always been a facilitator, to the point that there was a kind of invasion of the territory by people without ethical principles. (CEO)*

And when this invasion occurs, the CEO of the Branch is already without any possibility of defence. He is not even able to defend his points of view to the one [Regional CEO] who is seen by his colleagues as “the origin of evil” an origin in which he still does not believe.

*He [Regional CEO] had around him a web of “Yes Men”, people he trusted and the interlocution with him was difficult, and it was difficult, not because he prevented the interlocution, but because these layers of people were with him every day and I only was there every two months. So, when I could finally talk to him seriously, in reality he already had an opinion formed, had already heard the layers, had already built his own opinion and the dialogue was a futile dialogue, almost useless. (CEO)*

And slowly, he stopped fighting, dropped his arms and silenced. This process lasted two years, during which the branch lost strength, started to produce according to the region and not the country and the Group as it had been until then.

*In those two years I have done everything that is against my nature. I never sold myself, but I silenced, I let pass over things that I did not think were correct. Because, at a certain point, it was very difficult, it was too much complicated!*

*I never transgressed, never stepped on a line that I had fixed for myself. There have been only two years when I gave up on myself and I deeply regret it. It does not mean that I would fight windmills because I would not win this battle, but I should have dismissed.*

*I did not for a set of reasons from the most selfish ones to the most altruistic: on the one hand, a good salary and on the other the vision of something that I had helped build that had cost a lot, that had given me much and that was part of me. (CEO)*

And when suddenly there came a proposal to leave the branch, a transfer to another country, to start a new project within the same Group, he accepted without hesitation, as a lifeline, without thinking about (or not wanting to) what this proposal could conceal:

*There were people who said, «They invited you to go to another country to break up your team and that is that». It's a hypothesis. But I have been in that country with full satisfaction and with the sense of fulfilling duty. (CEO)*

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At the end of Year 3, our CEO leaves and to replace him enters CEO 2, someone from the Regional CEO trust, coming from another branch of the Group. It was a change seen as the result of an operational need.

Initially, everything seemed to be going well, but shortly thereafter, the Human Resources Director (HR) is invited to leave and a new person comes, with a very different profile from what was usual in the Group. It is from then on, that things begin to change drastically. It is the second moment of the crisis. With this new HR director:

*Things began to be managed in a completely different way. Human Resources had always been a very careful and cherished area, [...] this somehow disappeared because the mood was different. Measurements were still there on paper, but from there to practice [...] and feelings [...] there were small things, comments, a strange mood [...] (CCO)*

And the HR Director begins to behave contrary to what was in use, and contrary to the organisational code.

*“She threatened the people of procurement so that the contracts were assigned to whom she very well understood, aside from everything stipulated. She specifically put her husband’s company providing the meals of the two canteens and the company’s vending machines.” [...] “And that is when everything falls apart, when people start to understand that the person who is supposed to be the ultimate example of people management was trying to manipulate them all.” (CCO)*

It is at this moment that there is a change in terms of ethical climate, what people perceive as expected in the organisation. A perception that is confirmed:

*Later, an internal audit was carried out and it was proved that she had been provided access to competitors’ prices before her husband’s company submitted his proposal.*

*The audit did not produce any results. The HR director apologised to CEO 2, she said she did not know the procedures (when I personally had presented her the Code of ethics and she had signed the annual commitment). (CCO)*

*“People started to realise that it was not only the HR director, it was also CEO 2 – how can you justify a training in English on selling techniques for commercial teams who do not speak the language? – and it turns out that it was a personal contact of the CEO 2 who provided the training. It was a favour to an English friend, going against every procurement rule for contracting services” [...] “The perception was that there are no rules, only their own interests.” (CCO)*

At the same time the previous CEO management team started to be contested:

*These people came with very defined business objectives and could not reach them. They blame the previous administrations because they would never admit that they were responsible for their own errors. (CCO)*

One of the cases that seems to have had more impact in the declining of the ethical climate was the departure of the CFO:

*The Financial Director was invited to a meeting with the CEO 2 having thought it would be to discuss something about work. When she arrives The HR Director was there also and said: «The company no longer wants your services, here is a letter to sign your dismissal. If you do not sign and you do not leave, we will proceed with a disciplinary process. You have until tomorrow to think». And the CFO said: «I do not need to think, I will not sign any letter to give up anything to which I am entitled».*

*The RH director asked a human resources person to go with the CFO to her office. [...] the cabinet was all glazed and the tones of voice began to rise. This was witnessed by her entire team. This was what created the climate of fear. (CCO)*

In addition to the CFO, the same was proposed to other elements of the previous CEO management team, to rescind their contracts:

*These cases [CFO and other elements of the previous administration] did not even go to trial because the judge in the pre-trial session said: «The company should decide if it wants to move forward because, given the responsibilities that these people had, what is happening is pure bad faith.» Obviously, soon an agreement was made paying them all they wanted. (CCO)*

In this process of dismantling the previous CEO (narrator) management team, the new power also tried to accuse and made an exit proposal to the CCO. At that time, she was at the beginning of a pregnancy that would prove to be at risk.

*When they asked me out, they said to me, «We will not say anything. This is for you to think about». They told me this on a Friday afternoon and on Monday morning I was receiving calls from colleagues asking, «Are you not coming?» So, they spread it like fire. In fact, the campaign against me was strong and well-articulated. I obviously came back to the company. (CCO)*

Apart from these facts and due to poor results, the company entered a process of enormous restructuring, which included a collective dismissal. By the middle of Year 4 they decided to include the CCO in this collective dismissal. She appealed to the court which considered that, in face of her pregnancy, her inclusion in a dismissal was not possible and would be completely discriminatory. The company insisted and so did she, successively. The case was only settled in court the last quarter of Year 7.

In the months following the collective dismissal and while court proceedings were in progress, the CCO (narrator) was in sick leave due to pregnancy complications.

*When I returned, I noticed that everything was changed, my own team hardly looked at me because they had been instructed that they could not talk to me, could not share anything with me.*

*They managed to destroy my relationship with my team [...] with measures such as telling people how much I earned [...] We are talking about saying my salary to people who won a fifth or a sixth of what I earned. They didn't even imagine that anyone in the company could have that salary.*

The salary issue seems to have worked as a tipping point that has broken the trust built up over time. The isolation of the CCO from its return from the maternity leave was complete, not only at the team level, but also at the Group level, with their peers at the compliance function to whom she seems no longer count:

*During this process there was a global Compliance meeting in our country and my colleagues (CCOs) from other countries did not even contact me «we are here, can we talk?». I have had a very hard time to accept that, that hurt me a lot. (CCO)*

There seems to have been no interest in knowing what had happened, from the point of view of these leaders. Or was it just afraid to contact a pariah?

Meantime the former CEO (narrator), who had been sent to another country, was called to the headquarters of the Group for a conversation with the Group President and the Regional CEO.

*Of course, there was one thing I was aware of, it was that those gentlemen had already pushed out all my team, some kicking back, others invited out. They called me to that meeting and did not have the courage to tell what they wanted from me. So, I asked, «What are you trying to tell me? That you do not want me?» And I left! (CEO)*

The CCO, as mentioned, remained in the branch until the end of the year 7, and no longer attended as a member of the Group at the end of the process of succession that occurred in Year 5.

*And that's when I heard about his [Regional CEO] departure that I made peace with the Group. (CCO)*

In other words, with the departure of the Regional CEO there is a revival of CCO's commitment to the Group, to which she was no longer part.

### 3.5 Failures in reporting

*When people do not speak up, risks to the business occur and dissatisfaction possibly results in a status quo that cannot be challenged. Ethics cannot survive unless people speak their conscience. (Verhezen, 2010, p.191).*

Approaching the end of this narrative case, one question may be asked: why none of the narrators reported what had happened to someone at the top of the Group?

*I thought I'd write to the highest Compliance Officer who was a person I really enjoyed working with [...] I thought about it and I tried writing the letter several times and then I just gave up. [...] Since I had the link to the central Compliance, I think they had an obligation to, once knowing that they wanted to leave me, interview me and try to understand what was happening. And they never did. (CCO)*

That is, implicitly, there is the feeling that the CCO(s) (regional or global) did not want to know or, in any way, as the CEO says, they are even accomplice in some way:

*Making a little more of why I did not go to the Group President: I did not go because I was sure that if the President object to what the Regional CEO was doing, he would not do it. So, I knew that somehow not defending me he had betrayed me. And so, it made no sense for me to go there. (CEO)*

On the other hand, there is a sense of responsibility of those in top positions that makes reporting to "third parties" even more difficult. It's like a betrayal.

*When I say that in the last two years I have suffered, I am referring to this struggle that I have waged within myself, alone. Why? Because I understood that talking about it to third parties [people not directly involved in the situation] was to betray the Group. (CEO)*

### 3.6 The final relationship with the company

The two narrators refer various situations of unethical behaviour carried out by different elements of the company, including those who represent it at the highest level. And how is the relationship with the company itself? Are we talking about bad apples or bad barrels?

*People do not feel that the Company is betraying them because they do not feel this as the Company. I speak for myself; I had this dilemma; I had this dilemma until recently. I thought, «This is not the company I knew and where I worked for so many years» and then I managed to compartmentalise things and think that companies are made of people. (CCO)*

This "loyalty" to the company seems to be somehow grounded in the need to maintain the meaning of a personal narrative:

*I believe in the Group itself. Because otherwise it is the same as saying that in all my working life, I had been under something that was not valid, under something that did not exist. (CCO)*

They say that, but at the same time, in the discourse, there are expressions of disbelief regarding the company. Not to this particular company, which has a name and that is part of their history, but to the companies in general, a disbelief regarding the power and effectiveness of the ethical programs that are created:

*How do you sustain a culture? How do you get things to be not so volatile? It is not from policies nor structures.*

*I think that the culture of a group facing a new leadership is worthless. I would not like to think this way, but that's what I think. All is based on a management team that remains united around values and policies and knows how to articulate those policies with others, with other company structures that can be the unions, ethics committees [...] (CEO)*

There is also the perception that ethical culture is truly volatile, for the CEO (narrator) that could almost be the conclusion:

*The company is not ethical, it is ethical at this moment, at most! We cannot guarantee it will remain ethical. Ethics is in this being, it is dependent on a set of circumstances of which the existence of a group of people who are or are not able to interpret the values. (CEO)*

#### 4. Critical analysis

We now proceed to a critical analysis highlighting the aspects that seemed most relevant to the occurrence of the situation reported/described. We start with the context (the barrel), the culture of the organisation.

##### 4.1 Weak organisational culture

How does an ethical culture survive in a situation like the one reported here? In the first place, it survives poorly, whatever culture it is, but it can eventually survive if it is a strong culture.

Treviño and Nelson (2014) present an example of strong culture. It is the case of an international Group Citicorps where the answer given anonymously by the managers in Japan to the question “what do you do if you have raised an important ethical issue with your manager and nothing is done?” (Treviño and Nelson, 2014), was, despite the country being known for its hierarchical culture, the one that meets the Group’s culture: going over the manager, climbing. That is, the culture of the Group was so strong that it led managers to say that they considered themselves more as members of the company than as Japanese.

At the antipodes of this setting we have a weekly organisational culture, where “strong subcultures exist and behavior differs from one subculture to another” (Treviño and Nelson, 2014, p. 152). We believe that it was from the beginning what was happening in the observed company, a weak organisational culture, visible both in formal aspects such as the code of ethics, and informal ones as the different profiles of the managers who were being nominated.

##### 4.2 Failures in the management of the succession process

Succession is potentially a critical moment in any company, especially when we are talking about the succession of a CEO:

The results, based on an aggregation of studies, strongly highlight the importance of CEO succession as a disruptive event given its often-negative consequences, and suggest that a stronger understanding of the conditions under which new CEOs can be successful is needed. (Schepker *et al.*, 2017, p. 718)

The observation moment was the succession process. The story told does not allow us to know how the process of succession was organised at the Group level, but it doesn't seem that mechanisms capable of detecting possible excesses and outrages to ethics (motivated by ambition) were used.

#### 4.3 Issues related with ethical leadership

Throughout the narrative we saw leaders with hidden agendas, leaders in situations of conflict of interests, leaders without power and without capacity to act.

That is, there is a leadership failure in its role model function: the CEO 2 overcomes procurement standards; the HR Director assaults and favours a relative; the Regional CEO, in the perception of the narrators, puts his personal career goals ahead of everything; and, even at the central level, the CEO and Chairman of the Group (also in the perception of the narrator CEO) is aware of everything that goes on, but does not say anything.

This lack of ethical leadership has consequences. According to the study *The State of Moral Leadership*, “when CEOs do not consistently behave as moral leaders, 89% of managers under them fail to lead with moral authority” (LRN, 2019, p. 5), that is, there is a cascade break.

Also, regarding the narrators, there was a failure in their ethical leadership. They both were pressured, and in the case of the CEO, there is a clear assumption that he silenced.

But ethical leadership is by no means the standard of business leaders. In fact: “many top managers are not strong leaders either ethically or unethically [...] They simply don't provide explicit leadership in crucial areas of ethics” (Treviño and Nelson, 2014, p. 161). Going further we could say that business leaders who consistently manage to convey the image of ethical leadership may be a minority. LRN's study mentions that “only 7% of survey respondents said their managers consistently exhibit the behaviors of moral leadership” (LRN, 2019, p.4).

#### 4.4 Moral blindness and banality of evil

Another important aspect to emphasise in this narrative is the presence of moral blindness.

We do not mean moral blindness in the sense of not seeing bad practices. Both narrators were aware of the bad practices in the Group and express dislike about them. They both were powerless about their ability to change the situation – “*We change within what we can; what we cannot, we must conform to a greater good.*” CCO –, but both also continue, despite everything, to classify the Group as ethical and say that they share the same values with the Group. That means that the unethical actions were an inevitability that should not be taken into account in the moral judgment of the group.

That is to say, there is a moral blindness with respect to these acts that allows their practice in the Group without question, that even “legitimises” them and places them in the category of “banal” order fulfilment. This is a transposition to the business community of the “banality of evil”, proposed by Hannah Arendt, and which is not so uncommon in organisations (Rendtorff, 2014, p. 46).

This banality can contaminate the design of the company's ethics management system.

#### 4.5 Moral mutism and organisational deafness

According to the narrative, there seems to be no consequences or at least there is no evidence of consequences for the bad practices observed. Concerning the HR director, for example, the case was reported to the regional level and was devalued.

This situation has an implication, a perceptive conclusion that it is not worth reporting, which leads to moral mutism that, according to [Verhezen \(2010, p.188\)](#), often happens in multinationals.

And why does this happen? We found moral silence throughout the narrative by executives and team members. In the CEO's case, the reasons given for not reporting the behaviour of peers (notably the Regional CEO) were very much in line with the results of the IBE's Ethics at Work Survey ([Dondé, 2018](#)), not believing that the complaint will have any effect.

In the CCO's case there is also a perception of organisational deafness, a lack of willingness to hear or to know what is happening in the organisation regarding ethics and compliance, not only by the top but also by the central bodies. This seems clear in two situations: in the absence of contact by the Global Compliance Officer and in the deterrence made to the new Local Compliance Officer when she intended to report.

Another aspect that appears in the narrative as an obstacle to denunciation is the feeling of betraying its peers. Peer evaluation also appears as a result of the study developed by [Treviño and Victor \(1992, p. 39\)](#), which refers that two reasons strongly influence whether or not someone reports: the inclination to report and the perception of the judgment that the group will make of the person for having reported the behaviour of a peer.

#### *4.6 Perception of iniquity*

As a milestone of change, the CCO presents the moment when team members became aware of her salary. It is somehow the tipping point of the relationship since, until then, and against all pressures, they continued to support her.

This situation, the impact it had on the team and the way it somehow surprises the CCO reveals some similarities with what [Stinglitz \(2013\)](#) refers as a discrepancy in the perception of the salary differences between executives and the basic worker, who sees and has the feeling of iniquity: "If people believe that the political and economic system is unfair, the glue does not work and societies do not work well" ([Stinglitz, 2013, p. 195](#)). We believe that the same thing happens in organisations or even goes beyond organisations to society.

Besides, we have to note that the disclosure of the CCO salary to subordinates was part of a strategy by the "new" top management to deliberately prejudice her. A strategy based on the idea of a lack of organisational justice that had a particularly strong impact because "under a state of uncertainty [...] people react more strongly to variations of justice (Lind and Van den Bos, 2002)" in [Strom et al. \(2014, p. 72\)](#).

## **5. Conclusions**

The research question we had put forward was: what must be done to develop ethical cultures that may be less permeable and more resilient to changes in leadership?

Through the development of our narrative, we always questioned ourselves in a critical way. We always tried to identify what allowed the occurrence of the reported facts. We always questioned ourselves to understand what happened in terms of collapse of the ethical culture and climate.

This analysis, in addition to confirming the relevance of the culture's strength on transnational organisations, has allowed us to arrive to a set of problems for which we present our recommendations below. These recommendations propose instruments, procedures, mechanisms and policies that, if they had been adopted by this company, could have provided a different end to this story. All the recommendations ([Table 2](#) outlines these

recommendations/conclusions) are suitable for generalisation in any transnational company and most of them in any big company.

5.1 Reduce risk in succession process

The description made of the Regional CEO resembles what Boddy *et al.* (2010) refer as Corporate Psychopaths:

[. . .] a type of psychopath exists who is not prone to violent, criminal behavior and who operates relatively undetected and successfully in society (Levenson, 1993; Paul Babiak, 1995; Cooke *et al.*, 2004 b; Board and Fritzon, 2005) in Boddy *et al.* (2010, 122).

People with this pathology, “merely 1% or so of people who work in corporations” (Boddy *et al.*, 2010, 122) have rapid progression (that’s why there’s a highest percentage at more senior levels), are easy to relate to and they are strongly manipulative.

Several cases linked to recent scandals fit this description, such as the case of Carly Fiorina former CEO of HP, as described by Johnson (2008). She had a “meteoric rise”, and before reaching the top was known for her empathy, co-workers described her as a “passionate leader” (Johnson, 2008, p. 192) and suddenly she begins to take on absolutely despotic behaviour “sacrificing others to cover for her mistakes” (Johnson, 2008, p. 191) taking the company in 5 years to the public discredit, loss of market and workers’ unhappiness.

The company’s protection against these potentially harmful profiles is now being made using methodologies similar to those used to identify other types of psychopaths (Boddy *et al.*, 2010, p. 134).

In the context of the observed company, and regardless of what was already in place for the preparation of succession processes, we believe that the adoption of screening means of this type of profile could have influenced, reducing the risk.

Generalising, we believe that, to develop ethical cultures that may be less permeable and more resilient to changes in leadership, companies’ ethical programmes should include a reflection on the succession and on procedures design, that allow to reduce this ethical risk. It is something that has not been given the necessary attention because it is an area that, although it is considered important, because of the low frequency with which it occurs, is not seen as urgent, but “In order to attenuate the negative consequences of succession events, it is essential to recognize the strategic importance of this issue and invest resources in a systematic succession planning” (Elosge *et al.*, 2017, p. 377).

Problems identified	Proposal for measures
Failures in succession process management	Inclusion of succession issue in ethical programs and development of mechanisms to identify potential corporate psychopaths
Ethical leadership issues	Fighting isolation and development of support networks. Empower communication
Moral blindness	Training with development of individual responsibility and cooperation components
Moral mutism	Make reporting mandatory and explain that it can have consequences. Create protection mechanisms
Organisational deafness	Prove the desire to know, promote exit interviews
Perception of wage inequality	Greater transparency

**Table 2.**  
Proposals for measures to respond to the identified problems

### 5.2 *Fighting the isolation of leaders*

Concerning the top positions, as mentioned in the CEO's interview, there are many dilemmatic decisions and CEOs feel sometimes isolated and lost. The development of a support network can be a key element in decision making: "If you have developed these, you should be able to address the issue before it becomes a whistleblowing possibility" (Treviño and Nelson, 2014, p. 137).

Encouraged by organisations, these networks can be seen as small informal groups of executives where one can discuss, informally and in a safe environment, dilemmatic issues when necessary. Besides as Robb (2000, p.31) argues, "The creation of profound safety, room for genuine expression of differences and emotion, and room for experimentation and learning ("mistakes")" can be a relevant condition in the development of resilient organisations.

Empowering communication is a good organisational habit. Communicate often, in very simple terms, short messages, encouraging participation. A bit of group facilitation and an organisational digital forum can provide a good setting for this purpose.

### 5.3 *Combat moral blindness*

As we have seen, moral blindness and the banality of evil nourish each other. How do we create the conditions for one to give oneself the right to think and apply what Ogien (2011, p. 283) presents as the first rule of moral reasoning: "from what it is one should not derive what it should be". From what is the habit in the business world one should not induce what should be the practice? How do we encourage people to think like this and do this reasoning?

Training certainly has a role, but not exclusively compliance-oriented training: "defining ethics in terms of legal compliance only rather than in ethical aspirations, would imply a "code of moral mediocrity" (Treviño *et al.*, 1999, p. 136)" in Verhezen (2010, p. 193).

In addition to more normative or more axiological training content, another aspect that could have an impact on the reinforcement of an ethical culture is the inclusion of soft skills in training programmes' design, namely, aspects related to individual responsibility and collaboration. Carsten and Uhl-Bien (2013, p.50) point out that:

[...] individuals with a stronger belief in the coproduction of leadership are more likely [...] to find an ethical solution in the face of an unethical request by a leader and less likely to see themselves as powerless to a leader's directive.

That is, they are less prone to crimes of obedience, crimes that "occur when subordinates willingly follow an unethical or illegal directive of a superior" (Carsten and Uhl-Bien, 2013, p.50).

The promotion of individual responsibility then seems to us as a key point in promoting a culture that can be resilient to unethical leaderships and should therefore be included in the objectives and contents of companies' ethical trainings.

### 5.4 *Combat moral mutism*

One aspect that seems to make a difference in breaking the moral silence and the fear of judgment of others by those who could possibly report is the clear explanation of the obligation to report in the codes of ethics and conduct: "When an established code made peer reporting the responsibility of group members, people were more inclined to engage in that behavior" (Treviño and Victor, 1992, p. 56) and, more than that, prepared to perceive the act of reporting as part of their function.

Another aspect that may encourage the reporting of bad practices is the fighting against what appears in the IBE study as the first reason for not reporting: the perception that

nothing will happen. One way to change this perception is to show that there are consequences, including through a report on the ethical complaints received. This was missing in this company at least until Year 6, and there is no reference to it in the sustainability reports.

### 5.5 *Combat organisational deafness*

In addition to encouraging and promoting spontaneous reporting, organisations can have a more proactive stance, asking questions and seeking to know. Not doing it may even be considered as poor risk management – we saw in this story that there is a CEO of a multinational's branch and a director of compliance who leave the company in a clearly non-peaceful process, without anyone at the Group level asking them to tell their story. That is, there is a knowledge about the crisis that the organisation lets out, a lost knowledge, and this could easily be identified and compiled with exit interviews.

Exit interviews are lessons learned, an excellent opportunity to gather specific data regarding individual instances of ethical (and possibly legal) transgressions (Giacalone *et al.*, 2003, p. 398). We would say that it is an excellent opportunity, especially interviews with executives in non-natural exits, since they are in positions with access to significant information, and usually have experience and visibility over the organisation.

In addition, obligation of the exit interview, or a similar procedure would be a signal for all those involved: for the “victims”, a sign that there was a last possibility to tell the story and not least relieve the pain, to process a personal “catharsis” (Giacalone *et al.*, 2003, p. 399); for the eventual aggressors, the sign that the story would eventually be known.

For the CCO, narrator of this story, the exit interview would be the measure that would have made the difference: *“If I had to make a recommendation, it would be that, regardless of the circumstances, the local Compliance Officer should always be interviewed before leaving to understand the framework”* (CCO).

### 5.6 *Improve transparency*

According to Magnan and Martin (2018), the ethical dimension of remuneration at the top continues to be one of the least studied areas and we would say even less formally spoken in organisations. In this concrete case, two questions arise. The salary difference and lack of knowledge on the part of the team regarding this difference.

Concerning wage awareness, there have been positions taken by leading organisations such as the Global Reporting Initiative to require organisations to disclose the ratio between the organisation's highest and lowest wage and even in the US the Consumer Protection Act require the “disclosure of the pay ratio between the firm's CEO and its average employee” (Magnan and Martin, 2018, p. 5).

This disclosure, if made only in a report, is unlikely to come to the attention of the workers, but at least it is public and may eliminate the surprise effect as justification for the breach of trust between the executive and the team.

## 6. Limitations

“We do not really know what causes resilience or how it is achieved. Is it the result of designed processes or perhaps the outcome of improvisation and luck?” (Boin and van Eeten, 2013, p. 430).

The measures we propose would make it harder for cases such as those documented to occur but would not naturally preclude their occurrence. Regardless of the aspects presented, the question remains: “How can the organization create the kind of culture that

will help it to survive and thrive? Or what are the conditions that will help it co-create a sustainable social ecosystem?" (Mitleton-Kelly, 2003, p. 31).

This is an issue that increases its relevance in global markets:

[...] developing and sustaining an ethical corporate culture becomes exceptionally difficult for large multinational organizations with tens if not hundreds of thousands of employees around the world, each with his/her own distinct ethical perspective and culture. As such, a general or overarching corporate culture does not exist or would at least be extremely difficult to identify in any large multinational organization. (Schwartz, 2013, p. 47)

It is a question of achieving to build resilient organisations and cultures that, even though, shaken by crises, get by themselves to "restore order" (Boin and van Eeten, 2013, p. 431), which, according to Robb, implies the conscious and active creation of two subsystems: "The Performance System and the Adaptation System, both linked together" (Robb, 2000, p. 29).

This is also the vision of Edgar Morin: two systems; one that builds, knowing that all organisations degenerate and another that is always ready to recreate:

There is no recipe for equilibrium. The only way to fight against degeneration is permanent regeneration, in other words, the aptitude of the whole organization to regenerate, and to organize itself by facing all disintegrating processes. (Morin, 2008, p. 63)

Ultimately, the main value of the measures that we can list depends on the persistence and consistency with which they are put into practice because "the permanent disposition of the character results, rather, from a process of habituation, from where it has even received its name, "habit" (Aristóteles, 2004, p. 43). In this way, the permanence of character in people is acquired and this will probably be the way for organisations.

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