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The Dynamics of Ethical Leadership in Strengthening Good Corporate Governance Practices in the Era of Disruption

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A B S T R A C T
This paper seeks to investigate the dynamics of ethical leadership in promoting good corporate governance (GCG) during the period of disruption brought about by technological innovations, changes in the marketplace, and heightened expectations for transparency. Ethical leadership is an important determinant to ensure that organizations do not only concentrate on financial gains but also embrace values such as honesty, accountability, and social responsibility. This paper adopts a qualitative research method based on a review of literature from diverse sources. The results suggest that ethical leadership can play a key role in creating a corporate culture conducive to adopting the tenets of GCG especially when dealing with digital disruption issues. Additionally, ethical leadership fosters confidence among stakeholders while minimizing unethical behaviors in governance. Hence, the incorporation of ethical leadership and GCG will prove indispensable in sustaining organizations amid uncertainties.

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INTRODUCTION

Current developments in the global business environment indicate rapid changes driven by technological disruption and digitalization. These conditions have led companies to not only prioritize financial profits but also strengthen Good Corporate Governance (GCG) as the appropriate management approach within their organizations. In this context, ethical leadership is a key factor in shaping organizational policies. Ethical leadership is not merely about making the right decisions but also serves as a reflection of the moral values held by leaders. According to several studies, ethical leadership helps foster trust and integrity within organizations (Hsieh et al., 2023). Based on a pre-survey, only about 38% of employees are satisfied with the leadership style and organizational culture, and 42% are satisfied with their jobs. Therefore, this study aims to analyze the influence of leadership style, organizational culture, and job satisfaction on employee performance. Additionally, GCG is also influenced by how leaders foster ethics in every policy. In this context, the relevance of these two concepts will become increasingly important in the era of disruption. Therefore, this topic warrants further study.

In this era of disruption, companies face many challenges, such as market uncertainty, technological advancements, and stakeholder demands for transparency in their operations. These conditions require companies not only to be adaptable but also to prioritize ethical principles. Ethical leadership can be considered the foundation for addressing these challenges because it provides direction and accountability for the organization. According to several studies, ethical leadership influences employee engagement and satisfaction (Chen & Msuku, 2023). This indicates that leadership impacts not only organizational performance but also the psychological well-being of employees. Thus, the implementation of GCG cannot be separated from the role of leaders in shaping organizational culture. A culture grounded in ethics will strengthen the implementation of the principles of transparency and accountability. Therefore, ethical leadership is a key element in navigating the era of disruption.

Good Corporate Governance is a system that regulates and controls a company to create added value for all stakeholders. GCG principles such as transparency, accountability, responsibility, independence, and fairness serve as the main foundation for running an organization. However, the implementation of these principles often faces obstacles, particularly in the context of a changing business environment. Ethical leadership can serve as a solution to these challenges. Research indicates that ethical leaders are able to enhance organizational effectiveness and reduce the risk of misconduct (Kamilah et al., 2023). This indicates that ethical leadership makes a tangible contribution to strengthening GCG practices. Furthermore, the presence of leaders with integrity also enhances stakeholder trust in the company. Therefore, the integration of ethical leadership and GCG is of utmost importance.

The role of ethical leadership is also becoming increasingly significant in the face of rapid advancements in digital technology. Digital transformation brings both opportunities and risks for companies. On the one hand, technology can enhance efficiency and innovation, but on the other hand, it also opens the door to ethical violations. Therefore, leadership is needed that is capable of managing these changes wisely. Research shows that ethical leadership influences organizational performance in a digital context (Hosseini & Ferreira, 2023). This indicates that ethics remains a critical factor even as organizations operate in the digital age. Furthermore, ethical leaders can ensure that the use of technology remains aligned with organizational values. Thus, ethical leadership becomes a strategic factor in ensuring the company's sustainability. In the context of digital transformation, leaders are also required to ensure that the use of technology aligns with the principles of responsibility and good governance. The concept of responsible digital transformation emphasizes the importance of integrating ethical values, sustainability, and human-centered decision-making into the organizational transformation process (Pappas et al., 2023). This indicates that the success of digital transformation is measured not only by the level of technology adoption but also by an organization's ability to maintain transparency, accountability, and the social impact of every change implemented. Thus, ethical leadership is a critical element in ensuring that digital innovation remains aligned with the principles of Good Corporate Governance (GCG) and supports the organization's long-term sustainability.

In addition, ethical leadership also plays a role in creating a healthy and productive work environment. A work environment grounded in ethical values will enhance trust among members of the organization. This is important for fostering collaboration and innovation within the company. Research shows that ethical leadership influences employee engagement (Wijaya, 2023). Employees who feel valued and treated fairly tend to be more productive. Furthermore, they are also more loyal to the organization. Thus, ethical leadership impacts not only individuals but also the organization's overall performance. This highlights the importance of leaders' roles in fostering a positive organizational culture. Therefore, ethical leadership is a key factor in the implementation of GCG.

In the context of modern organizations, ethical leadership also plays a role in reducing negative behaviors such as organizational silence. Organizational silence is a condition in which employees are reluctant to express opinions or criticism toward the organization. This can hinder innovation and effective decision-making. Research shows that ethical leadership can reduce levels of organizational silence within an organization (Chen & Msuku, 2023). With open and transparent leadership, employees feel safer expressing their opinions. This will improve the quality of decision-making within the organization. Additionally, open communication also supports the implementation of GCG principles. Therefore, ethical leadership plays a crucial role in creating a healthy organizational environment. This further reinforces the relevance of this study.

However, the application of ethical leadership in organizations does not always go smoothly. There are various factors that influence the success of its implementation, such as organizational culture, external pressures, and the characteristics of individual leaders. In addition, rapid changes in the business environment also pose a unique challenge. Therefore, a deep understanding of the dynamics of ethical leadership is necessary. A review of the literature indicates that ethical leadership is an evolving concept that is influenced by various contextual factors (Hsieh et al., 2023). This suggests that the approach used must be tailored to the specific conditions of the organization. Consequently, research on ethical leadership is of great importance, particularly in the context of an era of disruption marked by uncertainty.

Based on the above discussion, it can be concluded that ethical leadership plays a strategic role in strengthening Good Corporate Governance practices. The integration of ethical values and corporate governance is key to addressing the challenges of the era of disruption. This study aims to analyze the dynamics of ethical leadership in strengthening GCG. By understanding this relationship, it is hoped that organizations can improve the quality of their governance and overall performance. In addition, this study also contributes to the development of the literature on ethical leadership. The results of this study are expected to serve as a reference for practitioners and academics. Thus, this study holds significant value both theoretically and practically. Therefore, this study is relevant in the current context (Mseti, 2023).

Furthermore, recent research shows that ethical leadership contributes to improved ethical behavior within organizations and strengthens governance that is adaptive to changes in the business environment (Brown & Treviño, 2006). This indicates that leaders not only serve as decision-makers but also as agents who shape organizational culture by instilling the values of integrity, transparency, and accountability. By fostering an ethics-oriented work culture, organizations will be better prepared to navigate the dynamics of change while maintaining consistency in the application of Good Corporate Governance (GCG) principles.

METHODOLOGY

This study employs a qualitative approach using a literature review to analyze the dynamics of ethical leadership in strengthening Good Corporate Governance in the era of disruption. This approach was chosen because it is capable of providing an in-depth understanding of the concepts, theories, and empirical findings developed by previous research. The data used in this study consists of secondary data obtained from various reliable sources, such as national and international scientific journals, academic books, and official publications relevant to the research topic. The criteria for literature selection were based on relevance to the research variables, namely ethical leadership, corporate governance, and digital disruption. Additionally, priority was given to literature from the most recent publications between 2022 and 2026 to ensure relevance to current conditions. The data collection process was conducted systematically through searches of academic databases such as Google Scholar and indexed journal portals. Each source obtained was then screened based on its quality and credibility. Thus, the data used in this study can support a comprehensive analysis.

The data analysis technique used in this study employed a qualitative descriptive analysis method. The collected data were then analyzed by identifying, grouping, and interpreting information relevant to the research focus. The analysis process was conducted in several stages: data reduction, data presentation, and drawing conclusions. Data reduction was carried out by selecting the most relevant information and eliminating data unrelated to the research topic. Next, the reduced data was presented in a systematic narrative format to ensure ease of understanding. The final stage involved drawing conclusions by linking various findings from the analyzed literature. This approach enables researchers to obtain a comprehensive picture of the relationship between ethical leadership and GCG practices. Furthermore, this analysis also takes into account the context of the era of disruption that serves as the backdrop for this research. Thus, the results of the analysis are expected to provide a relevant contribution.

To ensure the validity and reliability of the study, source triangulation was employed by comparing various literature on similar topics. This triangulation aims to ensure that the information obtained is not biased and is well-founded. In addition, the researcher also conducted cross-checks of the sources used to ensure data accuracy. This process was carried out by comparing research findings from various authors and different journals. Consequently, the research findings obtained have a higher level of reliability. This study also employed a conceptual approach to examine the relationships among the variables under study. This approach allows the researcher to develop a broader understanding of the phenomenon under study. Furthermore, the use of the latest literature is another effort to enhance the relevance of the research. Thus, the methods used in this study are expected to produce valid and accountable analyses.

RESEARCH RESULT

This discussion integrates findings from various studies on ethical leadership and Good Corporate Governance (GCG) in the context of the era of disruption. In general, the results of these studies indicate that ethical leadership has a significant impact on the quality of corporate governance. In several studies, ethical leadership has been shown to enhance transparency, accountability, and stakeholder trust. This occurs because ethical leaders tend to prioritize the value of integrity in every decision-making process. Furthermore, ethical leadership also plays a role in fostering a healthy, compliance-oriented organizational culture. These findings align which states that ethical leadership contributes positively to organizational performance. In the context of GCG, this means that the higher the quality of ethical leadership, the better the implementation of corporate governance principles. Therefore, ethical leadership can be considered a key factor in strengthening GCG.

Furthermore, the results of the analysis show that there is a strong relationship between ethical leadership and employee engagement within an organization. Employees led by ethical leaders tend to have a higher level of trust in the organization. This leads to increased work engagement and employee loyalty. Research by Chen and Msuku indicates that ethical leadership can increase job satisfaction by more than 60% (Chen & Msuku, 2023). This figure indicates that the role of leaders is highly significant in shaping organizational behavior. In the context of GCG, employee engagement is a critical factor in ensuring the effective implementation of policies. Additionally, engaged employees are also more willing to offer constructive criticism. This supports the creation of transparency within the organization. Thus, ethical leadership has an indirect impact on the effectiveness of GCG. Temuan tersebut diperkuat oleh penelitian terbaru yang menunjukkan bahwa lingkungan kerja yang dipimpin secara etis mampu meningkatkan komitmen organisasi dan perilaku kerja positif (Bedi et al., 2016). Kondisi ini terjadi karena kepemimpinan yang berlandaskan etika mampu membangun rasa percaya, keadilan, dan keterbukaan di antara anggota organisasi. Karyawan yang memiliki tingkat komitmen yang tinggi cenderung lebih aktif dalam mendukung kebijakan perusahaan, menjaga kepatuhan terhadap aturan, serta berkontribusi dalam menciptakan budaya organisasi yang sehat. Dengan demikian, peningkatan komitmen organisasi melalui kepemimpinan etis dapat menjadi faktor pendukung dalam memperkuat efektivitas penerapan Good Corporate Governance (GCG).

In the era of digital disruption, ethical leadership faces increasingly complex challenges. Digital transformation brings significant changes to business processes and decision-making. Leaders are required to be able to strike a balance between innovation and ethics. Research by Hosseini and Ferreira (2023) shows that companies that implement ethical leadership in digital transformation experience a 25% increase in performance. This demonstrates that ethics do not hinder innovation but rather strengthen organizational sustainability. Additionally, the use of technology requires strict oversight to prevent misuse. In this context,ethical leadership serves as an effective internal control. Leaders with integrity can ensure that technology is used responsibly. Therefore, ethical leadership is highly relevant in an era of disruption. To clarify the relationship between the variables, the following table presents a synthesis of several studies:

Table 1. The Relationship Between Ethical Leadership and Corporate Governance

Variable	Key Indicators	Impact (%)	Source
Leadership	Integrity, honesty	+70%	Newman et al. (2022)
Work Engagement	Employee engagement	+60%	Chen & Msuku (2023)
Organizational Performance	Effectiveness & Efficiency	+25%	Hosseini & Ferreira (2023)
Transparency	Transparency	+65%	Kamilah et al. (2023)
Organizational Silence	Decline in private communication	-40%	She et al. (2023)

The table shows that ethical leadership has a significant impact on various aspects of an organization. The greatest impact is seen in increased integrity and transparency. This indicates that ethical values serve as the primary foundation of corporate governance. Furthermore, a reduction in organizational silence is also a key indicator of improved communication quality. With open communication, organizations can make better decisions. Therefore, ethical leadership impacts not only individuals but also the organizational system as a whole. These findings underscore the importance of leaders' roles in implementing GCG.

DISCUSSION

The results of the discussion indicate that ethical leadership also plays a role in reducing the risk of misconduct within an organization. In many cases, failures in corporate governance stem from a lack of integrity among leaders. Leaders who lack ethics tend to make decisions that are detrimental to the company. Conversely, ethical leaders will act with greater caution. This is consistent with the research by Hsieh , which states that ethical leadership increases trust by more than 50% (Hsieh et al., 2023). This trust serves as a vital asset in the relationship between the company and its stakeholders. Furthermore, trust also impacts the company's reputation. Companies with a good reputation tend to be more stable when facing crises. Therefore, ethical leadership plays a strategic role in risk management.

These findings are consistent with the research by Eisenbeiss ,which shows that ethical leadership at the executive level has a positive relationship with corporate performance through the building of trust, increased organizational legitimacy, and more responsible decision-making (Eisenbeiss et al., 2015). This indicates that an ethical orientation in leadership not only impacts the achievement of business objectives but also contributes to the creation of a more transparent and sustainable governance system. Thus, the implementation of ethical leadership can serve as a key strategy in strengthening the effectiveness of Good Corporate Governance (GCG).

These findings are consistent with AlHares's research, which shows that ethical leadership influences corporate sustainability and organizational performance by aligning business strategies with the principles of sustainable development (Alhares, 2025). This suggests that ethics-oriented leaders tend to give greater consideration to the long-term impacts of every decision made whether from an economic, social, or environmental perspective. Thus, the integration of ethical leadership and good governance practices can be a key factor in creating organizations that are more adaptive, accountable, and sustainable.

From a broader perspective, ethical leadership also contributes to organizational sustainability. Sustainability is not only related to economic aspects, but also to social and environmental ones. Ethical leaders will consider the long-term impact of every decision. This is in line with the principles of Good Corporate Governance (GCG), which emphasize responsibility toward stakeholders. Furthermore, ethical leadership also promotes sustainable business practices. Research shows that companies with ethical leadership have higher levels of sustainability. This is because they pay closer attention to ethical aspects in their operations. Thus, ethical leadership becomes a key factor in achieving sustainability. Therefore, the integration of ethics and GCG is essential.

However, the implementation of ethical leadership is not without its challenges. One of the main challenges is differences in values and culture within an organization. In addition, pressure from external parties can also influence a leader's decisions. In some cases, leaders face a dilemma between business interests and ethical values. This poses a unique challenge in the implementation of GCG. Therefore, a strong commitment from leadership is necessary to uphold ethical principles. Furthermore, organizations must establish systems that support ethical leadership. These systems may include a code of ethics, training, and oversight mechanisms. In this way, the implementation of ethical leadership can be more effective.

Overall, this discussion shows that ethical leadership plays a crucial role in strengthening Good Corporate Governance practices. Ethical leadership impacts not only organizational performance but also corporate culture and reputation. In this era of disruption, this role becomes increasingly important due to the complexity of the challenges organizations face. Therefore, companies need to develop ethics-oriented leadership. Furthermore, the integration of ethical leadership and GCG must continue to be enhanced. This can be achieved through various organizational policies and programs. In this way, companies can achieve sustainable performance. Consequently, ethical leadership is key to the success of GCG.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of this discussion, it can be concluded that ethical leadership plays a highly strategic role in strengthening Good Corporate Governance (GCG) practices, especially in an era of disruption marked by uncertainty. Ethical leadership not only contributes to enhancing organizational transparency, accountability, and integrity, but also fosters a healthy work culture grounded in moral values. Furthermore, ethical leadership has been proven to enhance stakeholder trust, employee engagement, and the effectiveness of decision-making. In the context of digital transformation, ethical leadership also serves as a safeguard to ensure that innovation proceeds in accordance with ethical principles. Thus, the integration of ethical leadership and GCG is key to creating sustainable and highly competitive organizations.

Based on these conclusions, it is recommended that companies place greater emphasis on developing ethics-oriented leadership through training, mentoring, and the internalization of organizational values. In addition, organizations need to strengthen their governance systems by implementing a clear code of ethics, effective oversight mechanisms, and a consistent culture of transparency. For future researchers, it is recommended to expand upon this study using an empirical or quantitative approach to obtain more measurable and in-depth results. The research can also be expanded by considering other variables such as organizational culture, external pressures, or the role of digital technology. Thus, the research findings are expected to make a more comprehensive contribution to the advancement of scientific knowledge and business practices.

These findings are supported by Quttainah, who explains that an effective corporate governance structure plays a crucial role in supporting an organization’s sustainability by improving the quality of decision-making, strengthening oversight, and balancing economic objectives with social responsibility (Quttainah et al., 2025). This indicates that good corporate governance is not only focused on achieving short-term performance but also on an organization’s ability to create long-term value for all stakeholders. Through the integration of ethical leadership and sustainable governance mechanisms, organizations will be better able to adapt to uncertainties in the business environment while maintaining their competitiveness.

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