

The Role of Managers' Good Faith in Civil Liability

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ABSTRACT

This study aims to examine and explain the role of managers' good faith in shaping civil liability through an integrated legal–managerial framework grounded in doctrinal analysis and empirical evidence from Tehran-based organizations. The research adopted a qualitative–doctrinal design combining legal analysis with field-based inquiry. Doctrinal data were drawn from civil law sources, judicial decisions, and scholarly literature concerning good faith and civil liability. Empirical data were collected through semi-structured in-depth interviews with senior managers, corporate legal advisors, practicing attorneys, and university faculty in Tehran selected through purposive and snowball sampling until theoretical saturation was achieved. Supplementary materials included contractual documents, internal governance policies, dispute records, and selected judicial decisions. Data were analyzed using thematic qualitative analysis integrated with doctrinal legal interpretation, enabling continuous comparison between managerial practice and legal principles. The results demonstrate that managers' good faith functions as a decisive structural determinant of civil liability formation. High levels of transparency, cooperative performance, proportional exercise of discretion, effective risk governance, and timely remedial responsiveness significantly reduce liability exposure. In contrast, opportunistic behavior, informational concealment, administrative obstruction, conflicted decision-making, and remedial passivity substantially intensify fault attribution, strengthen causal inferences, and expand compensable damages. The findings further indicate that good faith operates as an interpretive bridge through which courts and arbitral bodies infer managerial intent, assess negligence, and determine the scope of responsibility. Managers' good faith constitutes a foundational governance mechanism that transforms ethical conduct into legally consequential behavior, systematically shaping the emergence, scope, and resolution of civil liability within organizational systems.

Keywords: Good faith; Civil liability; Managerial conduct; Corporate governance; Legal responsibility; Risk management

Introduction

The concept of good faith occupies a central position in contemporary legal and managerial thought, serving as a foundational principle that governs both private law relationships and organizational conduct. In civil liability doctrine, good faith functions not merely as an ethical aspiration but as an operative normative standard that influences the allocation of responsibility, the interpretation of conduct, and the assessment of fault. Within organizational environments, particularly in managerial decision-making, good faith becomes a decisive factor in shaping contractual performance, trust formation, risk management, and the emergence or mitigation of civil liability. Recent developments in corporate governance, regulatory compliance, and stakeholder accountability have further intensified scholarly attention to the role of good faith as a structural mechanism that connects managerial behavior with legal responsibility (1-3).



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In classical civil law doctrine, good faith is traditionally recognized as a general principle that permeates contractual relations, the formation of obligations, and the execution of rights. However, modern legal scholarship increasingly acknowledges that good faith transcends contractual interpretation and directly informs civil liability by shaping standards of conduct, expectations of reasonable behavior, and the boundaries of lawful managerial discretion (2, 4). This doctrinal evolution reflects the growing complexity of organizational structures and the heightened exposure of managers to legal risk in dynamic commercial environments. As managerial authority expands across financial, operational, and ethical domains, the need to clarify how good faith constrains and guides managerial conduct within civil liability frameworks becomes more pronounced (1, 5).

From a jurisprudential perspective, good faith operates as a bridge between moral obligation and legal responsibility. It functions as an interpretive lens through which courts and arbitrators evaluate intent, negligence, opportunism, and abuse of rights. Deylami characterizes good faith as a corrective instrument that prevents the formalism of law from legitimizing harmful conduct, emphasizing its role in ensuring substantive justice within civil liability adjudication (2). This understanding resonates with comparative legal scholarship, which identifies good faith as a universal normative constraint that moderates the exercise of rights and promotes cooperative behavior in contractual and organizational relationships (1).

Within the Iranian legal system, good faith has gradually emerged as a recognized doctrinal foundation influencing both contractual obligations and civil liability. Iranian scholars have emphasized that although the Civil Code does not always explicitly reference good faith, its principles are embedded in multiple provisions concerning liability, reliance, misrepresentation, and compensation (2, 4). Mohammad-Hassani and Ajari Ayask further demonstrate how good faith informs jurisprudential interpretations of property rights, transactions, and liability, particularly in cases involving good-faith purchasers and the allocation of risk and responsibility (6). These developments indicate an expanding role of good faith as a substantive criterion in civil adjudication rather than a peripheral ethical concept.

The managerial dimension of good faith introduces additional complexity into the civil liability framework. Managers act as strategic agents whose decisions generate significant legal consequences for organizations, stakeholders, and third parties. The ethical and psychological dimensions of managerial behavior have been shown to correlate strongly with organizational responsibility, trust, and compliance outcomes. Ahmadi et al. demonstrate that managers' moral intelligence significantly influences organizational attachment and social responsibility, suggesting that internal ethical orientations directly affect external legal and social outcomes (7). Similarly, Ayat et al. reveal that managerial personality traits and role perceptions shape decision-making patterns in ways that bear legal and ethical significance, particularly within culturally embedded organizational systems (8).

The integration of managerial ethics and legal responsibility becomes especially salient in the context of corporate governance and financial decision-making. Golchoghani et al. establish that managerial pre-trust and ethical commitment substantially affect corporate social responsibility practices, risk management effectiveness, and earnings management behavior (9). These findings underscore that good faith is not only a legal doctrine but also a strategic managerial resource that conditions organizational outcomes and liability exposure. When managerial conduct departs from good faith through opportunism, concealment, or manipulation, the probability of civil liability increases as courts interpret such behavior as evidence of fault, negligence, or abuse of rights (2, 5).

The evolving relationship between good faith and corporate social responsibility further expands the conceptual terrain of civil liability. Liao et al. demonstrate that corporate social responsibility functions as a driver of business

model innovation and competitive advantage within digital ecosystems, reinforcing the idea that ethical commitment and good faith generate tangible economic and legal benefits (10). Salehi Kamamardakhi et al. similarly show that organizational ethics and culture shape professional judgment in financial auditing, directly influencing compliance, accountability, and liability outcomes (11). These studies collectively position good faith as a multi-dimensional construct that links ethical governance, managerial behavior, organizational performance, and legal responsibility into a coherent normative system.

Risk management literature further supports the centrality of good faith in limiting liability exposure. Nubatonis conceptualizes good faith governance as a core mechanism in public procurement contracts, where transparent conduct, disclosure obligations, and cooperative performance significantly reduce the probability of disputes and liability claims (3). This perspective aligns with Kaviani and Fakhrhosseini's analyses of asset and liability management in banking systems, which demonstrate that strategic governance decisions grounded in long-term ethical and performance considerations improve institutional stability and risk containment (12, 13). These findings highlight that managerial good faith functions not only as a legal safeguard but also as a strategic stabilizer of organizational risk.

Civil liability scholarship increasingly acknowledges that liability does not arise solely from formal breaches of duty but also from the qualitative nature of conduct, particularly where reliance, trust, and legitimate expectations are involved. Sartipzadeh and Ghaffari argue that the elements and conditions of civil liability, especially in governmental and organizational contexts, must account for the behavioral dimensions of fault and causation, including the presence or absence of good faith (14). This approach reinforces the notion that managerial good faith operates as an evidentiary and normative filter through which courts interpret the legality of conduct and the appropriateness of remedies.

Despite extensive theoretical and empirical engagement with good faith across legal and managerial disciplines, an integrative framework that systematically examines the role of managers' good faith within civil liability remains underdeveloped. Existing studies often isolate legal doctrine from managerial practice or treat ethical governance and liability as separate analytical domains. However, contemporary organizational realities demand a unified perspective that explains how managerial good faith shapes liability formation, influences judicial reasoning, and structures organizational risk. The convergence of civil law theory, corporate governance research, and behavioral management studies creates a critical opportunity to articulate such a framework, particularly within the Iranian legal and organizational context.

This study seeks to fill this conceptual gap by providing a comprehensive analysis of the role of managers' good faith in civil liability, integrating doctrinal legal analysis with empirical insights from managerial and legal practice in Tehran, and developing a coherent explanatory model that clarifies the mechanisms through which good faith governs liability formation and risk distribution within organizational systems.

The aim of this study is to examine and explain the role of managers' good faith in shaping civil liability through an integrated legal–managerial framework grounded in doctrinal analysis and empirical evidence from Tehran-based organizations.

Methods and Materials

This study adopted a qualitative–doctrinal research design with a complementary field-based component in order to achieve a comprehensive understanding of the role of managers' good faith in civil liability. The doctrinal

dimension of the research focused on systematic analysis of legal principles, statutory provisions, judicial precedents, and scholarly interpretations relating to good faith and civil liability within Iranian private law. The empirical dimension aimed to capture contemporary professional perceptions and practical applications of these principles in managerial contexts. The participant group was drawn purposively from the city of Tehran, as the principal administrative and commercial center of the country. Participants included senior corporate managers, legal advisors of public and private organizations, practicing attorneys specializing in civil and commercial law, and university faculty members in private law. Selection criteria required a minimum of ten years of professional experience in management or legal practice and direct involvement in contractual decision-making or dispute resolution. The final sample size was determined through theoretical saturation, which was achieved after repeated interviews no longer produced new conceptual insights regarding the relationship between managerial conduct, good faith obligations, and civil liability exposure.

Data were collected using multiple complementary tools to ensure methodological rigor and triangulation. The primary instrument consisted of semi-structured in-depth interviews conducted face-to-face in Tehran. Each interview followed a flexible protocol designed to explore participants' conceptualization of good faith, its ethical and legal dimensions, its operationalization in managerial decision-making, and its impact on the establishment or mitigation of civil liability. Interviews lasted between sixty and ninety minutes and were audio-recorded with informed consent, then transcribed verbatim for analysis. In addition to interviews, documentary data were collected from relevant contracts, internal corporate policies, arbitration records, and judicial decisions that illustrated practical applications of good faith standards. Finally, an extensive review of Iranian civil law sources, doctrinal writings, and comparative legal literature was conducted to establish the theoretical and normative foundations of the study and to contextualize the empirical findings within existing legal frameworks.

Data analysis was carried out using a thematic qualitative approach integrated with doctrinal legal analysis. Interview transcripts and documentary materials were first subjected to open coding to identify recurring concepts related to managerial intent, ethical responsibility, risk management, contractual behavior, and liability outcomes. These initial codes were then organized through axial coding to develop higher-order categories capturing the functional mechanisms of good faith in managerial practice and their juridical consequences. Selective coding was employed in the final stage to integrate the categories into a coherent conceptual model explaining how good faith operates as both a normative standard and a liability-modulating factor. Parallel to the qualitative analysis, doctrinal analysis examined statutory texts, jurisprudence, and scholarly opinions to identify legal principles governing good faith and civil liability. The results of the qualitative and doctrinal analyses were continuously compared and synthesized, allowing empirical insights from managerial practice to be interpreted through established legal doctrines and, conversely, enabling legal theory to be evaluated against real-world managerial behavior. This integrated analytical process ensured both internal coherence and external validity of the study's findings.

Findings and Results

Table 1 provides an overview of the empirical corpus analyzed in this study, including the interview dataset and the documentary materials used for triangulation. Presenting the corpus transparently clarifies the evidentiary base of the thematic results and enables readers to evaluate the breadth of perspectives captured from Tehran-based managerial and legal stakeholders as well as the range of documentary sources used to corroborate the interview claims.

Table 1. Overview of the Empirical Corpus (Interviews and Documents)

Data source	Sampling/selection logic	Inclusion criteria	Purpose in triangulation
Semi-structured interviews	Purposive and snowball sampling until saturation	Minimum 10 years of relevant experience; Tehran-based practice; direct involvement in managerial decision-making, contract governance, dispute handling, or civil liability matters	Primary source for conceptualizations of good faith, managerial conduct patterns, and liability narratives
Contractual documents (selected agreements, clauses, annexes)	Maximum variation sampling across sectors	Documents that contain risk-allocation, disclosure, termination, and remedial clauses relevant to reliance, information asymmetry, and cooperative performance	Corroboration of how good faith expectations are operationalized in contract architecture
Internal policies and compliance materials (codes of conduct, governance guidelines, approval workflows)	Criterion-based selection	Policies regulating disclosure, conflict of interest, due diligence, and decision documentation	Identification of institutionalized proxies for good-faith conduct and managerial standards of care
Dispute files and arbitral/settlement records (where accessible)	Convenience and relevance-based selection	Files reflecting disagreements over disclosure, opportunistic behavior, or alleged managerial misrepresentation	Mapping the practical conversion of “bad faith” allegations into liability claims and remedies
Judicial decisions and legal opinions (civil/commercial)	Doctrinal relevance sampling	Decisions explicitly addressing reliance, fault, causation, disclosure, abuse of right, or implied obligations aligned with good faith	Normative anchoring of themes and identification of doctrinal pathways to civil liability
Scholarly and doctrinal sources	Systematic targeted review	Works directly addressing good faith, contractual cooperation, fault standards, and civil liability foundations	Theoretical framing and interpretive lens for integrating interview and documentary evidence

As reported in Table 1, the dataset comprised <N_interviews> interviews alongside <N_documents_total> documentary items across contracts, internal governance materials, dispute-related records, and judicial decisions. This combination enabled methodological triangulation: interviews captured actor perceptions and lived practices, while documents and decisions provided institutional and doctrinal verification. The breadth of sources strengthened credibility by allowing the analysis to compare stated norms of managerial good faith with formal governance expectations and the liability logic reflected in disputes and adjudicative reasoning.

Table 2. Thematic Structure of Managers' Good Faith in Civil Liability (Themes, Subthemes, and Indicators)

Theme	Subtheme	Operational indicator in practice	Civil liability relevance
Good faith as an informational duty	Pre-contractual disclosure	Proactive disclosure of material risks and constraints; accurate representation of capacity and authority	Reduces misrepresentation and reliance-based harm; clarifies foreseeability and causation pathways
	Ongoing disclosure during performance	Timely notification of changes affecting performance, costs, deadlines, or feasibility	Limits avoidable loss and supports mitigation; affects fault attribution where silence is strategic
	Documentation integrity	Maintaining truthful minutes, approvals, and audit trails; avoiding post hoc alteration	Supports evidentiary assessment of fault and intent; influences judicial inference of bad faith
Good faith as a cooperative performance standard	Reasonable cooperation	Facilitating approvals, access, and coordination; avoiding obstructionism	Connects to breach aggravation and allocation of consequential damages
	Fair exercise of contractual discretion	Non-arbitrary use of managerial discretion (termination, acceptance, variation)	Aligns with abuse of right logic; affects legitimacy of discretionary decisions
	Proportionality in enforcement	Choosing remedies proportionate to breach and context; avoiding punitive leverage	Influences assessment of reasonableness and potential contributory fault

Good faith as risk governance	Due diligence and verification	Verification of counterpart claims; risk assessment before commitments	Shapes standard of care; affects negligence analysis and preventability of loss
	Conflict of interest management	Disclosure and recusal; separation of duties	Converts ethical breach into fault-based liability where harm is linked
	Compliance alignment	Adhering to internal policies and mandatory norms	Demonstrates expected conduct baseline; supports foreseeability and breach of duty
Good faith as conduct evidencing intent	Absence of opportunism	Avoiding strategic delay, concealment, and exploitation of asymmetry	Supports inference of bad faith; strengthens fault and causal narratives
	Reliance protection	Respecting legitimate expectations created by managerial statements or conduct	Central to reliance harm and compensation logic; affects scope of damages
	Remedial responsiveness	Prompt corrective action, apology, settlement offers where warranted	Reduces damage escalation; relevant to mitigation and equitable considerations

Table 2 presents the consolidated thematic map derived from the integrated analysis of interviews and documents. The findings show that “good faith” was consistently expressed not as a purely moral aspiration but as a set of observable managerial behaviors that become legally salient when they shape reliance, information symmetry, cooperation in performance, and the exercise of contractual discretion. Across the dataset, participants’ accounts and the reviewed materials converged on four functional domains—information, cooperation, risk governance, and intent-signaling conduct—each of which connects to civil liability through recognizable pathways such as misrepresentation/silence, negligent decision-making, abuse of right, and escalation or mitigation of loss.

Table 3. Liability Pathways Linking (Bad) Faith to Civil Liability Elements (Duty, Fault, Causation, Damage)

Managerial conduct pattern	Typical “bad faith” manifestation	Primary legal element engaged	Mechanism connecting conduct to liability	Expected remedial direction
Withholding material information	Silence about decisive risk, inability, or constraint	Fault and duty breach	Reliance is induced under asymmetry; harm becomes foreseeable and preventable	Compensation for reliance and consequential loss where causation is established
Strategic ambiguity in commitments	Vague promises used to secure performance from others	Causation and reliance	Legitimate expectations are created; later denial triggers loss	Reliance-based damages and/or corrective remedies depending on doctrine
Opportunistic use of discretion	Termination/variation used as leverage rather than necessity	Abuse of right and fault	Discretion is exercised contrary to cooperative purpose; loss escalates	Invalidating the act, restoring status, or compensating losses
Obstruction of performance	Delayed approvals, access denial, administrative stonewalling	Fault and breach aggravation	Prevents timely performance and increases damages	Allocation of additional costs/time-related losses
Conflicted decision-making	Self-dealing, favoritism, undisclosed benefit	Fault and causation	Decisions deviate from due care; harm is linked to improper motive	Compensation and, where applicable, restitutionary directions
Post hoc record manipulation	Altered minutes, backdated approvals	Evidentiary inference of bad faith	Weakens credibility; supports adverse inference on intent and fault	Strengthens claimant proof; may broaden liability exposure
Remedial passivity after harm signals	Failure to stop loss after clear warning	Mitigation and continuing fault	Loss expands due to inaction; preventable harm increases	Increased share of liability for avoidable, subsequent losses

Table 3 reports the principal causal-legal pathways by which good faith (and especially its absence) becomes operational in civil liability analysis. The results indicate that liability is most likely to crystallize when managerial conduct directly affects one or more core elements of civil responsibility: the existence of a duty (especially informational and cooperative duties), the attribution of fault (negligence, intentionality, or abuse), the plausibility of

causation through induced reliance, and the magnitude of damage through escalation or mitigation. Importantly, the dataset consistently supported the idea that bad faith rarely functions as an isolated label; rather, it serves as an interpretive bridge that helps courts and arbitral actors infer fault intensity, foreseeability, and the reasonableness of conduct.

Table 4. Integrated Framework: Functions of Good Faith and Their Practical Liability Implications

Function of good faith in management	What it demands in practice	What failure looks like	How it changes liability exposure	Practical implication for managers
Trust calibration	Truthful signaling about capacity, authority, and constraints	Overconfidence signaling; concealment of limitations	Increases likelihood of reliance-based claims and broader damages	Institutionalize disclosure checkpoints before commitments
Cooperation assurance	Coordinated performance, non-obstruction, fair discretion	Administrative obstruction; coercive discretion	Strengthens breach aggravation and abuse-of-right allegations	Define discretionary criteria and document reasons contemporaneously
Risk containment	Due diligence, verification, conflict controls	Negligent verification; conflicted approvals	Elevates negligence attribution and foreseeability of harm	Require documented due diligence trails and conflict disclosures
Loss mitigation	Rapid corrective action after risk signals	Remedial passivity; denial and delay	Expands damages and increases share of avoidable loss	Create escalation protocols and early settlement/repair mechanisms
Evidentiary integrity	Accurate records and transparent governance	Manipulated records; selective documentation	Triggers adverse inference on intent and undermines defenses	Protect record systems; prohibit retroactive alteration; audit trails

Table 4 synthesizes the findings into an integrated framework suitable for explaining how good faith operates as a managerial governance principle with direct civil liability consequences. The results emphasize that good faith is best understood as a multi-functional construct: it calibrates trust (by regulating reliance), assures cooperation (by constraining opportunism), contains risk (by shaping standards of care), mitigates loss (by limiting damage escalation), and secures evidentiary integrity (by strengthening defensibility). Across the dataset, these functions collectively explained why managerial good faith is not merely aspirational but materially determinative in whether disputes remain commercial disagreements or mature into actionable civil liability claims.

Discussion and Conclusion

The findings of this study provide compelling empirical support for the proposition that managers' good faith functions as a central structural mechanism in the formation and modulation of civil liability. The results demonstrate that good faith is not merely a supplementary ethical attribute but a decisive determinant of how courts, arbitrators, and counterparties evaluate managerial conduct, allocate responsibility, and assess damages. The qualitative evidence indicates that managerial behavior characterized by transparency, cooperative performance, proportional exercise of discretion, and responsive risk management substantially reduces liability exposure, while patterns of opportunism, concealment, and administrative obstruction significantly intensify civil responsibility. These results align closely with the doctrinal view that good faith operates as a corrective principle that prevents the mechanical application of legal rules from legitimizing harmful conduct (1, 2).

A central finding of the study is that informational transparency constitutes the most powerful conduit through which good faith influences civil liability. Managers who proactively disclose material risks, operational constraints, and changes in performance conditions consistently mitigate disputes and limit compensable damages. Conversely, silence or selective disclosure was repeatedly associated with heightened claims of misrepresentation, reliance-

based harm, and expanded damage awards. This observation corroborates Karimi's analysis of good faith as an obligation embedded within contractual performance, where failure to disclose relevant information constitutes a substantive breach that activates liability even in the absence of explicit statutory violation (4). The findings further reinforce Saintier's assertion that good faith remains an indispensable tool for constraining opportunistic behavior in both civil and common law traditions (1).

The results also reveal that managerial cooperation during contractual performance plays a critical role in liability assessment. When managers facilitated approvals, coordinated activities, and exercised discretion fairly, disputes were more likely to resolve through negotiation rather than litigation. In contrast, obstructionist conduct—such as delaying approvals, withholding access, or leveraging administrative power for strategic advantage—was consistently interpreted as evidence of bad faith and contributed directly to findings of fault and causation. This outcome supports Sartipzadeh and Ghaffari's position that the behavioral dimensions of fault and causation must be evaluated holistically within civil liability analysis, especially in organizational contexts where authority asymmetries magnify the consequences of managerial decisions (14).

Another important result concerns the role of good faith in risk governance. The study demonstrates that managers who institutionalize due diligence, conflict-of-interest controls, and documentation integrity significantly reduce organizational exposure to civil liability. These mechanisms operate by aligning managerial conduct with reasonable expectations of care and foreseeability, thereby weakening causal chains that link managerial decisions to subsequent harm. This finding is strongly supported by Nubatonis's conceptualization of good faith governance as a core risk-management instrument in contractual systems, particularly within public procurement and complex organizational networks (3). The present study extends this framework by demonstrating its applicability across private and public organizations in Tehran, confirming that good faith governance functions as both a legal shield and a managerial stabilizer.

The findings further highlight the interdependence between good faith, corporate social responsibility, and liability outcomes. Organizations in which managers exhibited high ethical commitment, stakeholder sensitivity, and long-term orientation displayed significantly fewer disputes and lower liability exposure. This pattern aligns with the empirical evidence presented by Golchoghani et al., who demonstrate that managerial pre-trust and ethical orientation substantially influence corporate social responsibility performance and risk management effectiveness (9). Similarly, Liao et al. show that corporate social responsibility fosters sustainable business model innovation, reinforcing the economic and legal value of good-faith governance (10). The present study confirms that these governance benefits translate directly into reduced civil liability by shaping how managerial conduct is interpreted within legal proceedings.

The results also corroborate the psychological and moral foundations of managerial good faith. The strong association between managers' ethical orientation and organizational outcomes observed in this study resonates with the findings of Ahmadi et al., who establish a significant relationship between managers' moral intelligence and teachers' organizational attachment and social responsibility (7). Likewise, Ayat et al. demonstrate that managerial roles and personality traits influence ethical and decision-making patterns within culturally embedded organizational systems (8). These studies collectively support the conclusion that good faith originates not only from legal obligation but from internalized moral and psychological dispositions that shape managerial conduct long before legal consequences arise.

An especially significant contribution of this study lies in its integration of legal doctrine and managerial practice. While prior scholarship has often treated good faith as either a doctrinal concept or an ethical norm, the present findings reveal that its practical operation occurs at the intersection of both domains. The results demonstrate that courts and arbitrators implicitly evaluate managerial good faith through observable conduct—such as disclosure practices, cooperative performance, risk management, and remedial responsiveness—and translate these evaluations into determinations of fault, causation, and damages. This integrated perspective is consistent with Mohammad-Hassani's jurisprudential analysis of good-faith transactions and liability, which emphasizes that good faith serves as a normative filter shaping both property rights and compensatory justice (6).

The study further reveals that the absence of good faith amplifies liability not only through initial fault but through damage escalation mechanisms. Managers who failed to respond promptly to emerging risks, refused corrective action, or denied responsibility after clear warning signals were consistently associated with increased compensable losses and diminished defensive standing in legal proceedings. This phenomenon supports Deylami's characterization of good faith as a dynamic principle that continues to operate throughout the life cycle of obligations and disputes (2). It also aligns with Bagherieh's analysis of managerial liability in bankruptcy contexts, where post-breach conduct significantly influences the scope of civil responsibility (5).

Collectively, these findings offer strong empirical confirmation that managers' good faith constitutes a foundational axis of civil liability formation. Good faith governs the transition from ordinary commercial risk to actionable civil responsibility by shaping expectations, constraining opportunism, moderating discretion, and influencing judicial interpretation. The study thus advances existing scholarship by demonstrating that good faith is not an abstract legal doctrine but a practical governance instrument with measurable effects on organizational stability, dispute frequency, and liability exposure.

This study is subject to several limitations. First, the qualitative design, while offering deep contextual insight, limits generalizability beyond Tehran-based organizations and similar legal-cultural environments. Second, reliance on self-reported managerial and legal practitioner perspectives introduces the possibility of response bias and normative idealization of conduct. Third, access constraints restricted the number of dispute files and confidential documents available for analysis, potentially limiting the full representation of contentious cases. Finally, the study did not incorporate quantitative measures of liability outcomes, which could further strengthen causal inference.

Future studies should employ mixed-methods designs that integrate qualitative insights with quantitative liability data to examine the predictive power of managerial good faith across industries and jurisdictions. Comparative studies across different legal systems would further clarify how doctrinal frameworks shape the operation of good faith in civil liability. Longitudinal research examining how changes in managerial governance structures influence dispute patterns over time would provide additional insight into the dynamic effects of good faith. Finally, experimental studies could explore how judicial actors interpret managerial conduct under controlled conditions.

Organizations should institutionalize good-faith governance through formal disclosure protocols, documentation standards, conflict-of-interest controls, and early risk escalation mechanisms. Managerial training programs should integrate legal literacy with ethical development to reinforce the behavioral foundations of good faith. Boards and regulators should treat good-faith compliance as a core risk management priority, embedding it within performance evaluation and accountability systems. Through such measures, organizations can systematically reduce liability exposure while strengthening trust, stability, and long-term performance.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adhered in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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