

Investigating the Role of Transformational Leadership in Promoting Ethical Decision-Making in Public Sector Organizations

1. Amin. Farahani¹ : Department of Financial Management, University of Tehran, Tehran, Iran
 2. Maryam. Esnaashari² : Department of Business Economics, University of Tehran, Tehran, Iran

*corresponding author's email: Esnaashari.mrym10@gmail.com

ABSTRACT

This study aimed to explore how transformational leadership contributes to ethical decision-making within public sector organizations, focusing on the perceptions and experiences of employees in the Iranian bureaucratic context. A qualitative research design was employed, utilizing semi-structured interviews with 28 public sector employees from various governmental departments in Tehran. Participants were selected through purposive sampling and data collection continued until theoretical saturation was achieved. Interviews were transcribed verbatim and analyzed thematically using NVivo software. The analysis followed Braun and Clarke's (2006) six-phase framework, enabling the identification of recurring themes related to leadership behavior, ethical culture, and interpersonal influence. The analysis revealed three overarching themes: (1) ethical leadership behavior, which included subthemes such as integrity, transparency, fairness, and accountability; (2) ethical climate and culture, encompassing shared ethical vision, dialogue, recognition of moral behavior, and institutionalized ethics; and (3) leader–follower ethical interaction, including moral empowerment, participative decision-making, ethical mentoring, and support in ethical dilemmas. Participants emphasized that transformational leaders inspire ethical conduct by modeling values, fostering trust, enabling moral dialogue, and reinforcing ethical norms through formal and informal mechanisms. These findings align with existing literature on ethical and transformational leadership, while offering context-specific insights from the Iranian public sector. Transformational leadership plays a pivotal role in promoting ethical decision-making in public sector settings by shaping ethical climates, empowering followers, and modeling moral behavior. The study underscores the need for value-driven leadership development and ethics-centered governance reforms in bureaucratic institutions, especially in non-Western contexts. Implications for policy, leadership training, and institutional integrity are discussed.

Keywords: Transformational leadership; ethical decision-making; public sector; ethical climate; Iran; qualitative research; organizational ethics.

Introduction

In an era marked by growing public scrutiny, transparency demands, and complex ethical challenges, ethical decision-making in public sector organizations has become more critical than ever. Governments worldwide are increasingly judged not only by their efficiency and output but by the moral integrity of their actions and decisions (Kaptein, 2008). In such high-stakes environments, leadership serves as a central force in shaping ethical behavior and institutional integrity. Among various leadership paradigms, transformational leadership has garnered significant attention for its potential to foster ethical climates, empower value-driven behavior, and promote public



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trust (Bass & Steidlmeier, 1999; Brown & Treviño, 2006). This study aims to explore the specific ways in which transformational leadership contributes to ethical decision-making in public sector organizations, particularly within the complex sociopolitical context of Tehran.

Transformational leadership, first conceptualized by Burns (1978), and later operationalized by Bass (1985), is defined by a leader's ability to inspire and motivate followers to transcend their own self-interest for the sake of collective goals. Transformational leaders are often characterized by four core dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass & Riggio, 2006). These dimensions collectively enable leaders to function not merely as taskmasters but as moral exemplars who encourage followers to engage in deeper ethical reflection and pro-social behavior. According to Zhu et al. (2004), transformational leadership can strengthen followers' moral identity and support the internalization of ethical norms, thereby fostering a culture where ethical decision-making becomes normative.

In contrast to transactional leadership, which often relies on rewards and punishments to influence behavior, transformational leadership emphasizes intrinsic motivation and value alignment (Avolio & Bass, 2004). This intrinsic approach is particularly relevant to the public sector, where decisions often involve conflicting stakeholder interests, ambiguous policy guidelines, and high accountability to the public. Ethical decision-making in such contexts requires leaders who can not only interpret complex moral dilemmas but also inspire ethical behavior across hierarchical boundaries (Mendonca & Kanungo, 2007). As such, the potential of transformational leadership to create an ethical infrastructure—through ethical modeling, moral reasoning, and participative dialogue—is a critical area of investigation.

Several empirical studies have supported the positive relationship between transformational leadership and ethical outcomes. For instance, Walumbwa and Schaubroeck (2009) found that transformational leadership positively predicted followers' ethical behaviors, mediated by trust and psychological safety. Similarly, Mayer et al. (2010) showed that transformational leaders influence ethical climate perceptions, which in turn affect ethical decision-making among employees. These findings underscore the importance of leadership behavior not only in shaping ethical norms but also in reinforcing moral accountability and transparency. In public sector organizations, where ethical breaches can undermine public confidence and policy effectiveness, leadership plays an even more pivotal role in upholding organizational values (Vandenabeele, 2007).

However, despite growing scholarly attention to ethics in leadership, most studies have been situated within corporate or Western-centric contexts, often neglecting the nuanced ethical challenges faced by public administrators in non-Western or developing countries (Resick et al., 2006). Iran, as a case in point, presents a unique confluence of bureaucratic complexity, political oversight, cultural expectations, and public service mandates, making ethical leadership both essential and difficult to implement. Public sector leaders in Iran operate within a framework shaped by traditional hierarchies, legal constraints, and varying interpretations of professional integrity. As such, there is a pressing need to explore how transformational leadership manifests in this context and how it might contribute to ethical decision-making amid systemic limitations.

Moreover, ethical decision-making in the public sector cannot be divorced from the broader organizational climate and cultural expectations. Leaders are not isolated actors; they operate within institutional ecosystems where formal codes of ethics coexist with informal norms, peer pressures, and value conflicts (Treviño, Weaver, & Reynolds, 2006). In this regard, transformational leadership's emphasis on developing shared ethical visions and fostering trust-based relationships makes it especially conducive to promoting ethical behavior in collectivist or high power-

distance societies (Walumbwa, Avolio, Gardner, Wernsing, & Peterson, 2008). These insights are particularly relevant to Iranian public organizations, where leaders must often reconcile top-down policy directives with bottom-up moral concerns raised by employees and citizens alike.

In addition, transformational leadership's capacity to foster psychological safety and ethical dialogue is highly pertinent in public bureaucracies, where fear of reprisal or administrative inertia can inhibit moral voice and ethical deliberation (Detert & Edmondson, 2011). Ethical leadership involves not just personal virtues but also structural enablement—leaders must create an environment where employees feel secure in raising ethical concerns, challenging questionable decisions, and participating in value-driven reforms. As Brown and Mitchell (2010) argue, ethical climates are often co-created through dynamic interactions between leaders and followers, highlighting the relational dimension of ethical leadership. Transformational leaders, with their focus on inclusion, mentoring, and intellectual stimulation, are well-positioned to cultivate such climates.

Despite the theoretical promise and preliminary empirical support, there remains a scarcity of in-depth qualitative studies exploring how transformational leadership operates in shaping ethical decision-making processes in public sector organizations. Most existing research has relied on quantitative surveys, often limited by self-report biases and insufficient contextual understanding (Hannah, Avolio, & May, 2011). To address this gap, the present study adopts a qualitative approach to examine the lived experiences of public sector employees in Tehran who interact with transformational leaders. By conducting semi-structured interviews and applying thematic analysis, this research seeks to uncover the mechanisms, perceptions, and cultural nuances through which transformational leadership influences ethical decision-making.

Specifically, this study addresses the following research questions:

1. How do public sector employees perceive the ethical influence of transformational leaders?
2. What leadership behaviors are most associated with promoting ethical decision-making in public organizations?
3. What structural and relational conditions enhance or inhibit the ethical impact of transformational leadership in the Iranian public sector?

Through these questions, the study aims to make both theoretical and practical contributions. Theoretically, it seeks to extend the applicability of transformational leadership theory to ethical domains within non-Western public institutions. Practically, it offers insights into leadership development, organizational ethics training, and public administration reform, particularly in contexts grappling with ethical complexity and accountability demands. The findings may inform policy guidelines, leadership competency models, and ethical governance frameworks relevant to Iran and comparable public sector systems.

In conclusion, the intersection of transformational leadership and ethical decision-making in public sector organizations offers a promising but underexplored avenue for enhancing public service delivery, institutional legitimacy, and democratic accountability. As public leaders face increasing ethical scrutiny in times of crisis, change, and reform, understanding how leadership style influences moral reasoning and ethical outcomes is not just academically relevant—it is socially imperative.

Methods and Materials

Study Design and Participants

This study employed a qualitative research design aimed at exploring the role of transformational leadership in fostering ethical decision-making within public sector organizations. A purposive sampling strategy was used to recruit participants who had relevant experience with leadership practices and ethical decision-making processes in public sector settings. The final sample included 28 participants from various government departments and public agencies located in Tehran. Participants included middle and senior-level managers, departmental heads, and policy officers with at least five years of experience in their respective positions. The sample was determined based on theoretical saturation, where no new concepts or themes were emerging from additional data collection.

Data Collection

Data were collected using semi-structured interviews designed to elicit in-depth insights into participants' perceptions and lived experiences regarding transformational leadership and ethical decision-making. The interview guide included open-ended questions focused on leadership behaviors, ethical dilemmas, organizational values, and decision-making processes. Each interview lasted approximately 45 to 60 minutes and was conducted in a private setting to ensure confidentiality and encourage openness. All interviews were audio-recorded with participant consent and subsequently transcribed verbatim for analysis.

Data analysis

The transcribed interviews were analyzed using thematic analysis, following the six-step framework proposed by Braun and Clarke (2006). NVivo qualitative data analysis software was employed to assist in organizing, coding, and managing the large volume of textual data. An initial round of open coding was conducted to identify meaningful units of text. These codes were then grouped into subthemes and overarching themes that reflected recurring patterns and conceptual relationships within the data. Throughout the analytical process, memo writing and constant comparison techniques were used to refine categories and ensure analytical rigor. The final themes were validated through peer debriefing and member checking with selected participants to enhance credibility and trustworthiness.

Findings and Results

Theme 1: Ethical Leadership Behavior

Integrity and Transparency

Participants consistently emphasized that ethical leadership begins with personal integrity and transparency. Leaders who are truthful, admit mistakes, and communicate decisions openly were seen as pivotal in shaping ethical standards. One interviewee stated, "When a leader owns up to an error, it sends a strong message that honesty is more valuable than perfection." Concepts emerging in this subtheme included telling the truth, admitting mistakes, avoiding hidden agendas, and open financial reporting.

Fairness in Treatment

A strong perception among respondents was that fairness is a non-negotiable trait of ethical leadership. Leaders who treat all employees equally, avoid favoritism, and conduct impartial evaluations were more trusted and respected. As one participant put it, "Fairness means that even the most junior employee knows they will be heard and judged based on merit."

Consistency Between Words and Actions

The alignment of a leader's words and actions was frequently cited as a determinant of moral credibility. Several participants mentioned that when leaders "walk the talk," it inspires trust and loyalty. One interviewee noted, "You can't preach ethics and then act otherwise—people will notice." Key concepts included keeping promises and practicing what is preached.

Ethical Communication

Open and respectful communication was another recurring theme. Participants described ethical leaders as those who articulate values clearly, use respectful language, and maintain honesty even in difficult conversations. A manager remarked, "Even when delivering bad news, how they say it matters—it must be respectful and value-driven."

Accountability in Leadership

Ethical leaders, according to respondents, accept responsibility for their decisions and are willing to justify their actions publicly. This accountability builds organizational trust. As one respondent explained, "Our director never blames others—he owns his decisions, and that makes him credible."

Respect for Human Dignity

Participants emphasized the importance of treating all employees with respect and recognizing their inherent dignity. This included avoiding discrimination, embracing diversity, and refraining from humiliation. A participant shared, "In a truly ethical environment, everyone feels seen and valued, regardless of background."

Role Modeling Ethical Standards

Ethical leadership was often described as deeply performative—leaders must actively model the behavior they expect. One participant stated, "When leaders practice ethics visibly, it sets a tone across the organization. It becomes part of our DNA." Concepts included inspiring ethical conduct and leading by visible example.

Theme 2: Ethical Climate and Culture

Shared Ethical Vision

Participants stressed the importance of having a clearly defined and collectively endorsed ethical mission. Leaders were seen as central to shaping and communicating this vision. As one employee mentioned, "When ethical values are built into our mission, we don't need constant reminders—we just follow it." Related concepts included value-driven planning and organizational alignment.

Encouraging Ethical Dialogue

Creating space for ethical conversations was repeatedly noted as a leadership function. Respondents appreciated leaders who encouraged moral discussions in staff meetings or policy forums. One noted, "Our ethics sessions allow us to voice dilemmas and learn from each other—without fear of judgment."

Norms of Trust and Respect

A culture of mutual respect and interpersonal trust was described as a byproduct of transformational leadership. According to one participant, "We work better when trust is the norm—not the exception. That starts from the top." Concepts included trust-building practices, mutual respect, and reliability.

Recognition of Ethical Behavior

Recognition mechanisms for ethical conduct, including public praise and value-based promotions, were highlighted by several respondents. One participant noted, "When ethical behavior is rewarded—not just results—people are more likely to act with integrity."

Institutionalization of Ethics

Many respondents pointed to the importance of embedding ethical principles in organizational structures, such as hiring, training, and performance reviews. As one senior officer stated, “Ethics cannot be left to chance—it must be part of the system.” Embedded policies and HR alignment were key concepts.

Tolerance for Dissent

Finally, fostering a climate where employees can voice disagreement without fear was considered crucial for ethical decision-making. A participant observed, “If you punish those who speak up, you silence ethics.” This subtheme involved freedom to challenge, acceptance of critique, and protection from retaliation.

Theme 3: Leader–Follower Ethical Interaction

Empowering Moral Agency

Transformational leaders were credited with empowering employees to act according to ethical principles, even in the absence of explicit direction. One participant shared, “Our manager tells us, ‘If it feels wrong, don’t do it—even if no one is watching.’ That builds real confidence.” Key codes included speaking up, decision rights, and ethical autonomy.

Participative Decision-Making

Inclusive decision-making processes were described as ethical in nature and effective in fostering collective ownership. According to one respondent, “When we’re part of the decision, we feel more responsible for doing it right.” Joint problem-solving and collective accountability were notable patterns.

Ethical Mentoring and Coaching

Many participants described how ethical mentoring—from senior leaders or peers—enhanced their own capacity for moral judgment. A participant explained, “I’ve learned more from watching and talking with my supervisor than from any training session.” Concepts included leader guidance and reflective sessions.

Support in Ethical Dilemmas

Support during ethically ambiguous situations was a vital factor for participants. Respondents described leaders who made themselves available for consultation and helped resolve conflicts. One participant remarked, “When I was unsure about a supplier deal, my director walked me through the options without pressure.”

Developing Critical Ethical Thinking

Lastly, leaders who promoted moral reasoning and reflection were seen as essential to building ethical capacity. This included structured training and informal ethical debates. As one employee put it, “Ethics is like a muscle—our leaders make sure we exercise it regularly.”

Discussion and Conclusion

This study sought to explore how transformational leadership contributes to ethical decision-making in public sector organizations within the context of Tehran. Through in-depth interviews with 28 public sector employees, three central themes emerged: *ethical leadership behavior*, *ethical climate and culture*, and *leader–follower ethical interaction*. The findings affirm and extend existing theories of transformational leadership and its moral impact, especially in high-stakes bureaucratic environments. The analysis provides strong empirical support for the view that transformational leaders function not only as visionaries but also as ethical role models, climate shapers, and enablers of moral agency.

The first theme, **ethical leadership behavior**, aligns with foundational literature emphasizing the moral foundation of transformational leadership. Consistent with Bass and Steidlmeier's (1999) assertion that authentic transformational leadership is inherently moral, participants in this study emphasized integrity, fairness, and transparency as essential traits of ethical leaders. These findings echo previous studies indicating that leader integrity fosters employee trust and promotes ethical standards within organizations (Brown & Treviño, 2006; Mayer et al., 2009). When leaders "walk the talk," they model the consistency between values and actions that inspires ethical behavior among followers. As Treviño et al. (2006) argue, ethical role modeling is a powerful mechanism by which leaders influence followers' moral choices, especially in ambiguous or politically sensitive situations.

Subthemes such as **ethical communication** and **accountability** also reinforce the literature's assertion that the moral voice of leadership shapes organizational discourse. According to Walumbwa and Schaubroeck (2009), leaders who communicate ethical expectations and take responsibility for their actions are perceived as more trustworthy and legitimate. This perception was reflected in participant comments emphasizing openness, truth-telling, and moral consistency. Similarly, respect for human dignity and non-discrimination, as emphasized by respondents, supports the view that ethical leadership must be inclusive and attuned to interpersonal justice (Brown & Mitchell, 2010). The subtheme of **role modeling** confirms that transformational leaders influence follower behavior not through coercion but through visible moral conduct, resonating with Zhu et al. (2004), who found that transformational leadership enhances psychological empowerment and moral identity.

The second theme, **ethical climate and culture**, suggests that ethical leadership does not operate in isolation but within a relational and systemic context. The role of transformational leaders in shaping a **shared ethical vision** was central to participant narratives. This confirms the argument by Kaptein (2008) that ethical culture is cultivated when leaders embed values into organizational missions and day-to-day operations. Participants also highlighted the importance of encouraging ethical dialogue and fostering trust-based norms—elements that are supported by Detert and Edmondson's (2011) work on psychological safety and employee voice. In bureaucratic institutions, where speaking up may be inhibited by hierarchy or fear of retaliation, the ability of leaders to create a safe ethical space is crucial for fostering principled action.

The theme also uncovered the significance of **institutionalizing ethics**, with participants describing the need to embed moral values into policies, training, and evaluation systems. This aligns with Treviño et al. (2006), who assert that formal structures such as codes of ethics, ethics committees, and reward systems are necessary to sustain ethical climates. Moreover, subthemes such as **recognition of ethical behavior** and **tolerance for dissent** point to the importance of reinforcement mechanisms and openness to ethical plurality—both of which are emphasized in the broader literature on ethical culture (Mayer et al., 2010). Leaders who reinforce ethical actions through praise or promotions, and who permit moral dissent, are seen as enabling ethical reflexivity throughout the organization.

The third theme, **leader–follower ethical interaction**, highlights how transformational leadership fosters **moral agency** and participative ethics. By encouraging employees to make ethically grounded decisions and providing support in ethically ambiguous situations, leaders enhance both the confidence and capability of their followers. This supports Mendonca and Kanungo's (2007) framework, which views ethical leadership as a process of moral empowerment and ethical mentoring. The subtheme of **participative decision-making** reflects the view that ethical decision-making is strengthened through collaboration and collective accountability, which is consistent with findings by Walumbwa et al. (2008), who note that authentic leadership enhances participative norms and interpersonal trust.

Importantly, the findings also reveal that **ethical mentoring and coaching** play a vital role in ethical development. Several participants emphasized learning ethical practices through direct interaction with supervisors rather than through formal training. This resonates with social learning theory (Bandura, 1986), which posits that individuals adopt behaviors observed in credible role models. Furthermore, **support in ethical dilemmas** was frequently mentioned as a distinguishing trait of ethical leadership. This confirms the necessity of relational and emotional support in moral problem-solving, as advocated by Brown and Mitchell (2010). Finally, the subtheme on **developing critical ethical thinking** suggests that transformational leaders stimulate moral reasoning and value reflection, thereby enhancing employees' ability to engage in ethical deliberation—similar to the “intellectual stimulation” component described by Bass and Riggio (2006).

Overall, these findings build a compelling case for the central role of transformational leadership in promoting ethical behavior in public organizations. While previous studies have largely focused on corporate or Western settings, this study enriches the literature by providing context-specific insights from the Iranian public sector. In doing so, it affirms the cross-cultural relevance of transformational leadership and highlights the nuanced ways in which it facilitates ethical decision-making in bureaucratic environments.

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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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