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Ethical Leadership and Responsible Innovation in the Finance Sector

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I hope this thesis encourages organizations to reflect more upon the power of ethical leadership, and that it motives reflection concerning the impacts of innovations.

Abstract

This master's thesis is a contribution to research within ethical leadership and responsible innovation, studying the research question: "How does ethical leadership contribute to responsible innovation within the finance sector?". This thesis provides useful interpretations and insights for professionals, both leaders and followers, especially those aiming to work with innovation.

The project uses an abductive approach, based on an explorative study. It utilizes empirical data provided by twelve leaders from the financial sectors in Norway and the Netherlands, more precisely within banking. The theoretical background is made up from existing literature within ethical leadership and responsible innovation, contributing strongly to the development of the thesis' research question, propositions, and model.

The findings revealed by this thesis are that ethical leadership indirectly contributes to responsible innovation through several factors. Communication and role modeling enhance ethical leadership in the workplace through transmitting ethical values and practices, creating a safe work environment. This in turn contributes to enhancing employee creativity in voice behavior, facilitating responsible innovation. Synergies between communication and role modeling are discovered, as well as between employee creativity and voice behavior, both mainly caused by these factors thriving in similar environments. The results also emphasize the need for practical frameworks instituted by the companies themselves, surpassing the minimum requirements placed on them by legislative authorities.

Ethical leadership is a concept which has been around for some time, although often overshadowed by other, more prominent, leadership styles. However, there are fair amounts of research available, but lacking in the context of responsible innovation. This is caused by the novelty of the research on responsible innovation, which is often pushed aside by bigger and more "trendy" research concerning ESG. Therefore, the combination of these two fields of research is less explored and should therefore add value to the current pool of literature, as well as encourage future research.

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1 Introduction

In the current complex and fast-moving global landscape, ethical leadership stands as a cornerstone for organizational success and societal well-being. It influences employees' commitment and attitude to work (Adeoyo, 2021). It was also established that there is a significant relationship between ethical leadership, employees' commitment, and organizational effectiveness. (Nauman & Qamar, 2018) concluded that ethical leadership creates interest for employees in organizational activities to accomplish tasks in an efficient manner. Ethical leaders, by exemplifying honesty, integrity, and transparency, engender trust among stakeholders, fostering an environment of credibility and respect. In an era where businesses are scrutinized not only for financial performance but also for their impact on communities and the environment, ethical leadership guides companies to make responsible decisions that align with broader social values.

Moreover, ethical leaders serve as moral compasses, guiding employees through moral dilemmas and creating a workplace culture that prioritizes fairness and accountability (Den Hartog, 2014). By upholding ethical principles, leaders not only mitigate risks and legal consequences but also inspire a sense of purpose among employees, enhancing engagement, and contributing to the creation of a sustainable and ethically conscious future. However, there is plenty of literature on how ethical leadership affects performance (Bello, 2012) (Eisenbeiss, van Knippenberg, & Fahrbach, 2015), bit little on how it affects responsible innovation.

Yet, in recent years there are numerous examples of companies successfully innovating with or without ethical leadership. One example is the Uber leaks, which showed how Uber gained a foothold despite strict regulations and lobbying working against them. They had ministers on their payroll, hid data from the police and the CEO even said that "violence guarantees success", referring to Uber-drivers being physically abused by angry taxi-drivers (Davies, Goodley, Lawrence, Lewis, & O'Carroll, 2022). In an era of unprecedented technological advancements and global challenges, the concept of responsible innovation has emerged as a guiding compass for shaping the trajectory of scientific and technological progress (Jarmai, 2020). An example is the EU-funded project which created the Responsible Innovation COMPASS self-check tool (Innovation Compass, 2023). The intention is to help

SMEs determine to what extent their practices align with RI principles, how to improve their innovation processes and outcomes, and how they compare to other companies (Gurzawska, 2021).

Responsible innovation represents a shift that transcends traditional boundaries, encouraging us to reimagine the purpose, direction, and ethical underpinnings of innovation itself. At its core, responsible innovation is a holistic approach that recognizes the profound interconnections between innovation, society, and the environment (Owen, Bessant, & Heintz, 2013). It is a call to action, urging us to question not just "Can we innovate?" but more importantly, "Should we innovate?" This mindset shift underscores the imperative to align innovation with ethical, social, and environmental values. As responsible innovation continues to gain traction in research, policymaking, and industry practices, understanding its fundamental principles and exploring its myriad facets becomes essential.

An innovative company culture creates multiple advantages that invigorate organizational success. Since the beginning of society, science and innovation have been an integral part of its structures (Owen, Bessant, & Heintz, 2013). Businesses depend on innovation to fuel their growth, as it is the race for the "critical user mass" that will determine if they make it or break (Hoffman & Yeh, 2018). By fostering an environment where creativity flourishes, an innovative culture fuels the generation of novel ideas and solutions, propelling the company forward. This dynamic atmosphere cultivates adaptability, equipping the organization to navigate challenges and seize opportunities amid changing landscapes. Success stories from objectively innovative companies such as Google, Facebook and Kahoot! prove this. Employee engagement soars within this culture, driven by the autonomy to innovate and contribute meaningfully, leading to heightened job satisfaction and talent retention (Bridger, 2015). The allure of an innovative culture attracts top talent, while collaborative interactions foster cross-functional synergy and efficient problem-solving. Ultimately, this culture augments competitiveness, propels growth, and nurtures an enduring ethos of evolution and excellence.

With innovation relying on employees now more than ever, an innovative company culture can be a valuable company asset (Kucharska & Bedford, 2023). Due to social media, new recruitment platforms and the rising regard for intangible assets, a leader's behavior is

watched from every angle and has a great impact not only on short term financial performance, but long-term company success. Are there certain types of leadership that stimulate innovation more than others?

In an era marked by rapid technological advancements, changing customer expectations, and increasing regulatory scrutiny, the finance sector finds itself at a crossroads. It grapples with the pressing need to innovate not only to remain competitive but also to address complex societal challenges, ranging from financial inclusion to sustainability (Owen, Bessant, & Heintz, 2013). As financial institutions navigate this evolving landscape, a critical factor emerges as a potential linchpin for both innovation and responsible conduct: ethical leadership.

Ethical leadership in finance, characterized by leaders who exemplify and promote morally sound conduct through their actions and interpersonal relationships, has garnered significant attention in recent years (Segal, 2022). Amidst high-profile financial scandals and a renewed focus on corporate ethics, the importance of leaders who champion integrity and social responsibility cannot be overstated. However, the precise role that ethical leadership plays in fostering responsible innovation within the finance sector remains a subject of inquiry.

Responsible innovation is a multifaceted concept that extends beyond the mere development of novel financial products or services. It encapsulates a commitment to harnessing innovation for the benefit of society, adhering to ethical principles, and ensuring the sustainability of financial systems (Gurzawska, 2021). As banks strive to innovate responsibly, understanding how ethical leadership influences this endeavor becomes paramount. In recent years, stakeholders in financial institutions have demanded increased insights into operations and investments, leading to banks having to show their hand.

Research Question:

Therefore, this research embarks on a comprehensive exploration of the interplay between ethical leadership and responsible innovation within finance. The central question guiding this master thesis is:

"How does ethical leadership contribute to

responsible innovation within the finance sector?"

This question serves as the cornerstone for my inquiry into the mechanisms, dynamics, and outcomes associated with ethical leadership in the context of banking innovation, ultimately aiming to provide insights and recommendations that can steer the industry towards a future marked by responsible innovation through ethical leadership. I believe the question to be of interest because it can investigate the potential monetary value of ethical leadership, through responsible innovation. Potentially, it could contribute to positive innovation, benefiting a wide range of stakeholders.

2 Literature Review

In the following section, the theories that lay the foundation for the propositions and model will be presented. The purpose of the literary review is to form a clearer picture of the motivation and intention with this paper. This will include previous findings connected to the research question, putting the thesis in context even more. The research question includes several broad terms that will be defined more clearly through context of this paper, this to prevent misunderstandings and to narrow down the spectrum of potential results to ensure their validity and reliability.

The literature review will commence by presenting earlier findings and theory regarding ethical leadership, followed by theory on responsible innovation. Thereafter, past research done on the connections between ethical leadership and innovation will be presented, followed by some insights into how ethics and innovation coexist in the finance sector. Lastly, I will present five propositions to aid the investigation of the research question and form a model to aid in illustrating how these propositions are connected.

2.1 Ethical Leadership

Ethical leadership is something that is broadly discussed in research, both as a term but also what effect it has on organizations. (Brown & Treviño, 2006) suggest that the emerging research points out that ethical leaders are characterized as honest, caring, and principled individuals who make fair and balanced decisions. Communication is also brought up as an important behavioral trait, as ethical leaders also frequently communicate with their followers about ethics, set clear ethical standards and use rewards and punishments to see that those standards are followed. Finally, ethical leaders do not just talk a good game, they practice what they preach and are proactive role models for ethical conduct. (Brown & Treviño, 2014).

A common misconception is also confusing ethics and morals. According to Robert Starrett, ethics is the study of what constitutes a moral life. Morality is living and acting out of ethical beliefs and commitments. Therefore, moral and ethical leadership often mean the same thing. Ethical leadership is therefore defined by Starrett as "the attempt to act from the principles, beliefs, assumptions, and values in the leader's espoused system of ethics" (Starratt, 2004). This claim is backed from organizational theory, where leaders play a pivotal role in shaping and reinforcing culture through their actions, decisions, and communication (Schein, 1990).

Ethics can also be profitable, according to studies in the U.S. and the U.K. (Fulmer, 2004), mainly driven by reputation as an honest, ethical business partner. It also has a positive effect on middle manager's job satisfaction and organizational commitment (Kim & Brymer, 2011). However, an important finding here is that the middle managers' job satisfaction is positively related to organizational commitment, but job satisfaction does not necessarily lead to their willingness to exert extra effort. Turnover intention is also positively influenced by ethical leadership behavior. This can lead to an increased talent retention rate and keeping valuable intangible assets within organizations (Demirtas & Akdogan, 2015). Mediative relationships between job performance, autonomy and ethical leadership behavior have also been found (Piccolo, Greenbaum, Den Hartog, & Folger, 2010), backed by an further indications that ethical leadership has both a direct and indirect influence on follower job satisfaction and affective commitment (Neubert, Carlson, Kacmer, & Roberts, 2009).

Brown & Treviño (2006) also shows how ethical leadership theory compares to other established leadership theories in the table below.

	Similarities with ethical leadership	Differences from ethical leadership
Authentic leadership	Key similarities: – Concern for others (Altruism) – Ethical decision-making – Integrity – Role modeling	Key differences: – Ethical leaders emphasize moral management (more transactional) and "other" awareness – Authentic leaders emphasize authenticity and self-awareness
Spiritual leadership	Key similarities: – Concern for others (Altruism) – Integrity – Role modeling	Key differences: – Ethical leaders emphasize moral management – Spiritual leaders emphasize visioning, hope/faith; work as vocation
Transformational leadership	Key similarities: – Concern for others (Altruism) – Ethical decision-making – Integrity – Role modeling	Key differences: – Ethical leaders emphasize ethical standards, and moral management (more transactional) – Transformational leaders emphasize vision, values, and intellectual stimulation

Table 1 – Similarities with and differences between ethical, spiritual, authentic and transformation theories of leadership (Brown & Treviño, 2016).

The core message is that in a corporate environment where ethics messages can get lost amidst messages about the bottom line and the immediate tasks at hand, ethical leaders also focus attention on ethics by frequently communicating about ethics and making the ethics message salient. They set clear and high ethical standards for others and follow these standards themselves. This value-driven approach is supported, showing results from other studies that indicate limited support for a compliance-oriented perspective on ethical and unethical leadership but yield a much greater trend toward a value-oriented perspective (Eisenbeiß & Brodbeck, 2014).

Another wave of research that separates itself from others within the field of ethical leadership is whether the display of ethical leadership behavior is connected to personality traits. De Hoogh and Den Hartog (2008) have previously found that highly socially responsible leaders are perceived as more ethical. (Kalshoven, Den Hartog, & De Hoogh, 2011) found that conscientiousness and agreeableness were most consistently related to ethical leadership. Also, emotional stability is related positively to ethical leadership and role clarification. However, openness to experience and extraversion were unrelated to ethical leader behaviors.

More recent research articles point to ethical leadership behavior as promoting appropriate conduct through personal actions and interpersonal relations, emphasizing the importance of ethical behavior in the workplace. (Western Governors University, 2020). In today's business world, ethics play a significant role, making ethical leadership essential for aspiring business

leaders. Ethical leaders' model moral behavior and integrity, fostering a positive ethical culture that benefits customers, employees, and the company. The cultural aspect is backed by (Denison, 1990), saying that culture influences various organizational outcomes, including financial performance, employee satisfaction, and adaptability to change. Ethical leadership boosts employee morale, enhances collaboration, and generates positivity in the short term, while preventing scandals, ethical dilemmas, and issues in the long term (Western Governors University, 2020). It also facilitates partnerships, customer trust, and organizational success, highlighting the considerable short-term and long-term advantages of leadership guided by ethics and ethical principles.

To some, identifying non-ethical behavior might come easier than pointing out explicit, very ethically correct behavior. (Khuntia & Suar, 2004) made a scale to assess ethical leadership within Indian private and public sector managers. The result of their studies shows that subordinates' manipulative behavior, and cheating in performance and misuse of finance were less frequent in the presence of ethical superiors. Also, ethical superiors enhanced the job performance, job involvement and affective commitment of their subordinates but not their continuance commitment. However, it is also interesting to look at how Khuntia & Suar (2004) assessed ethical behavior in their studies. They had 22-item examples of ethical leadership, also defining unethical practices such as "giving/accepting gifts in exchange for preferential treatment", "Falsifying time/quality reports" and "Taking longer time than necessary to do a job".

There is also a theoretical foundation for claiming that ethical leadership does have an impact on organizational dynamics. Research shows positive relationships between ethical leadership and leader "moral identity symbolization" and "moral identity internalization" and a negative relationship between ethical leadership and unit unethical behavior and relationship conflict. Both leader moral identity symbolization and internalization were positively related to ethical leadership. This means that ethical leadership is reflected in the choices of the research subject. In both studies, ethical leadership partially mediated the effects of leader moral identity (Mayer, Aquino, Greenbaum, & Kuenzi, 2012).

Measuring ethical leadership be challenging and research has been working to improve accuracy on (Yukl, Mahsud, Hassan, & Prussia, 2013). Yukl et al. state that different measures have been developed, but they all have limitations. The research also examines

how ethical leadership is related to leader–member exchange and work unit performance. The authors found that ethical leadership makes a small but significant contribution to the explanation of leader–member exchange and managerial effectiveness (Yukl et al., 2013).

Treviño, Weaver, and Reynolds (2006), offer an extensive and insightful review of behavioral ethics within organizational contexts in their research. One of the key contributions of this review is its comprehensive examination of various factors that influence ethical behavior in organizations. The authors explore the roles of individual and situational variables, including personal values, moral development, leadership, and organizational culture. They emphasize that ethical behavior is shaped not only by individual factors but also by the broader context in which individuals operate. Additionally, the paper discusses the impact of unethical behavior on organizations, ranging from legal and financial consequences to reputational damage. It underscores the need for organizations to foster ethical behavior as a means of mitigating these negative outcomes. They emphasize the importance of developing a more holistic understanding of behavioral ethics and the critical role that leadership and organizational culture play in promoting ethical behavior. Ethical leadership also influences the CSR of companies. It had an indirect and positive effect on firm reputation through CSR when ethical leadership was strong, but not when it was weak (Zhu, Sun, & Leung, 2014). This shows the level of ethical leadership matters when wanting visible results.

Mayer et al. (2019) explore the concept of ethical leadership. Their research piece employs a qualitative meta-analysis to synthesize existing literature on ethical leadership and to provide a clearer definition of the leadership style. The study begins by recognizing the increasing importance of ethical leadership in contemporary organizations, highlighting the need for a more precise and inclusive definition (Mayer, Hannah, & Roebuck, 2019). To achieve this, the authors examine a wide array of academic papers and studies that focus on ethical leadership.

The authors find that ethical leadership is a multifaceted concept that encompasses several critical dimensions. These dimensions include being a moral person, demonstrating moral influence, and engaging in ethical decision-making. Ethical leadership starts with the leader's own moral character and values, and they are individuals who exhibit moral and virtuous behavior, serving as role models for their followers. Ethical leaders possess the ability to

influence their followers positively, encouraging them to act ethically. They do so through motivation, inspiration, and effective communication. They also consistently make decisions that consider the best interests of various stakeholders, prioritize ethical principles, and align with organizational values (Mayer, Hannah, & Roebuck, 2019). An important aspect is that the article notes that ethical leadership is not solely about avoiding unethical behavior; it involves actively promoting ethical conduct. Ethical leaders go beyond compliance and set a high standard for ethical behavior within their organizations.

Other researchers have also defined more specific qualities displayed by ethical leaders. According to Mihelic et al. (2010) ethical leaders are humble, concerned for the greater good, strive for fairness, take responsibility, and show respect for everyone. They set high ethical standards and act in accordance with them and influence ethical values of the organization through their behavior. They emphasize the power of role modeling, as other research within the field does. Leaders serve as role models for their followers and show them the behavioral boundaries set within an organization. They are perceived as honest, trustworthy, courageous, and demonstrating integrity. The more the leader "walks the talk", by translating internalized values into action, the higher level of trust and respect he generates from followers (Mihelic, Lipicnik, & Tekavcic, 2010).

2.2 Responsible Innovation

Before presenting the theory on responsible innovation, it is clarifying to briefly present what other research says about innovation in general, given that the term responsible innovation is new in a research context. This will provide more context when discussing innovation in the context of this thesis, as it is a very broad term discussed in many different fields of research.

Joseph Schumpeter introduced groundbreaking ideas about innovation and its role in economic development. Schumpeter's views on innovation are central to his overall economic theory. Schumpeter argues that innovation is driven by entrepreneurs. He posits that entrepreneurs are not just individuals who manage existing resources but are risk-takers who introduce new ideas, products, processes, and technologies into the economy. Entrepreneurship, in Schumpeter's view, is the primary force behind innovation (Schumpeter, 1934).

One of Schumpeter's most influential concepts is "creative destruction." He suggests that innovation is inherently disruptive, leading to the obsolescence of existing products, industries, and business models. This process of creative destruction is essential for economic progress as it clears the way for new innovations and reallocates resources to more productive uses. Schumpeter views innovation as a source of discontinuity in the economic landscape. It creates shifts and disruptions in industries, resulting in periods of rapid change and upheaval. These disruptions are a fundamental aspect of economic development. Schumpeter suggests that innovation is closely linked to economic cycles. He argues that waves of innovation can trigger economic booms and busts. Periods of rapid innovation contribute to economic prosperity, while stagnation may follow when innovation slows down.

Owen et al. (2013) proposes a systematic approach to guide the development and implementation of innovations while considering their ethical, societal, and environmental implications. The authors emphasize the importance of responsible innovation in addressing the complex challenges brought about by new technologies. The framework comprises four key dimensions: Anticipation, reflection, engagement, and action.

Anticipation involves assessing the potential impacts and consequences of an innovation before its widespread implementation. Anticipatory activities include horizon scanning, risk assessment, and scenario planning to identify potential ethical, social, and environmental issues. The reflection dimension emphasizes ongoing critical assessment throughout the innovation process. This involves engaging stakeholders, to deliberate on the ethical and societal implications. Reflection encourages transparency, inclusivity, and learning from diverse perspectives.

The third dimension, engagement, helps ensure that innovations align with societal values and needs, increasing the likelihood of successful and sustainable outcomes. Responsible innovation involves actively involving stakeholders, including end-users, policymakers, NGOs, and the public, in the decision-making process. Finally, the fourth dimension "Action", involves taking steps to mitigate risks and maximize the positive impacts of an innovation. This may include adapting the innovation based on feedback, ensuring regulatory compliance, and addressing any identified ethical or social concerns.

The framework promotes an iterative and adaptive approach, where ethical considerations are integrated into innovation processes from the outset. By incorporating anticipation, reflection, engagement, and action, the authors argue that responsible innovation can lead to more ethical, sustainable, and socially beneficial outcomes.

"Innovation" is the process of bringing something new into the world, through a combination of intellectual and practical ingenuity. To understand the potential ethical issues regarding innovation, (Grinbaum & Groves, 2013) explore the concept of responsible innovation and delves into the ethical considerations associated with it. The article focuses on understanding the underlying meaning of "responsible" in the context of innovation and sheds light on the complex ethical dimensions that responsible innovation entails.

Grinbaum & Groves' work examines how responsible innovation differs from traditional innovation and how it places an emphasis on ethical considerations, societal impacts, and long-term consequences. They raise questions such as: What responsibilities do innovators have towards society? How can ethical considerations be integrated into innovation processes? How can the potential risks and benefits of innovation be evaluated and balanced? Furthermore, the article analysis various ethical theories and frameworks that can guide responsible innovation. It also explores real-world case studies and examples to illustrate the challenges and opportunities that arise when incorporating responsible practices into the innovation process. In essence, Grinbaum's work seeks to unpack the multifaceted nature of responsible innovation, emphasizing the importance of ethics, sustainability, and societal well-being in shaping innovative endeavors. It aims to provide insights into the ethical dimensions of innovation and contribute to a deeper understanding of what it truly means for innovation to be "responsible".

Jarmai et al. (2019) present a research article that critically examines the concept of Responsible Innovation (RI) and highlights the key challenges and gaps in existing literature. The paper begins by providing a foundational overview of responsible innovation, emphasizing its role in addressing societal concerns and ensuring that innovation processes and outcomes align with ethical, social, and environmental considerations. It underscores the importance of integrating ethics, sustainability, and inclusivity into innovation practices.

The paper highlights several barriers and challenges associated with responsible innovation, including the lack of clear operationalization of RI principles, the need for interdisciplinary

collaboration, and the tensions between innovation and societal values. They argue that addressing these barriers is essential for the effective implementation of RI. Furthermore, the paper highlights gaps in the existing RI literature, such as the need for more empirical research and practical guidance for organizations seeking to engage in responsible innovation. The authors call for a deeper examination of the ethical dimensions of RI, as well as greater attention to the contextual factors that influence responsible innovation practices.

The authors emphasize that RI involves a proactive approach to anticipating and mitigating potential risks and negative consequences associated with innovation. It aims to foster innovation that not only delivers economic benefits but also contributes positively to society and the environment. In essence, responsible innovation seeks to create a balance between innovation-driven progress and the responsible management of its implications, thereby promoting ethical and sustainable innovation practices.

A more practical approach to the field of responsible innovation, is a pilot study from the U.S. David M. Berube and Michael J. Cummings (2015), investigate the practical application of the concept of responsible innovation within the U.S. Environmental Protection Agency (EPA). It focuses on the U.S. EPA's efforts to integrate responsible innovation into its operations, policies, and decision-making processes. The central research question revolves around how an agency, tasked with protecting the environment and public health, can embed the principles of responsible innovation in its practices. The authors begin by providing a clear definition of responsible innovation as a comprehensive approach that emphasizes the ethical, societal, and environmental dimensions of innovation, like the definitions of other research papers in this section.

The article outlines the U.S. EPA's experiences with piloting responsible innovation initiatives. It describes the challenges and opportunities faced by the agency as it endeavors to incorporate responsible innovation principles into its activities. The research presents case studies that illustrate the EPA's efforts to integrate responsible innovation in areas such as risk assessment and regulatory decision-making. The article discusses the practical challenges encountered in operationalizing responsible innovation within a government agency. It also highlights the potential benefits, such as increased public trust and improved environmental outcomes (Berube & Cummings, 2015).

This research is an important example of how responsible innovation can be applied in a real-world governmental context. The study recognizes that responsible innovation is not only relevant in private-sector innovation but also plays a vital role in shaping the decisions and policies of public institutions tasked with addressing pressing environmental and societal concerns.

2.3 Ethical Leadership and Innovation

In their 2008 study, Eisenbeiss, Knippenberg, and Boerner delve into the relationship between ethical leadership and employee creativity, with a focus on the mediating role of psychological empowerment. The research aims to understand how ethical leadership practices influence employees' creativity by enhancing their psychological empowerment.

The study begins by highlighting the significance of ethical leadership in fostering an organizational culture that prioritizes ethical behavior, trust, and fairness. Ethical leaders are expected to act as moral role models and set high ethical standards within the workplace. The paper defines ethical leadership as leadership behavior that includes fairness, honesty, integrity, and ethical decision-making. Psychological empowerment is described as employees' feelings of autonomy, competence, and meaningfulness in their work. Creativity is viewed as a crucial component of organizational innovation and problem-solving. The study explores how ethical leadership can stimulate employee creativity. The research proposes that ethical leadership enhances psychological empowerment, which, in turn, influences employee creativity. Psychological empowerment is seen as a mediating factor in the relationship between ethical leadership and creativity. To investigate these relationships, the research employs a survey-based approach, collecting data from employees in various organizations (Eisenbeiss, Knippenberg, & Boerner, 2008).

The research findings confirm positive correlations between ethical leadership, psychological empowerment, and employee creativity. Ethical leadership practices are associated with higher levels of psychological empowerment and, subsequently, greater employee creativity. Psychological empowerment is identified as a mediator in the relationship between ethical leadership and creativity. It indicates that ethical leadership indirectly influences employee creativity by enhancing their psychological empowerment.

Overall, this research provides valuable insights into the mechanisms through which ethical leadership influences employee creativity. It suggests that ethical leaders who prioritize ethical behavior and decision-making can contribute to a work environment where employees feel psychologically empowered, leading to increased creativity and innovation within the organization.

To diversify the theory in this section, I have also found studies from other parts of the world. Although ethical leadership is often included in the term responsible leadership, they share enough important characteristics that the paper is deemed relevant for my research. There have been several studies in China where researchers have explored the connection between ethical leadership and innovation. In their 2017 study, Chen and Chen investigate the relationship between ethical leadership and innovation, with a focus on the mediating role of employee voice behavior. The research explores how leaders' ethical behavior influences their employees' willingness to speak up with innovative ideas, ultimately contributing to organizational innovation.

The study begins by emphasizing the importance of ethical leadership in today's business landscape, highlighting how ethical leaders serve as role models and promote a culture of trust and fairness within organizations. Ethical leaders are expected to engage in behaviors that align with moral principles, which, in turn, can positively impact various aspects of organizational functioning. To understand the link between ethical leadership and innovation, the authors propose the concept of "voice behavior." Voice behavior refers to employees' willingness to express their opinions, ideas, and concerns openly within the organization. Such behavior is seen as essential for innovation because it allows employees to contribute novel ideas and insights.

The study confirms a positive relationship between ethical leadership and employee voice behavior. Ethical leaders are more likely to create an environment where employees feel comfortable voicing their opinions, leading to increased voice behavior. The research also reveals a positive link between employee voice behavior and innovation. When employees are more willing to share their innovative ideas and suggestions, it positively impacts the organization's innovation efforts. Additionally, the study demonstrates that voice behavior mediates the relationship between ethical leadership and innovation. In other words, ethical leadership indirectly influences innovation by fostering an environment where employees

are more inclined to express their innovative thoughts (Chen & Chen, 2017). Highlighting the interconnectedness of ethical leadership, employee voice behavior, and organizational innovation, the study is providing organizations with a framework for enhancing their innovative capabilities through ethical leadership practices.

Korschun, Bhattacharya, and Swain (2014) investigate the relationship between responsible leadership, stakeholder engagement, and innovation in an industry context. This research aims to understand how companies that adopt responsible leadership practices and actively engage with stakeholders can drive innovation. The study begins by highlighting the growing importance of corporate social responsibility (CSR) and responsible leadership in today's business environment. Companies are increasingly expected to demonstrate ethical behavior and engage with various stakeholders, including patients, healthcare professionals, and advocacy groups.

The paper defines responsible leadership as the commitment of firms to responsible business practices, ethical leadership, and corporate social responsibility. Responsible leaders are expected to prioritize the well-being of their stakeholders over purely financial objectives. The study views innovation as a critical outcome of responsible leadership and stakeholder engagement. Organizations that practice responsible leadership and engage with stakeholders are more likely to develop innovative solutions, products, and services that address societal needs. The research findings indicate positive correlations between responsible leadership, stakeholder engagement, and innovation. Companies that exhibit responsible leadership practices and engage with stakeholders tend to be more innovative.

This empirical analysis highlights the importance of responsible leadership and stakeholder engagement in driving innovation. It suggests that companies that prioritize ethical leadership and engage with their stakeholders are more likely to innovate in ways that align with societal needs and expectations (Korschun, Bhattacharya, & Swain, 2014).

2.4 Ethics and Innovation within the Finance Sector

Although a narrow research field, there is some research closely connected to the research question of this thesis. The paper "Ethics in Banking and Innovation: Two Faces of the Same Coin?" (2019) by Vento and Lacovone examines the interconnectedness of ethics and innovation in the context of the banking sector. It addresses the critical question of whether

ethical conduct and innovation can coexist and mutually reinforce each other within financial institutions.

The authors begin by highlighting the increasing importance of ethics in the finance industry, emphasizing the need for responsible practices in the wake of financial crises and scandals. They argue that ethical behavior is not in opposition to innovation but rather an essential component that can drive and sustain innovation. Furthermore, the paper argues that ethical principles, such as transparency, accountability, and fairness, can provide a strong foundation for innovative activities within banks. Ethical behavior fosters trust, which is crucial for the acceptance of innovative financial products and services (Vento & Lacovone, 2019).

Vento and Lacovone also explore how innovation can lead to improvements in ethical conduct. It suggests that innovative technologies and practices can enhance risk management, compliance, and customer protection, all of which contribute to ethical finance. The authors present case studies and examples from the finance industry to illustrate how ethics and innovation can complement each other. These cases highlight instances where ethical leadership and innovative strategies have led to positive outcomes. The paper acknowledges the challenges in integrating ethics and innovation in finance, including regulatory constraints and cultural barriers. It also discusses the importance of leadership commitment to fostering both ethical behavior and innovation. Vento and Lacovone underscore the idea that ethics and innovation are not conflicting forces but rather two sides of the same coin in the finance sector. It provides insights into how ethical conduct can serve as a catalyst for responsible innovation and how innovation, in turn, can drive improvements in ethical practices within financial institutions.

Supplementing the findings of Vento and Lacovone, is Ahrweiler, Dhondt, and Khanagha's paper discussing responsible innovation and finance. It provides an insightful review of the relationship between responsible innovation and the finance sector, shedding light on the evolving landscape where innovation and responsibility intersect. They state that responsible innovation entails a proactive approach to innovation that considers the broader social and ethical implications of new technologies and practices. The paper highlights the growing importance of responsible innovation in the finance sector. It discusses how financial

institutions are increasingly recognizing the need to align their innovation strategies with responsible and sustainable practices (Ahrweiler, Dhondt, & Khanagha, 2019).

Furthermore, the authors identify challenges faced by the finance industry in pursuing responsible innovation, including regulatory hurdles and ethical dilemmas. Some examples are meeting regulatory requirements while innovating responsibly, ethical considerations like fairness, transparency, and customer data privacy when developing and implementing new financial products or technologies. The authors stress the need for ethical leadership and governance structures to guide innovation efforts.

2.5 Propositions

The aim of this thesis is to investigate how ethical leadership behavior can contribute to responsible innovation within the finance sector. After looking through the theory with regards to the research question, the decision was made to build a model, to develop the propositions that later would build the interview guide. The model's main purpose is to illustrate input positively affects ethical leadership behavior, and how ethical leadership and results thereof in turn affect responsible innovation.

In their earlier research, (Treviño, Hartman, & Brown, 2000) presented their model "Pillars of Ethical Organization", visible in Figure 1. As this thesis focuses mainly on ethical leadership, the central pillar in Figure 1 is of main interest. The article emphasizes the role of ethical leaders, particularly moral managers, as role models within the organization. Ethical leaders are expected to set a positive example by consistently demonstrating ethical behavior and decision-making. Their actions and behaviors serve as a model for employees, influencing how they approach ethical dilemmas and conduct themselves in the workplace.

Ethical leaders, as discussed in the article, play a crucial role in encouraging and promoting ethical values within the organization. They do so by integrating ethical considerations into the organization's culture and by fostering an environment where ethical behavior is not only expected but also celebrated (Treviño, Hartman, & Brown, 2000). Said leaders are also responsible for facilitating discussions about ethics and values within the organization. They should encourage open dialogue about ethical issues, dilemmas, and the organization's core values. According to Treviño et al. (2000), such discussions help employees develop a deeper understanding of the organization's ethical framework.

While this article does not explicitly mention the concept of rewarding ethical behavior, Brown & Treviño (2006) discuss this, saying that ethical leaders are known for reinforcing ethical conduct through various means. They may recognize and acknowledge employees who consistently demonstrate ethical behavior. This recognition can take the form of verbal praise, awards, or other forms of positive reinforcement. It underscores the importance of addressing unethical behavior promptly. Ethical leaders are expected to respond to unethical conduct in a timely and consistent manner. When unethical behavior occurs, it is essential for leaders to take appropriate corrective actions, which may include sanctions or disciplinary measures. Addressing unethical behavior promptly sends a clear message that such behavior is not tolerated (Treviño, Hartman, & Brown, Moral Person and Moral Manager, 2000).

Figure 1 - Pillars of Ethical Organization. Source: Brown & Treviño (2000)

As a point of departure, the definition of ethical leadership based on (Treviño, Hartman, & Brown, 2000) and (Brown & Treviño, 2006), which described it in their research, was chosen. Ethical leaders have certain characteristics, communicate in a certain way and are

also role models for their employees. The leaders will be assessed by are if they are honest, caring, and principled and whether their decisions are always fair and balanced. I will seek to identify these characteristics through their communication and role modeling. Secondly, they will be assessed on their communication, and whether they communicate with their subordinates about ethics, if they set clear ethical standards and use rewards and punishments to see those standards through. Finally, I will seek to identify if the leaders stay true to their words and follow their own conduct, also with respect to being proactive role models for ethical conduct. Put simply, being a role model (Brown & Treviño, 2006).

The first two propositions will therefore identify if the respondent is exercising ethical leadership behavior.

Proposition 1: *Communication contributes positively to ethical leadership*

Proposition 2: *Role modeling contributes positively to ethical leadership*

Toomey et al. (2021) examine the intersection between ethical innovation and the evolving digital landscape in their research. The article outlines a research agenda focused on understanding and fostering ethical innovation within the context of the digital world.

The research recognizes the profound impact of digital transformation on business practices and emphasizes the need for responsible and ethical innovation in this digital era. It highlights that digital technologies have the potential to both drive and challenge ethical innovation. Discussing the role of leadership in promoting digital ethics and ethical innovation, the article emphasizes the importance of leaders who can navigate the complexities of the digital world while upholding ethical values and principles. The research suggests exploring the ethical dimensions of digital innovation, understanding the role of leadership in fostering ethical innovation, and identifying the factors that can either facilitate or hinder ethical digital practices (Toomey, Ashkanasy, & Metzger, 2021). An important question raised here is whether all innovation under ethical leadership, is responsible innovation.

Research from the past decade also investigates the relationship between ethical leadership and employee creativity. This is a link which has been established previously, from a different angle. The key findings are that the study established a positive and significant relationship between ethical leadership and employee creativity. Ethical leaders who exhibit

moral and principled behavior tend to inspire and facilitate creativity among their employees. Communication plays an important role, here taking the form of knowledge-sharing which was identified as a key mediator in the relationship between ethical leadership and employee creativity. Ethical leaders encourage a culture of open communication and knowledge sharing, which, in turn, fosters creativity among employees. The study suggests that organizations can promote employee creativity by cultivating ethical leadership behaviors, emphasizing the importance of knowledge sharing, and enhancing employee self-efficacy through leadership development and training programs (Walumbwa, Wang, Wang, Schaubroeck, & Avolio, 2010). These findings underscore the importance of ethical leadership in promoting innovation and creativity within organizations.

Lastly, the research question investigates responsible innovation specifically. It is therefore important to be able to differentiate between innovation and responsible innovation. This assessment will be subject to the framework presented by Owen et al. (2013). The framework comprises four key dimensions: Anticipation, reflection, engagement, and action. Below is a short, practical explanation of each dimension.

Anticipate: This dimension emphasizes the need to proactively anticipate potential ethical, social, and environmental impacts of innovations. It involves considering the consequences of innovative actions and technologies before they are widely implemented.

Reflect: The "reflect" dimension encourages individuals and organizations to engage in thoughtful and critical deliberation about the moral and societal aspects of innovation. It involves considering the values and norms that underlie innovation processes.

Engage: Engagement in responsible innovation refers to involving a wide range of stakeholders, including the public, in the innovation process. This dimension emphasizes the importance of inclusive and participatory decision-making.

Act: The final dimension, "act," focuses on taking actions that align with ethical and societal values. It involves making decisions and implementing innovations in ways that respect and promote responsible behavior.

The idea is to use this framework to judge whether the innovations are responsible or not. Given the theory regarding how ethical leaders affect their employees and the nature of Proposition 1 and 2, it is natural to assume that employees create responsible innovations

when being led by ethical leaders. This proposition does not speculate in whether this is a conscious or a subconscious process, which would be very complicated to prove.

The previously presented theory and literature states that ethical leadership can lay the foundation for innovation. A central element in the model will be the research question for this thesis: "How ethical leadership can contribute to responsible innovation within the finance sector". Given that the research in this thesis concerns the finance sector, banking more specifically, it is natural that the second proposition assumes the following:

Proposition 3: *Ethical Leadership Contributes Positively to Responsible Innovation*

After having cleared that the respondent in fact is exerting ethical leadership behavior, I can move on to discussing what results of ethical leadership I believe will influence responsible innovations. This will be based on the research I have presented previously in the literature review and supported by other findings.

In their research, (Eisenbeiss, Knippenberg, & Boerner, 2008) confirm positive correlations between ethical leadership, psychological empowerment, and employee creativity. They state that there is a positive and statistically significant correlation between ethical leadership and psychological empowerment. Following up, they demonstrate a positive correlation between psychological empowerment and employee creativity. When employees feel psychologically empowered, they are more likely to engage in creative thinking, problem-solving, and innovative activities. Psychological empowerment acts as a catalyst for creative behaviors.

A study by Koopman, Lanaj, and Scott (2016) investigates the relationship between ethical leadership, leader's positive affect, and their impact on follower outcomes, particularly in terms of ethics and performance. In summary, this research demonstrates that ethical leadership combined with a leader's positive affect can unlock various benefits for organizations. It positively influences follower ethics and job performance, with ethical behavior playing a mediating role. The study underscores the significance of ethical leadership and the emotional demeanor of leaders in promoting ethical conduct and enhancing employee performance in the workplace.

The study reveals that ethical leaders who display positive affect (emotions like happiness and enthusiasm) have a significant influence on their followers and can positively impact

their followers' ethical behavior. Followers of leaders with this combination are more likely to engage in ethical conduct in the workplace. Viewing this new information in the light of Eisenbeiss et al. (2008), one can see how ethical leadership in fact can foster psychological empowerment through traits such as role-modeling and communication. This empowerment then creates a safe space where employees are not afraid to fail, leading to more creativity. This leads to my next proposition, if ethical leadership positively impacts employees' creativity, fostering an environment where innovative ideas for responsible finance practices are more likely to emerge.

Proposition 4: *Ethical Leadership Enhances Employee Creativity*

When employees are more willing to share their innovative ideas and suggestions, it positively impacts the organization's innovation efforts (Chen & Chen, 2017). I believe that voicing your opinion is also connected to psychological empowerment. Nonetheless, the study demonstrates that voice behavior mediates the relationship between ethical leadership and innovation. Eisenbeiss et al. (2008) confirm that ethical leadership promotes trust and collaboration, facilitating for a safe space where employees voice their ideas and concerns.

The relationship between ethical leadership and various aspects of employee performance has been addressed in the field of ethical leadership research before, as shown. While the primary focus of most articles is on employee performance, it indirectly addresses the concept of voice behavior, introduced by Chen & Chen (2017), amongst others. Avey, Wernsing, & Palanski (2012) highlight that ethical leadership has a positive impact on several dimensions of employee behavior and performance. Ethical leadership is associated with higher levels of employee trust, commitment, and job satisfaction. Leader-Member Exchange (LMX) is one of the key mediating factors discussed in their research. Ethical leadership is linked to the quality of leader-member exchange, where employees have a positive and open relationship with their leaders. This positive LMX, in turn, is associated with higher performance and improved employee attitudes.

Although the article doesn't directly focus on "voice behavior," it indirectly supports the idea that ethical leadership can contribute to a workplace environment where employees feel more comfortable expressing their opinions, concerns, and suggestions. The positive LMX and trust established through ethical leadership can create an atmosphere where employees

are more likely to engage in voice behavior, such as sharing ideas or concerns with their leaders (Avey, Wernsing, & Palanski, 2012). Therefore, the fifth proposition is as followed:

Proposition 5: *Ethical Leadership Increases Employee Voice Behavior*

Figure 2 is illustrating the proposed model, showing how the prepositions drive the research question from point of departure towards the destination. The model will be assessed after the propositions have been compared against the empirical data presented further on in the thesis. Necessary changes will be applied if the model needs change in order to illustrate the empirical findings of this thesis.

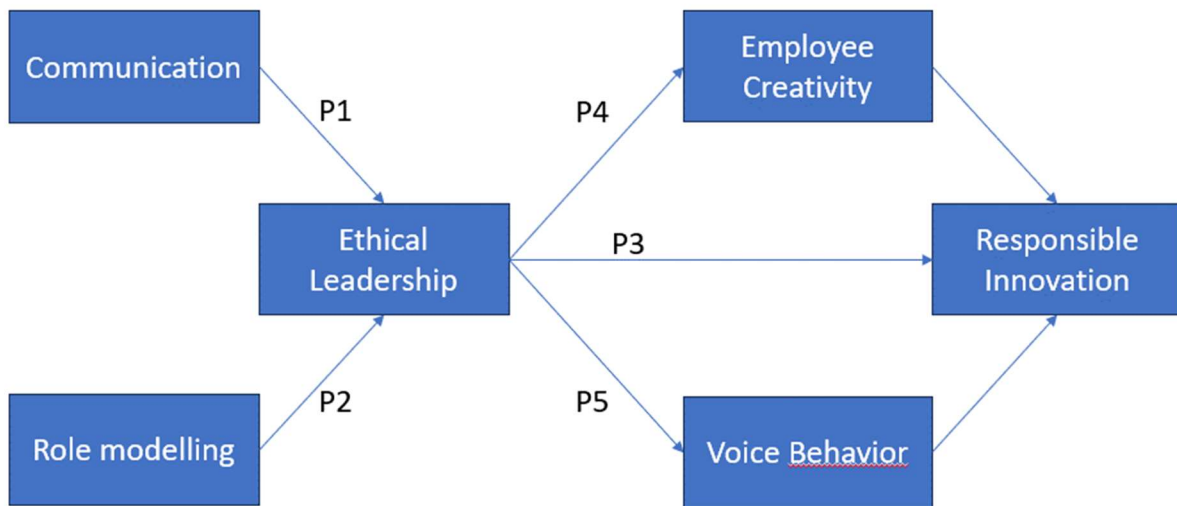*Figure 2 - Output of Ethical Leadership on Responsible Innovation*

P1: Communication contributes positively to ethical leadership

P2: Role modelling contributes positively to ethical leadership

P3: Ethical leadership contributes positively to responsible innovation

P4: Ethical leadership enhances employee creativity

P5: Ethical leadership increases employee voice behavior

3 Methodology

3.1 Research Design and Method

The research design and method addresses how data should be collected and analyzed, and which type of sources are used (Saunders et al., 2019). This chapter aims to justify the choices of methods for this master thesis. First, a brief explanation of the distinction between primary and secondary data, and the differences between qualitative and quantitative methods.

When conducting a study of this scope, the choice usually is whether to follow a quantitative, qualitative, or mixed methods research design (Saunders et al., 2019). Qualitative research uses non-numerical data and is thus well suited for this study as the aim of this thesis is to study a phenomenon in-depth and develop theories (Saunders et al., 2019). My choice of an abductive approach generates theoretical concepts and builds theory, which in turn leads to an emphasis on the using of qualitative methods (Saunders et al., 2019). Choosing a qualitative approach also allows for the inclusion of the opinions of the participants and explore the relationship between said opinions. The qualitative method gives the participants an opportunity to elaborate on their thoughts and opinions, while the researcher is enabled to follow-up on interesting thoughts and answers, giving this approach a more holistic view (Saunders et al., 2019). Thus, due to the explorative nature of the research question and the abductive approach, a qualitative design was chosen for this thesis. In the following subchapters these choices will be elaborated more in-depth.

3.1.1 Grounded Theory

Grounded theory is a research approach that encompasses various dimensions, and employed to describe a research methodology, a method of inquiry, and the resultant findings of a research process. In this case, it is used to describe the strategy for conducting research, while grounded theory method pertains to the specific data collection techniques and analytical procedures within this approach. Consequently, this thesis is built on grounded theory, as a foundation for the use of qualitative data (Charmaz & Bryant, 2010). The abductive approach will be explained more thoroughly in Chapter 3.1.3 – An abductive approach, but it is argued by (Timmermans & Tavory, 2012) to be the most suited

combination together with grounded theory, for empirically based theory construction. In essence, that is the objective of this thesis. Grounded theory is particularly known for its emphasis on theory building. Abductive reasoning involves making educated guesses about the best explanation for a set of observations, and GT therefore provides a structured way to refine and build theories based on propositions.

Both GT and abductive reasoning involve an iterative process, making them a good fit. Researchers using abductive methods often need to move back and forth between data collection, analysis, and theory development. Grounded theory's iterative nature, with constant comparison and theoretical sampling, supports this back-and-forth movement (Chun, Birks, & Francis, 2019). The development of grounded theory, attributed to Glaser and Strauss in 1967, arose as a response to the prevailing "extreme positivism" in social research. It challenged the notion that social research should be grounded in the idea that theory reveals pre-existing realities. Instead, grounded theory adopts an interpretive approach, viewing 'reality' as socially constructed through the meanings assigned by social actors to their experiences and actions. It was developed as a process for analyzing, interpreting, and explaining these meanings in various social contexts.

Grounded theory is used to develop theoretical explanations of social interactions and processes across diverse contexts, including business and management. This approach involves deducing hypotheses from existing theory and testing them, although I made propositions and not hypotheses. Glaser and Strauss not only challenged philosophical assumptions but also outlined principles and guidelines for conducting grounded theory. This approach involves systematically collecting and analyzing qualitative data, often analyzing data as they are collected. This approach provides researchers with a flexible and systematic way to explore (Saunders, Lewis, & Thornhill, 2019). Grounded Theory is therefore sensitive to the context in which data is collected and analyzed, ensuring that the generated theories are grounded in the specific conditions and perspectives of the study participants. This goes well with the abductive approach being considerate of the broader context of observations.

In more modern research, (Charmaz C. , 2014) has also explored the term grounded theory. Charmaz's constructivist approach emphasizes the process of understanding and constructing meaning from data. Her approach provides an alternative perspective to the classic version

developed by Glaser and Strauss. Charmaz advocates for a constructivist view of grounded theory. In this perspective, researchers actively construct knowledge and meaning from their data rather than merely discovering pre-existing truths. This approach acknowledges the role of the researcher's subjectivity in shaping the research process. Charmaz underscores the active role of the researcher in the research process. Researchers are not passive observers but active participants in shaping the data and theory. They bring their own experiences, perspectives, and interpretations to the research.

Charmaz's approach focuses on theory development as an interpretive process. Researchers construct theories that make sense of the data and capture the experiences of the individuals studied. These theories are context-specific and may be influenced by the researcher's perspective. She also emphasizes the importance of reflexivity throughout the research process. Researchers should be aware of their own biases, values, and subjectivity and continually reflect on how these factors influence the research.

According to Strauss and Corbin (1990), open coding is a process that involves breaking down and examining data, line by line, to identify concepts and categories without imposing any preconceived notions or theoretical frameworks. Open coding begins with a close and thorough examination of the data, which could be textual or visual, such as interview transcripts or field notes. Researchers then engage in line-by-line coding, assigning descriptive labels or codes to each segment of the data. The goal is to capture the essence of what is happening in the data without trying to fit it into predefined categories. Later comes the conceptualization. Through the coding process, initial concepts or ideas emerge from the data. These concepts represent the building blocks for understanding the phenomena being studied. As new data is coded, the researchers constantly compare it with previously coded data. This iterative process helps refine and expand codes, ensuring consistency and coherence in the emerging concept. Furthermore, researchers engage in writing memos, which involves writing detailed notes or memos alongside the coding process. Memos capture thoughts, reflections, and potential connections between codes, aiding in the development of theoretical insights.

Through the process of open coding, categories begin to emerge. These categories represent recurring themes or concepts in the data and serve as a foundation for the subsequent stages of grounded theory, such as axial coding and selective coding. Conclusively, open coding is

a crucial step in grounded theory, as it lays the groundwork for developing a conceptual framework that is grounded in the data itself. It fosters a deep understanding of the phenomena under study and helps generate theories that are firmly rooted in empirical evidence (Strauss & J., 1990).

3.1.2 Exploratory Research

An exploratory research design was chosen for this thesis. According to Saunders et al. (2019), this is a research approach primarily focused on uncovering new insights, generating hypotheses, and gaining a deeper understanding of phenomena where little prior knowledge exists. This is well suited for the research question, which aims to research a combination of theories that have not been researched a lot before. Qualitative research methods are central to exploratory research, encompassing techniques such as interviews, focus groups, content analysis, and participant observation (Saunders et al., 2019). I will be using interviews as a source for primary data, further elaboration about this follows in the section on data collection.

This design aims to explore the nuances, complexities, and subjective experiences surrounding a research topic, often in a natural setting. By collecting rich, non-numerical data, exploratory research allows researchers to delve into the underlying meanings, motivations, and social contexts that shape a particular phenomenon. It serves as a valuable initial step in the research process, providing a foundation for more structured and hypothesis-driven investigations while offering the flexibility to adapt research questions and objectives as new insights emerge. The exploratory approach gives room for adapting the research approach as the project evolves and the data is collected (Saunders et al., 2019).

3.1.3 An Abductive Approach

As knowledge and existing theory is lacking in this research area, I have chosen to make propositions instead of a hypothesis, through an abductive research approach. Abduction refers to a type of reasoning or inference used in qualitative research, particularly associated with grounded theory and qualitative data analysis. The researcher is forming propositions based on observed patterns, phenomena, or data, often in situations where existing theory or knowledge is limited or unclear (Glaser & Strauss, 1967). Abduction is particularly valuable when dealing with complex, real-world phenomena that do not fit neatly into existing

theories or require a fresh perspective. An abductive research approach typically works in the following way:

First comes observation, where researchers gather data through various qualitative methods, such as interviews, observations, or content analysis. These data may reveal patterns, inconsistencies, or unexpected findings. Second is analysis, where it is time to explore the data without preconceived theories or hypotheses. Here an inductive process is used to identify recurring themes, codes, or categories within the data.

After this is done, it is time for abductive reasoning. Abduction comes into play when researchers formulate tentative explanations or hypotheses to make sense of the observed patterns or anomalies. These interpretations are not derived deductively (from existing theory) or inductively (directly from data) but rather represent creative, "best-fit" interpretations that seek to explain the data.

Given the limited time frame of this thesis, there will not be enough time for the two last steps typically found in an abductive research approach. These are refinement and theory development. The first is where researchers further refine and develop these explanatory hypotheses through ongoing data collection and analysis. This iterative process helps validate or refine the initial abductive explanations. Theory development is when over time, if the abductive explanations are consistently supported by the data and align with other relevant research, they may contribute to the development of new theoretical insights or frameworks. However, there is some element of both present, as the model presented in Chapter 2.5 refined and developed in light of the findings in Chapter 5.1.6.

3.1.4 Primary and Secondary Data

This project uses two types of data, namely primary and secondary data. The primary data is neither processed nor considered by other researchers. The secondary data is included text, visual media, and audio which have been affected by other researchers (Saunders et al., 2019). The primary data for this thesis was collected through semi-structured interviews with employees working in financial institutions in Norway and the Netherlands. These interviews were conducted within the frames of an interview guide developed by me and is available in Appendix 1.

The secondary data used was retrieved from various academic search engines on the internet. It consists mainly of research papers from different journals and institutions, spread around the world. The main reason for using primary data in this thesis is because the research topic is relatively unexplored in existing literature. The goal is to eventually link the primary data to existing theory, supporting the propositions, and shedding light on my research question.

The secondary data was helpful in creating a theoretical foundation for the propositions, the model and creating the interview guide. It also formed a picture of what research existed within this field, more specifically the relations between ethical leadership and innovation. Although the analysis in this project mainly has been based on primary data, the secondary data has acted as a solid point of departure for this thesis.

3.1.5 Time Horizon

This study is a master's thesis and will be performed during the timeline of one semester, which naturally limits the scope and depth. The time frame resulted in a cross-sectional study where the interviews were done sequentially in a short timeframe. The planning and preliminary research started during the end of August 2023. The information-gathering process took place from the middle of October to early November 2023. An implication of the short time horizon is that the respondents might be influenced by temporary trends or their current work situation. This can affect the result of the study and make it less generalizable in the future. However, the interview guide questions force the respondents to have a more long-term view, limited the effect short term events have on their answers.

3.2 Data collection

I recruited twelve participants within the finance sector, from four different financial institutions. The names of the companies and participants are kept anonymous to ensure honesty in their replies and cooperation. However, it is valuable for the contextualization of the study to get a brief description of the different organizations that were interviewed. The company numbers can be found in Table 2. The information below is retrieved from the participants as well as company websites.

Company 1 is a Norwegian regional savings bank with above 100 employees. Its services include the private and corporate markets, as well as real estate. They are very vocal and

explicit about their mission statements concerning ESG, which is shown through the development of new standards that go beyond the regular industry standards required by legislative authorities. The company states that their role as a savings bank is first and foremost to provide safe and sustainable products to its customers, and the same values are transferred into the workplace. This might limit their willingness to proceed with big innovations, as the perceived risk often is too big.

Company 2 is also a Norwegian regional savings bank, partially covering the same market as C1. It offers similar services but is less expressive about its environmental responsibilities. However, they are keen to show their impact on society through their different grants and scholarships, helping individuals from their region, and through keeping local communities vibrant with sponsorships of different clubs. Their market is larger than C1, but their user mass is also more diverse. This creates challenges with regards to innovation, as the number of stakeholders increase with the market diversity and size.

Company 3 is a multinational banking and financial services corporation headquartered in the Netherlands. As one of the largest and most prominent financial institutions globally, it operates in over 40 countries, providing a broad spectrum of banking, insurance, and asset management. It is by far the biggest company out of the four, recognized for its innovative approach to banking, emphasizing customer-centric digital solutions and technology-driven services. The company has played a pivotal role in shaping the financial landscape through its commitment to embracing technological advancements and fostering a culture of innovation.

Company 4 is a financial institution from Norway, playing a big role in the financial sector. With a comprehensive range of services, including banking, insurance, and investment solutions, it serves individuals, businesses, and institutional clients. The bank is known for its strong emphasis on innovation and digital banking services, reflecting a commitment to staying at the forefront of technological advancements in the financial industry. It has evolved into a key player in the Nordic financial landscape, contributing significantly to Norway's economic growth and development.

3.2.1 The Interviews

After careful consideration, semi-structured interviews were deemed the most relevant method of data collection. The choice of an abductive method, in combination with the use of grounded theory, made this a reasonable choice (Charmaz C. , 2014). Using the insights from the previous theory section in creating the propositions, the interview questions naturally needed to confirm or deny my propositions, to develop my model and research question in any direction.

To better address the research question, I chose to utilize semi-structured interviews, which can be seen as a middle ground between unstructured and structured interview formats. In conducting these interviews, Saunders et al. (2019) provided guidance for the development of a predefined list of questions and topics, to form an interview guide. The guide can be found in Appendix 1. This approach allowed for maintaining a certain level of structure in the interviews while also affording the flexibility to tailor questions to each respondent and adjust the question order if necessary (Saunders et al., 2019). The decision to opt for semi-structured interviews was primarily motivated by a desire to comprehensively cover specific key topics. Moreover, it ensured that the interviewees felt comfortable discussing various situations and experiences openly. Given the nature of the research question, discussing topics that might be unknown to the interviewees, I believe that this approach facilitated understanding amongst the respondents, giving more useful information to use in the research.

3.2.2 The Execution

For practical reasons, the decision was made to conduct the interviews through Microsoft Teams. Physical interviews would be preferred, but limitations such as financial resources and time available made personal meetings hard. The duration of the interviews varied effectively between 30-60 minutes. Below, Table 2 provides of the respondents in this study.

Table 2

An overview of the participants in the study

RESPONDENT	GENDER	COMPANY	AGE	DURATION
1	Male	1	64	49:44
2	Male	1	55	37:24
3	Female	1	57	46:44
4	Female	2	55	41:47
5	Male	2	32	39:25
6	Female	2	24	54:10
7	Female	2	47	45.41
8	Male	3	43	36:15
9	Female	3	45	42:13
10	Male	4	52	51:54
11	Male	4	54	40:19
12	Male	4	61	39:13

3.2.3 The Sample

The sample was found through theoretical sampling by analyzing current research and data presented in Chapter 2. Further on, using the findings to decide what data needed collecting, and deciding the means of collection. The question of where to find this data was also raised in the process, as it was important for the future theory development. This is a common method used within grounded theory studies (Charmaz C. , 2014). In an overview made by the Business Committee at the Norwegian School of Economics, there is a list of the biggest banks and finance companies in Norway. Hereafter, the companies were approached through e-mail, additionally asking my personal network at these companies to encourage their superiors to take part in my study. A challenge was to get enough responses to enable the moving forward of the data collection process. The acceptance rate for taking part in the study eventually got to 90%, so almost all the people that were asked accepted. However, it required some persuasion and follow-ups through LinkedIn and e-mail, which made the process of collecting respondents quite time consuming. The time horizon has been described

earlier on in chapter 3.1.5. In conclusion, with limiting factors being time and resources, the sample of twelve respondents seemed within reach. The number was deemed sufficient to provide reliable data material to analyze, and form conclusions surrounding the proposition and research question.

The process started with identifying the research topic and creating my propositions. Following this, identifying a demographic group to interview was the next step, based on set criteria. The people that eventually ended up being asked for an interview, were identified using specific predetermined requirements (Saunders, Lewis, & Thornhill, 2019). The result were people within banking and finance, who currently have, or have had leadership responsibilities, specifically within people management. A certain balance between male/female was goal, ending up with a distribution of 7 male and 5 female participants. They also had to have worked at their company long enough to have experienced some kind of innovation or process of change. The type of innovation was not specified and could be either internal or external. In addition to interviewing leaders from the Norwegian finance sector, my Dutch background enabled me to contact leaders working in the Dutch finance sector. I chose to utilize this, as it would provide a larger sampling width, strengthening the different aspects of validity and reliability, which are discussed in Chapter 3.5.

3.4 Data Analysis

Saunders et al. (2019) states that the purpose of analyzing data is to organize, structure and provide the data with valid meaning regarding the research in question. The qualitative data in this thesis is based on the participants' thoughts and opinions, expressed through words (Saunders et al., 2019). This creates a challenge, as analyzing words can be challenging as words and phrases often can be interpreted differently. Because of this, the clarification of phrases, statements and words was an important task. Transcribing the interviews is a useful tool ensuring no information is lost during the process.

The interviews aim to collect thoughts and opinions related to the research topic, so a full transcription of every interview was made. Therefore, during the data collection process, I asked for permission to record audio of the participants. The audio tapes were then used to transcribe what was said during the interviews. The interviews were conducted in Norwegian, and I therefor also had to translate the transcripts.

Transcribing the interviews was done with the help of the integrated artificial intelligence software of Microsoft Teams. It saved some time, but also required reviewing, to ensure the quality. This process was also an important part with regards to coding the data and processing the obtained information. The interviews provided approximately 165 pages of transcribed data. This was then systemized and processed using coding. Firstly, all the transcribed files were reviewed separately, which was done simultaneously as translating the material. This, together with the first questions, created a basic understanding of whether the respondents were perceived as ethical leaders according to the criteria set by me in this thesis.

Therefore, the coding process started categorizing my findings based on whether the respondents were ethical leaders or not. This categorization was done through highlighting specific words and sentences in their statements that corresponded with my perception of ethical leaders. This perception is based on Brown & Treviño (2000), amongst other sources.

This was only done to provide an overview to get a greater understanding, to decide whether the respondent would provide material relevant for the thesis. Thereafter, as suggested by grounded theory, open coding was used on the transcribed data to divide it into discrete parts by highlighting relevant words, phrases, or citations. This was done to divide the material into parts that aligned with the propositions. Next, it was time to examine and locate the connections between the various parts of coding. Lastly, some central categories were selected, that connected all the codes and were directly linked to the propositions. This is called selective coding. The process of open coding has already been discussed in more detail under chapter 3.1.1 – Grounded Theory. Some if it might be extensive for a study of this size, but I found the general concept applicable in this case. The coding process was made easier by the interview guide, which already had categories connecting the questions to the propositions through my model.

The coding and other work related to the data was done to capture the essence of the material, as well as creating understanding. When coding the material, it was important to focus on not mixing personal interpretations or dispositions into it. This also goes for the translation, as some words bear different meaning and gravity in English, Dutch and Norwegian.

3.5 Evaluation of the Data

This section sets out to assess and describe the quality of data used in this research, through explaining and justifying the choices made regarding the study's validity and reliability. These are principles often used to assess research quality, as it is difficult to know whether findings reflect the reality it is meant to provide new information about. (Saunders et al., 2019). Lastly, the research ethics of this thesis will be discussed.

3.5.1 Validity

Within research, ensuring the validity of your study is a fundamental concern, representing the extent to which your research truly measures or reflects the concepts and relationships it intends to investigate. Validity is a pivotal aspect of research quality and is closely tied to the trustworthiness and accuracy of your findings. As Saunders et al. (2019) elaborate on, maintaining validity involves a multifaceted evaluation of the research process to ascertain that the study captures the intended relationships. This process is imperative as it safeguards against the misinterpretation and misuse of research results, thereby ensuring that conclusions are grounded in robust and defensible evidence. In essence, addressing validity concerns is central to establishing the reliability and credibility of the research, providing the necessary foundation for sound and meaningful insights.

In short, validity refers to the degree the data measures what it is supposed to measure, as well as the accuracy and generalizability (Saunders et al., 2019). In qualitative research papers like my thesis, are mainly two types of validity: external and construct. All these aspects are discussed in the following sub-chapters, as well as credibility, transferability, and dependability, which can be seen as a more hands-on approach to internal validity for qualitative research (Saunders et al., 2019). The different measures taken by me to strengthen the validity of this thesis are mentioned in each of the sub-chapters below.

3.5.1.1 External Validity

External validity measures to what extent the research results can be transferred or generalized to other situations or groups. In qualitative research like this project, where data is collected through semi-structured interviews, it is not allowed to produce statistical generalizations about the population as the data was obtained from a small, non-random sample (Saunders et al., 2019). This study interviewed twelve respondents from different organizations who were not randomly chosen, where some of the respondents even worked

for the same organization. However, the respondents are all employed in banking or finance, which to some extent can make the sample homogenous. This is done to limit the scope of the study, hereby also making it easier to measure what it is supposed to measure. Extensive efforts have been made to ensure the sample represents variation regarding the respondents' gender, past experiences and. It proved difficult to be selective with regards to age and educational background, as the sector in Norway is not too big, usually recruiting from the same institutions. It is harder to come by younger people with leadership experience within banking or finance, meaning below 40. This might be since it takes a certain annuity to advance to leadership positions within the organizations of this sector. Two of the respondents were in the finance sector in the Netherlands, working in a multinational company. This makes the results more generalizable when the sample is from different geographical locations.

Saunders et al. (2019) states that it can be challenging to generalize findings from a cross-sectional study conducted over a short period. Therefore, generalization of my findings beyond these respondents and organizations is challenging. However, the results can be generalized to similar organizations, to some degree. Continuing, external validity can be strengthened by having a large sample size. The sample size has been discussed previously, but twelve interviews make this study somewhat more robust compared to other studies with fewer participants. It also must be mentioned that factors such as social and political climate, cultural differences, and the general level of trust within each country or region prevent the results from being totally generalizable across country borders. Increasing the sample size would also increase the workload. Given that the timeframe for this study was fixed over one semester, it would mean increasing the workload substantially, increasing the room for errors and misinterpretation. This would consequently lower the quality of the research, and the sample was therefore kept at twelve respondents.

External validity can also be assessed through how well the methodology and findings are presented in this thesis, making it easier for other researchers to repeat the study in other contexts. It can increase the external validity of the study if it is connected to a theoretical framework and related to existing theory (Saunders et al, 2019). The external validity of the thesis is therefore strengthened using secondary data, consisting of previously published research. This provides evidence that this research can be repeated by others. Also, the

theoretical frameworks and existing theories used in this study are extensively presented in Chapter 2, as well as other research connected to the findings and discussion of the thesis.

Conclusively, I will argue that factors affecting external validity negatively are taken into consideration. However, it can be challenging to draw any statistical generalization about the whole population when using this type of research methodology (Saunders et al., 2019), as there might be numerous factors influencing the results of a study. I believe increasing the time frame of the study would give more room to consider the factors weakening the external validity, but this was not possible. Therefore, I believe the measures mentioned above made the best out of the situation.

3.5.1.2 Construct Validity

Construct validity refers to the extent to which an operationalization measures the concept it is supposed to measures (Saunders, Lewis, & Thornhill, 2019). If using semi-structured interviews where questions are conducted with caution, a high degree of construct validity can be achieved. An example is that the order of the interview guide is not random but created to avoid asking leading questions. Choosing this as the main data collection method also created the opportunity to explore the subject from different angles. It opened for asking follow-up questions, clarifying topics when I sensed confusion and explaining topics which the respondents could relate to their own experience. All this in turn strengthens the construct validity (Saunders et al., 2019). Additionally, there was also the opportunity to contact the respondents after post-interview if there was a need to resolve potential misunderstandings or gather more information.

The aim of the interviews was to provide an empirical foundation to guide the propositions and model presented in Chapter 2.5. However, it was challenging to measure ethical leadership and responsible innovation because some respondents did not have sufficient knowledge of the terms. It would be tempting to ask too many leading questions, but this would affect the credibility of the study, discussed in the next section 3.5.1.3. The construct validity therefore mainly rests on the interpretation of the collected data in context with the theory presented. In Chapter 4 and 5, this interpretation is a mixture of theoretical and empirical, strengthening the construct validity. The findings are compared with existing research, also discussing the possible reasons for different or contradictory findings.

3.5.1.3 Credibility

The internal validity of qualitative studies is referred to as credibility (Saunders, Lewis, & Thornhill, 2019). In short, credibility is about ensuring that the data material in this project reflects the actual meaning of the sources it was collected from. This means preventing contamination of the material through misinterpretation or preconceived expectations, and that respondents are allowed to speak freely and are not led in the data collection process (Saunders et al., 2019).

In an interview setting, various types of bias are an issue that can easily arise, interfering with data quality (Saunders et al., 2019). To deal with this, as well as establish and maintain credibility in the study, several measures have been taken. Even though a digital interview setting has its limitations, establishing a personal and safe atmosphere within the given boundaries of the format was important. Using video throughout the interview enabled more active listening, as well as spending some time to get to know the respondents facilitated more informality. The respondents were provided with information about the purpose of the study, and communicating that I was looking for their reflections, not necessarily right or wrong answers. This also prevent asking leading questions, which would lower the credibility of the study, were they would provide biased empirical findings. Recording the meetings as screen recordings also provided audio and sound when transcribing. This made interpreting easier, as irony, humor, sarcasm, and other ways of communication can be harder to catch only through audio.

3.5.1.4 Transferability

According to Saunders et al. (2019), it is hard to determine the external validity of qualitative studies as compared to quantitative studies, as they use non-numerical data. As a qualitative parallel to external validity, the transferability of qualitative studies to other contexts is therefore rather used as a measure of their generalizability (Lincoln & Guba, 1985). For the audience to be able to evaluate the transferability of this study to other contexts, it is important that the study is open about the research problem and research questions, the structure and methods used, the approach and the research context, and that it clearly expresses the interpretations that made to obtain the relevant findings (Saunders et al., 2019). Some of these points will be made in section 3.5.2 further on, but providing some insight specifically into the transferability of this thesis might make the evaluation process easier

for other researchers. The results chapter, interview guides and the description of the research context through the chapter leading up to Figure 2, will strengthen the transferability.

Through evaluations of this project's transferability, it is possible to find several contexts where it could potentially be transferable to. The study can be transferred to other contexts through altering the choice of respondents and context. Other choices of respondents are possible, such as top executives or leaders of family businesses. The only criteria is that they have to have leadership responsibilities connected to people management, so that ethical leadership can be measured. Changing the context is also possible, investigating how people in different industries respond to the same questions. Given that the aim of the study is to investigate ethical leadership and how it affects responsible innovation, it is adaptable to different contexts as long as there are people with leadership responsibilities and some variety of innovation.

3.5.1.5 Dependability

In qualitative studies, reliability is considered the parallel parameter to trustworthiness (Saunders et al, 2019; Lincoln & Guba, 1985). Reliability is further discussed in 3.5.2, the next subchapter. However, a short mention of this project's dependability will do no harm. According to Lincoln & Guba (1985), documentation of the research project is an important element for qualitative reliability. Hereby, choices and modifications are clarified for the reader. Outsiders should then be able to understand how the study is structured, designed and adapted to have arrived at the results it presents (Lincoln & Guba, 1985). Providing a transparent overview of the project has been thought of, justifying choices, and illustrating approaches that have been made throughout the process. Additionally, through presenting the results and the discussion hereof, I firmly believe that this thesis provides an overview of design, process and considerations made. This should provide a good starting point for the assessment of the methods used.

3.5.2 Reliability

According to Saunders et al. (2019), reliability enraptures the extent to which the techniques and analytical methods used yield consistent findings. In qualitative studies like this project, reliability hinges on whether other researchers can obtain the same results and draw the same conclusions when conducting a similar study. Evaluating reliability is particularly essential in this case as the study explores a little-known section within a semi-established research

field. If the research is to be useful to other researchers in the future, there is a certain value to it being replicable and generalizable. The literature on reliability identifies four potential threats: participant errors, participant biases, researcher errors, and researcher biases (Saunders, Lewis, & Thornhill, 2019).

This research, which involves semi-structured interviews, shows these errors and biases hold relevance. Participant errors refer to factors that may influence the participants' performance, such as the environment or timing during data collection. To minimize this error, the participants were allowed to choose their preferred interview times and ensured they were in a quiet, private setting free from interruptions. However, it is not possible to guarantee that external pressures did not influence their response. Through anonymizing the respondents, the answers will be hard to trace back to actual persons for readers of the paper. However, since some of the companies are of limited size, they might be identified by their colleagues through their age and gender. This might lead to them alternating their response to accommodate the feelings of their co-workers. Some of the questions are about how others perceive the respondent, and there is no way to check if this perception is correct, other than interviewing their peers. This would have more than doubled the sample, and therefore the decision was made to trust the respondents having the required self-insight.

Participant biases can emerge if respondents tailor their answers to what they believe researchers want to hear. To mitigate this, the participants were provided with a broad overview of the research topic, only explaining unclear terms after they gave their original answer. Therefore, there is an overview of which answers might be subjective to participant bias more than others. Because I have leveraged my personal network, the respondents might have felt the need to help the person of contact through helping me. This risk was lowered through personally handling most of the communication, and by avoiding interviewing people I had met before. As previously mentioned, the participants anonymity was assured as a measure to counter both participant error and bias. Initially, the position in each company was listed for each respondent, but given the sample size and other data available, it would have been too easy to identify them. This was therefore removed to lower the risk of participant bias.

Researcher errors relate to factors that can affect the researcher's interpretation and result in misunderstandings about respondents' intended meanings. These errors may threaten the

study's reliability if researchers are unfocused or unprepared during data collection. To prevent such errors, substantial time was dedicated to developing the interview guide for question clarity, having it reviewed by peers and professors. A pilot interview with a contact in banking aided in identifying and rectifying any misunderstandings. The interviews were of course conducted by me to ensure no details were overlooked or misconstrued. The meeting was on video, recorded and transcribed to ensure that everything said in the meeting was captured, as well as it was possible to ensure that the surroundings of the respondent did not influence their answers.

Finally, researcher biases can manifest when a researcher holds a preconceived hypothesis or belief, potentially influencing respondents or asking leading questions. To avoid this, the interview guide was closely adhered to and was used to maintain objectivity during interview. This would have been strengthened by the presence of several researchers. However, this was not possible due to this being an individual master thesis. Some questions might have been perceived to be leading, but these were placed at the very last part of each question-section, to not create additional respondent's bias.

3.5.3 Research Ethics

This section might be a small paradox, explaining personal thoughts behind the research ethics of this paper, all while writing about ethical leadership and responsible innovation. According to (Saunders, Lewis, & Thornhill, 2019), research ethics describes behavioral standards that guide your conduct in relation to the rights of those who are affected by it in some way or directly become the subject of your work.

Several ethical considerations were paramount during the conduct of the data collection and the research process. In the study, the most critical ethical concerns were ensuring data confidentiality and preserving the anonymity of respondents. It is essential, as per (Saunders, Lewis, & Thornhill, 2019) that individuals participating in research are shielded from any embarrassment, harm, or adverse experiences. As a result, there were developed established ethical guidelines, before initiating the data collection. These are captured in the declaration of consent, available in Appendix 2. Their positions were also not included, as it would be too easy to identify the respondents within their companies. When specific information about the nature of their work was necessary to highlight findings, this was done without revealing details about their positions.

To address these general concerns raised by Saunders et al., respondents participated voluntarily and were informed about the interview's purpose in advance. Comfort was insured with video recording during interviews, giving it a more personal feel and ensuring I was the only person who was going to treat the primary data. It was also emphasized that the recordings would solely serve transcription purposes and would be deleted afterwards. Respondents were also informed that any citations in the thesis would be anonymized. If the respondents gave vague statements, I promptly reached out to respondents to seek clarification, thereby preventing any inadvertent misquotation. Each interview commenced with a detailed explanation of how the data would be handled and used, alongside an introduction to the thesis topic. Caution was key to maintain secure data handling throughout the project. Any data files were saved locally on a personal password-protected computer, and access was limited to necessities. Following the completion of the thesis, confidential information and transcribed material will be securely deleted.

I ensured the continued confidentiality of data by adhering to the guidelines outlined by NSD's "Data Protection Official for Research" and obtaining NSD's approval for my declaration of consent. My application was sent a bit late, as I discovered this entity after establishing the interview guide. However, it worked out in the end. I reiterated to respondents that participation was voluntary, and they could withdraw from the interview, in whole or in part, at any time without needing to provide a reason. Importantly, all data collected was anonymized after obtaining the participants' consent.

4 Results

Following the data collection, the results found here will be presented in this section. These findings will then be further discussed in the following Chapter 5. The findings will be presented related to the propositions developed in section 2.5, aiming to investigate the support for said propositions in the empirical data. Not all findings are of interest for this thesis, and only highlighted findings from the most insightful interviews will be presented to explain the propositions. The use of coding was mentioned in Chapter 3, and together with the structure of my interview guide, I was able to distinguish between respondents which I identified as ethical leaders and those who are not. This decision was made based on the definitions of Brown & Treviño. It resulted in the elimination of three interviews, because from the content it was not possible to establish a strong enough presence of ethical

leadership qualities, even after follow-up questions. The remaining interviews exhibited a more satisfactory amount of ethical leadership, both consciously and subconsciously.

The main point of departure will therefore be the remaining nine interviews, supplied with answers from the other three as a supplement if relevant. The presented material will help put the propositions in a practical context, and test whether the model has empirical support outside the paper it is presented on. The respondents' statements will be presented in citation form, and it may occur that citations are repeated when this is considered appropriate. This is to highlight my findings through the best available information. Please keep in mind that the transcripts were translated from Norwegian and Dutch to English. The translations are not direct but fitted to capture the same meaning in both languages.

After having interviewed the respondents, the data gathered painted a clear picture. Due to its "young age", the term ethical leadership was not clear to all (Stouten, van Dijke, & De Cremer, 2012). It was also rarely the case that the respondents had a clear and conscious relationship with the term and used it as a guiding star for their behavior as leaders. Subconscious ethical behavior has been studied and confirmed in other settings (Zhang & Yuan, 2021). However, it also became apparent that many of the respondents were already practicing these ethical leadership principles, through other forms of leadership-styles that are more established. Some referred to transformational leadership, others to trust-based leadership (Bass & Riggio, 2006). Ethical leadership is a fluent, non-binary concept, which makes it more sensible to measure it using a scale judging actions and behavior, as supposed to sorting leaders into "ethical" and "none-ethical" leader categories.

Most of the respondents found themselves exerting behavior that implies that they are ethical leaders. They are honest, caring, and principled individuals who make fair and balanced decisions (Brown & Treviño, 2006). They communicate clearly about what expectations they have with regards to ethics and innovation, as well as being role models for their followers, through living up to their own ethical standards. These criteria are derived from (Brown & Treviño, 2006: Brown, Hartman & Treviño, 2000), and discussed in Chapter 2. However, it is important to state that the respondents are different individuals with various personality traits, backgrounds, and experiences. Consequently, the respondents were likely to provide varying answers and descriptions, which was true in certain cases.

4.1 Propositions

4.1.1 Proposition 1: Communication contributes positively to ethical leadership

During the data collection process, the respondents were asked to describe their own leadership style, and the one of their closest superiors if they had one. Not until after they had done this, were they asked specifically about communication and how they used this as a tool. The findings suggest that respondents which were conscious about their communication also exhibited ethical leadership. This goes both for the communication style, but also for the content. Central elements in their communication were to be transparent, honest, direct, professional, and polite (Mihelic, Lipicnik, & Tekavcic, 2010). The content of their communication was often affected by the company values, but for most respondents these were aligned with personal values as well (Wells, Thelen, & Ruark, 2007).

It was clear that the respondents viewed communication as a very important tool to get their views across, which was necessary to convey their own and the company's value to the rest of their teams (Brown & Treviño, 2006). The level of consciousness surrounding this varied slightly, but most respondents were clear that communication was an important leadership tool. However, some did not mention that it was important for ethical leadership specifically, but their other answers about their own leadership style helped confirm this.

The respondents also stated that actions were as important as words because their subordinates looked up to them as role models (Brown & Treviño, 2014). Through these statements, they made the suspected link between P1 and P2 themselves, because they communication and role-modeling as "two sides of the same coin" when it came to leading their team.

In the following section, there will be a mixture of answers from respondents who had a conscious relationship to ethical leadership behavior, and those who through other answers were found to show this behavior subconsciously. There will also be presented citations from leaders who communicated in a less ethical manner, to provide contrast and depth to the results. There will also be highlighted findings dividing the respondents into two groups; those who adapted the leadership style of their superior, and those who did not. This is to investigate if the level of loyalty to their leader affects their further answers, affecting the reliability of the project.

R1: *I think communication is key when it comes to displaying your intentions as a leader and building relationships. When communicating with my teammates, I aim to be clear, direct, polite, and honest, all while staying true to the company values. This can sometimes be challenging as you develop relationships through social experiences, but I am a firm believer in being authentic, being oneself. In my experience, this creates trust between people, which gives professional relationships the opportunity to grow. [...] I do not think about the way I communicate as a part of my leaderships style, but rather as a personal trait. Thinking about it, I believe it would be unchanged if I decided to practice a different leadership style. [...] Although the content of the conversation and layering changes when I come home from work, I try to practice the same values there.*

Above, respondent 1 clearly emphasizes the importance of communication. Values from ethical leadership are mentioned when the respondent sums up communicational traits. It can be derived from the answer that communication plays a positive part in establishing positive relationships with teammates. Trust lays the foundation for future growth, and is also positively related to most ethical behaviors, which emphasizes the importance (van den Akker, Heres, Lasthuizen, & Six, 2009). However, the person also later describes communication as a personality trait, and not a conscious part of any leadership style. This is confirmed by the comments about the difference in communication on the clock and at home.

R2: *Whenever I communicate, I try to be open and honest. Transparency is something I value myself, and therefore also something I transfer into my communication. I also think it is important to not be afraid to be yourself, and let people know who you are. It can be scary and sometimes frowned upon in professional settings, but I believe it will support and strengthen your work-relations at a later moment in time. [...] I am more conscious about what I say and do in the workplace, so I think it is normal to relax a bit more when you are at home. This naturally affects your communication. Anything else would be weird in my opinion. The method changes, but they (values) stay the same. [...] The values I communicate are aligned with the values of the bank, but that has not always been the case. I left other companies because their values did not align with my own, and therefore I could not stand for what I needed to communicate to my colleagues.*

Respondent 2 is from the same company as R1, and they view communication similarly. This quote shows that the respondent stays true to personal values, which also align with company values. R2 has even left jobs because of a conflict between personal values and the values of the employer. There seems to be an integral part of professional communication that aligns with the personal values of the sender. This is contrary to other research (Wells, Thelen, & Ruark, 2007), which states that your workplace is more likely to reflect the organization rather than yourself. It is hard for this study to identify whether this is the case for the respondents. Other respondents align with the responses of R2, although some are more conscious about it than others.

> R9: *Sometimes I believe my team members might find me too direct, and this may sometimes come across as unpolite. I have had feedback on this at other workplaces and tried to adapt it to come across more friendly. Perhaps this is a cultural thing, but it shows people sometimes miss the contents of the message if it is conveyed in a manner that they dislike. As a leader, no matter what style you have, getting your message across in a way you are sure that your teammates have got it, is key. If you fail at this, it creates a lot of friction and negative dynamics*

Respondent 9 has had a slightly different experience with communications than the previous two respondents. It seems to be less of a personal subject, and more of a tool in this case. After receiving feedback on communication style, R9 adapted because the way of communicating was not functioning right (de Vries, Bakker-Pieper, & Oostenveld, 2010). This is an interesting finding, because from the responses of R1 and R2, communication seemed to be very personal and something that laid latent. On the other hand, for R9, communication is more of a tool than a personal trait, that can be adapted and formed when the situation requires it.

Most of the subjects seemed to agree that communication was an important tool in their toolbox as leaders. However, some of the respondents were firmer in their believe that it although they viewed their leader as a role model (Treviño, Weaver, & Reynolds, 2006), they would not adapt their communication style.

> R2: *Although I believe my leader to be very competent and have accomplished great things, I think I was hired because I am different than her. Therefore, I do not wish to adapt too much and copy her style, as it might do more harm than good. We*

communicate differently, and I believe this to be a strength, not a weakness. I believe the most important thing to be what you communicate, and not how.

Not many of the respondents had negative comments regarding their current leader, but R2 is an example of how one can view their leader as a role model, but still stay true to their own style. Here, respondent 2 argues that difference in communication is a strength, not a weakness. He believes that the difference in style is a diversification. In the quote above, R2 explicitly states that it is the content of communication that is important, and not the manner.

R12: *I have heard that I am somewhat "old-fashioned" in the way I communicate, but what can you expect after a long career? I think it would be too late for me to adapt my communication style at this point, as it's hard for old dogs to learn new tricks. I was in senior management before but stepped down to a lower position to get a slower pace, and decreased workload. My incentives to change are therefore lower than my colleagues with higher ambitions.*

In this comment, respondent 12 uses age as an argument against changing communication style. He stepped down wanting a slower work pace, and it seems as if he does not have the right incentives in place to change. One could argue that he does not think communication is important enough for him to change it, but these are only speculative remarks.

The fact that several of the subjects change their communication style when talking about work and talking privately, insinuates the importance of adapting communication styles to the right situation. It also explains why professionals view it as an important tool in their work.

R6: *Being part of a young team, keeping things professional can be challenging at times. I like to talk a lot, and must set clear boundaries in team meetings, as to when I am "the boss", and when I am myself. This has served me well in the past and sends signals to my teammates when it is time for business, and when we can chitchat about the weather. This allows us to have clear communication channels, and it lowers the risk of being misunderstood when everyone is in the same "mode".*

Respondent 6 expresses she is fond of setting clear boundaries in a professional setting, especially when part of a young team. This might be because they have less professional experience and might drift off to other topics more easily than full-time professionals with a

longer career. It also decreases the room for misunderstandings, so that the team can work more efficiently.

Conclusively, the presented material above suggests that communication has a positive effect on ethical leadership (Treviño, Hartman, & Brown, Moral Person and Moral Manager, 2000). However, the positive effect is not specifically to ethical leadership, but to all leadership styles. Proposition 1, "Communication contributes positively to ethical leadership," investigated the role of communication in ethical leadership. Initially, respondents were asked to describe their style and how others viewed them as superiors, preceding specific inquiries about communication. The findings suggested that respondents who were conscious about their communication tended to exhibit ethical leadership, emphasizing both communication style and content.

Key elements in their communication included transparency, honesty, directness, professionalism, and politeness, often influenced by company values aligning with personal values (Mihelic, Lipicnik, & Tekavcic, 2010). Respondents viewed communication as a crucial tool to convey their perspectives and the company's values to their teams. While some were more conscious of the importance of communication for ethical leadership, others confirmed its significance indirectly through their leadership styles. Respondents acknowledged the importance of actions alongside words, as subordinates perceived them as role models (Brown & Treviño, 2014). The interconnection between communication and role modeling emerged as respondents described them as "two sides of the same coin" in leading their teams.

The subsequent section presented a mix of responses from those consciously practicing ethical leadership and those exhibiting such behavior subconsciously. Contrasting perspectives were also included, featuring leaders who communicated in less ethical ways. Additionally, the study explored differences between respondents who adapted their leadership style based on their superiors and those who did not, aiming to assess the impact of loyalty on responses.

4.1.2 Proposition 2: Role modeling contributes positively to ethical leadership

When interviewing, the build-up to the questions surrounding P1 and P2 were similar, as they are presumed to be factors resulting in the same product. Therefore, the respondents

were also prompted to delineate their personal leadership style and that of their immediate superiors. Subsequently, the focus shifted to their role modeling practices, with a specific emphasis on ethical leadership. The findings underscored an empirical correlation between respondents who were intentional about their role modeling behaviors and the manifestation of ethical leadership (Brown & Treviño, 2014). As supposed to Proposition 1, the subjects were more vocal about the importance of role-modeling when leading through values. This correlation extended beyond the manner of role modeling to encompass both style and substance. Key facets of their role modeling included transparency, honesty, directness, professionalism, and politeness, all of which directly or indirectly, resonated with their company's respective values. Like with communication, the values they promoted as role-models, often aligned with their own personal values.

The respondents highlighted the importance of role modeling in conveying their perspectives and the organization's values to their respective teams (Vidyasagar & Hatti, 2018). While the level of consciousness varied among respondents, the consensus was that role modeling served as a crucial leadership tool. Although some did not explicitly mention its importance for ethical leadership, insights into their broader leadership styles indirectly affirmed its significance. Notably, respondents emphasized that actions spoke as loudly as words, as their subordinates perceived them as role models. Through their statements, respondents autonomously drew a connection between effective communication and role modeling, as mentioned in the previous section. In the answers to the questions concerning role modeling and communication, the answers often sewed into each other.

> R2: *In my leadership approach, I prioritize being transparent and honest, not just in words but through actions as well. This aligns with the organization's values and fosters a positive and trusting environment. If you want to create good teams, I believe this is where it starts. Setting an example for your teammates is vital, or else it just ends up being fancy words. Call me old-fashioned, but I believe that respect must be earned over time and through actions. If new team-members already are sold on me as a leader, I never get any pushback and someone who challenges me to think out of the box.*

Respondent 2 again draws on the fact that he values transparency and honesty. The term role model is not used explicitly here, but "setting an example for your teammates" can be viewed

as a synonym with more extensive phrasing. R2 advocates that role modeling is a great tool when building teams, and for experienced leaders. Walking the walk and not only talking the talk shows that the leader is willing to earn the respect of his or her teammates, and not being above the values that they expect of others (Brown & Treviño, 2014).

> R10: *Role modeling is integral to my leadership style; it's not just about what I say but how I behave. Being direct, professional, and polite in my actions reinforces the standards I expect of others. If I did not uphold them myself, it would make me hypocritical. In some way you could say these standards are ethical, although I feel as if this is a large word to include here. Maybe it's the Nordic humbleness that plays in. Being conscious of the fact that people view you as a role model, also keeps yourself in check. You can ask questions like "What would happen to the company if everybody would do this?". If the answer is that the company is going down the drain, then you should reconsider your actions.*

Respondent 10 is very clear on role modeling, and about the potential hypocrisy of not upholding the values himself. He insinuates that the standards are of an ethical nature, but one could argue the term was used because of the nature of this thesis. However, he is providing a more practical definition of ethical leadership in the workplace, in the final part of his quote. It is hard to read into the manner of speaking in the quote, but when reviewing the interview, the practical example is referring to something figurative and behavioral, not technical errors. It might almost be considered as an adaptation of the Golden Rule (Wattles, 1996), which is looked at for ethical guidance by some.

> R4: *Actions truly speak louder than words. As a leader, I believe in embodying the values we show outwards to our clients, inwards as well. This role modeling aspect is crucial for fostering a positive culture within my team. […] I believe this (role-modeling) to be intertwined with the communication aspect we discussed earlier. In some ways, one does not work without the other.*

Respondent 4 points out something interesting, and it has more to do with the commercial aspect of role modeling. In a more transparent business world, stakeholders expect companies to uphold company values on all fronts, also internally (Roloff, 2008). This is also important for the recruitment of new employees. R4 states that role modeling is

important to foster a positive culture which reflects the values the firm also shows outwards towards clients.

Several respondents mentioned they believe role modeling and communication to be connected. It underscores the crucial role of role modeling in shaping the team's culture positively (Denison, 1990). Several answers point to that belief that actions, or the behavior they model, are intricately connected with the earlier-discussed aspect of communication. In essence, it suggests that effective leadership involves not only verbal communication but also, and perhaps more importantly, the consistent demonstration of values through actions (Morgenroth, Ryan, & Peters, 2015). The phrase "the one does not work without the other" emphasizes the interconnectedness of role modeling and communication, suggesting that these elements are mutually reinforcing and essential for creating a positive and impactful team culture.

> R9: *When discussing leadership, communication and role modeling are connected tightly. Transparency and honesty, both in what we say and how we act, contribute to the leadership dynamic I aim to establish in all my teams. […] In the past, I have failed here, and experienced that the lack of transparency and honesty creates unnecessary office politics and suspicions about hidden agendas. Obviously, this is not healthy when you want everyone to be pulling in the same direction.*

Respondent 9 here both shares positive and negative experiences with the use of role modeling and communication, or rather the lack thereof. Transparency and honesty are two values often brought up in both the interviews, but also when discussing ethical leadership theory (Treviño, Hartman, & Brown, 2000). When these values are lacking, it may work against the team. According to what R9 is saying, sometimes role models may not always have values such as transparency and honesty. It points out that role modeling can have negative impacts as well, when lacking values that create a positive drive.

Most of the respondents are clear on their feeling as a role model, however the level of comfort surrounding this is varying. While conducting the interviews I got the impression that some felt uncomfortable calling themselves by this term, as it might be viewed upon as bragging. After discussing this with some subjects, it was soon clear that they were role models in several ways, but that they did not always have a conscious relationship with this.

R1: *Well, well, I am not so sure about that. It is not something I think about that often. Well, you could say that I hope to be, at least in some areas. The reason for this is because I view myself as having great knowledge about certain subjects, and therefore team members might view me as a role model. I believe knowledge of your work field to be the bare minimum if to become a role model.*

The response of R1 shows some reluctance to admit the fact that he is viewed as a role model by his peers. It is also along the same lines as the previous statements of R2, where they both point out the importance of putting in the work or having great knowledge to earn respect or becoming a role model.

R6: *I view myself as a role model at this point, but this has not always been the case. Right after a promotion, I always find it more challenging. You are used to being on the same level as your colleagues, but suddenly you are above them. I believe there is usually a good reason for a promotion, and that it is performance related. However, it is not always easy when you surpass your friends which have worked longer in your position, without getting a promotion. [...] It took some time to get used to, but after a while I made it a task to be an example for my other colleagues, to show that hard work does pay off.*

Respondent 6 is by far the youngest respondent and provides interesting input to the spectrum. She is clear that she is a role model for her colleagues, but this is not always something she has been comfortable with. It seems as if she knew it came with the job when she accepted the promotion, but at times she did not feel confident enough to be a role model for others. The cause of this insecurity is unknown, but it might have to do with lacking experience, or feeling as if she was qualified for and deserving of the position (Brown & Treviño, 2014).

In the exploration of Proposition 2, "Role modeling contributes positively to ethical leadership," the aim was to explore the role modeling practices of respondents in their workplace. Participants were initially asked to outline their personal leadership styles and those of their immediate superiors. Subsequently, the focus shifted to their role modeling behaviors, emphasizing ethical leadership. The findings revealed a tangible correlation between respondents who purposefully engaged in role modeling behaviors and the manifestation of ethical leadership.

In contrast to Proposition 1, participants were more vocal about the importance of role modeling when leading through values. This connection extended beyond the manner of role modeling to encompass both style and substance. Key facets of their role modeling included transparency, honesty, directness, professionalism, and politeness, resonating with their company's values, and often aligning with their personal values (Brown & Treviño, 2006). Respondents highlighted the significance of role modeling in conveying perspectives and organizational values to their teams. While the level of consciousness varied among respondents, there was a consensus that role modeling served as a crucial leadership tool (Morgenroth, Ryan, & Peters, 2015). Some respondents explicitly mentioned its importance for ethical leadership, while others indirectly affirmed its significance through insights into their broader leadership styles. Notably, respondents emphasized that actions spoke as loudly as words, with subordinates perceiving them as role models (Brown & Treviño, 2006).

Several participants expressed a belief in the interconnectedness of role modeling and communication. They emphasized that effective leadership involves not only verbal communication but also consistent demonstration of values through actions. Respondents often stated that role modeling and communication were mutually reinforcing and essential for creating a positive and impactful team culture (Morgenroth, Ryan, & Peters, 2015). However, not all respondents were outspoken about their functions as role-models at first and seemed reluctant to use the term. After further questioning this seemed to be coming from a humble point of view, and they were well within their right to call themselves role models, even though it might not feel natural or easy at first.

4.1.3 Proposition 3: Ethical Leadership Contributes Positively to Responsible Innovation

Having investigated some of the factors that contribute to ethical leadership, this section aims to examine the link between ethical leadership and responsible innovation. During the interviews, the respondents were asked about their experience with ethical leadership, but also with innovation. The aim here was to start a reflection as to what innovation meant to them, and to see how their leadership influenced innovation they had been part of. Therefore, they were asked to give examples of innovations they had experienced while being leaders. Afterwards, they were asked to reflect on the innovation process, and what the team discussed prior and after, mainly regarding what the consequences of the innovation would be.

The results here indicate that they did not have any innovation framework to follow other than legislative standards. If ethical leadership has contributed to responsible innovation, then it for the most part has been a subconscious effort (Pandza & Ellwood, 2013). This does not make the effect worth any less, as the result is the same. It also might prove challenging from a scientific perspective to prove there is a correlation between ethical leadership and responsible innovation. From the data at hand, it is hard to say whether an innovation is responsible because of ethical leadership, or because of the innovation itself.

In this section, the same approach will be applied as the one used in sections 4.1.1 and 4.1.2. The data material used here is structured and coded, so the data will be from respondents that were showed ethical leadership traits and values (Saunders et al., 2019). In addition to this, they have some form of innovation of scale that makes it possible to analyze for this project. Not all respondents fit in both categories. The findings show that most respondents felt there was a lack of discussions surrounding the consequences of the innovations (Owen, Bessant, & Heintz, 2013). This was mainly due to the nature of the innovations, as they were related to products, and the opportunity cost for stakeholders was low.

> R3: *Managing companies today is not just finances and earnings. In a way, you must do it in the right way based on several principles and expectations that are set both by national and international standards. But also, there are national, cultural, and internal company expectations. So, I think responsible innovation must mean that you develop new products and services within the framework of these principles. It must be sustainable so that it doesn't violate any social requirements and rules, and you shouldn't destroy the environment in any way.*

As a follow-up question, R3 was asked how a leader could stimulate responsible innovation.

> R3: *I think firstly you must have a vocal leader; you have to be clear that this is important. When you make it clear that it's something you expect, it's a prerequisite for the innovation this company is going to make, then there is a strategic dimension in relation to that. If the product is not sustainable, then it's not something we want to pursue, then I think it's very important for the management to follow up on that. It's true that there are consequences if you find solutions that are not responsible or sustainable, not only by law but also through consumers.*

Respondent 3 shows through her answers that she has reflected on the subject before and has clear opinions about this. Several dimensions of responsible innovation are discussed and discusses both tangible and intangible rules that innovations must follow when innovating. Because of the reflective answer she gave, R3's answer to the following question bears more gravity. She talks about being a vocal leader and stating your intentions (Brown & Treviño, 2006). The line can be drawn to clear communication and discussing expectations beforehand. Running dialog and evaluations of the project with management is also something she expects. Through establishing a clear dialog and laying all expectations from the team out in the open, the strategic objective can then begin. The practical meaning can be deducted to insinuating that clear communication is key to securing responsible and sustainable innovation. In this case she uses the word sustainable, in Norwegian it means "bærekraftig". While sustainability is often associated with the environmental dimension in English, "bærekraftig" has a slightly broader meaning in this context. R3 uses it together with "responsible" and emphasizes that responsible and sustainable solutions are desired because there are negative consequences if not.

> R9: *When innovating, which in my case consists of product development, we try to create diverse teams. Most of the time, it is clear who is responsible for checking that the rest is not going crazy and breaking all the rules. This person usually also encourages discussion surrounding ethics, impact, and other aspects of ESG that the company must adhere to. We do not follow any specific framework, as we believe it might strangle the creativity needed to create great products. After a product is launched, others oversee running assessments where the success of the product is measured. ESG-criteria are part of this measurement. [...] Being clear in my communication to leave no room for misunderstandings as for what the goal is for the project. I always encourage consequential thinking in my teams, hoping to uncover as many flaws, as early as possible, as far ahead in the product cycle. I always make it very clear that the end never justifies the mean.*

Respondent 9 has mostly worked with new product development. She explains how clear communications and thinking of potential consequences of the innovations are tools she uses to ensure responsible innovations. This is along the lines of what other respondents have outed as well. However, in her team it seems like the ethical responsibilities mostly rely on one person. This is quite a unique answer, and none of the other respondents mentioned a

similar structure. It is common in banking and finance to have a person responsible for compliance, but this is usually a reactive role when it comes to product development (Ahrweiler, Dhondt, & Khanagha, 2019). To include this role earlier in the process seems to in this case, encourage more dialogue surrounding the impact of the innovation on ESG-measurements.

The respondents were also asked if they changed their leadership styling during the innovation. This was done to uncover and prevent any misconceptions that may have led to wrongful conclusions in this thesis, later. The respondents stated that they changed very little in their leadership style during innovations, on the contrary. Because the stakes were higher than usual, being part of a project team, they usually worked on enhancing their qualities to maximize their chances of success.

> R6: *I don't think I change a lot during innovation processes, although I might delegate more as the workload increases. Usually in our innovation processes, ethical considerations were not explicitly laid out in a formal framework; rather, it was an implicit aspect guided by legislative standards as most work within banking. The impact of the was not discussed explicitly, as we believed there only to be an upside for the consumers. It was a totally new product that reached out to a new market of customers that we had not been able to contact before.*

Respondent 6 makes it clear that her leadership style stays the same during the innovation process, although she delegates more. The receiving of delegated tasks can be seen as a sign of trust and confidence by her teammates, which is enhanced by communication and role modeling. Regarding framework on responsible innovation, it is not something tangible in processes.

> R10: *Our approach to innovation didn't come with a rulebook tied to being ethical, but we did things responsibly. For me it's just common sense, which naturally is value driven. […] The project I was responsible for was an internal project aiming to cut costs. This led to the exposure of unnecessary positions that could be cut from the payroll. The whole thing was much less dramatic than it sounded because I ensured the team that the positions being cut would stay with us in other functions. This was a big relief to the team, as I could sense that they had been discussing the consequences of the new internal structure.*

Respondent 10's answer is interesting, because the dialog on the consequences of the innovation was parallel between management and workforce. The data does not show any indication as to why R10 never had this conversation with his subordinates, to decrease stress and increase morale. It is hard to assess what impact keeping this information from the rest of the team had on the end-result. The lack of transparency might have created unnecessary friction during this innovation, but the result was the same at the end (Palanski, Kahai, & Yammarino, 2011).

In this section, proposition 3 explored the potential positive contribution of ethical leadership to responsible innovation. The respondents were queried about their experiences with both ethical leadership and innovation, aiming to discern any connections between the two. The findings suggest that, for the most part, there wasn't a specific innovation framework that guided them, other than legislative standards. If ethical leadership has played a role in responsible innovation, it appears to have been a subconscious effort. This section focused on respondents who exhibited ethical leadership traits and values and were involved in scalable innovations (Treviño, Weaver, & Reynolds, 2006). The majority felt there was a lack of discussions about the consequences of innovations, often due to the nature of product-related innovations and the low opportunity cost for stakeholders.

Examples from respondents shed light on their perspectives. Respondent 3 emphasizes the need for responsible innovation within the framework of various principles, expectations, and sustainability considerations (Grinbaum & Groves, 2013). She suggests that being a vocal leader and setting clear expectations are essential for achieving responsible innovation. Respondent 9, who mostly deals with product development, highlights the importance of diverse teams and clear communication to ensure responsible innovation. Interestingly, she mentions a specific person responsible for ensuring ethical considerations in the team.

Moreover, the respondents were asked if their leadership style changed during innovation processes. Most indicated minimal changes, with some delegating more as workload increased. Respondent 6, for instance, maintains her leadership style during innovation, delegating more while emphasizing the implicit nature of ethical considerations guided by legislative standards. Respondent 10, on the other hand, highlights that their approach to innovation doesn't come with an explicit ethical rulebook, emphasizing a common-sense, value-driven approach.

Overall, while there is evidence of ethical considerations in innovation, it's challenging to scientifically establish a direct correlation between ethical leadership and responsible innovation. The lack of a formal framework, coupled with a subconscious effort, makes it difficult to attribute responsible innovation solely to ethical leadership. The findings also reveal a need for more explicit discussions about the consequences of innovations, especially in product-related innovations (Owen, Bessant, & Heintz, 2013).

4.1.4 Proposition 4: Ethical Leadership Enhances Employee Creativity

This section aims to explore how ethical leadership enhances the creativity of employees. Research has shown that creativity drives innovation, but I wish to understand if ethical leadership can drive creativity as well (Nijstad & Paulus, 2003). This is since the effects of ethical leadership are like the effects that stimulate creativity. The respondents were asked questions about the psychosocial environment in the workplace, trust between colleagues and the process an idea goes through at their company.

The findings in this section were of particular interest because banking and finance are not often associated with creativity (Brady, 2018). Therefore, it was surprising to see that a great number of the respondents spent quite a few working hours on being creative and giving room for new ideas. The psychosocial environment was good all around, although some experienced more performance pressure. This was mainly linked to the nature of the companies, where the pressure was the lowest in the saving banks. The respondents felt satisfied in their workplace, they were happy with their colleagues, and most of them enjoyed a good work life balance. The level of trust was also high, which was less surprising as the level of trust between Norwegians generally is higher compared to other countries (Ortiz-Ospina & Roser, 2016). Company 3 is a Dutch company, but the sample was too small to uncover any difference in trust between employees here, and the level of trust was the same as in Norway.

Most of the respondents said they had institutionalized structures that secured creativity, like set times in team meetings were every idea got a chance, and nothing was stupid. It then usually was the task of the team leader, to take the best ideas further up the chain. The feedback from the executives was then directed down again, to let the employees know what was happening with their idea. Most of them were very clear on giving credit where credit was due, and believed it motivated employees to stay creative, as they could have a positive

impact and be rewarded for it (Detert & Burris, 2016). Everyone was very clear that creativity in a firm was vital to staying relevant in a fast-changing market, and that there are many upsides for companies who stimulate to increase creativity amongst their workers.

> R12: *The psychosocial environment is very important. In such a big workplace, spread over multiple offices with a lot of employees, a good environment helps people feel more included, and not like another brick in the wall. I think people who have fun at work do good work. This is why I try to be as open, predictable, and just as I can. Of course, not everything we do is fun and games, but if I adhere to these values through the good times and the bad, at least my employees know where they have me. I believe this gives them one less thing to worry about, and therefore makes room for other, more productive thoughts. [...] Allowing for creativity is an easy way to keep people motivates as well, since working with ideas from start to finish can be very fulfilling.*

Respondent 12 shows how the psychosocial environment is something the respondents are conscious about, and actively working on to achieve. Interestingly enough, R12 indirectly states that he uses openness, predictability, and righteousness to stimulate this. It gives the workers less stress, leaving more energy for tasks and other productive thoughts. This can, given the context, be interpreted as R12 saying that through the mentioned values, contributes to a better psychosocial environment, which in turn also stimulates creativity (Eisenbeiss, Knippenberg, & Boerner, 2008). Although not specifically mentioned, consistency in these values also seem important. He states that the consistency in these values helps his employees through good times and bad times, because they can anticipate what he will do more easily.

> R6: *At the end of every weekly team meeting, everyone had the opportunity to voice feedback or new ideas. It was also possible to run these ideas directly by me before the meeting, to test-pitch and see if there was something of value. Some employees need this positive reinforcement, especially when lacking tenure or experience. Here I think The Law of Jante comes in to play, and no matter how much you facilitate for it, some people will always think less of their own ideas. [...] We stimulate ideas through holding more informal pitch-meetings and workshops, where every idea is a*

good idea, even the most absurd ones. This always ends up being quite hilarious, but it helps bring down the threshold for speaking your mind.

Respondent 6 is one of the respondents that mentioned an established, organizational method for letting creativity surface. During team meetings, there would be a specific segment, designated for pitching improvements, criticism, and new ideas to the rest of the team. The process of pitching and formulating ideas might not come naturally to all, therefore workshops and pitch-meetings were organized, so that everybody would feel comfortable contributing to the discussion. This shows inclusiveness and openness, leveling the playing field for creativity to thrive. The Law of Jante (Sandemose, 1933) is also specifically mentioned by R6, which is a cultural aspect to the Norwegian work environment that leaders sometimes must account for. In this case, it is done through lowering the bar for ideas to such a level that everybody feels comfortable thinking inside or outside of the box. However

> R9: *Personally, I believe that trust and relationships are built on a foundation of honesty, transparency, and communication. I am lucky to work in a company that values these elements and makes sure they are well known to everyone. Work behavior that counters these, is criticized constructively. When working in a big multinational, cultural differences begin to show. I am not only talking about cultural backgrounds, but also professional backgrounds, that do not value these elements as much as we do here. If we want a company where ideas are heard, everyone must adhere to this way of thinking.*

Respondent 9 puts emphasis on that honesty, transparency and communications helps build relationships, also stating that trust is a result of these factors. Her company is also clear that this is a priority and communicates it out. Behavior that does not align with these values, is frowned upon. The multinational dimension of this is also interesting to look briefly into Cultural differences become apparent when working in a multinational company, which has employees from all over the world (Neeley, 2015). However, it is not only these cultural differences that may create value differences, but also their professional backgrounds. Business etiquette and other norms may differ between countries, creating clashing values and business ethics (Hofstede, 1994). Although it would be interesting to dive deeper into these differences, the timeframe of this thesis limits the depth of the comparison between

countries. It supplements the results and findings from the Norwegian companies and shows there are some points of friction that occur when working in a multinational.

> R3: *Then they come to me (When employees have a good idea). I like improvements and simplifications, so if I get the ideas, I find the implementation capacity to see it through. Because one thing is to have a good idea, but but.*

Respondent 3 has previously stated that she works in a smaller department, which may ease the flow of ideas as relationships are stronger. Her teammates come directly to her, and then she finds a way to set it out in the world, after discussing its potency. The last sentence of the quote also translates to that the value of an idea itself is not very high without the capacity to see it through. Because of the short links in her team, she does not experience the overwhelming number of ideas and feedback that bigger corporations often struggle with, as described by R10 in the next subchapter.

Respondents were also asked the importance of creativity, and how they worked to stimulate this. Respondent 6 has already given an example of a frequent method her team uses, to lower the bar for bringing up ideas. When working with technological advancements, trying by failing is a much-used approach, but it might be time- and cost-consuming (Hoffman & Yeh, 2018). However, respondent 2 describes the implementation of a less formal method, well known to the tech-world, to stimulate creativity and create a space for trying and failing.

> R2: *A lot of the projects I manage have to do with digital innovations and technological advancements. Creativity here is essential, as we are aiming to stay outside of the dreaded "box". All ideas must be heard, because even the potential bad ones can lead to good ones if heard by the right person. […] I have been thinking about starting a "play day", where the teams can just fool around with ideas and see where it takes them.*

Respondent 2 is working with digital innovations, and states that creativity is essential to come up with new solutions. When it comes to the process of treating ideas, his approach is to let all of them be heard. Being presented with a multitude of ideas, some good and some bad, eventually this process will lead to the emergence of better ideas, according to R2. In the future, he is also going to implement a "play day", where his team can experiment and immerse themselves in new ideas and technology. This activity is meant to stimulate creativity, and is practiced by other companies under different names, such as "hackathons".

By giving the employees space to try and fail, it also creates psychological safety that can be transferred into other parts of the work (Eisenbeiss, Knippenberg, & Boerner, 2008).

In this section exploring Proposition 4, the focus is on how ethical leadership can enhance employee creativity. The research aims to understand whether ethical leadership, typically associated with positive workplace attributes, contributes to stimulating employee creativity (Brown & Treviño, 2006). The investigation involves questions about the psychosocial workplace environment, trust among colleagues, and the idea development process within companies.

The findings suggest that a significant number of respondents dedicate substantial working hours to fostering creativity and welcoming new ideas. The psychosocial environment is generally positive, with satisfaction in the workplace, good colleague relationships, and a favorable work-life balance. Trust levels are high, which aligns with the overall trust observed in Norwegian work environments (Brady, 2018). Many respondents note the existence of institutionalized structures to support creativity, such as designated times for idea-sharing during team meetings. The emphasis is on creating an inclusive environment where all ideas are considered, and constructive feedback is provided. The executives play a role in acknowledging and communicating the progress of ideas, giving credit to contributors. Respondents stress the importance of recognizing and rewarding creative efforts, emphasizing its relevance in a rapidly changing market.

Several quotes from respondents illustrate their conscious efforts to foster creativity. Respondent 12 underscores the significance of the psychosocial environment, aiming for openness, predictability, and fairness to reduce stress and create room for productive thoughts. Respondent 6 details an established process during team meetings for voicing feedback and ideas, including informal pitch meetings and workshops to encourage idea-sharing (Bello, 2012). Moreover, cultural aspects are brought into focus, with Respondent 9 highlighting the importance of honesty, transparency, and communication as foundational elements for building trust and relationships. Cultural and professional background differences within multinational companies can pose challenges to maintaining a consistent set of values conducive to creativity (Neeley, 2015). Respondent 3's emphasis on implementation capacity, and Respondent 2's intention to introduce a "play day" for creative

exploration, provide a diverse range of perspectives on stimulating creativity within different organizational contexts.

Overall, this section suggests a positive relationship between ethical leadership, a supportive psychosocial environment, and enhanced employee creativity. The institutionalization of structures that encourage idea-sharing and recognition of creative contributions is highlighted as a key practice within these organizations.

4.1.5 Proposition 5: Ethical Leadership Increases Employee Voice Behavior

In this last section, the final preposition is investigated. Does ethical leadership increase employee voice behavior? Voice behavior may not be a very well know term to many, and it was so for the respondents as well. In this case, it is not a problem, as the main goal was to investigate if the factors for employee voice behavior were present in the workplace. Like with the two first prepositions, employee creativity and employee voice behavior are driven by some of the same factors, and some questions asked for P4 could have been asked for P5, and vica versa. The respondents were asked questions about their work environment, their relationships with colleagues, and how opinions are voiced at their company (Chen & Chen, 2017).

The answers from the respondents regarding the workplace environment overlapped with the previous questions about the psychosocial environment, which could have been foreseen. More interesting were the answers regarding how the respondents tried to create a good workplace themselves. They tried to establish real relationships with their co-workers, based on trust and creating a safe environment (Avey, Wernsing, & Palanski, 2012). The tools of communication and role modeling were mentioned as important to establish these relationships (Brown & Treviño, 2014). Being vocal about what the desired workplace environment should be like was also important. Here, the leaders wanted to affect the culture of the workplace, through the social interactions that are happening every day.

Although voice behavior was a term unknown to most, it seemed as if most respondents were confident there were high levels of this in their workplace. This might however be affected by some bias, as it is easier to be vocal about ideas and opinions when you are in a leadership position than when you are new in the workplace. Some mentioned this potential bias and argued that their opinions were what they were "paid for". By this they meant that speaking

up is their responsibility as leaders and part of a management group. Some also mentioned that they considered discussion to be an important tool, but there also had to be a consensus about how far the discussion would go.

> R1: *Yes, I think so (on whether it is okay to disagree at Company 1). I think we have a sensible amount of discussion. But there is also a common understanding of how long this discussion is going to last. I do not believe we have a lot of cases that haunt our organization, like Bybanesaken in Bergen. I think we manage to settle discussions and make decisions, without them laying and aching. […] A good work environment for me is based on (professional) safety. There is something long term and blessed about working at banks, which I appreciate. Safety also applies to not fearing going to work, by being confronted by negative attitudes and being heard from the top all the way to the bottom.*

Respondent 1 outlines underlines that there can be too much discussion as well, when asked if disagreement is accepted at his workplace. After describing the present situation, being that there is a level of understanding amongst colleagues of how far the discussion should stretch, he connects discussion with psychological safety and a good work environment. Professional safety is something he values, and it is encouraged through not engaging in office politics, steering clear of negative attitudes towards other colleagues, and a management which listens to the rest of the organization (Hansen, 2018). It can be interpreted as the listed actions are strengthening the relationship amongst colleagues, according to R1. He insinuates that this is especially important for people working within banking, as the goals are more long term, and not connected to short term profit.

As supposed to R1, respondent 10 works at a larger company. As described in the previous section, the generation of ideas and feedback might prove challenging to companies of size, as is confirmed by the quote below.

> R10: *Of course, it is challenging to catch all opinions in a company where there are so many, but we try our best (on how employees can out their opinions). There are some processes where people can indeed pitch ideas and thoughts on a regular basis, however it is mostly connected to certain teams or positions. There are also some jobs here, where coming up with new ideas and projects is not in their job description. I think we lose some good ideas and feedback from these people, because they see*

things through their work with daily operations that others don't. It is hard to encourage these people to come forward without creating a landslide of information that might not be very useful.

Respondent 10 highlights the challenges of a larger workforce. It may be more challenging to receive and interpret valuable feedback as a larger company. There are forums for people to voice their opinions and thoughts, but they are mostly connected to certain positions. From this quote, we can derive that it is not easy for all employees to speak out. Although any company of size has an HR-department where employees can report and consult about work-related issues, it does not seem as if it is that easy facilitate for voice behavior when a company reaches a certain size. R10 also reflects that there might be a potential loss of value when not receiving enough feedback from people in daily operations. The company has seemingly weighed this value lower than the cost of processing the potential large amount of feedback they would receive if all employees would voice their thoughts, concerns, and ideas (Serrat, 2017).

One of the recurring themes was that a good work environment, psychological safety and values are connected. When people feel safe at work, it increases confidence, in turn paving the way for increased voice behavior.

> R6: *I think psychological safety is very important. That people feel safe at work, taken care of and seen, and that people have a good tone as well as respect for each other. This is enforced through feedback forms each quarter, where people can voice their opinions about the workplace and their colleagues.*

Respondent 6 highlights some of the factors that increase psychological safety, in a fashion where connections to previously discussed values such as honesty, transparency and positive attitudes can be drawn. R6 also speaks about collecting the opinions of her teammates through feedback forms, providing the management with data which can contribute to catching negative trends (Detert & Burris, 2016). This practice might come from an HR-related standpoint, but the results give leaders a good picture of how their practices are affecting the team.

> R2: *A good working environment for me is being allowed to front your opinions. Alright, it is not certain you will get everything through, but you are taken seriously and handled in a serious way. A good working environment is also no talking behind*

people's backs, without "clicks" and unformal things. Arenas where things are decided have to be set by formal structures, so that people know where things are done. It's about people talking with each other, not about each other. [...] Sometimes ideas are followed up on more thoroughly, others are taking by the wind. In some parts of the organization, people do not speak their mind because they are afraid of disagreeing. This is because they do not want to create more work for their colleagues or create bad vibes.

In other words, respondent 2 connects high levels of voice behavior to a good working environment. He is clear that not every idea can be expected to go through, but it deserves the respect to be treated equally until proven otherwise. R2 also highlights the importance of avoiding negative social structures such as groupings within teams and transparency of idea processes, avoiding office politics (Hansen, 2018). Indirectly, R2 also points out that it is better to communicate actively with people than to communicate passively about them. This form of open and honest dialogue has positively been brought up by several respondents in other sections of Chapter 4.

In the exploration of Proposition 5, which investigates whether ethical leadership increases employee voice behavior, the focus is on understanding factors that contribute to employees expressing their opinions and ideas in the workplace. The term "voice behavior" may be unfamiliar to many, including the respondents, but the primary goal was to assess the presence of factors influencing such behavior in their work environments. Like Proposition 4, questions about the psychosocial workplace environment, relationships with colleagues, and the expression of opinions were posed to the respondents. Notably, the respondents actively sought to create a positive workplace environment by establishing real relationships based on trust, employing tools of communication, and role modeling (van den Akker, Heres, Lasthuizen, & Six, 2009). Leaders expressed a desire to influence workplace culture through daily social interactions, emphasizing the importance of vocalizing expectations for the desired workplace environment.

Although some respondents were unfamiliar with the term "voice behavior," there was a general confidence that high levels of such behavior existed in their workplaces. However, the potential bias of leaders being more vocal due to their positions was acknowledged. Some respondents argued that expressing opinions is part of their responsibility as leaders and a

component of being part of a management group. Several quotes from respondents shed light on their perspectives on voice behavior and the workplace environment. Respondent 1 highlighted the importance of managing discussions to ensure psychological safety and a good work environment (Chen & Chen, 2017). Professional safety, including steering clear of negative attitudes and maintaining a listening management, was emphasized. Respondent 10, working in a larger company, acknowledged the challenges of capturing all opinions, particularly from employees whose roles may not explicitly involve generating ideas. The difficulty in encouraging certain individuals to come forward without overwhelming the system with information was recognized.

A recurring theme was the connection between a good work environment, psychological safety, and values (Detert & Burris, 2016). Respondent 6 emphasized the importance of psychological safety, achieved through practices like quarterly feedback forms that allow employees to voice their opinions about the workplace and colleagues. Respondent 2 connected a high level of voice behavior to a good working environment, stressing the importance of allowing employees to express their opinions and treating all ideas with respect. The avoidance of negative social structures and the promotion of open and honest dialogue were highlighted as crucial elements (Mayer, Aquino, Greenbaum, & Kuenzi, 2012).

In summary, this section suggests that ethical leadership contributes to increased employee voice behavior by fostering a positive work environment, psychological safety, and a culture of open communication. The leaders recognized the importance of actively managing discussions, respecting diverse opinions, and creating formal structures that promote transparency and inclusivity.

4.3 Summary

In summary, the findings suggest that most of the respondents believe communication and role-modeling to be important tools in transferring desired values from them as leaders, to their subordinates. Values that keep reoccurring during the interviews are being transparent, honest, open, predictable, and just (Brown & Treviño, 2006). These correspond with the definition of ethical leadership, although very few respondents had a conscious relationship with the term (Zhang & Yuan, 2021). Furthermore, it was hard to determine to what degree ethical leadership contributes to responsible innovation, but it has some impact. Although

most respondents did not consciously practice responsible innovation (Owen, Bessant, & Heintz, 2013), there were cases where they did so intuitively.

Moving on, the finding surrounding employee creativity and voice behavior also seem to be driven by values corresponding with ethical leadership behavior (Eisenbeiss, Knippenberg, & Boerner, 2008) (Chen & Chen, 2017). The respondents seemed to have a more conscious relationship to these terms, and their organizations worked actively to stimulate them. The theoretical link between these two factors and innovation was already laid in Chapter 2, leading to the conclusion that ethical leadership does influence responsible innovation. However, these findings raise the question of how much credit is to be given to ethical leadership, as it may seem that this type of leadership behavior mostly was a subconscious effort, and the result of factors present elsewhere as well as in ethical leadership.

Proposition 1: Communication contributes positively to ethical leadership

The findings reveal that all the respondents believe communication to be a positive contribution to ethical leadership. Respondents 1,2,6,9 and 12 stated this the most clearly. Although they were not direct about the connection between communication and ethical leadership, the framework shows that it is an important contributor (Brown & Treviño, 2006). The respondents explain how honesty, trust and openness is communicated to their subordinates, values and aspects which are found in ethical leadership theory.

The presented material underscores the positive impact of communication on leadership, particularly emphasizing its role in ethical leadership across various leadership styles (Treviño, Hartman, & Brown, 2000). The findings further indicate that leaders who are mindful of their communication tend to exhibit ethical leadership qualities, with a focus on transparency, honesty, directness, professionalism, and politeness (Mihelic, Lipicnik, & Tekavcic, 2010). Furthermore, the results highlight communication as a crucial tool for conveying perspectives and company values to teams, recognizing its importance in both conscious and subconscious manifestations of ethical leadership. Additionally, the interconnection between communication and role modeling is confirmed by the respondents. The results retrieved from the collected data show a very high degree of support for P1.

Proposition 2: Role modeling contributes positively to ethical leadership

The results suggest a strong, positive connection between role modeling and ethical leadership. This was already suggested in the research of Brown & Treviño, and now strengthened by the empirical findings of this thesis. All the respondents were clear on them being role models, and how showing their subordinates ethical leadership behavior encouraged them to do the same.

The participants were more vocal about the significance of role modeling, particularly when leading through values, with key facets such as transparency, honesty, directness, professionalism, and politeness resonating with both company and personal values. The findings also underscore the interconnectedness of role modeling and communication, emphasizing the mutual reinforcement of these practices for effective leadership and the creation of a positive team culture. While not all respondents initially embraced the term "role model," there was a consensus on its importance, with actions perceived as equally impactful as words in shaping ethical leadership (Brown & Treviño, 2006; Morgenroth, Ryan, & Peters, 2015). There is therefore a strong foundation of support for P2, combining the theoretical findings with the empirical data.

Proposition 3: Ethical leadership contributes positively to responsible innovation

The findings connected to P3 are more ambiguous than the previous two, partially because of the structural framework of this thesis. Proposition 3 investigates the potential positive impact of ethical leadership on responsible innovation, exploring the experiences of respondents in both domains. The findings suggest that, in the absence of a specific innovation framework (Owen, Bessant, & Heintz, 2013), ethical leadership's role in responsible innovation seems to be a subconscious effort. Focusing on respondents with ethical leadership traits involved in scalable innovations, the study reveals a perceived lack of explicit discussions about innovation consequences, particularly in product-related contexts with low stakeholder opportunity costs. R3 and R9 stress the need for responsible innovation within a framework of principles, expectations, and sustainability considerations. Notably, R9 designates a specific person responsible for ensuring ethical considerations in her product development team.

Also changes in leadership styles during innovation were investigated, with most respondents indicating minimal changes, implying that innovation does not change

leadership styles. From this can be derived that if a leader is following ethical leadership principles before the innovation, it is likely that this person will do this during and after the process as well. The big challenge for this proposition is to scientifically establish a direct correlation between ethical leadership and responsible innovation. This is because of the lack of measurable significant data and the subconscious nature of the behavior presented in the findings. The findings underscore the need for more explicit discussions about the consequences of innovations, particularly in product-related contexts (Grinbaum & Groves, 2013). Conclusively, the information provided by the data material suggests a positive connection between ethical leadership and responsible innovation. However, the empirical answers in connection to P3 alone, are not enough to confirm the proposition or completely answer the research question.

Proposition 4: Ethical leadership enhances employee creativity

The results surrounding P4, show clear signs that behavior, values, and tools connected to ethical leadership enhance employee creativity (Eisenbeiss, Knippenberg, & Boerner, 2008). I studied elements of the psychosocial workplace environment, trust dynamics among colleagues, and the idea development processes within the companies. Notably, the findings reveal that a considerable number of respondents allocate significant working hours to nurture creativity and embrace new ideas, challenging the conventional perception of banking and finance sectors as less creative (Brady, 2018). The psychosocial environment is predominantly positive, marked by workplace satisfaction, strong colleague relationships, and a favorable work-life balance. High levels of trust align with the overall trust observed in the Norwegian population and work environments (Ortiz-Ospina & Roser, 2016; van den Akker, Heres, Lasthuizen, & Six, 2009)

Institutionalized structures, such as designated idea-sharing times in team meetings, contribute to creating an inclusive environment where all ideas are valued. Executives play a role in recognizing and communicating the progress of ideas, reinforcing the importance of crediting contributors. Respondents emphasize the significance of acknowledging and rewarding creative efforts (Detert & Burris, 2016). Illustrative quotes from respondents underscore deliberate efforts to foster creativity, such as Respondent 12 prioritizing an open, predictable, and fair psychosocial environment to reduce stress and facilitate productive thoughts. Respondent 6 outlines an established process for voicing feedback and ideas during

team meetings, incorporating informal pitch sessions and workshops to encourage idea-sharing. Cultural considerations and the challenges posed by cultural and professional background differences within multinational companies are acknowledged (Neeley, 2015). The proposition is confirmed with a significant amount of empirical evidence supporting it, stating that ethical leadership positively enhances employee creativity.

Proposition 5: Ethical leadership increases employee voice behavior

For the final proposition, the findings suggest a positive increase in employee voice behavior due to ethical leadership. The effect is mostly facilitative, and not directly connected. The data investigates the factors that contribute to employees expressing their opinions and ideas in the workplace. While the term "voice behavior" might be unfamiliar, the study aimed to assess the presence of factors influencing such behavior (Chen & Chen, 2017). Aligning with the earlier propositions, questions about the psychosocial workplace environment, relationships with colleagues, and the expression of opinions were posed.

Respondents actively sought to cultivate a positive workplace environment by building real relationships based on trust (van den Akker, Heres, Lasthuizen, & Six, 2009), utilizing communication tools, and emphasizing role modeling to influence workplace culture through daily social interactions (Denison, 1990). Despite some respondents being unfamiliar with the term "voice behavior," there was a general confidence in its prevalence in their workplaces, although the potential bias of leaders being more vocal due to their positions was acknowledged. The importance of managing discussions for psychological safety and a positive work environment was highlighted. A recurring theme emphasized the connection between a good work environment, psychological safety, and values, underscoring the role of ethical leadership in fostering increased employee voice behavior (Brown & Treviño, 2006). The leaders recognized the importance of actively managing discussions, respecting diverse opinions, and creating formal structures that promote transparency and inclusivity, reinforcing the idea that ethical leadership contributes to a culture of open communication and increased employee voice behavior (Detert & Burris, 2016). The results suggest that the impact of ethical leadership increases factors facilitating increased employee voice behavior, thus confirming P5.

For the purpose of summarizing the findings alongside each other, Table 3 illustrates how well the different propositions were supported by the findings of this study. The scale states five different degrees of support, ranging from very low to very high.

Table 3

An overview of how well the different propositions were supported by the findings

PROPOSITION	DEGREE OF SUPPORT
P1: COMMUNICATION CONTRIBUTES POSITIVELY TO ETHICAL LEADERSHIP	Very High
P2: ROLE MODELING CONTRIBUTES POSITIVLY TO ETHICAL LEADERSHIP	Very High
P3: ETHICAL LEADERSHIP CONTRIBUTES POSITIVELY TO RESPONSIBLE INNOVATION	Neutral
P4: ETHICAL LEADERSHIP ENHANCES EMPLOYEE CREATIVITY	High
P5: ETHICAL LEADERSHIP INCREASES EMPLOYEE VOICE BEHAVIOR	High

5 Discussion

5.1 Theoretical implications

The main theoretical findings of this study implicate that the research done so far is headed in the right direction, uncovering new aspects about how ethical leadership influences the corporate world. However, there are findings that challenge existing theories, as well as pave the way for new directions within the field. The aim here is to summarize the main theoretical findings of this study, as well as the contribution to the existing theories in the field. Due to the sample size of this study, its contribution and impact is limited. However, it reinforces some of the theories presented in Chapter 2, as well as pointing out that there are differences between samples, indicating the need for further research to provide more clear, generalizable answers.

5.1.1 Proposition 1

Communication and role modeling are both factors important for practicing ethical leadership (Brown & Treviño, 2006). The findings confirm this, with the respondents being clear that this is something that they are conscious about in their everyday lives, both professional and private. Communicating with employees about ethical aspects of the job is something the respondents agree has value, although there are some differences here. Some findings indicate that it is the content of the communication that is the most important for ethical leadership. Other findings suggest that both content and communication style are important for the enhancement of ethical leadership, as the style may affect how the message is interpreted by the receiver. A large portion of ethical leadership rests on building trust (van der Akker et al., 2009), and therefore the communication style should work on reinforcing this.

However, the findings also show that the respondents are not conscious how research shows that communication and role-modeling are connected and support ethical leadership. The respondents practice the values that ethical leadership is promoting (Mihelic et al., 2010), through role modeling and communication, in an instinctive manner. The findings concerning communication imply that ethical leadership values are something that lays natural and latent for many of the respondents. As to why this is, there is no empirical evidence found in this study, and could therefore be an interesting subject for future research.

What some of the research often overlooks is the synergies between role-modeling and communication. The empirical findings show that professionals have a much more conscious relationship of these factors together, feeling that they are intertwined. This coincides with the theories of Brown & Treviño and Figure 1, listing communication and role modeling together. The synergies between the two are apparent in the findings, where leaving out one will weaken the other. Practicing both however, will create a bigger positive effect, as they are considered mutually reinforcing by the respondents of this study.

Another aspect that is evident in the results is that the leaders do not change their communication style when working with innovation projects. This is contrary to some literature on leading innovation, which states that universally acknowledged good leadership might not be the same when innovating (Hill, Brandeau, Truelove, & Lineback, 2014). Not changing their communication style during innovation might not be contradicting the main findings within research, but it may suggest that not all leaders change everything about their style when innovating.

Frequently mentioned in the literature surrounding communication and ethical leadership, is the facilitation of discussion surrounding ethical values and the organization's core values (Treviño, Hartman, & Brown, 2000). The explicit discussion of ethical values as a preventive matter was not found by this study. The celebration of ethical conduct was also not something the findings show significantly, but the reaction to non-ethical behavior was present. Some of the managers stated acting immediately when unwanted and unethical behavior was observed. Most of the time the reaction was a conversation between the leader and the person in question, to correct this behavior by discussing why the actions were not in line with the company's values, and what the employee could do to improve. Unethical behavior is less frequent in the presence of ethical superiors (Khuntia & Suar, 2004), one of the reasons being the emphasis on communication.

Integrity is another aspect that is highlighted by the findings connected to P1. According to the Cambridge Dictionary, integrity is the quality of being honest and having strong moral principles that you refuse to change (Cambridge Dictionary, 2023). Integrity is something ethical leadership has in common with all the other leadership styles in Table 1 (Brown & Treviño, 2006), showing its importance for leadership. The findings in this thesis strengthen the importance of integrity in the aspect of communication. The respondents describe the

importance of being honest and true to their personal and company values in their communication, showing integrity in their communication, and cementing its importance for ethical leadership. However, the findings also point out being too focused on integrity can sometimes have the opposite effect, and negatively impact ethical leadership. Being honest about sensitive topics can be perceived as being too direct, which some respondents stated that they were. The adaptation of new communication styles was perceived as challenging, as it often was an integrated part of the leader's personality. The findings imply that integrity is an important pillar of ethical leadership, when used with moderation.

5.1.2 Proposition 2

Role modeling is not something that is an exclusive trademark for ethical leadership but is included in several leadership theories as shown in Table 1 (Treviño, Hartman, & Brown, 2000). The findings connected to Proposition 2 show why it is practiced in several leadership styles, as it is emphasized by all respondents as important. The synergies with communication have been discussed in the previous subchapter, confirming the power of not only talking the talk, but also walking the walk (Brown & Treviño, 2006).

Role modeling is a key factor in creating a positive work environment, promoting trust and psychological safety, which both are vital to the encouragement of employee creativity and voice behavior (Eisenbeiss, Knippenberg, & Boerner, 2008). This confirms that role modeling is an important input into ethical leadership, as it is an opportunity to show the desired values, creating and reinforcing the company culture (Denison, 1990). The findings show that the respondents in this study were very aware of them being role models for other employees, and that this was part of their job as leaders.

Contradicting previous research, is the fact that many respondents felt that the values they were conveying through role modeling were aligned with personal and company values. Other research suggests that these values are more likely to be a result of the company than yourself, but the respondents were firm in their belief that they did not practice value adaptation, but rather transferred personal values into their professional lives (Wells, Thelen, & Ruark, 2007). It is hard to determine whether the values displayed are because of personal, ethical, and moral aspects, or if they are subconsciously affected by the company culture. Nevertheless, the findings implicate that there are differences between countries and cultures in this case.

Although the sample for this aspect is lacking some size, the consciousness and comfort surrounding role modeling is something that eases with age (Morgenroth, Ryan, & Peters, 2015). Previous research mainly investigates situations where the role models have significantly more tenure than the employees they are role models for. A small sample of the results indicate that it might be more challenging for employees with less tenure to role model for others that are on the same level, especially in the transition period after a promotion. Although not crystal clear, the findings indicate an interesting branch of unexplored research that could be pursued in the future.

A factor that this study has not explored is the negative impact of role modeling. Ethical leaders possess the ability to influence their followers, through motivation, inspiration and effective communication (Mayer et al., 2019). This study had some leaders which were categorized as non-ethical, leaving their interviews out of the study. With an increased timeframe, it could be interesting to measure the differences between leaders perceived as ethical leaders, and non-ethical leaders, and the effect of role modeling on their employees. This effect has been studied in different cases by other researchers, Sims & Brinkman (2002) being one of them. They analyze the bond trading scandal at Salomon Brothers, stating that leaders shape and reinforce the ethical climate through what they pay attention to, how they behave and how they react in a crisis (Sims & Brinkman, 2002).

The findings of this thesis also implicate the same thing as Sims & Brinkman present in their case, however only studying the possible upsides of ethical leadership. Having established the positive effects of role modeling (Brown & Treviño, 2014), it is important establishing through case-studies that these effects can also be negative. The fact that leaders help shape the ethical climate in a company overall strengthens the findings of this thesis.

Having spoken about integrity in the previous sub-chapter, some of the findings indicate that integrity might counter the potential positive effects of role modeling (Brown & Treviño, 2006). Respondents in this thesis were asked about if they viewed their immediate superior as a role model, and most of them answered that they did. However, some of them followed up with saying that they only adapted certain aspects of their superior's leadership style. When asked for reasoning, the respondents elaborated on differences in personality, leadership style and values. This shows that the effect of role modeling might be limited if

the followers have a strong sense of integrity and differ greatly from the leader's characteristics.

5.1.3 Proposition 3

Some of the values and behaviors that are prominent in promoting an innovation friendly environment in the workplace, are not specifically connected to ethical leadership, but rather strongly promoted by it (Mihelic, Lipicnik, & Tekavcic, 2010). When developing future frameworks for the finance industry, and other sectors that might need this type of tools, ethical leadership is an established concept that could be included. The findings show that there is little direct practice of ethical leadership behavior that is a perfect sample of theory, but rather more subconscious behavior building on personal values and moral (Zhang & Yuan, 2021).

However, there is no doubt that ethical leadership leads to positive employee outcomes, which in turn may affect innovation (Avey, Wernsing, & Palanski, 2012). Two of these are researched in this paper, employee creativity and voice behavior. It is not the direct effect that was outlined in the model shown in Figure 2, but rather an indirect effect. To investigate a potential, more direct effect, methods for isolating ethical leadership and responsible innovation would have to be applied. This might however be challenging in case-studies, working with real-life phenomenon (Saunders et al., 2019).

This study partially set out to contribute filling the research gap regarding ethical leadership and practical applications through responsible innovation. The study reveals that, despite the practical absence of a specific innovation framework such as (Innovation Compass, 2023; Owen, Bessant, & Heintz, 2013), ethical leadership traits and values among respondents were associated with involvement in scalable innovations. The findings highlight the need for more explicit discussions about the consequences of innovations, particularly in product-related contexts, where stakeholders might face low opportunity costs. Increased stakeholder management has been highlighted by research over the past years, showing the importance for keeping several perspectives in mind (Du, Bhattacharya, & Sen, 2010). Although some frameworks for responsible innovation exist, their use is not widespread amongst the sample of this study.

However, respondents emphasized the importance of diverse teams, clear communication, and the role of specific individuals in ensuring ethical considerations during innovation processes. The theoretical implications suggest that responsible innovation may not be explicitly guided by formal frameworks but rather influenced by ethical leadership practices and values (Brown & Treviño, 2006). The need for further exploration of the dynamics between leadership, ethics, and innovation in organizational contexts is therefore brought to the surface by this project. Although this is nothing new, and previously stated by researchers in the field, the findings still emphasize the need for future projects.

Earlier in this thesis, the framework for responsible innovation by Owen et al. (2013), was presented. The four dimensions were anticipation, reflection, engagement and action. Although the findings in this study cannot outline a directly significant effect between ethical leadership and responsible innovation, there are some findings that have implications on these four dimensions (Owen, Bessant, & Heintz, 2013).

Ethical leadership has proven to promote discussion surrounding values and ethics, which also can create an arena for the reflection surrounding new innovations (Treviño, Hartman, & Brown, 2000). Although the respondents have expressed the need for an increased level of discussion surrounding the consequences of innovations, the impact on their clients was often in focus. As ethical leadership normalizes discussion and creates a safe space to fail, it would be natural to assume that sparking debate lies more natural in a positive ethical climate.

The findings imply that there also is some effect on the "engage" dimension of the framework. The importance of stakeholder communication has been highlighted previously and was also discussed by the respondents (Du, Bhattacharya, & Sen, 2010). Ethical leadership values promote transparency and trust between leaders and followers, but also between companies and their stakeholders. Seeing as the research results show how personal values often are aligned with corporate values, it is natural to assume that these values are also transferred in their contact with stakeholders. When having established this communication receiving feedback through engaging stakeholders, it shows how ethical leadership indirectly contributes to responsible innovation.

The final dimension of the framework focuses on taking actions that align with ethical and societal values (Owen et al., 2013). In the light of the empirical data, this dimension becomes

more reactive than proactive. This is not a big problem, as the three other dimensions of the framework can be viewed as mainly proactive. The respondents stated that they evaluated the projects they worked on after they launched, and quickly adapted it when they noticed functional and ethical issues. Whether this was motivated by monetary incentives or ethics and morals, is hard to conclude with using the collected data. However, it is clear that ethical leaders create an ethical climate (Sims & Brinkman, 2002), and in this climate there is a higher chance of implementing innovations that respect and promote responsible behavior (Owen, Bessant, & Heintz, 2013).

5.1.4 Proposition 4

The fourth proposition has also been supported by the findings of this thesis, implying that ethical leadership enhances employee creativity. In previously conducted research project, the fact that creativity is influenced by ethical leadership, has been laid (Eisenbeiss, Knippenberg, & Boerner, 2008). The findings suggest a positive association between ethical leadership and the stimulation of employee creativity within the workplace. The emphasis on a positive psychosocial environment, characterized by openness, trust, and fairness, aligns with existing research on the importance of workplace attributes in fostering creativity (Eisenbeiss, Knippenberg, & Boerner, 2008; van den Akker, Heres, Lasthuizen, & Six, 2009). The institutionalized structures supporting creativity, such as designated idea-sharing times and executive acknowledgment of progress, contribute to an inclusive atmosphere where diverse ideas are valued. These types of tools were highlighted by several respondents and received high praise.

Cultural aspects, highlighted by respondents, underscore the challenge of maintaining a consistent set of values conducive to creativity within diverse multinational organizations (Neeley, 2015). The theoretical implications stress the need for leaders to actively cultivate a supportive environment, recognize and reward creative efforts, and navigate cultural differences to sustain a conducive atmosphere for innovation and creativity (Detert & Burris, 2016). Some of these findings and implications are connected to Proposition 5, seeing as both employee creativity and voice behavior are stimulated by similar input.

The findings are not as clear on the connection between P4 and P5 as the connection between P1 and P2. However, there is some evidence as to the positive effects on the psychosocial work environment made by ethical leadership. The results suggest that values and conducts

promoted by ethical leadership, also lead to a better work environment (Treviño, Weaver, & Reynolds, 2006). The building of trust is emphasized through literature as an important pillar both within ethical leadership, but also in creating psychological safety in the workplace, important for stimulating creativity (van den Akker et al., 2009; Eisenbeiss et al., 2008).

The findings connected to the fourth proposition confirm the findings in the study conducted by Koopman et al. (2016). The research suggests that ethical leadership displaying emotions such as enthusiasm and happiness will have a significant influence on their followers' ethical behavior. Emotions are not specifically discussed in the interviews, but they were mentioned as part of creating a good work environment. Having a positive attitude helped create personal relationships with their followers, according to the leaders which responded to this thesis.

Giving freedom and being transparent in innovation processes is of vital importance for creativity (Amabile, 1998). The same research also states that creativity is countered by focusing on control, coordination and productivity. The findings and theory presented in this thesis suggest that ethical leadership is a way to increase positive input in creative processes and decrease negative restraints. The respondents support the thoughts and research of Amabile (1998), reflecting on how they operate in innovation processes. They did not change their leadership style, staying true to their values of honesty, openness and focused on inclusion and creating a safe work environment. Also, organizational support and supervisory encouragement affect creative processes (Amabile, 1998). Several of the organizations that were interviewed made room for creativity, showing their support through allocating time and resources. Supervisory encouragement was also illustrated by the respondents, through giving credit where credit was due in idea processes, to motive further idea development.

5.1.5 Proposition 5

Lastly, Proposition 5 is also confirmed by the findings discovered by this project, thus confirming that ethical leadership increase employee voice behavior. The respondents stress the importance of creating a work environment where everyone feels as if they are comfortable enough to speak their mind and share ideas. This is a more practical definition of voice behavior (Chen & Chen, 2017). While the term itself might be unfamiliar to some respondents, the presence of influential factors in their work environments was confirmed

by the empirical findings. Like Proposition 4, factors such as a safe psychosocial workplace environment, good colleague relationships, and the safety to express opinions, were found important (Detert & Burris, 2016). This is along the lines of previous research, but it also suggests an empirical connection between creativity and voice behavior, as suggested in the previous subchapter 5.1.4.

Respondents emphasized promoting voice behavior through actively managing discussions, respecting diverse opinions, and establishing formal structures that encourage transparency and inclusivity. Some respondents felt that these organizational structures provided additional psychological safety, because they secured the same, fair treatment of all feedback and ideas. Employees should therefore not fear that their opinion would not be taken seriously. There were several practical examples, some along the lines of what Deter & Burris (2016) presented in their paper. These suggestions for practical implications that should increase voice behavior, were not something the respondent was familiar with as of today.

However, some respondents felt the need to clarify how long the ongoing discussion should take. It was considered important that every idea got the respect it deserved, but that there also was a time to move on. The respondents who emphasized this, spoke of it in a manner that would suggest there was a common, cultural understanding about this, which may have emerged due to different causes.

Notably, respondents actively fostered a positive workplace environment by building genuine relationships based on trust, open and personal communication, and practicing role modeling. Leaders expressed a commitment to shaping workplace culture through daily social interactions, emphasizing the necessity of articulating expectations for the desired work environment (Brown & Treviño, 2006). Ethical leadership theory clearly states that it is important for leaders to be vocal about the ethical standards to their subordinates. As the findings has uncovered, many do this through role modeling and communication, but also through using organizational tools to facilitate this.

The potential bias of leaders being more vocal due to their positions was acknowledged in the results, recognizing that expressing opinions is integral to their role as leaders. The findings suggest that ethical leadership works enhancing employee voice behavior by

cultivating a positive work environment, ensuring psychological safety, and fostering a culture of open communication and inclusivity.

Within organizations, employees continually confront situations that put them face to face with the decision of whether to speak up (i.e., voice) or remain silent when they have potentially useful information or ideas (Morrison, 2011). The findings mainly agree with the fact that ethical leadership increases employee voice behavior through creating an environment safe enough to make speaking up possible. However, some respondents stated that they in fact knew of employees deliberately not speaking up, because they knew it would cause more work for their colleagues and would therefore be disliked. This shows that it is very challenging for companies to mitigate all forms of negative social interactions and consequences. Ethical leadership contributes positively to an open work environment where ideas can be heard. However, it cannot counter all negative social behavior, inherent to all social settings, not only professional.

5.1.6 The Model

After reviewing the findings and discussing the implications it has for research theory, it is time to review and revise the model which was presented as Figure 2 in Chapter 2. The left part of the model, where communication and role-modeling are presumptively contributing positively to ethical leadership (Brown & Treviño, 2006), is confirmed by the empirical findings. However, it should be noted that these are inputs that influence ethical leadership, clarified through color coding. Another aspect that the findings uncovered is that the respondents found these two factors to be intertwined. Therefore, a connection between the two factors, showing that they are influencing each other, is in order.

Moving on to the next part of the model, ethical leadership is centered, as it should be. Furthermore, there is a connection going from ethical leadership straight to responsible innovation. Here, the findings are insufficient to establish a direct, significant connection at this point in the research. Therefore, the removal of this direct connection seems natural, given the circumstances. Future research might be able to establish a stronger connection building on this research and reinstate this connection with a strong theoretical and empirical foundation. Removing the arrow that shows the direct connection also strengthens the indirect connection to responsible innovation that the findings have brought to light.

The final part of the model, where ethical leadership is a positive influence on employee creativity and voice behavior, is confirmed by the findings (Eisenbeiss, van Knippenberg, & Fahrbach, 2015; Eisenbeiss, Knippenberg, & Boerner, 2008). Further, these two are then assumed factors which positively affect responsible innovation (Grinbaum & Groves, 2013). Together with the presented theoretical assumptions, the findings also have reason to implicate this to be significant connection. The distinction between input and output should also here be clarified with color-coding, showing that responsible innovation is influenced by, not influencing, employee creativity and voice behavior. These two factors also influence each other, as they are strengthened by the same forces and influenced by a positive work environment. A connection that shows this in the model is also clarifying, showing how they, both influence each other, and that it is hard to do one without the other. Figure 3 presents the revised version of my model, implemented with the changes described above. I believe that the new version is adapted according to the findings of this thesis and gives a better image of how these forces affect each other, from the empirical viewpoint of the research related to this thesis.
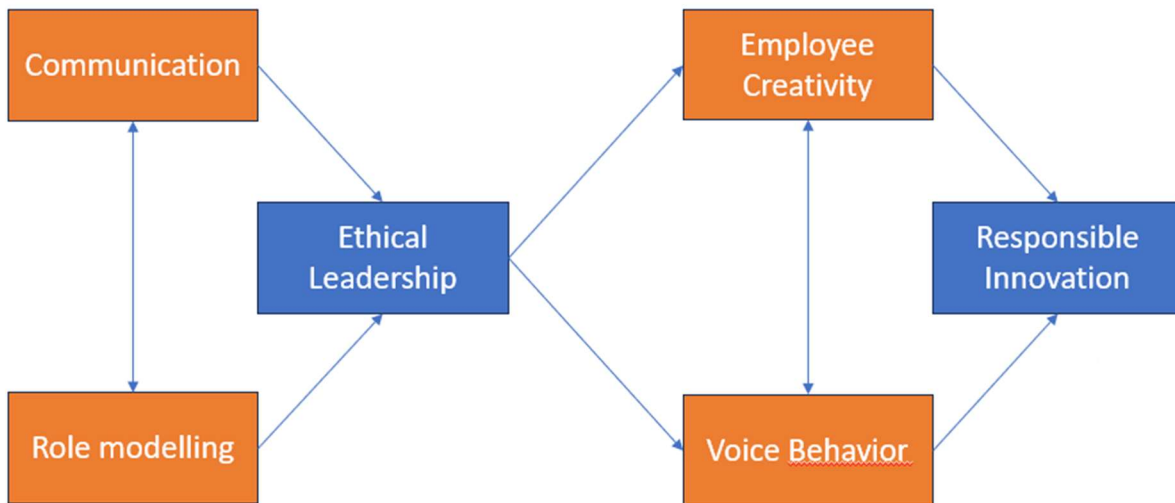

Figure 3 - Output of Ethical Leadership on Responsible Innovation

5.1.7 The Research Question

Finally, it is time to revisit the research question, and see what answers have been provided. The research question was, and still is: "How can ethical leadership contribute to responsible innovation within the finance sector?". The findings have shown that it is challenging to lay a direct connection between ethical leadership and responsible innovation but fear not, there are more ways to Rome. Ethical leadership can contribute to responsible innovation by being positively influenced by communication and role modeling (Brown & Treviño, 2006). These factors help strengthen the ethical leadership of managers, which in turn can create better social environments to innovate in (Bello, 2012; Mihelic et al., 2010; van den Akker et al., 2009). The findings show that ethical leadership and the effects hereof enhances employee creativity and voice behavior. In turn, these two factors contribute to responsible innovation (Eisenbeiss, Knippenberg, & Boerner, 2008).

The connection between ethical leadership and responsible innovation is therefore not direct, looking at the results from this study. The empirical findings show that the values, practices, and results of ethical leadership can contribute positively to an environment that promotes the values responsible innovation needs to prosper (Grinbaum & Groves, 2013; Owen et al., 2013). For its effects to be even clearer, the lack of applicable external and internal frameworks must be dealt with (Gurzawska, 2021). The sample from this study was collected from the finance sector, but the guiding principles and findings can be transferred to other sectors with similar traits.

5.2 Practical Implications

The findings of this thesis do not only have implications for the theory, propositions and model developed during the research process. There are also practical implications which can be of interest to professionals, policy makers and researchers alike.

When assembling teams for set for innovation, they should increasingly be using frameworks, such as the ones suggested by Owen et al. (2013) and tools made by third parties such as the Self Check: Innovation Compass (2023). Most teams today only consider the legal frameworks presented by industry standards and legislations. The respondents in the study highlighted the lack of other standards and tools. These tools exist mostly in research. Through the conscious practices and use by companies, they can be improved and spread to a wider audience. Furthermore, the fact that respondents are wanting other frameworks

outside the minimum required by law, suggests that the bar is set to low by policy makers. There is an increasing attention connected to stakeholder management, CSR, and business returns, which should provide all the incentives needed for companies to develop frameworks for responsible innovation themselves (Du, Bhattacharya, & Sen, 2010). This thesis suggests that ethical leadership contributes positively to aspects important for responsible innovation and should be considered when implementing these frameworks and policies internally. Using ethical leadership values to foster speaking the truth and guide moral conduct, is important in many industries, but also when presenting new financial products to the market (Vento & Lacovone, 2019).

Role modeling and communications are two of the pillars that ethical leadership rests on (Brown & Treviño, 2014; Brown & Treviño, 2006). Their importance was supported clearly by all respondents, connected to ethical leadership, innovation, and other professional tasks. When communicating the right values, these tools can contribute to ethical leadership in the workplace. Therefore, company executives should set clear management guidelines for communication and role modeling. When doing so, they should refrain from making them too rigid, forcing employees to change their communication style, as the respondents of this study often felt as if this was a part of their personality. The focus should therefore rather be on the content, focusing on building trust and a safe, positive work environment (Bello, 2012; van den Akker, Heres, Lasthuizen, & Six, 2009)

The next practical implication that the result of this study suggests, is using ethical leadership to facilitate for a good work environment, which in turn drives both employee creativity and voice behavior (Chen & Chen, 2017; Eisenbeiss, Knippenberg, & Boerner, 2008). The leaders that have shared their experience through the conducted interviews, feel that building trust and personal connections are important factors that create a good working environment, were employees are not afraid to speak their mind (van den Akker, Heres, Lasthuizen, & Six, 2009). Managers working with innovation should therefore focus on their soft skills and how to motivate employees, in addition to having technical knowledge (Amabile, 1998).

The results also have significance for recruitment processes and the assembling of innovation teams. Results imply that communication and role modeling work to enhance positive qualities of ethical leadership when their values align with company values. Implicitly this suggests when looking for new hires, companies should be on the lookout for

new employees with values that align with their company values. This will most likely increase the potential synergies and decrease the chance of personal values conflicting with the company mission. This is contrary too previous research by (Wells, Thelen, & Ruark, 2007), that suggest the values of employees are more likely to originate from the company than them personally. For young professionals, the findings of this study can be helpful to locate future employers, based on their ability to offer an innovative environment built on common values.

The findings imply that creativity is best facilitated when there are some established, organizational structures, as well as room to think freely (Denison, 1990; Amabile, 1998). If companies wish to have an increased flow of ideas, designated timeslots during team-meetings, leader-follower feedback sessions, and workshops or "play-days" are approached highlighted by the respondents (Detert & Burris, 2016). These structures show organizational commitment to stimulating and rewarding behavior that facilitates innovation in different forms. It can be both the improvement of old concepts, and the invention of new ones. Nonetheless, without actively tapping into the resources present within the company, it is challenging to exploit the potential value.

5.3 Implications for the Finance Sector

Given the industry where this study was conducted, it is beneficial to include the implications of this thesis for the finance sector. Ethical misconduct in banking occurs frequently, stressing the need for improvements (Song & Thakor, 2022). The same authors have found evidence that managerial ethics fail to raise banks ethical standards and that banks with lower ethical standards attract better talent and innovate more. This research implies that ethical leadership behavior alone is not enough but has to be adopted by the company culture as a whole. The results in this thesis oppose these findings, where respondents show ethical leadership values, which also happen to be imbedded in the company values. This suggests that managerial ethics may be raised by the banks themselves through raising their ethical standards. Although the findings indicate this, at this point the findings are only sufficient to initiate speculations along the lines of "what came first, the chicken or the egg?". However, the results should not be disregarded completely just because of its sample size and shows that there are differences within the finance sector.

The second discovery made by Song & Thakor (2022) states that less ethical banks attract better talent. Given that banks in general are struggling with finding talent and keeping it, this could imply that banks benefit from lower ethical standards (McNamee, 2022). On the other hand, the findings presented by Demirtas & Akdogan (2015) indicate that ethical leadership has a positive effect on turnover intention. Although the findings in this thesis do not indicate that ethical leadership has any effect on talent attraction, it has shown effects that imply it affects talent retention and turnover intention. The values of ethical leadership have shown to promote a safe work environment, enhancing employee creativity and voice behavior (Eisenbeiss, Knippenberg, & Boerner, 2008). With banks struggling to keep the talent once hired, a potential effect of establishing stronger ethical leadership practices can be the lower turnover. According to the findings of this thesis, this will affect the work environment, in turn creating more room for factors enhancing responsible innovation, such as employee voice behavior and creativity.

During the interviews, the respondents were asked to share an innovation process they had been a part of. The answers here provided insight into how responsible innovation was practiced in the field. This has also been studied within the finance sector before, providing similar findings (Owen & Williamson, 2014). In the study by Owen et al. (2014), responsible innovation takes a similar form as in the empirical findings, being mainly focused around considering client needs when innovating and the understanding of operational, legal, regulatory constraints. These are elements mentioned by the respondents which were part of product development teams. These findings imply that there are responsible innovation practices already in place in the industry, however often taking other forms that are less explicit about the term. Considering this, future developments of innovation practices in financial firms should therefore consider applying elements of ethical leadership to the management of innovation processes. It could increase both the potential output of the innovation process, enhanced by employee creativity and voice behavior, as well as securing responsible innovation through ethical leadership values.

Through the literature review, it has been discovered that stakeholder management is of importance to companies in all sectors, including finance (Du, Bhattacharya, & Sen, 2010). Other research also implies that ESG-principles has a positive impact on Corporate Financial Performance (CFP) over time (Busch & Bassen, 2015). As the findings in this thesis confirm the importance of communication as a pillar for ethical leadership, it provides opportunity

for the managers in the financial sector (Treviño, Hartman, & Brown, 2000). Figure 1 alongside theory is explicit about the importance of being vocal about ethical expectations when practicing ethical leadership. This also provides a platform for being vocal about ESG-principles, enabling employees to make connections between ESG and ethical leadership. Using the power of role modeling which also has been established by the respondents of this thesis, ethical leadership provides a strong platform for practicing ESG. This in turn can facilitate for a more responsible innovation, seeing as these practices share similar values and aspects.

Ethical leadership has great emphasis on values such as transparency, honesty, openness, predictability, and justice (Brown & Treviño, 2006; Mihelic, Lipicnik, & Tekavcic, 2010). In the finance sector, where trust and integrity are paramount, adopting these values can contribute to a positive organizational culture. Leaders in the finance sector should recognize the importance of being transparent and just in their communication, fostering an environment built on trust (Tyler & Stanley, 2007). The findings indicate that ethical leadership values contribute to building trust and relationships within an organization, which are elemental to a good work environment. Strengthening these values internally is valuable when wanting to transfer these into external relations with business associates. Also, adapting company values grounded in ethical leadership values, can create an enhanced effect in changing the company culture (Wells, Thelen, & Ruark, 2007).

Another aspect that was highlighted by the respondents was the need for company frameworks for responsible innovation. Staying ahead of the industry standard had several benefits, according to some of the respondents. Framework for responsible innovation does exist, but the knowledge of these is not widespread enough (Owen, Bessant, & Heintz, 2013; Innovation Compass, 2023). This explains the need employees feel for developing these frameworks in-house. This enables the adaptation of said framework, also manifesting its importance through the allocation of time and resources for development. Although only speculations, developing internal frameworks that set the bar higher than the standard required by the industry, might create a competitive advantage in the future when the standard is changed.

Some indicators suggest that banking is an industry lacking innovation in later years, and employees not feeling creative (Brady, 2018). Reports from other sources suggest otherwise,

although these are the development of major trends impacting the financial markets as a whole, which might feel overwhelming for smaller finance institutions (Fong, Han, Liu, Qu, & Shek, 2021). Therefore, the impact of creating a stronger presence of ethical leadership amongst the managers could contribute to the development of innovations that follow the major trends created by others. The sample of respondents in this thesis mainly work for companies that react to trends and policies, lacking the market power to start these trends themselves. The findings of this thesis do not agree with the findings of Brady (2018), in the sense that the respondents were very clear on creativity being important for them as leaders but also for the company.

Although ethical leadership and its effect on responsible innovation might not be sufficient to impact the major trends in finance, it can definitely contribute on a lower level and provide value for companies. The implications for the finance sector drawn from this thesis are multifaceted. Firstly, the research challenges previous findings by suggesting that the adoption of ethical leadership values can lead to improvements in managerial ethics within banks (Song & Thakor, 2022). While prior studies indicated that lower ethical standards attract better talent, this thesis suggests that ethical leadership, when embedded in company values, can positively influence both talent retention and turnover intention (Demirtas & Akdogan, 2015). Furthermore, the study underscores the importance of ethical leadership in fostering a safe work environment, enhancing employee creativity, and encouraging voice behavior. These outcomes have direct implications for talent management in the finance sector, where creating a positive work environment through ethical leadership practices could potentially mitigate turnover challenges.

Additionally, the findings highlight the significance of stakeholder management and communication, providing an opportunity for financial managers to vocalize ethical expectations and ESG principles, contributing to a more responsible and innovative organizational culture (Du, Bhattacharya, & Sen, 2010). Finally, the call for internal frameworks for responsible innovation suggests that developing tailor-made frameworks, exceeding industry standards, may provide a competitive advantage for financial institutions in the future.

5.4 Limitations

It is important to acknowledge the limitations of this project, as with all research projects. Through the work with this thesis, several have risen to the surface which are of significance to future researchers and the results, so they should be addressed. The timeframe of the project is a natural point of departure. Being a master thesis conducted over the fall semester of 2023, there is a timeframe which has affected the scope of the study. This might in turn have affected the results of the study, as Saunders et al (2019) also describes. A lengthening of the timeframe would open for increasing the sample size and the depth of the interviews. Both factors would aid in strengthening the reliability and validity of this thesis (Saunders et al. 2019) as well as strengthening the findings.

In the case of studies using qualitative methods, according to theory this usually means lower generalizability. Assuming that numerical data in larger amounts as primary data foundation increases the organization sample size, it would strengthen the findings (Saunders et al., 2019). However, as previously mentioned, the sample was also affected by the time frame of the study. The desired data was hard to come by through other methods than interviews. Speaking of interviews, these were also conducted in the native tongue of the respondents, to increase their level of comfort and avoid misinterpretations. It is however natural to expect some loss of information during the translation process. On the other hand, translations were very thorough, and all quotes used in this paper were translated both by software and personally by me, to prevent no loss of meaning or context.

Digital interviews also make for limitations, as they usually interfere with the natural feeling of conversation. Technical issues might have interrupted the flow and stopped streams of thoughts. It is harder to create connections through digital interviews than in real life, so it can have affected the answers during the interviews (Thunberg & Arnell, 2021). On the other hand, people are getting more used to digital interviews, especially after the pandemic. The use of video recordings in addition to sound made interpreting expressions and body language possible.

Another limitation is connected to the development of the interview guide used for this thesis. Asking the respondents about topics which some of them did not have a lot of knowledge about was challenging without making the questions to leading. This caused some of the answers to become a bit speculative, and therefore the quotes had to be

interpreted by me personally. It would have been helpful to have several people involved in this process, to give my personal bias less space. This possibility was eliminated by the fact that this is an individual master thesis. Having a research partner could in turn contribute positively to the validity of this thesis (Saunders et al., 2019).

The final limitation that I would like to shed light on is the annulation of some interviews, as they were not deemed ethical leaders. This was done based on the impression they gave during the interviews and was measured up against criteria derived from the theory presented in Chapter 2 of this thesis (Treviño, Hartman, & Brown, 2000) . It was an empirical assessment, which may have been colored by a range of factors. The respondents may have misinterpreted the questions or simply be having a bad day which influenced their answers. Having a numerical scoring system would have helped here, enabling a minimum score to be achieved for the interview to be included in the sample size. Due to the timeframe, it was not possible to find other respondents, shrinking the sample size more than it was originally intended to be.

5.5 Ideas for Future Research

Directions of future research have already been suggested superficially in sub-chapter 3.5.1.4, but now for a more thorough statement. It would be interesting to explore the differences and similarities between geographical locations. This can be cities, countries, or continents. Also differences between different demographic groups might be explorable. Differences in culture, heritage, social and political climate and so on might influence the results of such a study (Saunders et al., 2019) and it would be interesting to get insights into the themes of ethical leadership and its effect within these settings. Moving the research into another sector inside or outside finance would also be interesting. Exploring other sectors with more short-term growth factors would possibly provide more extreme results, due to the different financial timeline of the companies and employees that work there. These companies possibly practice different management-styles, which may provide interesting data for this line of research.

Based on my findings, future research should consider exploring how to make ethical leadership more apparent to the corporate world, and how to implement it in a practical manner. The effects on value driving factors such as creativity and voice behavior are apparent, but different methods and frameworks to increase these are less available. A more

practical approach designed to help and develop companies should therefore be investigated further.

When discussing potential modifications to the methodology used, there are some approaches future researchers could consider. Gathering numerical data to establish a quantitative significance would aid in establishing the relationship between ethical leadership and responsible innovation. It would also be an advantage to conduct a case study or an experiment in such an environment where it is possible to isolate factors, in order to measure their direct effect. Hereby, it is possible to measure the degree of impact each factor has on ethical leadership, and how great the impact of ethical leadership is on responsible innovation.

Moving forward, it would be interesting to remove ethical leadership from the equation, and just look at what factors drive responsible innovation. From the answers derived from this direction of study, it might be possible to determine and compare other forms of leadership theory that have a greater impact on responsible innovation than ethical leadership. Another direction could be to just investigate the effects ethical leadership has on innovation as a company asset. Using the term responsible innovation narrows down the scope substantially, but it might be easier just to look at innovation by itself, as RI is still a developing term, not very known to the corporate world. It may increase the value of the provided data material if the respondents have more knowledge of the concept they are interviewed about.

5.6 Conclusion

This research project set out to answer how ethical leadership can contribute to responsible innovation within the finance sector. This was done through the study of literature covering ethical leadership (Brown & Treviño, 2006) and responsible innovation (Owen, Bessant, & Heintz, 2013), as well as interviewing a sample of leaders from the finance sector for empirical data. The answering of the research question was structured through the development of five propositions, cumulating into a model, presented in Figure 2. Afterwards, semi-structured interviews were conducted, and the results interpreted. Said model was later revised and presented as Figure 3, after analyzing the empirical findings and how fitted with the propositions presented earlier.

The findings show that communication and role modeling are two important factors in ethical leadership (Brown & Treviño, 2014). The respondents used these to exhibit ethical leadership behavior in their professional lives. Being conscious about leadership communication and role modeling enhances ethical leadership through showing and speaking the values of the leadership style (Mihelic, Lipicnik, & Tekavcic, 2010). Now that some of the factors that enhance ethical leadership were explained, it was time to see how ethical leadership affected responsible innovation, or factors that contributed to responsible innovation.

No direct significance between ethical leadership and responsible innovation was established, mainly due to a lack of significance in the literature and empirical data. However, there were several indirect connections made, mainly through studying the effects of employee creativity and voice behavior (Chen & Chen, 2017; Eisenbeiss, Knippenberg, & Boerner, 2008). These two factors were enhanced by ethical leadership because of the thriving in positive, safe work environments, which ethical leadership secure (Bello, 2012; Avey, Wernsing, & Palanski, 2012; Demirtas & Akdogan, 2015).

Conclusively, ethical leadership contributes positively to responsible innovation by enhancing several factors which affect responsible innovation processes. Although lacking framework, findings show that responsible innovation can occur subconsciously and organically through ethical leadership practices and values. Future research should further investigate the direct effects of ethical leadership on responsible innovation.

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Appendix
Appendix 1: Interview guide

Intervjuguide

Spørre om samtykke til å gjøre lydopptak, og informere om at undersøkelsen er helt anonym,

intervjuobjekt kan trekke seg når som helst i prosessen og opptak vil slettes etter

transkribering etc.

Innledende spørsmål:

- Kan du fortelle litt om din rolle/stilling i organisasjonen?

- Vil du fortelle kort om din bakgrunn, med fokus på utdannelse og eventuelt tidligere

erfaring som har vært relevant for stillingen du har nå?

Be respondent fortelle hvordan de tror ledelse påvirker innovasjonen i et selskap.

- Ledere har stor påvirkningskraft på sine selskap. Kan du

fortelle hvordan du tror en leder påvirker sine ansatte?

Spørsmål om etisk ledelse og ansvarlig innovasjon (P3):

- Kan du beskrive hvilke personlighetstrekk og kvaliteter du mener en god leder har?

- Beskriv din egen lederstil

- Hvordan oppfatter andre deg som leder?

- Nevn fem karakteristiske trekk ved egen lederstil

- Har du hørt om etisk ledelse? I tilfelle ja, hva er dine tanker rundt det. Hvis nei, hva tror du at det er?

- Hva vet du om begrepet ansvarlig innovasjon?

- Hvordan kan en leder best mulig stimulere til ansvarlig innovasjon?

- Hvilken vurderinger tar du som leder når det gjelder etikken rundt en innovering?

- Hvilke ledertrekk tror du er viktige om man vil ha et innovativt selskap?

- Fortell om siste innoveringen du var en del av i selskapet

- Hvordan synes du innovasjonen gikk? Var den vellykket eller kunne den vært gjennomført på en bedre måte?

- Hva var intensjonene bak innovasjonen?

- Ble konsekvensene av innovasjonen gjennomgått?

- Under innovasjonsprosessen, hvordan opplevde du din egen lederstil?

- Hva var de største faktorene på prosjektsiden for at innovasjonen gikk bra/dårlig?

- Tror du lederstilen din gjenspeiles i innovasjonene/prosjektene du har jobbet med? Hvorfor?

Spørsmål om kommunikasjon og rollemodell (P1 og P2):

- Hvem er din nærmeste leder i organisasjonen? (Har du en nær leder, hvem er dette, deres relasjon)

- Hvordan vil du beskrive din nærmeste leder sin lederstil (i korte trekk)?

- Utøver lederen din en lederstil som du ønsker å benytte selv? Er det en lederstil du ønsker å ta etter eller lære av?

- Anser du deg selv som en rollemodell for dine medarbeidere? Hvorfor/hvorfor ikke?

- Hvorfor kan det være viktig for et selskap å ha tydelige rollemodeller?

- Hvordan kommuniserer du med dine ansatte?

- Er det forskjell på hvordan du kommuniserer på jobb eller privat?

- Hvilke verdier kommuniserer du ut til dine ansatte?

Spørsmål knyttet til kreativitet (P4):

- Beskriv det psychososiale miljøet på arbeidsplassen?

- Hvordan du bygger/skaper tillit til dine ansatte?

- Er kreativitet en sentral verdi i din virksomhet? Dersom ja, på hvilken måte er dette synlig overfor de ansatte. Dersom nei - Hvorfor ikke?

- Hvor går ansatte med en god idé?

- Hva skjer med idéen etter dette?

- Hva gjør du som leder for å stimulere kreativitenen hos de ansatte?

- Tror du nivået av kreativitet i et selskap kan påvirke hvordan selskapet innoverer? Hvorfor/hvorfor ikke?

- Generelt: Tror du et selskap kan oppnå gevinster ved å ta stimulere til økt kreativitet blant de ansatte? Hvorfor/hvorfor ikke?

Spørsmål knyttet til «stemmebruk»/Voice Behavior (P5):

- Hva er et godt arbeidsmiljø for deg?

- Tar du noen grep for å skape et godt arbeidsmiljø? Hvis ja, hvilken, hvis nei, hvorfor ikke?

- Hvordan er ditt forhold til dine medarbeidere?

- Hvordan kan ansatte ytre sine meninger, forslag og andre tilbakemeldinger til selskapet?

- Er det greit å være uenig? I tilfelle ja, hvordan blir dette stimulert av selskapet?

- Generelt: Tror du et selskap kan oppnå gevinster ved å ta stimulere til økt «stemmebruk» blant de ansatte? Hvorfor/hvorfor ikke?

Avsluttende spørsmål:

- Har du en sluttkommentar eller noe du ønsker å tilføye om etisk ledelse, innovasjon eller ansvarlig innovasjon i finanssektoren?

Takk for deltakelsen.

Declaration of consent

Vil du delta i forskningsprosjektet Masteroppgave ved Norges Handelshøyskole?

Dette er et spørsmål til deg om å delta i et forskningsprosjekt hvor formålet er å besvare problemstillingen «How can ethical leadership contribute to responsible innovation in the finance sector?" I dette skrivet gir jeg deg informasjon om målene for prosjektet og hva deltakelse vil innebære for deg.

Formål

Formålet med denne datainnsamlingen er å besvare problemstillingen «How can ethical leadership contribute to responsible innovation in the finance sector?" samt fem tilhørende "propositions". Oppgaven skrives på engelsk, og alt datamateriale vil bli oversatt. Opplysningene vil kun benyttes i forbindelse med masteroppgaven, og vil ellers bli slettet like etter levert oppgave.

Hvem er ansvarlig for forskningsprosjektet?

Stijn van Oorschot er ansvarlig for prosjektet.

Min veileder er Marcus Selart, professor ved Norges Handelshøyskole.

Hvorfor får du spørsmål om å delta?

Jeg ønsker å samle opplysninger og informasjon fra ansatte med lederansvar i norske finansinstitusjoner. Målet er å komme i kontakt med rundt 12 respondenter. Jeg finner respondentene via nettverket mitt fra NHH, og kontakter dem via e-post.

Hva innebærer det for deg å delta?

Hvis du velger å delta i dette prosjektet, vil det innebære å delta på et intervju over Microsoft Teams, som vil ta mellom 30-60 minutter. Opplysningene som samles inn vil ivaretas etter beste evne, og vil slettes like etter levert masteroppgave, desember 2023. Intervjuet vil brukes til transkribering, og videoopptak vil slettes kort tid etter materialet er transkribert. Intervjuet vil inneholde spørsmål om dine erfaringer knyttet til etisk ledelse og innovasjoner i ditt selskap. Svarene fra intervjuet blir registrert elektronisk. Det vil være mulig å be om intervjuguide på forhånd om ønskelig. Deltagelsen

din blir anonymisert i oppgaven, både deg som intervjuobjekt og selskapet du jobber for.

Det er frivillig å delta

Det er frivillig å delta i prosjektet. Hvis du velger å delta, kan du når som helst trekke samtykket tilbake uten å oppgi noen grunn. Alle dine personopplysninger vil da bli slettet. Det vil ikke ha noen negative konsekvenser for deg hvis du ikke vil delta eller senere velger å trekke deg.

Ditt personvern – hvordan vi oppbevarer og bruker dine opplysninger

Jeg vil bare bruke opplysningene om deg til formålene jeg har fortalt om i dette skrivet. Jeg behandler opplysningene konfidensielt og i samsvar med personvernregelverket.

Kun jeg som forsker og min veileder vil ha tilgang til datamaterialet

Navn, kontaktopplysninger og andre personlige opplysninger vil erstattes med koder som lagres på en egen liste adskilt fra øvrige data. Dermed skal det ikke være mulig å spore delt informasjon tilbake til deg.

Hva skjer med opplysningene dine når jeg avslutter forskningsprosjektet?

Opplysningene anonymiseres når prosjektet avsluttes/oppgaven er godkjent, noe som etter planen er desember 2023. Personopplysninger og opptak vil slettes ved prosjektslutt.

Hva gir meg rett til å behandle personopplysninger om deg?

Jeg behandler opplysninger om deg basert på ditt samtykke. På oppdrag fra Norges Handelshøyskole har NSD – Norsk senter for forskningsdata AS vurdert at behandlingen av personopplysninger i dette prosjektet er i samsvar med personvernregelverket.

Dine rettigheter

Så lenge du kan identifiseres i datamaterialet, har du rett til:

- innsyn i hvilke opplysninger vi behandler om deg, og å få utlevert en kopi av opplysningene
- å få rettet opplysninger om deg som er feil eller misvisende
- å få slettet personopplysninger om deg
- å sende klage til Datatilsynet om behandlingen av dine personopplysninger

Hvis du har spørsmål til studien, eller ønsker å vite mer om eller benytte deg av dine rettigheter, ta kontakt med:

Norges Handelshøyskole ved Marcus Selart

Vårt personvernombud: personvernombud@nhh.no

Hvis du har spørsmål knyttet til NSD sin vurdering av prosjektet, kan du ta kontakt med:

NSD – Norsk senter for forskningsdata AS på epost (personverntjenester@nsd.no) eller på telefon: 53 21 15 00.

Med vennlig hilsen,

Prosjektansvarlig Stijn van Oorschot

Samtykkeerklæring

Jeg har mottatt og forstått informasjon om prosjektet *Masteroppgave ved Norges Handelshøyskole*, og har fått anledning til å stille spørsmål. Jeg samtykker til:

- å delta i intervju

- å delta i spørreskjema

- at Stijn van Oorschot kan gi opplysninger om meg til prosjektet

Jeg samtykker til at mine opplysninger behandles frem til prosjektet er avsluttet.

(Signert av prosjektdeltaker,dato)