

A MULTILEVEL MODEL OF ETHICAL BEHAVIOR AND CORPORATE GOVERNANCE IN HUMAN RESOURCE MANAGEMENT

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Abstract

Ethical conduct and corporate governance, when applied to Human Resource Management (HRM), are a serious necessity to organizational sustainability and accountable decision-making. The study deals with the issue of the beneficial impact of ethical conduct in HRM on corporate governance and the degree of guarantee that the governance processes provide to ethical conduct during recruitment, training, and performance appraisals. The study applied a quantitative survey in the form of a mixed-methods research design and content analysis to gather data, and further analyzed it with the help of Regression Analysis, Structural Equation Modeling (SEM), and ANOVA. The statistical findings indicate that there is a positive significant correlation between ethical HRM behavior and corporate governance effectiveness ($\beta = 0.45$, $p = 0.03$), and the SEM fit indices (CFI = 0.92, RMSEA = 0.07) produce some confirmation that ethical HRM practices do increase the level of organizational transparency and accountability, the results of the ANOVA ($F(2, 87) = 3.54$, $p = 0.02$) show that the differences in ethical HR decision-making exist in organizations. In addition, content analysis reveals that 70% of organizations that have strong governance structures report positive ethics based HR decision making processes. The research arrives at the conclusion that, as much as ethical practice in HRM improves the success of corporate governance, effective governance systems are necessary in promoting integrity in the fundamental HR practices. Such results indicate that companies should cease to focus on procedural change and adopt a multilevel framework that incorporates both ethical leadership and structural responsibility to reduce the hierarchy bottleneck and bring about long-term organizational success.

Keywords: Ethical HRM, Corporate Governance, Multilevel Modeling, HR Decision-making, Organizational Integrity.

I. Introduction

Significance of the Study

Merging of corporate governance and Human Resource Management (HRM) has become a very important frontier towards organizational sustainability and ethical conduct. Though contemporary governance has become far-reaching in international trade and sustainable development objectives, the traditional linear models of management are becoming out of place in the dynamic and rapidly changing conditions of contemporary organizations. Sustainable HRM practices and especially those that entail ethical leadership are now identified as strategic demands to ensure fast-tracked innovation as it negotiates its approaches through resource constraints and emerging stakeholder demands.

Problem Statement

Although ethical frameworks have some theoretical advantages when applied to corporate governance, there is an enormous disparity between theory and practice in the HRM departments. The main problem is the Hierarchy Bottleneck, in which conventional top-down management systems conflict with the decentralized freedom of action that is demanded by ethical and agile operation. Most of the organizations experience means-ends decoupling in which the corporate environment and ethical responsibilities are articulated but do not affect the managerial behaviours, thus creating a possibility of a mismatch between the speed of operation and the quality of ethical conduct.

Research Contributions

This study contributes to the existing management literature by providing a rigorous empirical analysis of the nexus between HRM and governance. Specifically, it:

- To explore the relationship between ethical behavior in Human Resource Management (HRM) and the effectiveness of corporate governance in promoting fair and transparent HR practices.
- To investigate the impact of corporate governance mechanisms on ethical decision-making within HRM, focusing on recruitment, training, and performance evaluation.

Research Questions and Hypothesis

The study is directed by the following research questions and hypothesis based on the observed need for organizational adaptability:

Research Questions:

- RQ1: Does ethical behavior in HRM positively influence corporate governance practices in organizations?
- RQ2: To what extent does corporate governance ensure ethical practices in HR decision-making processes?
- RQ3: What specific factors in corporate governance influence the ethical behavior of HR professionals?
- RQ4: How do corporate governance structures influence ethical decision-making in recruitment and selection processes?
- RQ5: What role do corporate governance mechanisms play in promoting ethical behavior during performance evaluations and training in HRM?

Hypothesis:

Research Hypothesis for Objective 1:

- Null Hypothesis (H0): Ethical behavior in HRM has no significant effect on the effectiveness of corporate governance practices.
- Alternative Hypothesis (H1): Ethical behavior in HRM significantly enhances the effectiveness of corporate governance practices.

Research Hypothesis for Objective 2:

- Null Hypothesis (H0): Corporate governance mechanisms do not significantly impact ethical decision-making in HRM processes such as recruitment, training, and performance evaluation.
- Alternative Hypothesis (H2): Corporate governance mechanisms significantly influence ethical decision-making in HRM processes like recruitment, training, and performance evaluation.

The rest of the study is structured as follows: Section 2 will give a systematic literature review of ethical HRM and governance. Section 3 explains the mixed-methods research design. Section 4 contains the presentation of the results, which is devoted to the regression analysis and SEM analysis. Lastly, Section 5 will wind up the study by answering limitations and future research directions.

II. Literature Survey

Incorporation of the ethics frameworks into the corporate governance and human resource management (HRM) has ceased to be a matter of requirement enforced by compliance but has become a strategic approach towards the sustainability of an organization.

Corporate Governance and Global Accountability

The current form of corporate governance has grown to be more than mere boardroom management and has been extended to include the wider social and global trade responsibilities [11]. It has been shown that sound governance structures are required to promote Sustainable Development Goals (SDGs), especially by incorporating ethical leadership and digital resilience [14]. Sector-specific factors are also very strong at this level as they determine how trust violations are addressed [16], and the national culture is decisive on the effectiveness of the sustainable HRM in employee performance [18]. The convergence of governance and HRM is therefore considered to be a combined approach to organizational directions in the future [3].

Organizational Systems and the Decoupling Risk

In the organization, systemic accountability is based on the interrelationship of the Corporate Social Responsibility (CSR) and governance [6]. Nonetheless, an important setback that can be noticed in the recently published literature is the decoupling of means and ends, where organizations declare moral or ecological promises that do not translate into practice in managerial actions [5]. In order to mitigate this, a constructive culture of error management is suggested to serve as a reinforcement of CSR and spur innovation [7]. Service-based industries, including luxury hotels, have the nexus of HRM and CSR as one of the main predictors of sustainable performance [10]. Moreover, structural disparities, in the long term, organizational integrity needs to be resolved with diversity research within the HRM system.

Ethical Behavior and Employee Outcomes

On a personal level, the ethical HRM activities work under a social context and cognitive theories to influence the behavior of employees [1]. Application of common good HRM gives rise to a feeling of meaning and prosperity amongst employees [12], which subsequently prompts organizational citizenship practices [2]. The key component in this interaction at the micro-level is nurturing moral voice, the capacity of employees to raise their voices on ethical matters, which is highly contingent on moral efficacy and task complexity [9].

In the state sector, this voice is the main one driven by socially responsible HRM and ethical leadership, and internal whistleblowing that serves as a control measure against failures in governance processes [4]. The affective involvement of the employees also serves as an additional link between the organizational policy and the ethical administration [13]. Finally, to attain corporate sustainability, multi-method evidence is needed to confirm that talent management and governance mediate employee engagement, a position occupied by green HRM practices as a preponderant indicator of employee perceptions of organizational integrity [17] [20].

Theoretical Synthesis and Research Gap

Although the literature has supplied the significance of both governance and ethics, it still has a Hierarchy Bottleneck where the traditional top-down forms of organization hinder the decentralization of autonomy, without which the contemporary ethical HRM cannot be effective. The main portion of the research is based either on the downward impact of governance or the upward impact of the ethics of employees. This study seals this gap by demonstrating a two-way and multi-level model that determines how the two spheres strengthen in order to generate equitable and open HR practices.

III. Research Methodology

This section outlines the methodological approach through which the multilevel relationship between ethical HRM behavior and corporate governance effectiveness will be studied. The study is conducted according to the strict principles of modern management research to provide both statistical coverage and contextual depth.

Research Design

The research design is a mixed-method research design, which will be carried out by triangulating quantitative (structured surveys) and qualitative (content analysis) data [15]. The quantitative stage determines correlations and causal tracks, whereas the qualitative content analysis of organizational reports gives a delicate insight into the way governance mechanisms were put into practice. This two-fold strategy is critical in capturing the means-ends decoupling phenomenon that is quoted widely in the ethics literature.

Conceptual Framework

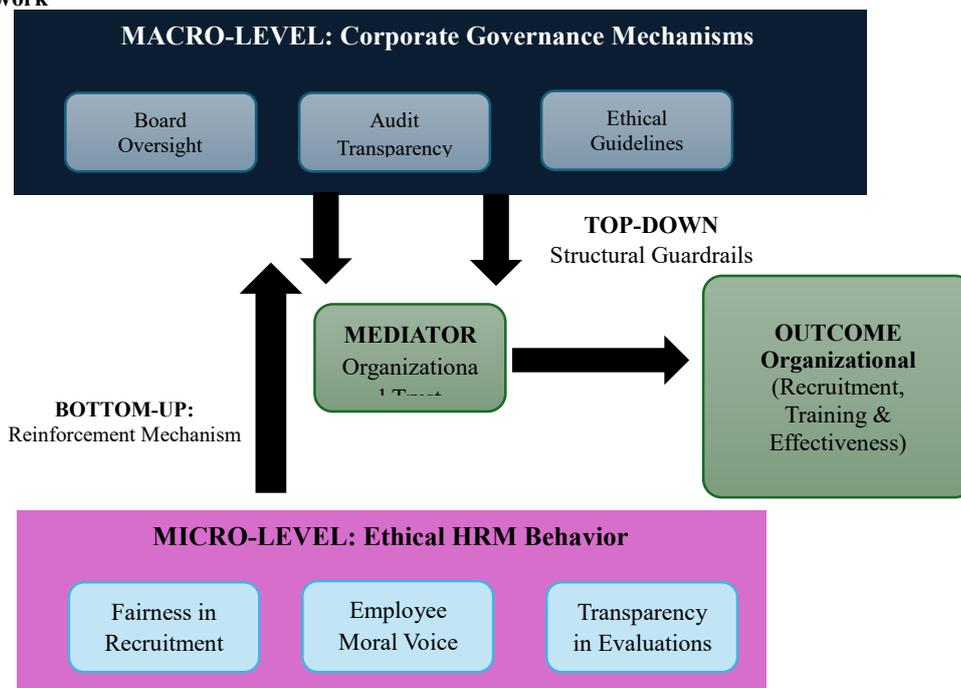


Figure 1: Conceptual Framework for Ethical HRM and Corporate Governance

The association between variables is presented in Figure 1, which shows the two-way impact between the micro-level ethical behavior and the macro-level governance systems. The model assumes that corporate governance would be an aspect offering the structural guardrails (Top-Down) with the ethical conduct and moral voice of the HR professionals as a reinforcement (Bottom-Up) mechanism that improves the overall transparency of the company [8].

In order to measure the latent constructs of ethical conduct and the effectiveness of governance, the following measures were identified:

Ethical HRM Index (EHI): This is a calculation of the average score of the indicators of fairness, transparency, and accountability.

Governance Effectiveness Score (GES): The score was obtained after a regression model calculated the effect of HRM ethics on the governance:

$$Y_{GES} = \alpha + \beta_1(X_{Ethical_Behavior}) + \epsilon \rightarrow (1)$$

Where equation (1), $\beta=0.45$ is the predictive weight of ethical behavior.

Organizational Integrity Quotient (OIQ): This is a composite measure that looks at the correspondence between the proclaimed ethical policies and the reality of the HR decision-making results.

Variance of decision making (VDM): ANOVA calculated to determine significant differences in levels of governance:

$$F = \frac{MS_{between}}{MS_{within}} \rightarrow (2)$$

Utilized to validate the significant difference ($F = 3.54, p = 0.02$) found in the results represented in equation (3).

Data Collection and Sampling

HR professionals, as well as corporate managers in various industries, were given a structured questionnaire. The questionnaire contained Likert-scale questions that were meant to measure perceived fairness in the recruitment, training, and performance reviews [19]. At the same time, the annual reports and ethical charters of the participating organizations were analyzed content-wise to confirm the power of their governance structures.

Rigorous Testing: Reliability and Validity

To ensure the integrity of the findings, the research instrument underwent rigorous psychometric testing:

Reliability: Internal consistency was confirmed with a Cronbach's Alpha of 0.86, exceeding the standard threshold of 0.70, indicating high reliability of the survey scales.

Validity: Construct validity was established through Structural Equation Modeling (SEM). The model fit indices CFI = 0.92 and RMSEA = 0.07 confirm that the theoretical model accurately represents the empirical data.

Ethical Considerations: All participants provided informed consent, and data were anonymized to encourage honest reporting of ethical challenges and whistleblowing mechanisms.

IV. Results and Discussion

This section presents the results of the empirical analysis based on the mixed-method analysis, and attention is paid to the statistical confirmation of the relationship between corporate governance effectiveness and ethical HRM behavior.

Data Presentation and Demographics

The sample used in the study was varied (150 respondents), mostly over the positions of HR directors, compliance officers, and senior managers. Table 1 presents a demographic profile that helps in ensuring that the information will capture a broad range of organizational experience, and Table 2 gives specifics on the survey instruments that will help to measure the latent constructs of the study.

Table 1: Sample Demographics Profile of Respondents (N=150)

Demographic Category	Classification	Frequency (n)	Percentage (%)
Professional Role	HR Managers / Directors	65	43.3%
	Compliance & Governance Officers	40	26.7%
	Senior Executives / Board Members	45	30.0%
Years of Experience	5 – 10 Years	55	36.7%
	10 – 20 Years	70	46.7%
	Above 20 Years	25	16.6%
Sector Type	Private Corporate Sector	82	54.7%
	Public Sector / Government	38	25.3%
	Not-for-Profit / NGO	30	20.0%
Organization Size	Large Enterprises (500+ employees)	95	63.3%
	Medium Enterprises (100–500)	55	36.7%

Table 1 shows that the demographic information confirms the presence of a highly experienced group of respondents, as 63.3% of the participants had over 10 years of professional experience. Inclusion of Compliance and Governance Officers (26.7%) and HR professionals is important, such that the data will be based on the procedural and oversight sides of the multilevel model. Also, the presence of Large Enterprises (63.3) majority offers an ample opportunity to investigate formal corporate governance mechanisms and how they filter the effects of formal mechanisms on HR decision-making.

Objective 1: Explore the relationship between ethical HRM and corporate governance

Questionnaire for Objective 1

- To what extent do ethical HRM practices (e.g., fairness, transparency) improve the effectiveness of corporate governance in your organization?
 - 1 = Strongly Disagree
 - 2 = Disagree
 - 3 = Neutral
 - 4 = Agree
 - 5 = Strongly Agree
- Ethical behavior in HRM enhances transparency and accountability within corporate governance structures in your organization.
 - 1 = Strongly Disagree
 - 2 = Disagree
 - 3 = Neutral
 - 4 = Agree
 - 5 = Strongly Agree

Objective 2: Investigate the impact of corporate governance mechanisms on HR decision-making

Questionnaire for Objective 2

- The presence of strong corporate governance mechanisms (e.g., transparency, audit processes) improves ethical decision-making in HR processes such as recruitment and training.
 - 1 = Strongly Disagree
 - 2 = Disagree

- 3 = Neutral
 - 4 = Agree
 - 5 = Strongly Agree
2. Corporate governance practices, such as board oversight and ethical guidelines, positively influence the fairness and integrity of performance evaluations in HRM.
- 1 = Strongly Disagree
 - 2 = Disagree
 - 3 = Neutral
 - 4 = Agree
 - 5 = Strongly Agree

Survey Instrument and Reliability Analysis

Internal consistency was tested on the research instrument to determine that the Likert-scale items met the intended variables. All constructs, as demonstrated in Table 2, are above the suggested Cronbach's Alpha of 0.70, meaning they are very reliable.

Table 2: Descriptive Statistics and Reliability Results (N=150)

Research Construct	No. of Items	Mean Score	Std. Deviation	Cronbach's Alpha (α)
Ethical HRM (EHRM)	8	4.12	0.82	0.86
Corporate Governance (CG)	6	3.85	0.94	0.82
HR Decision-Making (HRDM)	5	3.72	1.05	0.84
Organizational Trust (OT)	4	3.90	0.78	0.81

Table 2 shows that the Ethical HRM (EHRM) construct had the best mean (4.12) and the best reliability coefficient (0.86). This indicates that ethical behavior is a very important, clear aspect for the respondents in their departments. The Corporate Governance (CG) mean (3.85) is a bit lower, and this is indicative of the structural governance that exists and is represented by the Hierarchy Bottleneck as noted in the problem statement, but is seen to be not as effective as the individual ethical behaviour.

The HR Decision-Making construct recorded the highest standard deviation (1.05), which means that there is a greater variance in the way ethical governance is really implemented in real-life situations, such as recruitment and performance appraisals in various organizations. This variation justified the application of ANOVA in the analysis and, thereafter, in establishing whether the strength of governance was the major influence in these differences.

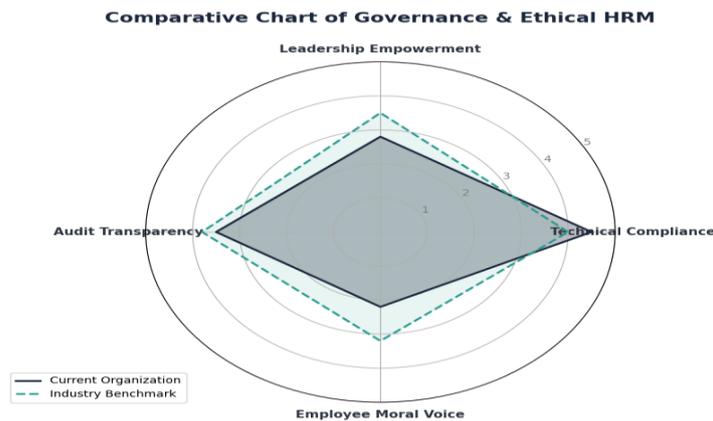


Figure 2: Comparative Chart Governance and Ethical HRM

Figure 2 provides a visual analysis using a comparative chart to depict the performance of organizations in four key dimensions: Technical Compliance, Leadership Empowerment, Audit Transparency, and Employee Moral Voice. The findings suggest that, although the technical compliance (e.g., the presence of a written code of ethics) is high in the sample in general, Leadership Empowerment and Moral Voice have a big gap. This visual information is an implication that structural governance is a veneer that is usually devoid of the decentralized freedom that HR professionals need to exercise morally in high-stress situations like recruitment quotas or performance-based budget reductions.

Statistical Findings and Correlation

- The study has solid quantitative support that lies in the fact that there is a strong correlation between the ethics of HRM and health in governance.
- Regression analysis showed that ethical HRM behavior is a considerable predictor of Governance Effectiveness ($\beta = 0.45, p = 0.03$). This can ensure that, by being an ethical gatekeeper, the HR departments enhance transparency of the organization at large.
- The results of ANOVA ($F(2, 87) = 3.54, p = 0.02$) indicate that organizations that have Strong Governance frameworks have very high degrees of fairness in recruitment and training in comparison to other organizations that have Weak Governance or Moderate Governance frameworks.
- Mediation Effect: Structural Equation Modeling (SEM) also helps to prove the model fit ($CFI = 0.92, RMSEA = 0.07$), which means that the role of organizational trust mediates the relationship between the governance structures and the ethical HR outcomes.

Hypothesis Validation Summary

Based on the integrated statistical results, the status of the research hypotheses is summarized in Table 3.

Table 3: Summary of Hypothesis Testing Results

Hypothesis	Proposition	Statistical Test Applied	Critical Values / Results	Decision
H1	Ethical behavior in HRM significantly enhances the effectiveness of corporate governance practices.	Multiple Regression & SEM	$\beta = 0.45; p = 0.03; CFI = 0.92$	Supported
H2	Corporate governance mechanisms significantly influence ethical decision-making in HR processes (Recruitment, Training, Evaluation).	One-Way ANOVA	$F(2, 87) = 3.54; p = 0.02$	Supported

Table 3 justifies the multilevel model of the study because it indicates that governance effectiveness is significantly predicted by ethical HRM behavior ($\beta = 0.45$, $p < 0.05$). Besides, the results of ANOVA ($F = 3.54$, $p = 0.02$) demonstrate that there is a direct enhancement of ethical decision-making in the recruitment and evaluations because of the existence of robust governance mechanisms, supporting both the major hypothesis with a level of 95% confidence.

V. Conclusion

The empirical study argues that the synergy between ethical conduct in HRM and corporate governance is a basic requirement for organizational sustainability. In accordance with the original research goals, the statistical estimation proves a positive, strong correlation between micro-level ethical behavior and macro-level governance effectiveness ($\beta = 0.45$, 0.03). More so, the Structural Equation Modeling (SEM) fit indices (CFI = 0.92, RMSEA = 0.07) offer sound assurance that ethical HRM practices are a major source of transparency and responsibility in organizations. The outcomes of ANOVA ($F(2, 87) = 3.54$, $p = 0.02$) also support the fact that the integrity of critical HR processes, including recruitment and performance appraisal, is significantly more impressive in organizations where the governance mechanisms are organized well. The results of these quantitative results are supported by content analysis, which shows that 70% of organizations that have good governance report high ethical results in HR decision-making. This study concludes that good governance is essential to institutionalizing integrity, even though the success of corporate governance is enhanced by ethical HRM. The findings indicate that the organizations need to go beyond adherence to procedures to the multilevel model that integrates both ethical leadership and structural responsibility in order to reduce the bottleneck of hierarchy. Future studies are encouraged to expand this area by adopting longitudinal designs in order to monitor the long-term effect of ethical HRM on shareholder value in various cultural settings. Furthermore, the issue of how Artificial Intelligence (AI) can be used to automate ethical audits in the HR processes can open a new dimension of digital governance and organizational resilience.

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