

The Influence Of Ethical Leadership on the Quality of Earnings Management in Multinational Corporations



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KEY WORDS	ABSTRACT
ethical leadership, earnings management, multinational corporations, financial transparency, corporate social responsibility	The This study aims to analyze the influence of ethical leadership on the quality of earnings management in multinational corporations. The research method employed is a qualitative approach through a literature review, examining recent studies related to ethical leadership, earnings management, and corporate governance. The findings indicate that ethical leadership has a positive impact on reducing earnings manipulation by creating an environment that fosters transparency, integrity, and accountability in financial reporting. Ethical leadership also plays a key role in shaping corporate culture and governance, which in turn improves the quality of financial reporting and reduces earnings management. Additionally, the study found that corporate social responsibility (CSR) initiatives driven by ethical leaders can enhance financial transparency, while cross-cultural challenges in multinational corporations require ethical leadership capable of aligning global ethical standards with local cultures. Overall, this research underscores the critical role of ethical leadership in strengthening corporate governance and improving earnings management quality, especially in multinational corporations operating in diverse regulatory environments. The findings contribute to the theory of leadership, corporate governance, and financial reporting practices.

1. INTRODUCTION

In recent years, the dynamics of multinational corporations (MNCs) have attracted significant attention due to their complex structures, wide-ranging operations, and the pivotal role they play in the global economy. A key element in understanding the financial behavior of these corporations lies in examining the role of ethical leadership and its impact on earnings management practices. Earnings management, defined as the manipulation of financial reporting to meet specific targets, has been a subject of concern for stakeholders, regulators,

and researchers alike due to its potential for distorting the true financial health of an organization (Cug & Cugova, 2021). Ethical leadership, on the other hand, refers to leaders who demonstrate integrity, fairness, and respect for ethical standards, guiding their organizations toward responsible decision-making. This study seeks to explore the influence of ethical leadership on the quality of earnings management in multinational corporations, addressing a critical gap in the literature and providing insights into how corporate leaders can affect financial transparency and accountability.

The primary research gap this study aims to address is the limited exploration of the direct relationship between ethical leadership and the quality of earnings management within the context of MNCs. While the role of earnings management in the financial markets has been widely examined, and the importance of ethical leadership has been discussed in relation to corporate governance and organizational culture (Hamdan, 2025), there remains a lack of empirical evidence regarding how ethical leadership specifically influences the quality of earnings management. Furthermore, the existing literature predominantly focuses on either developed economies or small-scale firms, leaving a significant gap in understanding the unique challenges and practices of MNCs, which operate across diverse regulatory environments.

The urgency of this research stems from the increasing scrutiny that multinational corporations face regarding their financial practices. Stakeholders, including investors, regulators, and the public, demand higher transparency and ethical conduct in the face of corporate scandals and financial crises. In this context, understanding the role of ethical leadership in shaping earnings management behaviors becomes crucial, as MNCs often engage in complex financial practices that can obscure the true financial performance of the organization. By exploring the mechanisms through which ethical leadership influences earnings management, this study provides valuable insights that can guide future regulatory policies and corporate governance frameworks.

Several studies have examined the general link between leadership and financial reporting practices, noting that ethical leadership tends to discourage manipulative behaviors and enhances corporate transparency (Almasarwah et al., 2025). There is a scarcity of studies that delve into the specific relationship between ethical leadership and earnings management quality, especially within the multinational corporate setting. Notably, the existing

literature has not fully addressed how cross-cultural differences in leadership styles may impact financial reporting across various countries where MNCs operate.

The novelty of this research lies in its focus on multinational corporations, considering their distinctive operating environments and the diversity of leadership styles they adopt across different cultural contexts. The study will also introduce a conceptual framework that links ethical leadership with the quality of earnings management, thus expanding the understanding of how leadership influences corporate financial practices. Furthermore, by using a comparative approach across different regions, this research aims to provide a more nuanced understanding of how ethical leadership interacts with regulatory standards and organizational culture in shaping earnings management practices.

The main objective of this research is to investigate the impact of ethical leadership on the quality of earnings management in multinational corporations, with a particular emphasis on how ethical leadership practices affect financial transparency and reporting quality. Additionally, this study aims to explore how multinational corporations can enhance ethical leadership within their organizations to improve the credibility of their financial statements and mitigate the risks of earnings manipulation.

The findings of this research will be valuable for both academics and practitioners. For researchers, this study will contribute to the growing body of literature on corporate governance, ethical leadership, and earnings management. For corporate leaders and policymakers, the insights provided will be crucial in fostering more ethical decision-making processes within multinational organizations, thereby enhancing their financial integrity and corporate reputation. The research also holds significance for regulators seeking to design frameworks that ensure financial reporting accuracy and

accountability in a globalized business environment.

Literature Review

The relationship between ethical leadership and earnings management is a critical area of study, particularly in multinational corporations (MNCs). Earnings management, often defined as the manipulation of financial reporting to achieve desired financial outcomes, poses significant challenges for the integrity of financial statements and corporate governance. Ethical leadership, conversely, is considered a key determinant in shaping organizational practices and promoting ethical behavior within firms. This section reviews recent literature on these two concepts, examining the role of ethical leadership in influencing earnings management and the implications for MNCs.

Ethical Leadership and Its Impact on Corporate Behavior

Ethical leadership has been a central focus in studies of corporate governance, particularly concerning its role in fostering integrity, fairness, and transparency within organizations. (Toumeh & Ayoush, 2024) conceptualized ethical leadership as the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships. In recent years, scholars have continued to emphasize the importance of ethical leadership in promoting ethical decision-making and influencing corporate culture. Ethical leaders are seen as role models who guide their organizations toward ethical conduct, setting standards that discourage unethical practices, including earnings manipulation.

In the context of MNCs, ethical leadership is even more crucial, given the diverse cultural and regulatory environments in which these organizations operate. A study by (Zangiabadi & Nassirzadeh, 2022) highlighted that ethical leadership in MNCs is pivotal in aligning the behavior of employees across different

countries with the company's ethical standards. The diverse cultural backgrounds within multinational firms create complex challenges for leaders, who must navigate varying expectations of ethical behavior. Ethical leadership, therefore, becomes critical in ensuring that MNCs adhere to consistent ethical standards in all regions, minimizing unethical practices such as earnings manipulation.

Earnings Management in Multinational Corporations

Earnings management is a key concern for both regulators and investors, as it can undermine the credibility of financial statements and distort the true financial health of an organization (Zangiabadi & Nasirzadeh, 2020). In the context of MNCs, earnings management is particularly complex due to the multinational nature of operations, which often involves different accounting standards, regulatory frameworks, and cultural interpretations of financial reporting. Recent research has shown that MNCs often engage in earnings management to meet investor expectations, regulatory requirements, or to achieve personal goals of executives. However, such practices can result in significant discrepancies between reported earnings and the underlying economic performance of the organization (EL Deeb & Ramadan, 2020).

In a study of global corporations, (Fowler, 2023) found that MNCs often manipulate earnings to manage the impact of currency fluctuations, different tax regimes, and variations in international accounting standards. This is a particularly pressing issue for firms operating across jurisdictions with varying levels of regulatory enforcement. The prevalence of earnings management in MNCs has led to calls for more stringent governance mechanisms to ensure that corporate financial practices remain transparent and ethical.

The Influence of Ethical Leadership on Earnings Management



The relationship between ethical leadership and earnings management has been increasingly explored in recent years. Ethical leaders are expected to reduce the likelihood of earnings manipulation by fostering a corporate culture that values integrity and transparency. Recent empirical studies provide evidence that ethical leadership can reduce earnings management behaviors in various organizational contexts. For instance, a study by (Viana Jr et al., 2022) found that ethical leadership is negatively correlated with earnings management, particularly in firms with a strong ethical climate. Similarly, (Le & Moore, 2023) demonstrated that ethical leadership enhances the quality of financial reporting by creating an environment where employees feel empowered to resist pressures to manipulate earnings.

In MNCs, the influence of ethical leadership on earnings management is further compounded by the need to navigate cross-cultural differences. A study by (Melgarejo, 2024) examined the role of ethical leadership in multinational firms and found that ethical leaders who embrace a global perspective on ethics are more likely to discourage earnings manipulation. By establishing consistent ethical norms across regions, these leaders can reduce the incentive for earnings management, particularly in environments where financial reporting standards may be less stringent or where regulatory oversight is weak.

Ethical Leadership and Corporate Governance

Ethical leadership plays a critical role in enhancing corporate governance structures, which are essential for mitigating earnings manipulation. A strong governance framework encourages transparency and accountability, both of which are key to preventing the manipulation of earnings (Nasiri & Ramakrishnan, 2020). Ethical leaders, by setting the tone at the top, can influence the design and enforcement of governance mechanisms, including internal controls, audit

processes, and compliance policies, which are critical in ensuring that earnings management practices are kept in check.

Recent research has highlighted that ethical leadership is particularly important in enhancing the effectiveness of corporate governance in MNCs. In their study, (Sofian et al., 2022) found that MNCs with ethical leadership were better able to enforce strong corporate governance practices, which in turn reduced the likelihood of earnings manipulation. Furthermore, ethical leadership fosters an environment where financial reporting is perceived as a shared responsibility, not just a task for the finance department, thereby ensuring greater scrutiny of financial statements.

Research Gaps and Novelty of the Study

Despite the growing body of literature on ethical leadership and earnings management, there remains a significant gap in understanding how ethical leadership specifically influences the quality of earnings management in multinational corporations. Most studies have focused on small- to medium-sized enterprises or on single-country contexts, leaving the dynamics of MNCs largely unexplored. Moreover, the cross-cultural aspect of leadership in multinational firms has been underexplored in the context of earnings management. This study seeks to address these gaps by examining the role of ethical leadership in shaping earnings management practices across diverse cultural and regulatory environments.

The novelty of this research lies in its focus on multinational corporations, where ethical leadership practices are likely to face unique challenges due to the firm's global operations. By investigating the relationship between ethical leadership and earnings management quality in MNCs, this study provides valuable insights into how ethical leadership can help improve financial transparency and reduce

earnings manipulation in complex, multi-jurisdictional settings.

2. METHOD

Research Design

This study adopts a qualitative research design, focusing on an in-depth exploration of the influence of ethical leadership on the quality of earnings management in multinational corporations (MNCs). Qualitative research allows for a detailed and comprehensive understanding of the complex relationship between ethical leadership and earnings management, especially in the context of MNCs, where multiple cultural, regulatory, and organizational factors come into play. This approach is particularly suitable for understanding how ethical leadership practices shape corporate behaviors and financial reporting quality, which cannot be easily quantified. A qualitative design also enables the researcher to explore the nuances of ethical leadership, its perceived impact, and the mechanisms through which it influences earnings management in a globalized business environment.

Sources of Data

The primary data sources for this study are derived from secondary data collected through an extensive literature review. Secondary data, in the form of academic articles, industry reports, case studies, and corporate governance frameworks, are examined to gain insights into existing theories and empirical findings on the relationship between ethical leadership and earnings management, particularly within the context of multinational corporations. The literature will be sourced from high-impact academic journals, books, and reputable industry publications that focus on corporate governance, leadership, financial management, and multinational business operations.

The review will specifically focus on recent studies (within the last five years) that discuss

ethical leadership, earnings management practices, corporate governance, and multinational corporations. By using secondary data, this research aims to build on existing theories and findings, while also identifying gaps that will be addressed through the synthesis of literature.

Data Collection Techniques

Given that this study is qualitative in nature, document analysis will be the primary data collection technique. The documents will include peer-reviewed journal articles, books, conference proceedings, and other relevant academic and industry publications that examine ethical leadership and earnings management in multinational firms. The goal is to identify patterns, themes, and gaps in the existing literature regarding the relationship between ethical leadership and earnings management quality.

The document analysis process will follow these steps:

1. Literature Search: A comprehensive search will be conducted in academic databases such as Google Scholar, JSTOR, Scopus, and Web of Science. Key search terms will include "ethical leadership", "earnings management", "multinational corporations", "corporate governance", and "financial reporting transparency".
2. Selection Criteria: Only studies published in the last five years will be included to ensure the relevance of the findings. Preference will be given to studies that focus on multinational corporations, corporate governance, and the intersection of leadership and earnings management.
3. Data Extraction: Relevant studies will be reviewed in-depth, with key themes and findings related to ethical leadership and earnings management being extracted and cataloged. These themes



will then be analyzed for recurring patterns and insights.

4. **Synthesis of Findings:** The extracted data will be synthesized into a cohesive narrative that addresses the research gaps identified in the literature, specifically how ethical leadership influences earnings management in MNCs. This will form the basis for the development of a conceptual framework for the study.

Data Analysis Method

The data analysis will involve a thematic analysis approach, which is a widely used qualitative method for identifying, analyzing, and reporting patterns (themes) within qualitative data. The steps involved in thematic analysis will include:

1. **Familiarization with the Data:** The researcher will begin by reading and re-reading the selected literature to familiarize themselves with the data. This will help identify initial ideas or patterns that emerge from the documents.
2. **Generating Initial Codes:** The researcher will create initial codes by categorizing key concepts related to ethical leadership and earnings management that appear across the literature. These codes will capture the essence of the themes that emerge from the documents.
3. **Searching for Themes:** The coded data will be examined to identify broader themes that explain the relationship between ethical leadership and earnings management in MNCs. Themes such as "leadership integrity", "transparency in financial reporting", and "regulatory influences on earnings management" may emerge.
4. **Reviewing Themes:** Once the initial themes are identified, they will be reviewed for consistency and relevance. The researcher will ensure that the

themes accurately represent the data and address the research questions.

5. **Defining and Naming Themes:** After reviewing the themes, the researcher will define and refine each theme. Clear descriptions and names for each theme will be developed to help interpret the findings effectively.
6. **Reporting:** The final step will involve reporting the findings through a detailed narrative, illustrating how ethical leadership influences earnings management in MNCs. The findings will be discussed in relation to existing literature, highlighting new insights and contributions to the field.

3. RESULT AND DISCUSSION

Based on the literature review conducted, several key themes emerged regarding the influence of ethical leadership on the quality of earnings management in multinational corporations (MNCs). This section presents the synthesized findings from recent studies, offering insights into how ethical leadership affects earnings management in multinational firms. The findings highlight the importance of ethical leadership in enhancing transparency, reducing manipulative financial reporting practices, and promoting better financial decision-making within complex corporate structures across multiple jurisdictions.

Ethical Leadership and Reduced Earnings Manipulation

A common theme in the literature is that ethical leadership plays a significant role in reducing earnings manipulation. Ethical leaders, defined by their adherence to high moral standards and their role in promoting an ethical climate within their organizations, are shown to discourage earnings management practices. In a study by (Viana Jr et al., 2022), ethical leadership was found to be negatively correlated with earnings management in firms where leaders set strong moral standards and emphasized transparency in financial reporting. Leaders who prioritize ethical

decision-making foster an environment where financial manipulation is less likely to occur, thereby improving the quality of earnings.

This trend is particularly significant in multinational corporations, where earnings management might be more tempting due to the complexity of operations across different jurisdictions. Ethical leaders in MNCs play a critical role in ensuring that financial reporting practices are aligned with ethical standards, despite varying regulatory requirements across different countries. As such, the influence of ethical leadership in reducing earnings manipulation is amplified in multinational settings, where different financial reporting rules and enforcement mechanisms exist (Zangiabadi & Nassirzadeh, 2022).

Influence of Ethical Leadership on Corporate Culture and Governance

Another key finding in the literature is the role of ethical leadership in shaping corporate culture and governance structures, which, in turn, affect earnings management practices. Leaders who model ethical behavior influence the broader corporate culture, creating an environment that values integrity and transparency. According to (Sofian et al., 2022), multinational corporations that employ ethical leadership practices are more likely to implement strong corporate governance mechanisms that prevent earnings manipulation. These governance mechanisms may include independent audits, robust internal controls, and transparent financial reporting processes.

Moreover, ethical leaders are instrumental in fostering trust among employees and stakeholders, which is crucial for reducing earnings management. When employees trust that their leaders prioritize ethical decision-making, they are less likely to engage in or condone manipulative earnings practices. (Melgarejo, 2024) further emphasized that ethical leadership in MNCs is associated with more stringent compliance with international financial reporting standards (IFRS), helping

to ensure that earnings are reported more accurately.

Ethical Leadership and the Role of Corporate Social Responsibility (CSR)

In recent literature, the intersection of ethical leadership and corporate social responsibility (CSR) has been highlighted as another important factor in promoting transparent financial reporting and reducing earnings manipulation. Ethical leaders are often advocates for CSR, and their commitment to responsible business practices is reflected in the way they manage earnings and report financial results. CSR initiatives, which often focus on environmental, social, and governance (ESG) factors, require multinational corporations to demonstrate a high level of transparency in their operations, including their financial reporting.

As MNCs increasingly recognize the value of CSR in maintaining their reputation and gaining investor trust, ethical leadership has become more aligned with transparent financial practices. According to (EL Deeb & Ramadan, 2020), ethical leadership is linked with better CSR performance, and CSR initiatives encourage firms to adopt more ethical earnings management practices. In this regard, ethical leadership serves not only as a moral guide but also as a strategic enabler for MNCs to engage in responsible financial reporting, which may ultimately reduce the likelihood of earnings manipulation.

Cross-Cultural Influence on Ethical Leadership and Earnings Management

A key characteristic of multinational corporations is their operation in diverse cultural settings, which presents challenges for maintaining consistent ethical leadership across different regions. The literature reveals that ethical leadership in MNCs must be adaptable to different cultural norms and regulatory environments, particularly in countries with weaker regulatory oversight or different standards of corporate behavior. Ethical leaders in these organizations must

navigate cultural differences while maintaining a unified ethical stance that discourages earnings management.

(Zangiabadi & Nassirzadeh, 2022) found that in multinational firms, ethical leadership's impact on earnings management is contingent on the leader's ability to balance global ethical standards with local cultural expectations. MNCs that succeed in fostering ethical leadership across regions are more likely to experience consistent and transparent financial reporting practices, even in jurisdictions with less stringent regulatory requirements.

Ethical Leadership and Financial Transparency

The final theme derived from the literature relates to the direct impact of ethical leadership on the transparency of financial reporting. Ethical leaders influence the degree of transparency in financial statements, which is crucial for reducing earnings management. As noted by (Yahaya, 2025), ethical leadership is positively correlated with the level of transparency in financial reporting, which in turn helps to improve the quality of earnings. Ethical leaders foster an environment where employees are encouraged to report financial information accurately, thus reducing the potential for earnings manipulation.

For MNCs, the ability to maintain high standards of financial transparency is critical, especially when dealing with stakeholders in different regions who may have different expectations regarding the quality of financial disclosures. Ethical leadership is instrumental in aligning global operations with transparent financial practices, ensuring that earnings management is minimized and that the company maintains a trustworthy image in the eyes of investors and regulators.

Discussion

The findings of this study reveal that ethical leadership plays a crucial role in shaping the quality of earnings management in

multinational corporations (MNCs). The literature reviewed earlier provided a theoretical basis for understanding the mechanisms through which ethical leadership influences corporate behavior, particularly in the context of earnings management. This section provides a detailed discussion of the results, drawing on relevant theories and linking them with the empirical findings. The discussion is structured around four key themes: (1) the reduction of earnings manipulation through ethical leadership, (2) the influence of ethical leadership on corporate culture and governance, (3) the role of corporate social responsibility (CSR) in enhancing financial transparency, and (4) the cross-cultural challenges faced by ethical leaders in multinational corporations.

Reduction of Earnings Manipulation through Ethical Leadership

The results from the literature support the notion that ethical leadership reduces the likelihood of earnings manipulation in multinational corporations. As highlighted by (Viana Jr et al., 2022) ethical leaders are expected to exhibit behaviors that discourage earnings management by promoting transparency and accountability in financial reporting. These findings align with the ethical leadership theory put forward by (Hamdan, 2025), which posits that ethical leaders serve as role models who set moral standards for their organizations. In the context of MNCs, where earnings management may be more tempting due to varying regulatory environments across different jurisdictions, the ethical leadership framework provides a useful lens for understanding how leadership can curb manipulative practices.

The findings suggest that ethical leaders, by emphasizing the importance of honesty and integrity, create an environment where

employees are less inclined to engage in earnings manipulation. This aligns with the social learning theory, which suggests that employees are influenced by the behaviors of their leaders. When leaders model ethical behavior, they send a clear message that manipulative practices are unacceptable, which in turn reduces the likelihood of such practices occurring at lower organizational levels. This outcome is particularly important in MNCs, where employees may otherwise be exposed to pressures from diverse market forces or local regulations that encourage earnings management. Therefore, the study reaffirms the role of ethical leadership in promoting financial transparency and improving the quality of earnings management in MNCs.

Ethical Leadership's Influence on Corporate Culture and Governance

Another significant finding is that ethical leadership positively impacts corporate culture and governance structures, which ultimately enhances the quality of earnings management. According to (Sofian et al., 2022), ethical leadership is a key driver in shaping the ethical culture of an organization, ensuring that financial reporting practices align with global ethical standards. The results indicate that MNCs led by ethical leaders tend to have more robust governance mechanisms, such as independent audits, internal controls, and transparent financial reporting processes. These mechanisms play a pivotal role in mitigating earnings manipulation and ensuring the accuracy of financial statements.

This finding can be explained by the institutional theory, which emphasizes the role of institutions and governance structures in shaping organizational behavior. The presence of ethical leadership ensures that the MNC's corporate governance framework is aligned with ethical principles, which in turn

strengthens the firm's ability to enforce financial transparency. Furthermore, the stewardship theory, which suggests that leaders act as stewards of their organization's resources and reputation, also provides insight into why ethical leadership is linked to better governance practices. Leaders who view themselves as stewards of the organization's long-term success are more likely to prioritize transparency and financial integrity over short-term gains, thus reducing the temptation for earnings manipulation.

Corporate Social Responsibility (CSR) and Financial Transparency

The study also found that ethical leadership is closely tied to corporate social responsibility (CSR) initiatives, which further promote financial transparency and reduce earnings management. As MNCs increasingly adopt CSR frameworks to maintain their social license to operate, ethical leadership becomes a critical driver in ensuring that CSR efforts are aligned with transparent financial reporting. (EL Deeb & Ramadan, 2020) argue that ethical leaders are more likely to endorse CSR practices that require accurate and honest financial reporting, as they understand the value of maintaining the organization's reputation.

The findings corroborate the stakeholder theory, which emphasizes that firms must balance the interests of various stakeholders, including investors, employees, customers, and society at large. Ethical leaders, by prioritizing CSR initiatives, demonstrate a commitment to broader societal goals, such as environmental sustainability and social justice, which requires transparent and honest financial reporting. By fostering a corporate culture that values CSR, ethical leaders help MNCs adopt more responsible financial practices, reducing the need for earnings manipulation to meet

financial targets. Furthermore, CSR-related financial reporting requires adherence to international standards, which reinforces the importance of ethical leadership in ensuring that earnings management practices align with global reporting norms.

Cross-Cultural Challenges of Ethical Leadership in MNCs

One of the unique contributions of this study is the exploration of the cross-cultural challenges faced by ethical leaders in multinational corporations. The results highlight that MNCs, operating in diverse cultural settings, present a unique challenge for ethical leaders who must navigate varying expectations regarding ethical behavior. (Tolstoy et al., 2023) point out, ethical leadership in MNCs requires a delicate balance between maintaining consistent ethical standards across different regions while respecting local cultural norms and regulatory environments.

The findings suggest that successful ethical leadership in MNCs involves both global ethical standards and local adaptability. This aligns with the cultural intelligence theory (Min & Pomsuwan, 2025), which posits that leaders must be culturally intelligent to effectively lead in diverse environments. Ethical leaders who are culturally intelligent can adapt their ethical approach to local contexts without compromising their core values, thus fostering an ethical culture that transcends national boundaries. In this regard, ethical leadership in MNCs must be flexible enough to accommodate different cultural expectations while maintaining a consistent commitment to financial transparency and responsible earnings management practices.

4. CONCLUSION

The findings and discussion of this study provide valuable insights into the relationship

between ethical leadership and the quality of earnings management in multinational corporations (MNCs). Based on the literature review and empirical evidence, the following key points summarize the main conclusions drawn from this research:

1. **Ethical Leadership Reduces Earnings Manipulation:** Ethical leadership plays a critical role in minimizing earnings manipulation within MNCs. By promoting transparency, integrity, and accountability, ethical leaders establish a corporate environment where unethical practices, including earnings manipulation, are discouraged. This finding aligns with existing leadership theories, such as ethical leadership theory and social learning theory, which suggest that leaders who model ethical behavior influence the broader organizational culture and reduce manipulative financial practices.
2. **Influence on Corporate Culture and Governance:** Ethical leadership positively affects corporate culture and governance structures in MNCs, enhancing the overall quality of financial reporting. MNCs led by ethical leaders tend to implement robust governance mechanisms, such as independent audits and transparent financial reporting processes. These mechanisms ensure better financial transparency and reduce the likelihood of earnings management. This supports the institutional theory and stewardship theory, highlighting the importance of ethical leadership in strengthening corporate governance frameworks.
3. **Corporate Social Responsibility (CSR) and Financial Transparency:** Ethical leadership is strongly linked to corporate social responsibility (CSR), which further drives financial transparency and reduces earnings manipulation. Ethical leaders are

more likely to support CSR initiatives that require honest financial reporting, demonstrating a commitment to responsible business practices. By aligning CSR with financial transparency, ethical leaders help MNCs adopt more ethical earnings management practices, contributing to sustainable business practices. This finding reinforces the stakeholder theory, suggesting that ethical leadership prioritizes the interests of various stakeholders, including investors, employees, and society.

4. Cross-Cultural Challenges: Ethical leadership in MNCs must navigate cross-cultural differences and varying regulatory environments. The study found that ethical leaders in MNCs must balance global ethical standards with local cultural expectations, which requires cultural intelligence and adaptability. Leaders who can adapt their ethical leadership approach to local contexts while maintaining consistent ethical standards are more likely to foster ethical practices across diverse regions. This highlights the importance of cultural intelligence theory in managing cross-cultural challenges effectively.

In conclusion, this study reinforces the pivotal role of ethical leadership in enhancing the quality of earnings management in multinational corporations. Ethical leaders contribute to greater financial transparency, reduce earnings manipulation, and promote sustainable business practices by fostering a strong ethical culture and implementing robust governance mechanisms. Additionally, ethical leadership helps MNCs navigate cross-cultural challenges, ensuring consistent ethical practices across different regions. The findings emphasize the need for multinational corporations to prioritize

ethical leadership as a strategic tool to strengthen corporate governance, improve financial reporting practices, and support long-term organizational sustainability.

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