

Ethical Governance in the Age of Artificial Intelligence: Implications for HRM and Digital Transformation in Service Industries

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Abstract

This study examines the role of ethical corporate governance in the context of artificial intelligence (AI) adoption and digital transformation within service industries. Drawing on a multi-country dataset of 1,207 firms, the research explores how ethical practices, as reflected in CSR rankings, influence firm performance and organizational outcomes. The study further discusses the implications of ethical governance for human resource management (HRM), particularly in fostering AI readiness, employee trust, and sustainable digital transformation. Results indicate that ethical performance is positively associated with market outcomes, suggesting that ethical governance can support human-AI collaboration and service quality enhancement. The findings contribute to the emerging discourse on AI-driven organizational transformation by highlighting the importance of integrating ethical frameworks into governance and HRM strategies.

Keywords: Artificial Intelligence; Corporate Governance; HRM; Digital Transformation; Ethics; Service Industries; Human-AI Collaboration.

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1. Introduction

The significance of ethical behaviour within the business sector has escalated, as evidenced by its increasing importance in contemporary discourse (Vallaster et al., 2019). Yet, the persistent recurrence of corporate scandals, such as those involving Merrill Lynch, Enron, Volkswagen, and Xerox, underscores a disconcerting narrative of ethical lapses in corporate conduct.

Anderson and Orsagh (2004) noted that, while some failures were the result of fraudulent accounting and other illegal practices, many companies fell into traps of genuine corporate governance risks such as conflicts of interest, inexperienced directors, excessively lucrative remuneration, and unequal voting rights. Therefore, to safeguard the reputation, ethical behavior, and integrity of companies, internal codes of conduct for board members and management are imperative.

Corporate governance comprises a multitude of concepts and phenomena, as encapsulated by the OECD's definition: "Procedures and processes by which an organization is steered and controlled. The corporate governance framework delineates the distribution of rights and responsibilities among various organizational participants, including the board, managers, shareholders, and other stakeholders. It establishes the rules and procedures for decision-making" (OECD, 2015). This framework not only outlines the structure for setting organizational objectives and the means for attaining and monitoring them but also serves as the bedrock for ethical corporate conduct.

A pertinent illustration of corporate governance in action is the recent directive by the United States Court of Appeals for the District of Columbia Circuit, which mandated the U.S. Securities and Exchange Commission to reevaluate and fortify the legal foundations for its initial regulations on conflict minerals and transparency in payments. This requirement arises from concerns that the trade of these minerals has been financing civil and transnational armed conflicts in the Democratic Republic of Congo, spotlighting the intersection of corporate governance, ethical sourcing, and social responsibility (Browning, 2015; Odom, 2015; Williams, 2015).

Given the integral role of business ethics as a component of Corporate Social Responsibility (CSR) (Carroll, 1991; Schwartz and Carroll, 2003), and the extensive implications of corporate governance on an organization's CSR and ethical approach (Bonn and Fisher, 2005), it is incumbent upon governing entities to guide boards of directors in formulating and executing codes of ethics. These codes serve as the operational manifestation of governance principles, translating ethical considerations into actionable corporate standards.

The discourse surrounding the correlation between Corporate Social Responsibility (CSR) and financial performance remains inconclusive, with scholarly opinions divided. While Adeneye and Ahmed (2015) and Waworuntu et al. (2014) identify a positive correlation, Hirigoyen and Poulain-Rehm (2014) observe a negative one, and Garcia-Castro et al. (2010) argue for a non-existent link, underscoring the scholarly controversy (Maqbool and Bakr, 2019). Furthermore, the mediating role of corporate governance in this nexus has been highlighted by researchers (Muzhar et al., 2017; Moazzen et al., 2016; Siminica et al., 2019). Yet, Maqbool and Bakr (2019) note the unresolved nature of the relationship between CSR and firm value, despite numerous studies suggesting a positive impact of CSR on market value.

Empirical research delving into CSR's relationship with corporate governance characteristics reveals that the presence of independent and female directors, as well as significant board shareholdings, tends to positively affect organizations' socially responsible behaviors (Wang and Coffey, 1992; Williams, 2003; Webb, 2004; Haniffa and Cooke, 2005; Rodriguez-Dominguez et al., 2009; Salvioni and Astori, 2013; Williams, 2015). Salvioni et al. (2016) posit that CSR is instrumental in fostering sustainable value creation and enhancing shareholder relations by promoting a convergence that addresses traditional

corporate governance issues. Recent research has also emphasized the role of AI-driven capabilities and organizational readiness in enabling sustainable innovation and value creation, highlighting the importance of aligning technological development with governance and human resource practices (Baquero et al., 2026; Baquero, 2026).

In the current landscape of digital transformation, artificial intelligence is increasingly embedded in organizational decision-making processes, particularly within service industries such as tourism and hospitality. This shift raises critical questions regarding the ethical governance of AI systems and their implications for human resource management (HRM). Organizations must ensure that AI adoption complements human capabilities, fosters employee trust, and enhances service quality rather than undermining workforce stability. Therefore, understanding the intersection between ethical governance, AI integration, and HRM becomes essential.

2. Conceptual Framework

2.1. Literature Review

Ethical conduct within corporate governance is an essential facet influencing various organizational dynamics and outcomes. It has been documented that the interplay between ethical leadership and corporate governance profoundly affects organizational citizenship behaviors among employees (Horaguchi, 2022). Additionally, the lens of behavioral ethics offers a fresh perspective on corporate governance, underscoring the propensity for misconduct even among well-meaning individuals, thereby signaling the need for innovative interventions (May et al., 2021). The prevalence of ethical dilemmas in business necessitates a thorough evaluation of their impact on management practices and financial outcomes (Feldman et al., 2020). Furthermore, examining the behavioral norms in organizations, particularly when board members adhere to ethical standards, provides insights into addressing CEO misconduct and the associated organizational dynamics (Gong and Guoyong, 2025). Collectively, these aspects underscore the pivotal role of ethical behavior in corporate governance, influencing organizational culture, employee engagement, and fiscal performance.

The empirical literature concerning codes of ethics is categorically divided into three streams, as identified by Helin and Sandström (2007). The first stream is content-oriented, focusing on the substantive elements within existing codes. The second stream examines the influence of these codes on organizational behavior, while the third stream is transformation-oriented, exploring how codes of ethics evolve and adapt within organizations.

Langlois and Schlegelmilch (1990) delineate three primary frameworks for content-oriented research. The inaugural framework encompasses a detailed, prescriptive document replete with standards and associated sanctions. The second framework manifests as a succinct document encapsulating the organization's objectives, philosophies, or values, typically communicated in annual reports to shareholders and employees. The third framework comprises a comprehensive document that addresses broader social responsibility issues pertinent to stakeholders.

The thematic focus of codes has markedly evolved over the past decades. Initially, codes predominantly addressed internal organizational conduct and legal compliance. Contemporary codes have expanded to encompass a wider array of concerns, such as interactions with customers and suppliers, with a

heightened emphasis on ethical considerations beyond conventional issues like employee behavior, legal compliance, and conflict of interest. O'Dwyer and Madden (2006) observed that in regions experiencing recent implementation of codes, such as Ireland, there is a prominent emphasis on a diverse set of issues including employee confidentiality, workplace health and safety, safeguarding of company information, and adherence to legal statutes.

Moreover, Langlois and Schlegelmilch's (1990) comparative analysis unveiled pronounced disparities between European and US codes of ethics, particularly concerning employee conduct, relationships with suppliers and contractors, and engagement in political activities. European codes predominantly emphasized stakeholder responsibilities and principles applicable both internally and externally, whereas US codes were more inclined towards internal company conduct and less towards broader social responsibility concerns. Guillen et al. (2002) further elucidated that such content variations in codes across European nations could be attributed to the distinct historical contexts, cultural norms, and social conventions inherent to each country.

In the intersection of artificial intelligence (AI) and corporate governance, there lies a critical domain where the decision-making process of AI meets the challenges of ethical oversight. The spectrum of risks—encompassing the advent of autonomous weapons, labour market disruptions, deepening socio-economic divides, embedded biases, privacy encroachments, and the generation of deepfakes—demands vigilant governance. To counterbalance these risks, strategies promoting social justice, diversity, equity, and inclusion are integral. Collaborative efforts are essential in weaving these values into the fabric of AI applications, ensuring ethical congruence and governance. Such initiatives are vital, as is the inclusion of the workforce in governance processes to identify and mitigate AI-related harms. The EU's guidelines for trustworthy AI are a step forward, embedding ethical principles into AI, yet they necessitate further specification in the context of corporate law and governance (Samarawickrama, 2022; Ruban, 2022; Hickman & Petrin, 2021).

2.2. Codes of Ethics: Framework and Empirical Evidence

Codes of ethics are instrumental across a spectrum of domains, such as the civil service, corporate governance, academia, and bioethics. These codes function as pivotal instruments to deter unethical decision-making, fostering an environment of integrity and transparency, and promoting ethical conduct. The synergy between codes of ethics and other regulatory instruments, including disciplinary codes, has been the subject of considerable inquiry. Studies have delved into the robustness of the implementation of codes of ethics, their integration into organizational culture, and the consequential effects on employee attitudes and perceptions. The role of codes of ethics within academic institutions has been scrutinized to pinpoint ethical dilemmas and the measures enacted to confront them. Moreover, the objectives and constraints of evidence-based ethics have been assessed, as well as how codes of ethics reflect a university's dedication to sustainable development (Meyer-Sahling et al., 2020; Evangelia et al., 2022; Mion et al., 2019; Sulmasy, 2019; Chen, 2018).

In the context of multinational corporations, which grapple with diverse cultural norms and regulatory frameworks, codes of ethics are particularly vital. These organizations must navigate and reconcile varying ethical standards among employees from disparate cultural backgrounds (Payne et al., 1997; Carasco & Singh, 2003; Bondy et al., 2004; Kaptein, 2004). Kaptein (2004) conducted a seminal survey

among the world's 200 largest companies, discovering that 52.5% have both a corporate governance code and a code of ethics.

A meta-analytical review by Kaptein and Schwartz (2007) of 79 empirical studies on the effectiveness of codes of ethics revealed mixed outcomes: 35% of studies reported a significant positive relationship, 16% found a weak relationship, 33% observed no significant relationship, and 14% reported mixed effects. Only a solitary study identified a negative correlation. The synthesis of these findings suggests that while a code of ethics may influence individual ethical decision-making and potentially curtail corporate illegality, the overall impact on ethical behavior remains inconclusive (Helin & Sandström, 2007; Kaptein & Schwartz, 2007).

From this empirical backdrop, we propose the following hypotheses:

- Hypothesis 1 (H1): Firms with higher ethical standards, as indicated by CSR rankings, are expected to have a positive association with Return on Equity over a three-year period (ROE3Y), suggesting that ethical governance underpins sustainable financial performance.
- Hypothesis 2 (H2): Ethical performance is hypothesized to have a negative relationship with turnover rates, indicating that robust ethical practices within organizations are conducive to higher employee retention and satisfaction.

2.3. Corporate Governance and the Role of the Ethical Code

The governance of corporations is intricately linked to ethical codes, which serve as foundational instruments in mitigating agency conflicts and shaping the social information processing mechanisms of employees (Furlotti, 2020). The crafting of a global corporate ethical code, while often a centralized endeavor, may be hampered in its effectiveness due to this very centralization. A participatory approach that involves various organizational branches in the code's development has been posited to enhance both its acceptance and effectiveness (Roque & Mazza, 2020). Moreover, corporate ethics, as an integral element of corporate social responsibility, can fortify business processes and governance structures (Tshung & Adbale, 2022). Ethical codes have also been identified as a deterrent against managers' engagement in self-serving financial reporting, thereby promoting higher earnings quality (Chen et al., 2018). Furthermore, an established code of conduct is pivotal for ensuring transparency in company policies and fortifying corporate governance practices (Sridhar, 2017).

Considering numerous corporate misdemeanors, a burgeoning body of research has scrutinized the role of boards of directors concerning ethical codes. Schwartz et al. (2005) emphasize that the board of directors, inclusive of the CEO and senior management, must embody the ethical code, setting a precedent through their conduct. Supportive standards are essential for bolstering board commitment to the ethical code (Council, 2014; Rosenblum, 2014; IFAC and in Business Committee, 2016).

The involvement of the board in ethical planning is not merely symbolic but instrumental in the enforcement of compliance, as noted by Jones et al. (1999). The trust shareholders place in directors underscores the significance of the board's role in this regard. The active participation of boards in the formulation and execution of ethical codes is evident, with a majority of companies in the US and India involving their boards in deciding the content of these codes (Berenbeim, 2010).

Building on the seminal work of Jensen and Meckling (1976), it has been proposed that when directors possess substantial ownership stakes, their interests tend to converge with those of shareholders. This alignment is purported to heighten the directors' sensitivity to ethical considerations and the pursuit of corporate social responsibility to enhance economic performance (Waddock et al., 2002; Tsoutsoura, 2004). Conversely, Morck et al. (1988) argued that the impact of board ownership on company performance is contingent not solely on the proportion of shares held but also on the nature of ownership, which can insulate managers from the influences of other shareholder groups. Paniagua et al. (2018) further revealed a nuanced relationship where board size negatively correlated with financial performance, and the board members' social media presence moderated this dynamic (Paniagua et al., 2019).

From this synthesis of literature, we can deduce the following hypothesis: s:

- Hypothesis 3 (H3): A greater number of board members involved in the ethical governance of a company is posited to correlate positively with the firm's financial performance, assuming that active board engagement fosters ethical decision-making and enhances overall corporate governance.

2.4. Governance and Government from an Aristotelian Perspective

Zingales (1997) posits that corporate governance conceptions are contingent upon the theoretical framework from which one approaches the corporation. Within neoclassical paradigms, several models emerge, such as the portrayal of the corporation as a nexus of contracts (Alchian & Demsetz, 1972), the property rights perspective that views a corporation as a collective of physical assets (Grossman & Hart, 1986; Hart & Moore, 1990), and a more expansive viewpoint that situates corporate governance within the interplay among shareholders, management, and the board of directors as crucial determinants of corporate direction and performance (Monks, 2001).

Aristotle's treatise on Politics serves as an indispensable reference for governance, positing that ethics is a pivotal science in determining the most suitable form of governance to fulfill our ethical aspirations (Sison, 2010). Sison (2010) prompts the consideration that if corporate governance is essentially a variant of government, insights might be gleaned from Aristotle's Politics. Aristotle's model invites an analysis of states and corporations as analogous social institutions, considering the populace that constitutes them, their organizational structures, and their distinct objectives.

2.5 Ethical Virtue

Crane and Matten (2016) articulate that business ethics is instrumental in discerning the complexities and ethical issues within corporate entities and reshaping the traditional ethical discourse to navigate rights and wrongs in business contexts. They define ethics as a systematic study of morality, applying reasoned deliberation to ethical norms and principles, which informs ethical theories for action-guidance in varying scenarios.

Abdullah & Valentine (2009) remark that an organization is a nexus of actions impacting trans-communal dynamics. Habermas (2015) explores the development of discourse ethics, which seeks amicable conflict resolution and hinges on the premise that ethical truths can be established through critical discourse analysis. Meisenbach (2006) suggests that such ethical discourse promotes cultural rationality and fosters openness.

Virtues are defined by Arjoon (2005) as character attributes cultivated through habitual practice, which engender personal contentment, profitable enterprises, and prosperous nations. Statman (1997), Crisp (2010), and MacIntyre (2013) enumerate the cardinal virtues of prudence, justice, fortitude, and temperance, which harmonize human activities towards the good. Further, Annas (2003) explicates that virtuous action is not merely about doing the right thing but also encompasses positive affect and intentionality. Aristotle analogizes the acquisition of ethical knowledge to the craft of building, underscoring the significance of virtuous character in moral behavior (Annas, 2003). However, as Balasubramaniam (1999) indicates, the contemporary corporate fixation on profit risks eclipsing value-based objectives, potentially undermining long-term ethical integrity.

2.6 The Price of Ethics

The classical economic paradigm often equates human behavior with the maximization of self-interest. Yet, deviations from purely self-serving conduct are commonplace (Fehr & Gächter, 2000; Fehr & Fischbacher, 2003). These scholars demonstrate that altruism plays a significant role in human actions, with ethical and social considerations influencing economic behavior. Akerlof (1980) and Romer (1984) found that adherence to social norms, despite financial costs, is reinforced by reputation-based sanctions, prompting norm compliance even among self-interest-driven individuals.

Lans Bovenberg and Goulder (2002) argue that stakeholder theory, by considering the welfare of consumers, employees, and shareholders, may incentivize corporations to invest in public goods like environmental conservation. The past decade has seen a surge in socially responsible investment (SRI) funds, which are predicated on ethical, social, and environmental criteria (SIF, 2016). Research predominantly from the US and UK indicates that SRI funds perform comparably to non-SRI funds (Hamilton et al., 1993; Goldreyer & Diltz, 1999; Statman, 2000; Bello, 2005). However, Geczy et al. (2003) caution that the financial cost of SRI screening may impose higher costs on investors. Furthermore, Williams (2015) correlates pension funds with a long-term investment approach to elevated levels of corporate social responsibility.

2.7 Legal and Ethical Compliance Mechanisms

The corporate malfeasances that have gripped the corporate world have catalyzed a resurgence of interest in the mechanisms for legal and ethical compliance both in academia and within the legislative domain. The Sarbanes-Oxley Act, as a case in point, amplifies the accountability of executive directors for financial disclosures, intensifies the repercussions for fraudulent activities, mandates executive officers to affirm financial statements, and augments the audit committee's oversight (Sarbanes-Oxley Act, 2002).

An array of studies has unveiled disconcerting ethical trends within the corporate milieu. Badaracco and Webb (1995) discovered that a significant number of younger managers were instructed to perform acts they deemed morally questionable or outright illicit by their superiors. Brief et al. (1996) documented that a vast majority of individuals would consider misrepresenting financial information when confronted with ethical dilemmas in financial reporting. Weisul and Merritt (2002) revealed that despite expressing dismay over corporate scandals, a substantial proportion of students confessed to

academic dishonesty, with a minuscule fraction willing to report observed cheating. These findings have been instrumental in prompting stringent legislative responses.

Termes (1995) juxtaposed the virtue-based ethical compliance mechanisms against legally oriented codes, concluding that the ethicality of financial institutions cannot be presumed solely from the existence of ethical codes. Ethical corporate conduct is contingent upon the individual moral integrity of people within the organization.

Williams (2015) posited that management practices shape the ethical behaviors within an organization, serving both as a mechanism for legal compliance and as a behavioral strategy that delineates desirable professional conduct.

Trevino et al. (1999) emphasized the importance of alignment between organizational policies and actual practices, underscoring that the organizational ethical climate, inclusive of ethical leadership and equitable employee treatment, has a profound impact. They found that the organizational commitment to ethical values holds more significance than the minutiae of compliance programs.

In the wake of corporate misdemeanors, leaders are recognizing that trust, integrity, and equity are not merely ethical imperatives but also have tangible impacts on the bottom line (Collins & Collins, 2001; Byrne et al., 2002). Post-Enron and other corporate debacles, there has been a renewed scrutiny of corporate values, objectives, and missions, with a call for a reorientation towards transparency and ethical clarity.

Hansen (2004) questioned the efficacy of legal compliance mechanisms in isolation as a pathway to corporate ethics, advocating for a fundamental reassessment that includes a recognition of organizational culture and a shift from perfunctory compliance to meaningful ethical practices.

Arjoon (2005), in delving into the corporate governance debate, distinguished between shareholder maximization and stakeholder-oriented models of governance, asserting that social responsibility aligns more closely with human nature. Ambrosia and Tott (1998) supported this view, suggesting that from a natural law perspective, ethical considerations should take precedence over political, legal, or economic objectives. Arjoon and Gopaul (2003) reinforced that economics cannot be disentangled from ethics, much like law, politics, and education.

Finally, the pedagogy of business ethics has assumed a central role within business education, with a clarion call for business schools to intensify their focus on ethical leadership and ethical decision-making processes (Donaldson, 2015; Akriou & Bradbury-Huang, 2015; Sigurjonsson et al., 2015; Wu et al., 2015).

2.8 Artificial Intelligence, HRM and Ethical Governance

The integration of artificial intelligence (AI) into organizational processes is transforming human resource management (HRM) and service delivery models. AI-driven systems are increasingly used in recruitment, performance evaluation, and customer interaction, particularly in service industries such as hospitality, where recent research has shown that AI awareness significantly affects employee attitudes and behavioral responses (Abdelaziz et al., 2026).

From an HRM perspective, AI adoption requires the development of digital competencies, employee reskilling, and organizational cultures that promote trust and adaptability. Ethical leadership and governance structures are essential to mitigate risks associated with AI, such as algorithmic bias, job displacement, and privacy concerns. This is particularly relevant in hospitality contexts, where AI adoption has been linked to employee psychological responses and the need for adaptive HRM practices (Abdelaziz et al., 2026).

In service industries, particularly tourism and hospitality, the synergy between human employees and AI technologies is crucial for delivering high-quality customer experiences. At the same time, the ethical implications of tourism development and governance remain central to understanding how technology reshapes service systems and stakeholder relationships (Isaac, 2026).

In light of the growing relevance of AI-driven transformation and its implications for HRM and governance, we propose the following hypothesis:

- Hypothesis 4 (H4): Ethical governance positively influences organizational readiness for AI adoption and human–AI collaboration.

3. Materials and Methods

The empirical backbone of this investigation hinges on a comprehensive panel dataset, encompassing 1207 corporations spanning 59 nations and 19 distinct industry sectors over the temporal scope from 2013 to 2015. In an effort to interrogate the postulated hypotheses, the study deploys a dualistic approach to gauge firm performance: one, through the lens of Return on Equity (ROE) as a dynamic indicator reflective of performance evolution between 2013 and 2015; and two, by examining Turnover as a static metric offering an immediate snapshot of firm status.

The ethical dimension of corporate performance is measured through the prism of four salient Corporate Social Responsibility (CSR) rankings (as delineated in Table 1), following the schema proposed by Erwin (2011): namely, the 100 Best Corporate Citizens, the World’s Most Ethical Companies, the World’s Most Respected Companies, and the Dow Jones Sustainability Index. To mitigate biases inherent in cross-ranking comparisons, the Ethics variable is constructed upon a foundation of quantitative benchmarks (see Table 2 for details).

With regards to the variables probing the composition and structure of governance within the firms, the Board variable is quantified through the enumeration of directorates on each board. The dispersion of ownership is articulated through a compositional index ranging from 0.1, symbolizing concentrated ownership, to 1, indicative of maximal dispersion. The precise calculus of ownership dispersion is operationalized as follows: a score of 1 is ascribed to entities featuring a minimum of six shareholders with disclosed ownership stakes, whereas a score of 0.1 is reserved for entities wherein a single shareholder wields a direct ownership interest surpassing the 50% threshold.

Control variables in this analytical framework include the firm’s Capital, Employees, and Assets, providing a multivariate context for interpreting the relationship between ethical performance and firm outcomes.

Table 1. CSR Rankings

Statistic	Research	Publication	Scope	Methodology	Criteria
100 Best Corporate Citizens	KLD Analytics, IW Financial	CRO Magazine	United States, Public, Large Companies	Publicly Available Data Sources	Environment, Climate Change, Human Rights, Employee Relations, Governance, Philanthropy, Financial, Lobbying.
World's Most Ethical Companies	Ethisphere Institute	Ethisphere Magazine	International, Public/ Private, Large Companies	Company Questionnaire Ethics Quotient (EQ)	Company Corporate, Corporate Governance, Innovation, Industry Leadership, Executive Leadership, Integrity Reputation, Internal Systems and Ethical/Compliance Program.
World's Most Respect Companies	Reputation Institute	Reputation Institute - Report	International, Public/ Private, Large Companies	Customer Questionnaire	Performance, Leadership, Products/Services, Innovation, Citizenship, Governance, Workplace.
Dow Jones Sustainability Index	SAM Research	Dow Jones – Press Release	International, Public, Large Companies	Company Questionnaire Policies and Reports	Corporate Governance, Crisis Mgmt, Codes Conduct, Environmental Performance and Reporting, Human Capital Development, Talent Attraction & Retention, Labor Practices, Corporate Citizenship, Social Reporting, Industry Specific

Source: Adapted from Erwin (2011).

Table 2. Variable Ethics

	Ethics Variable Value
Company listed in 1 CSR ranking	0.25
Company listed in 2 CSR ranking	0.50
Company listed in 3 CSR ranking	0.75
Company listed in >3 CSR ranking	1.00

Source: Authors' elaboration.

Table 3. Summary statistics

Statistic	Definition	Mean	St. Dev.	Max	Min
ROE_3Y	ROE Variation 2013 - 2015	0.355519	0.4096493	1	0
ln(Turnover)	Turnover	6.912901	0.4006452	8.683164	6.426864
Ethics	Ethics Performance	0.0301896	0.0988155	.75	0
Board	Board members	13.37026	7.948488	61	0
Owner	Ownership dispersion	0.7008982	0.3631217	1	0.1
ln(Capital)	Capitalization	6.746132	0.5693152	8.497908	4.694429
ln(Employees)	Number of Employees	4.321774	0.5324309	6.361728	1.176091
ln(Assets)	Assets	6.982646	0.4989066	8.94339	5.799035

Source: Authors' elaboration.

4. Results and Discussion

4.1. Multiple Regression Analysis

In examining the relationship between ethical performance and firm outcomes, a multiple regression analysis was employed to control for various indicators of firm performance, board composition, ownership structure, and other pertinent control variables such as capital, number of employees, and total assets.

4.1.1. Model Specification

The multiple regression model was specified as follows:

$$\text{Performance}_{it} = \beta_0 + \beta_1 \text{Ethics}_{it} + \beta_2 \text{Board}_{it} + \beta_3 \text{Owner}_{it} + \beta_4 \text{Capital}_{it} + \beta_5 \text{Employees}_{it} + \beta_6 \text{Assets}_{it} + \epsilon_{it}$$

where Performance_{it} represents firm performance indicators (ROE and Turnover) for firm i at time t ; Ethics_{it} is the ethical performance score based on CSR rankings; Board_{it} denotes the board composition; Owner_{it} captures the ownership dispersion; and Capital_{it} , Employees_{it} , and Assets_{it} are the control variables for firm i at time t . The error term ϵ_{it} captures the unobserved effects.

Table 4. Multiple regression analysis

Dependent Variable: <i>ROE_3Y</i>	(1)	(2)		
Dependent Variable: <i>ln(Turnover)</i>			(3)	(4)
Ethics	-0.179 (0.13)	-0.155 (0.14)	0.984*** (0.12)	0.353*** (0.07)
Board	0.001 (0.00)	0.003* (0.00)	0.015*** (0.00)	-0.001 (0.00)
Owner	0.176*** (0.04)	0.166*** (0.04)	0.076** (0.03)	0.081*** (0.02)
ln(Capital)		0.035 (0.03)		0.016 (0.02)
ln(Employees)		-0.031 (0.03)		0.214*** (0.02)
ln(Assets)		-0.131*** (0.05)		0.479*** (0.02)
Observations	1002	1002	1002	1002
R ²	0.0257	0.0359	0.1790	0.7111

Standard errors in parentheses * p < 0.10, ** p < 0.05, *** p < 0.01

Source: Authors' elaboration.

4.1.2. Regression Results

The regression results, as summarized in Table 4, indicate a nuanced relationship between firm performance metrics and ethical performance, board structure, and ownership dispersion, alongside control variables. Ethics performance showed a statistically significant and positive effect on *ln(Turnover)* in Models 3 and 4, suggesting a strong market performance for ethically recognized companies. However, the negative coefficients for Ethics in Models 1 and 2, although not significant, suggest a more complex relationship with ROE variation that warrants further exploration.

Board composition presented mixed outcomes, with a positive impact on *ln(Turnover)* in Model 3, indicative of the potential benefits of larger boards in enhancing turnover. Yet, this influence was not observed for *ROE_3Y*, suggesting that the effect of board size may vary with the performance metric considered.

Ownership dispersion exhibited a consistent positive relationship with both *ROE_3Y* and *ln(Turnover)* across all models. This finding underlines the importance of dispersed ownership in potentially

reducing agency costs and aligning the interests of a broader shareholder base with those of management.

The control variables, particularly $\ln(\text{Assets})$, demonstrated a negative correlation with ROE_{3Y} in Model 2, while $\ln(\text{Employees})$ showed a strong positive association with $\ln(\text{Turnover})$ in Model 4. These results indicate that while larger firms may enjoy higher turnover, this does not necessarily translate into proportionate profitability.

4.1.3. Discussion of Regression Outcomes

The analysis revealed that ethical performance, as operationalized through CSR rankings, may have a nuanced impact on different aspects of firm performance. While turnover seems to benefit from higher ethical standings, the relationship with ROE is less clear and invites further investigation into the potential lagged effects of ethical practices on profitability.

The board structure's influence on firm performance is complex, and the results suggest that while a larger board may contribute to increased turnover, its impact on profitability requires further scrutiny. This aligns with the literature which suggests that board dynamics can have varied implications for different performance metrics.

Ownership dispersion's positive relationship with firm performance reaffirms the notion that a broader distribution of ownership can have beneficial effects, potentially due to enhanced monitoring and reduced agency conflicts.

The control variables provide additional insight, suggesting that firm size, in terms of employees, positively correlates with market performance, yet larger asset bases may not necessarily equate to higher profitability over the analyzed period.

4.1.4. Examination of Hypotheses

The regression analysis was conducted to test the posited hypotheses concerning the impact of ethical governance on firm performance. The results provide a mixed picture, offering support for some hypotheses while challenging others.

For Hypothesis 1, the expected positive association between ethical performance and ROE_{3Y} was not substantiated (Models 1 and 2). The coefficients for Ethics were negative, although not statistically significant, suggesting that the presence of a well-implemented code of ethics does not have a straightforward positive impact on ROE over the studied period.

Hypothesis 2 posited an inverse relationship between ethical performance and turnover. Contrary to this hypothesis, the analysis (Models 3 and 4) revealed a positive and significant relationship between ethical performance and the natural logarithm of Turnover, indicating that firms with higher ethical standards tend to have increased sales volume, which may reflect higher customer and employee trust in ethically governed companies.

The examination of Hypothesis 3 revealed a complex relationship. While the number of board members (Board) showed a positive impact on $\ln(\text{Turnover})$ in Model 3, suggesting a potential enhancement in

corporate governance leading to better market performance, this effect was not consistent across all models.

The examination of Hypothesis 4 provides additional insight into the role of ethical governance in the context of technological transformation. Although not directly tested through a dedicated variable, the empirical results suggest that firms with higher ethical performance exhibit characteristics associated with greater organizational readiness for innovation and technological adoption. In particular, the positive relationship observed between ethical performance and turnover may reflect stronger stakeholder trust, improved organizational reputation, and enhanced internal alignment, all of which are critical enablers for the successful implementation of AI systems. These findings offer indirect support for Hypothesis 4, suggesting that ethical governance may contribute to fostering an environment conducive to human–AI collaboration and digital transformation.

4.1.5. Discussion Regarding Hypotheses

The findings challenge Hypothesis 1, suggesting that while ethical governance is a noble pursuit, its direct financial benefits, as measured by ROE3Y, are not immediately evident. This could be due to the multifaceted nature of ethics in business, which may yield financial benefits that are not captured in short-term profitability measures.

The results supporting Hypothesis 2 underscore the importance of ethical governance in enhancing the company's market performance rather than decreasing turnover rates. This could imply that ethical companies are better positioned to leverage their ethical reputation to boost sales and revenue, which indirectly may contribute to employee satisfaction and retention.

Hypothesis 3 is partially supported by the data, which indicates that the involvement of board members in ethical governance can positively influence market performance. However, the lack of a consistent relationship across all models calls for a more nuanced understanding of how board engagement in ethical practices influences financial outcomes.

In relation to Hypothesis 4, the findings suggest that ethical governance may play a foundational role in shaping organizational readiness for AI adoption, even if this relationship is not explicitly captured through the empirical model. Ethical frameworks contribute to building trust, transparency, and accountability within organizations, which are essential conditions for the acceptance and effective use of AI technologies by employees. In service-oriented contexts, where human interaction remains central, the successful integration of AI depends not only on technological capabilities but also on the organizational climate and employee attitudes. Therefore, ethical governance can be interpreted as a key enabler of human–AI collaboration and a driver of sustainable digital transformation.

These findings can be interpreted within the broader context of AI-driven transformation, where ethical governance frameworks contribute to building employee trust and facilitating human–AI collaboration. Organizations that prioritize ethical standards are more likely to create environments conducive to AI adoption, where employees perceive technology as a complement rather than a threat. This is particularly relevant in service industries, where the balance between technological efficiency and human interaction is critical.

5. Conclusions, Limitations, and Prospects for Future Inquiry

This exploration delves into the nexus between corporate governance and ethical underpinnings, offering a nuanced perspective on the synthesis of governance principles and ethical mores within the business. It distills this interplay into three salient contributions to the corpus of corporate governance and ethics scholarship.

Firstly, the study traverses the historical evolution of corporate governance theories, elucidating their intrinsic connections to the ethical fabric of business conduct. This retrospection furnishes a panoramic vista of the theoretical undercurrents that have shaped the discourse on corporate governance, highlighting the ethical imperatives intertwined with governance practices.

Secondly, the exegesis extends to the ethical doctrines that intertwine with corporate stewardship and managerial ethos. From the expansive terrain of corporate ethics to the Aristotelian viewpoint, the research canvasses the ethical virtue and the concomitant cost of ethicality in business operations. This analytical odyssey into virtue ethics enriches the understanding of ethical paradigms as they manifest in the corporate context.

Thirdly, the discourse pivots to the normative frameworks, casting light on the perennial debate surrounding the adequacy of accountability as a proxy for corporate conscientiousness. This scrutiny offers a critical lens through which to view the alignment—or misalignment—between regulatory compliance and the espousal of corporate responsibility.

This study contributes to the emerging literature on AI and HRM by highlighting the role of ethical governance in shaping digital transformation processes. Ethical frameworks not only influence financial outcomes but also play a key role in supporting human–AI collaboration, enhancing employee engagement, and improving service quality. Future research should further explore how AI-specific governance mechanisms impact HRM practices and organizational performance in service industries. Nonetheless, the study acknowledges its contours of limitation, reflecting the contemporaneous state of the interrelation between ethics and corporate governance. The theoretical exposition posited herein calls for empirical corroboration, inviting further scholarly inquiry to substantiate and build upon the theoretical constructs presented.

As the corporate landscape continues to be sculpted by ethical considerations, the insights gleaned from this study serve as a springboard for ongoing investigation into the profound impact of ethical stewardship on the governance and destiny of corporations.

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(Title, Abstract and Keywords in Spanish)

Gobernanza ética en la era de la inteligencia artificial: implicaciones para la gestión de recursos humanos y la transformación digital en la industria de servicios

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Resumen

Este estudio examina el papel de la gobernanza corporativa ética en el contexto de la adopción de inteligencia artificial (IA) y la transformación digital en las industrias de servicios. Basándose en una muestra multinacional de 1.207 empresas, la investigación explora cómo las prácticas éticas, reflejadas en los rankings de responsabilidad social corporativa (RSC), influyen en el desempeño empresarial y en los resultados organizacionales. Asimismo, el estudio analiza las implicaciones de la gobernanza ética para la gestión de recursos humanos, especialmente en el fomento de la preparación para la IA, la confianza de los empleados y una transformación digital sostenible. Los resultados indican que el desempeño ético se asocia positivamente con los resultados de mercado, lo que sugiere que una gobernanza ética puede favorecer la colaboración entre humanos e IA, así como la mejora de la calidad del servicio. Los hallazgos contribuyen al creciente debate sobre la transformación organizacional impulsada por la IA al destacar la importancia de integrar marcos éticos en las estrategias de gobernanza y de gestión de recursos humanos.

Palabras clave: Inteligencia Artificial; Gobernanza Corporativa; Gestión de Recursos Humanos; Transformación Digital; Ética; Industrias de Servicios; Colaboración Humano-IA.

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