

Influence of Leadership Traits on Corporate Culture and Corporate Ethical Standards: A Cross-Sectional Statistical Analysis of SMEs

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Abstract

The small and medium-sized enterprises (SMEs) are considered as pillar of most economies but remain understudied in business ethics research and require thorough investigation. This cross-sectional endeavor examines impact of leadership traits on corporate ethical standards in Ukrainian SMEs. Data were taken from 327 SME owners and managers across four Ukrainian regions (Kyiv, Lviv, Dnipro, Odesa) using validated scales (Big Five Inventory-10, Ethical Leadership Scale, and Corporate Ethical Standards Scale). Hierarchical regression and mediation analysis (PROCESS Macro, 5,000 bootstrap samples) were employed, controlling for firm size, age, industry, and war impact. Results indicate that conscientiousness, $\beta = 0.34$, and agreeableness, $\beta = 0.23$, are positively linked with corporate ethical standards and the development of a strong corporate culture, while neuroticism, $\beta = -0.28$, shows a negative association. All the results are statistically significant. OPN and extraversion were not significant. Model explained 38% of variance. Results further showed that ethical leadership (ELD) behavior partially mediated the conscientiousness-ethics relationship (53%) and agreeableness-ethics relationship (48%). The study provides the first quantitative evidence from a post-Soviet, conflict-affected context in considered theme. Practical implications recommend SME self-assessment of conscientiousness and neuroticism, ELD training and differentiated donor support for war-affected SMEs. Corporate culture emerged as a key mechanism linking leadership traits to organizational ethics. War impact significantly moderated the conscientiousness-ethics relationship and weakening the positive association under high disruption. Findings contribute to business ethics literature by extending trait and social learning theories to a conflict-affected transition economy. Future research directions include multi-source data and cross-national replication.

Keywords: Leadership Traits; Corporate Culture; Corporate Ethical Standards; Business Ethics; SMEs; Ukraine; Cross-sectional Study.

Introduction

The economies around the world are supported by small and medium enterprises (SMEs) that employ large number of world's workforce (Naradda Gamage et al., 2020). Owners and managers of these enterprises have to do a lot to set and enforce an ethical norm as opposed to larger corporations with full compliance departments (Pillai et al., 2022; Modreanu et al., 2024). Corporate standards of ethics (the shared principles governing honesty, fairness, transparency and integrity) are not established in an SME through formal systems, but through the personal values and everyday actions of the leaders of the organization (Spence, 2016). Corporate culture can be regarded as shared values and beliefs determining the behavior of the employees. This serves as the primary vehicle via which leadership traits influence ethical conduct in SMEs (Vem et al., 2023).

Ethical practices in SMEs are more important in emerging and developing economies (Atobishi & Podrutzik, 2025). Poor regulation, endemic corruption and the lack of resources put constant pressure on those to take the easier path. On the other hand, SMEs that have proven their integrity have the opportunity to access international markets, to access better financial services, and to develop resilience to institutional shocks (Omowole et al., 2024). The lack of ethics leads to legal consequences, damage to reputation and exclusion from global value-chains for SMEs.

The stable personality characteristics, called leadership traits, that influence behavior and decision making, significantly impact the manner in which SME leaders approach ethical issues (Afshar Jahanshahi & Kalaycioglu, 2026). The Five-Factor (FF) Model (conscientiousness (CON), agreeableness (AGR), neuroticism (NER), openness (OPN) and extraversion (EXT)) have been widely validated in the understanding of leadership effectiveness (Cooper et al., 2023). Conscientious leaders are likely to create organizations that enforce a set of rules; however, neurotic leaders may create organizations that enforce rules inconsistently (Soomro et al., 2022).

Empirical studies have made important strides in recent years in understanding these mechanisms. Atobishi and

Podrutzik (2025) showed that leadership abilities positively influence ethical leadership (ELD) in an SME, which in turn has a significant effect on the sustainable development of SMEs. Moreover, ELD enhance organizational performance via team ethical climate and employee welfare (Su & Hahn, 2025). Institutional context, however, influences the relationships between traits and ethics; they are not universal. The results of large corporations in the west cannot be automatically transferred to transition economies, because in very corrupt societies, agreeable leaders can be used for purposes other than as an ethical model.

Ukraine provides a critical case for examining leadership-ethics linkages in challenging institutional environments. Ukraine is a post-Soviet transition economy with EU candidate status that has implemented anti-corruption measures and continues to struggle with corruption (Kychak, 2025). SMEs accounted for 99.8% of total enterprises in Ukraine, 65% of population was employed by SMEs, and 64% of value added in the Ukrainian economy was generated by SMEs (Fedko, 2024). Since Russia's invasion in 2022, Ukraine's SMEs are in a state of war, and international donors impose anti-corruption conditions for reconstruction funds. The knowledge of the leadership traits that are connected to the ethical behavior of leaders is therefore not only of academic interest, but it is directly relevant to the post-war recovery and to European integration.

However, while there are several studies on ELD in SMEs in different emerging economies (Adeyemi et al., 2025; Lee et al., 2026), there has been no cross-sectional statistical analysis that has focused on multiple leadership traits and ethically sound measures of corporate ethical standards in post-Soviet, conflict-ridden Ukraine. Most work to date has been qualitative or macro-institutional. This provides room for evidence-based study to SME owners, donors, and policy makers in an environment where ethical governance is needed.

This study pursues three objectives:

1. To measure the current level of corporate ethical standards among Ukrainian SMEs and examine variations by firm size, industry, region, and war impact.

2. To identify which leadership traits (FFM) are statistically associated with corporate ethical standards in Ukrainian SMEs, controlling for relevant firm-level covariates.
3. To examine whether ELD behavior mediates link between key leadership traits and corporate ethical standards.

Consequently, research questions are:

1. RQ1: What is the level of corporate ethical standards across Ukrainian SMEs, and how does it vary by firm characteristics (size, industry, region, war impact)?
2. RQ2: Which of the Big Five leadership traits demonstrate statistically significant associations with corporate ethical standards in Ukrainian SMEs?
3. RQ3: To what extent does ELD behavior mediate link between leadership traits (CON and AGR) and corporate ethical standards?

This work contributes to theory by extending leadership trait and ELD research into an understudied context (post-Soviet, conflict-affected transition economy). For practice, it provides Ukrainian SME owners, business associations, and international donors with evidence-based guidance for leadership development and grant conditionality. For policy, it informs SME support programs (e.g., Diia.Business hubs) and reconstruction initiatives that integrate leadership and ethics.

Next section presents literature review. Section 3 detailed the research design. Section 4 contains findings and Section 5 discusses them. The study is concluded in Section 6.

Literature Review

Theoretical Foundations

This endeavor is based on two complementary theories. According to trait theory of leadership, stable personality traits are predictive of the emergence of a leader, leader behavior, and leader effectiveness, in situations (Zaccaro, 2007). The FF Model (Big Five) is new taxonomy applied in leadership trait research which consists of CON, AGR, NER, OPN and EXT (Assiri, 2025; Zhu et al., 2025). Judge et al. (2002) executed meta-analysis of 30 different papers on leadership effectiveness and found EXT, CON and OPN positively correlate; NER was negative. These

characteristics are especially important for ethical behavior as conscientious individuals place importance on following rules and are responsible to others, agreeable individuals are willing to cooperate and are fair, and neurotic individuals have at times inconsistent and self-protective decision making (Walumbwa & Schaubroeck, 2009).

Associations between leader traits and organizational ethical norms are explained by social learning theory (Bandura & Walters, 1977; Okorley et al., 2025). Appropriate behavior is learned through observation, imitation and internalization of the behavior of credible role models, particularly those who have power and status. In the absence of formal structures for governance in SMEs, the owner-manager is the key ethical role model. Employees monitor leader actions of honesty, fairness, and rule compliance and mimic such behavior (Brown & Treviño, 2006). Literature depicted that ELD has two aspects: cognitive and affective, which influence organizational outcomes (Su & Hahn, 2025). So, the characteristics of the leader do not directly influence ethical standards, but rather, the characteristics of the leader influence observable ELD behaviors that influence organizational norms.

Empirical Literature

The research literature of the traits and ethics of leaders has increased markedly, with the majority of studies conducted on large firms in Western settings. Studies determined that leader personality is one of the most consistent individual level predictors, but these relationships are often moderated by organizational and situational influences (Damti & Hochman, 2022). Su and Hahn, (2025) reported that leader CON and AGR positively influenced ELD behavior, which, in turn, helped to lessen unethical behavior.

There are important cross-national differences to be noted. Lee et al. (2026) tested Pakistan, India and Taiwan and revealed that ELD impact on CSR engagement was country-specific with trust and organizational commitment being sequential mediators. This shows that there are no universal relationships between traits and ethics, but that they are dependent on the cultural and institutional settings. In contexts with high corruption, an agreeable leader might be taken advantage of instead of being a moral exemplar, meaning results from less corrupt settings in the West do not

necessarily apply. Spence (2016) maintained that the SME informality and resources limitations, and the focus of the business on the owner manager, cause ethical standards to be very specific to the characteristics of owner manager. Further, the study of 426 employees in 71 SME teams revealed a strong link between ELD and employee organizational citizenship behaviors and partial mediators were identified as team ethical climate and ethical role modeling (Su & Hahn, 2025). This offers empirical support to the complicated mechanisms linking leader attributes to organizational outcomes.

However, the documentation of post-Soviet, conflict-affected transition economies – especially Ukraine – is still very scarce. Shaposhnykov (2024) highlighted that hidden entrepreneurship in Ukraine is driven by excessive fiscal burdens, regulatory problems, and the intention of businesses to “survive” in conditions of socio-economic instability, with the shadow economy accounting for a substantial portion of SME output. Furthermore, Kompaniets and Bela (2026) found that under wartime conditions, Ukrainian entrepreneurs and managers face extreme uncertainty, where internal motivation and moral values become the dominant drivers of responsible economic behavior, yet non-transparent management practices and lack of trust remain significant barriers. Given these circumstances, there are strong disincentives for ethical behavior, and leadership traits may present the best chance of overcoming institutional challenges.

Following three hypotheses are conceptualized based on the theories and empirical literature:

H1: Leader CON and AGR enhances corporate ethical standards in Ukrainian SMEs, while leader NER is negatively related with corporate ethical standards.

H2: ELD behavior positively mediates link between leader CON/AGR and corporate ethical standards in Ukrainian SMEs.

H3: Positive relationship between leader CON/AGR and corporate ethical standards is stronger in Ukrainian SMEs that have experienced lower war-related disruption, due to the buffering effect of stable operating environments.

Research Gap and Contribution of the Study

Much research has been done on ethics and ELD in SMEs in emerging economies, but there is still a gap. There is no cross-sectional statistical study that has concurrently examined multiple Big Five leadership traits on the same measures of corporate ethical standards, while controlling for firm-level covariates and tested mediation (in Ukraine, a nation with extreme ethical challenges given the ongoing war). Most existing studies focus on qualitative, macro-institutional and/or corruption perception aspects rather than on firm-level ethical aspects. Such a void prevents evidence-based advice relating to SME owners, international donors and Ukrainian policy makers in an environment requiring tangible ethical governance in post-war reconstruction and EU integration. This endeavor attempts to address this lack of research by examining both the direct influence of Big Five traits on ELD and mediating role of ELD between said traits and firm performance, while controlling for other influencing factors of firm size, industry, region, and impact of a war, using validated measurement scales.

Methodology

Research Design

This endeavor used a cross-sectional, quantitative, survey-based research design. Cross-sectional approach that captures variable relationships at one specific time point is common in leadership and business ethics scholarship (Podsakoff et al., 2012). The design is capable of testing the hypothesized relationships between leadership traits (independent variables), ELD behavior (mediator), and corporate ethical standards (dependent variable) while controlling for firm-level covariates. Cross-sectional data doesn't depict causality; however, the design is suitable for the study's objectives of identifying statistically significant associations and testing mediation pathways.

Sampling Strategy and SME Population Characteristics

The target population comprised registered SMEs operating in Ukraine. Approximately 7.3 million persons were employed by SMEs in 2021 (State Statistics Service of Ukraine, 2024). Before the full-scale invasion, SMEs accounted for 64% of value added in the Ukrainian

economy and employed approximately 7.4 million people (European Investment Bank, 2024). SMEs were defined according to Ukrainian law No. 461-IX (2020): micro means 10 to 19, small means 20 to 49 and medium means 50 to 250. Only SMEs with at least three years of continuous operation were included to ensure organizational stability.

The sampling frame was constructed from three sources: (1) the Ukrainian Business Association member directory ($n \approx 4,500$ firms), (2) regional chamber of commerce lists for Kyiv, Lviv, Dnipro, and Odesa ($n \approx 6,200$ firms), and (3) the State SME Registry (random selection, $n \approx 3,000$ firms). Stratified random sampling was employed with strata defined by: (a) firm size (micro, small, medium), (b) industry sector (manufacturing, wholesale/retail trade, business services), and (c) region (west: Lviv; central: Kyiv; east: Dnipro; south: Odesa). This stratification ensured representation across Ukraine's diverse economic and war-impact zones.

Following Kang (2021), sample size selection was based on G*Power 3.1. Regression model with nine predictors, assuming f^2 equals to 0.15, α equals to 0.05, and power

equal's to 0.80, requires the required sample minimum of 114. To allow for incomplete responses, target was set at 350 completed surveys, leading to 1,500 invitation emails.

Data were collected between October and December 2024. Potential respondents, owners, founders, or CEOs (chief executive officers) of SMEs, were contacted via email with a personalized invitation explaining the study's purpose, anonymity guarantees, and an embedded link to an online survey (Google Forms). For SMEs in regions with documented connectivity challenges (eastern and southern oblasts), phone-assisted completion was offered. Three follow-up reminders were sent at two-week intervals. No financial incentives were provided to reduce social desirability bias; however, a summary report of findings was offered as an incentive.

Of 1,500 invited SMEs, 418 responded (27.9% response rate). After removing incomplete surveys ($n = 51$) and those failing attention checks ($n = 40$), the final analyzable sample comprised 327 responses. Table 1 displays frequencies and percentages detail.

Table 1: Sample Characteristics for N = 327

Characteristic	Category	Frequency	Percentage
Firm Size	Micro	111	33.9
	Small	134	41
	Medium	82	25.1
Industry	Manufacturing	124	37.9
	Wholesale/Retail Trade	137	41.9
	Business Services	66	20.2
Region	West (Lviv)	98	30
	Central (Kyiv)	112	34.2
	East (Dnipro)	65	19.9
	South (Odesa)	52	15.9
Respondent Role	Owner/Founder	189	57.8
	CEO/General Director	98	30
	Senior Manager	40	12.2
Respondent Gender	Male	199	60.9
	Female	128	39.1
Firm Age (years)	Mean (SD)	11.4	(6.2)
Respondent Tenure (years)	Mean (SD)	8.7	(5.1)

Measurement Instruments

All instruments underwent translation from English to Ukrainian following the back-translation method of Klotz et al. (2023). Two bilingual translators performed independent forward translations, and a third blind translator back-translated the Ukrainian version into English. A pilot test with 45 SME owners from the Kyiv region (excluding from the final sample) assessed clarity and internal consistency.

As given by Rammstedt and John (2007), leadership traits (independent variable) were assessed via Big Five Inventory-10 (BFI-10), a brief form of the BFI-44. Scale includes 10 items, two for each personality dimension: CON, AGR, NER, OPN, and EXT. The CON items assess thoroughness and responsibility, while the NER items capture emotional instability and nervousness. Responses used seven point Likert format in which 1 is strongly disagree to 7 as strongly agree. BFI-10 has shown adequate test-retest reliability (mean $r = 0.75$) and convergent validity with the full BFI-44 ($r = 0.80$ – 0.85) across various cultural settings.

ELD behavior (mediator) was measured via 8-item ELD Scale (ELS) as given by Brown et al. (2005). The scale captures leader behaviors such as disciplining ethical violators and modeling ethical conduct. Responses followed a 7-point Likert scale. ELS showed strong internal consistency ($\alpha > 0.90$) and convergent validity in prior studies.

The dependent variable, corporate ethical standards were measured via 7-item scale taken from Victor and Cullen (1988) and Singhapakdi et al. (1996) Ethical Climate Questionnaire. Items assess the frequency of ethical practices within the SME, including: "In our firm, we have a formal code of ethics," "Our firm provides ethics training for employees," "Unethical behavior is not tolerated regardless of results achieved," "Our firm is honest and transparent in financial reporting," "We avoid giving or accepting bribes or kickbacks," "Our firm treats employees fairly regardless of position," and "Our firm is truthful in customer communications." Responses were recorded on a seven point frequency scale as 1 is never to 7 showing always.

Four firm-level control variables were included based on prior research (Spence, 2016): (1) firm size (log of number of employees), (2) firm age (years since founding), (3) industry (dummy-coded: manufacturing = reference, trade, services), and (4) war impact (single-item self-rated measure: "How negatively has the ongoing war affected your firm's operations?"; 1 = no negative impact to 5 = extremely negative impact). Region dummies (west as reference) were also included in sensitivity analyses.

Statistical Techniques

Data analysis was performed using SPSS v28 and JASP v0.18. Descriptive statistics (means, SDs, skewness, kurtosis) were calculated for continuous variables, with acceptable normality ranges set at $|\text{skewness}| < 2$ and $|\text{kurtosis}| < 7$. Frequencies were generated for categorical variables. The scales' reliability was determined via Cronbach's α and composite reliability (CR), applying a 0.70 cutoff for both measures. Convergent authority was inspected via average variance extracted (AVE), needed values of 0.50 or higher. Through the Harman's single-factor test, common method bias testing was done, where values below 50% are acceptable (Podsakoff et al., 2012). Multicollinearity was checked using VIF (< 5) and tolerance (> 0.20). Pearson correlations assessed bivariate relationships with significance at $p < 0.05$ (two-tailed).

Hierarchical regression tested H1 and H3. Model 1 included controls (firm size, age, industry, war impact). Model 2 added the five leadership traits. Model 3 introduced interaction terms (CON $\times$ war impact, AGR $\times$ war impact). Effect sizes were computed via Cohen's f^2 where value of 0.02 signposts small, 0.15 medium and 0.35 as large effects.

Mediation (H2) was examined through method of PROCESS Macro Model 4 by considering 5,000 bootstrap samples (Hayes, 2018). The CON and AGR were separate independent variables, ELD as mediator, and corporate ethical standards as outcome, with all controls included. Significant indirect effects existed if 95% bias-corrected CI, excluded zero.

Regression assumptions (linearity, independent errors via Durbin-Watson [1.5–2.5], homoscedasticity via residual plots, and residual normality via Shapiro-Wilk and Q-Q plots) were verified prior to examination.

Results

Descriptive Statistics

Table 2 shows the outcomes. Mean scores of CON (M = 5.21) and AGR (M = 4.98) were located to the right of the middle, close to the high end of scores, which suggests moderate levels among Ukrainian SME leaders. NER (M =

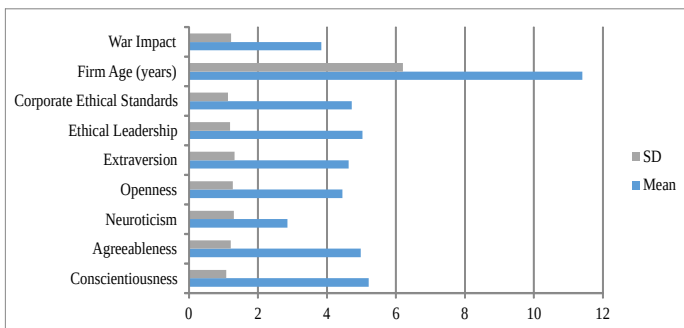
2.85, SD = 1.30) was below the midpoint. The average ethical standard of the corporations was 4.72 (SD = 1.13), which is slightly above the mid-point level. The operational impact that war had (M = 3.84, SD = 1.22) showed a strong negative impact. Skewness and Kurtosis were found to be within the acceptable range and hence it is assumed that the data are normally distributed (see also Figure 1).

Table 2: Descriptive Statistics

Variable	Mean	SD	Skewness	Kurtosis	Theoretical Range	Actual Range
CON	5.21	1.08	-0.42	0.15	1–7	2.0–7.0
AGR	4.98	1.21	-0.38	-0.22	1–7	1.5–7.0
NER	2.85	1.3	0.61	-0.08	1–7	1.0–6.5
OPN	4.45	1.27	-0.19	-0.45	1–7	1.5–7.0
EXT	4.63	1.32	-0.27	-0.38	1–7	1.0–7.0
Ethical Leadership	5.03	1.19	-0.49	0.22	1–7	1.9–7.0
Corporate Ethical Standards	4.72	1.13	-0.35	-0.11	1–7	1.9–7.0
Firm Age (years)	11.4	6.2	0.72	0.34	–	3–35
War Impact	3.84	1.22	-0.23	-0.61	1–5	1–5

Note: N = 327

Figure 1: Mean Scores of Leadership Traits, Ethical Leadership, and Corporate Ethical Standards



Source: Author's construction based on study data

Reliability and Validity Tests

All scales exhibited good reliability as reflected in Table 3. The Cronbach's α , CR values and AVE values are within the range, which are sufficient for convergent validity. Common method bias is not significant as Harman's single factor test depicted 28.6% of total variance, showing less than the threshold level.

Table 3: Reliability and Validity Statistics

Scale	Items	Cronbach's α	CR	AVE
CON (BFI-10)	2	0.76	0.78	0.54
AGR (BFI-10)	2	0.79	0.81	0.57
NER (BFI-10)	2	0.74	0.76	0.52
OPN (BFI-10)	2	0.72	0.74	0.53
EXT (BFI-10)	2	0.73	0.75	0.55
Ethical Leadership Scale	8	0.89	0.91	0.62
Corporate Ethical Standards	7	0.87	0.89	0.68

Correlation Analysis

Table 4 presents Pearson correlations outcomes. Corporate ethical standards showed significant positive correlations with CON, AGR and ethical leadership. A significant negative correlation was observed with NER. OPN and

EXT showed weaker or non-significant associations. War impact was negatively correlated with ethical standards. VIF values indicate no multicollinearity concerns. So it is good to continue for further analysis.

Table 4: Pearson Correlation Matrix

Variable	a	b	c	d	e	f	g	h	i	j
a- CON	-									
b- AGR	0.36**	-								
c- NER	-0.28**	-0.3**	-							
d- OPN	0.19*	0.24*	-0.12	-						
e- EXT	0.27*	0.21*	-0.18	0.33**	-					
f-Ethical Leadership	0.52**	0.47**	-0.34**	0.28*	0.23*	-				
g-Corporate Ethical Standards	0.48**	0.41**	-0.39**	0.22*	0.14	0.59**	-			
h-Firm Size (log)	0.08	0.06	-0.04	0.09	0.03	0.11	0.12	-		
i-Firm Age	0.05	0.02	-0.01	0.07	0.04	0.08	0.09	0.22**	-	
j-War Impact	-0.18*	-0.14	0.21*	-0.09	-0.06	-0.25*	-0.23**	-0.11	-0.07	-

Note: * $p < 0.05$; ** $p < 0.01$ (two-tailed).

Regression Outcomes

Hierarchical Multiple Regression (H1 and H3)

Table 5 presents the hierarchical regression results for corporate ethical standards. Model 1 (controls only) explained 5% of variance. War impact was the only significant control variable, indicating that SMEs experiencing greater war disruption reported lower ethical standards.

Model 2 added the five leadership traits, significantly increasing explained variance ($\Delta R^2 = 0.33$, $F(5,317) = 28.47$). The full model explained 38% of variance. CON (β

$= 0.34$) and AGR ($\beta = 0.23$) showed significant positive associations with corporate ethical standards. NER showed a significant negative association ($\beta = -0.28$). OPN ($\beta = 0.09$) and EXT ($\beta = 0.04$) were not statistically significant. These results support H1.

Interaction term is included in Model 3 to test H3. It added 2% additional variance ($\Delta R^2 = 0.02$, $F(2,315) = 5.12$, $p = 0.006$). The CON $\times$ war impact interaction was significant ($\beta = -0.18$, $p = 0.008$), showing positive relationship between CON and ethical standards was weaker under high war impact. The AGR $\times$ war impact interaction was not significant. Outcomes partially support H3.

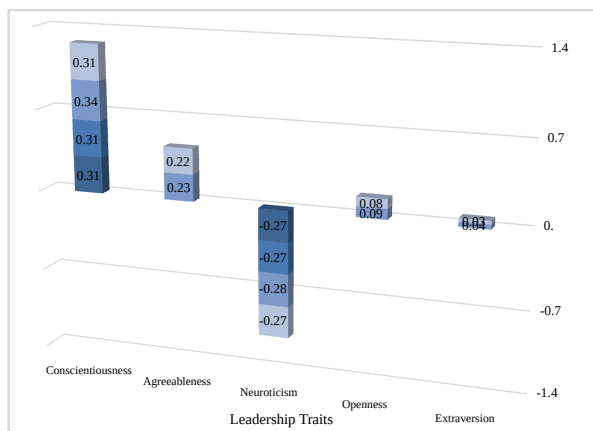
Table 5: Hierarchical Regression Analysis (Dependent Variable: Corporate Ethical Standards)

Predictor	M1 (Controls)		M2 (Traits)		M3 (Interactions)	
	β	P	β	p	β	p
Controls						
Firm Size	0.08	0.18	0.06	0.21	0.05	0.3
Firm Age	0.06	0.29	0.04	0.38	0.04	0.41
Industry (vs. Manufacturing)						
- Trade	0.05	0.38	0.03	0.55	0.03	0.56
- Services	0.09	0.14	0.05	0.32	0.04	0.39
War Impact	-0.15	0.01	-0.11	0.04	-0.09	0.08
Leadership Traits						
CON			0.34	<0.001	0.31	<0.001
AGR			0.23	0.002	0.22	0.003
NER			-0.28	<0.001	-0.27	<0.001
OPN			0.09	0.12	0.08	0.16
EXT			0.04	0.48	0.03	0.52
Interactions						
CON $\times$ War Impact					-0.18	0.008
AGR $\times$ War Impact					-0.07	0.24
Model Statistics						
R ²	0.05		0.38		0.4	
Adjusted R ²	0.04		0.36		0.38	
ΔR^2	–		0.33		0.02	
F for ΔR^2	–		28.47***		5.12**	
Overall F	4.23**		16.87***		15.34***	

Note: N = 327. Standardized coefficients (β) reported. VIF range = 1.18–2.34. ** $p < 0.01$; *** $p < 0.001$.

For Model 2, $f^2 = R^2/(1-R^2) = 0.38/0.62 = 0.61$ (large effect). For CON (partial), $f^2 = 0.34$ (medium-to-large); for AGR, $f^2 = 0.18$ (medium); for NER, $f^2 = 0.22$ (medium). Figure 2 shows associations between each Big Five leadership trait and corporate ethical standards, based on hierarchical regression analysis.

Figure 2: Standardized Coefficients of Leadership Traits on Corporate Ethical Standards



Source: Author's construction based on study data

Figure 2 presents standardized regression coefficients (β) from Model 2 (traits only) and Model 3 (traits with interaction terms). CON and AGR show slight reductions after adding interactions, while NER remains stable. OPN and EXT remain non-significant.

Mediation Analysis

Table 6 depicts mediation outcomes. For CON, the total effect on corporate ethical standards (c-path) was come up as significant with β value as 0.49. The direct effect after including ELD (c'-path) remained significant but reduced with the β value as 0.23 with 95. The indirect effect through ELD was significant with β as 0.26 and 95 percent CI, representing 53 percent mediation (proportion mediated = $0.26/0.49 = 0.53$). For AGR, the indirect effect also came up significant with β value as 0.19, representing 48% mediation. The CI values can also be noted from Table 6. These results support H2 (partial mediation).

Table 6: Mediation Analysis Results

Path/Effect	CON (IV)		AGR (IV)	
	β	95 Percent CI	β	95 percent CI
Total Effect (c)	0.49***	[0.37, 0.61]	0.40***	[0.28, 0.52]
Direct Effect (c')	0.23**	[0.09, 0.37]	0.21**	[0.08, 0.34]
Indirect Effect (ab)	0.26**	[0.15, 0.38]	0.19**	[0.10, 0.29]
Proportion Mediated	53%		48%	
Effect of IV on mediator	0.54***	[0.42, 0.66]	0.44***	[0.33, 0.55]
Effect of mediator on DV	0.48***	[0.36, 0.60]	0.43***	[0.31, 0.55]

*Note: N = 327. Number of bootstrap resamples = 5,000. All models controlled for firm size, firm age, industry, and war impact. Bracketed values indicate 95% bias-corrected CI and ** $p < 0.01$; *** $p < 0.001$.*

Discussion

This endeavor considers how leadership traits affect corporate ethical standards in Ukrainian SMEs, a country undergoing transition after Soviet Union collapse and one which is religiously and ethnically diverse with a long history of conflict. The results confirm significant impact of leadership attributes on organizational ethics, even in the midst of disruption caused by war. Three main findings are discussed.

First, the findings validate the existing relationship between CON, AGR and corporate ethical standards, while NER shows a negative association, beyond firm-level controls. This is in line with the predictions of the trait theory, which predicts that organized and responsible leaders create rule-adherent ethical climates (Judge et al., 2002; Walumbwa & Schaubroeck, 2009). Same was found by many other studies (Mansour et al., 2022; Atobishi & Podrutzik, 2025). Taking a proactive stance against the pressure of bribery in the Ukrainian context, where shadow economy practices are widespread (Yanishin et al., 2023), systematic record-keeping can be an effective way to support conscientious leaders. The negative relationship indicates that NER leaves a negative impression for leaders to send, especially detrimental in SMEs with high visibility of the leader.

Second, mediation analysis confirmed that ELD behavior partially mediates the trait-ethics relationship, as debated

by social learning theory (Bandura & Walters, 1977). Conscientious and agreeable traits influence observable ethical actions, those are, role modeling, ethical communication, fair enforcement, which employees internalize as organizational norms (Brown & Treviño, 2006). This finding stresses that ethical leadership behaviors do not operate in isolation but actively shape corporate culture, which then becomes the normative framework guiding employee decisions.

Third, the positive link between CON and ethical standards weakened under high war impact, suggesting that survival imperatives may override systematic rule-following during extreme disruption. AGR did not have a significant moderation effect; this may be due to the ambivalent nature of AGR under high stress.

There are a few differences from previous studies that should be examined. In contrast to western studies, that showed positive relationships between OPN and ethical innovation (Lee et al., 2026), the OPN was not significant. In Ukraine's wartime context, OPN can take the form of taking risks to avoid following formal rules, not necessarily progressive ethical policies. Also, there was no effect of EXT, unlike studies that correlate it to ELD via social influence, that in Ukraine, extraverted leaders can be oriented towards informal networking (blat) and not towards clear management.

The study theoretical implications are as follows. First, association between traits and ethics is mediated by

environmental disruption; second, environmental disruption is mediated by ELD behavior even in the context of an economy beset by conflict; and third, OPN-ethics linkages are not universal, but context-dependent. On the other hand, Ukrainian SME owners' understanding of their ethical risks can be identified by their own assessment of their CON and NER. A structured decision making protocol should be used by individuals who do not have high CON or low NER. Donors must offer more compliance assistance (ethics hotlines, less requirements) to war-affected SMEs, in addition to their regular assistance.

The following limitations should be noted: cross-sectional design (no causal inferences can be made); the data were self-reported (Harman's test found only 28.6% variance, which means the data may contain low levels of social desirability bias); access constraints resulted in under-representation of severely war-affected eastern regions (Kharkiv, Mariupol). Future research can utilize multi-source data and be extended to other economies of post-Soviet conflict affected countries.

Conclusions

To our knowledge, this endeavor is among the first to offer cross-sectional statistical evidence for the association between leadership traits and corporate ethical standards in Ukrainian SMEs. First, CON and AGR are positively linked with ethical standards, while NER depicts a negative association. Second, ELD behavior partially mediates these relationships. Third, war impact moderates the CON-ethics link, weakening it under high disruption.

The endeavor makes three contributions: it extends trait and social learning theories to a conflict-affected context, introduces validated measures for corporate ethical behavior in Ukrainian SMEs, and provides practical guidance for post-war recovery and EU integration.

SME owners should assess CON and NER using tools like the BFI-10, implement structured ethics checklists, and invest in ELD training. Business associations should offer low-cost online ethics training. Policymakers should condition reconstruction grants on demonstrated ethical conduct. International donors should fund SME leadership development. These steps can ensure better ethical standards in businesses and country as well.

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