

Participative Leadership as a Micro-level Governance Mechanism for Ethical Digital Transformation: A Conceptual Framework

Iheb BOUKELOUA¹ - Zoltán SIPICZKI² - Anett PARADI-DOLGOS³

DOI: [10.29180/978-615-6886-30-9_2](https://doi.org/10.29180/978-615-6886-30-9_2)

Abstract

Digital transformation is fundamentally reshaping how organisations enact accountability, transparency, and ethical responsibility. Yet much of the corporate governance literature continues to privilege macro-level mechanisms such as boards, regulations, and audits while paying limited attention to the behavioural processes through which ethical principles are enacted in everyday organisational practice. This conceptual paper develops a framework that positions participative leadership as a micro-level governance mechanism capable of embedding ethical values within digitally transforming organisations. Drawing on an integrative review of corporate governance, leadership scholarship and digital ethics, the framework explains how inclusion, transparency and human oversight translate normative ideals into organisational action, thereby narrowing the persistent gap between technological innovation and moral accountability. Governance is reconceptualised as a relational and participatory system in which leadership behaviour mediates the interaction between digital challenges and sustainable governance outcomes including trust, ethical technology adoption, and responsible innovation. The argument is particularly salient for emerging economies, where institutional fragility and low levels of civic trust amplify the ethical risks associated with digitalisation. By reframing leadership as a behavioural infrastructure of governance, this study extends existing theory beyond compliance-oriented architectures and offers a human-centred pathway for aligning digital transformation with social legitimacy and organisational moral purpose.

Keywords: Participative Leadership, Corporate Governance, Digital Transformation, Digital Ethics, Trust, Emerging economies

JEL Classification: D23, D83, O32, Z13

Introduction

Digital transformation is redefining how organisations make decisions, coordinate work, and uphold accountability. Artificial intelligence (AI), automation, and data-driven systems have become integral to governance processes, and offer unprecedented efficiency and analytical precision. Yet they also introduce complex ethical and managerial dilemmas surrounding transparency, fairness, and moral responsibility. These challenges underscore the need to revisit how governance frameworks adapt to technological complexity. The task today is not merely to design technological safeguards but to ensure that digital transformation remains human-centred, inclusive, and ethically sustainable (Floridi & Cowls, 2019; Stahl, 2013).

¹ Hungarian University of Agriculture and Life Sciences (MATE), Doctoral School of Economic and Regional Sciences, Hungary, e-mail: Boukeloua.Iheb.2@phd.uni-mate.hu

² Hungarian University of Agriculture and Life Sciences, Institute of Rural Development and Sustainable Economy, Kaposvár, Hungary, e-mail: Sipiczki.Zoltan@uni-mate.hu

³ Hungarian University of Agriculture and Life Sciences, Institute of Rural Development and Sustainable Economy, Kaposvár, Hungary, e-mail: Paradi-Dolgos.Anett.Katalin@uni-mate.hu

Existing research on corporate governance has predominantly adopted a macro-level focus emphasising institutional structures such as boards of directors, regulatory frameworks, and audit systems (Aguilera et al., 2018; OECD, 2023). However, governance is also enacted at the micro-level through everyday leadership behaviours and interpersonal interactions that shape organisational culture. Within this behavioural domain, leadership serves as the conduit through which governance principles such as transparency, fairness, and accountability are internalised and operationalised. Despite this, the connection between leadership and ethical digital governance remains underexplored. Current debates on AI governance tend to prioritise technical design or policy compliance, and overlook how leadership practices translate ethical values into organisational conduct (Camilleri, 2024; Batool et al., 2025).

This paper addresses this gap by proposing a conceptual framework that positions participative leadership as a micro-level corporate governance mechanism. Grounded in inclusion, transparency, and shared decision-making, participative leadership ensures that technological innovation aligns with human values and reinforces stakeholder trust in digital governance systems (Wang et al., 2022; Lythreatis et al., 2024). By integrating insights from leadership theory, corporate governance, and AI ethics, the study advances a behavioural model of ethical digital transformation in which governance is not imposed from above but co-created through participation and trust.

Against this backdrop, the paper makes three interrelated contributions. First, it integrates fragmented literatures on governance, leadership, and digital ethics to propose a human centred framework for responsible digitalisation. Second, it reconceptualises governance as a relational and participatory process rather than a hierarchical system of control. Third, it offers contextual relevance for emerging economies such as Algeria, where institutional centralisation and low civic trust heighten the need for leadership that embeds ethical accountability into the fabric of digital transformation.

Methodological Approach

This conceptual study adopts an integrative literature review approach. Peer reviewed journal articles published between 2018 and 2025 in the Scopus and Web of Science databases were examined. The synthesis focuses on Q1 and Q2 publications in corporate governance, leadership studies, and digital ethics with the objective of developing a cohesive theoretical model linking participative leadership to ethical digital transformation.

The integrative literature review was selected because it facilitates the identification of cross-disciplinary linkages where leadership and governance literatures converge on issues of ethical digitalisation. Unlike traditional narrative or systematic reviews, this approach prioritises conceptual integration rather than exhaustive coverage, thus enabling diverse theoretical perspectives to be synthesised into a unified analytical framework. This approach is particularly appropriate for emerging domains such as AI governance and participative leadership, where conceptual boundaries are fluid and empirical evidence remains limited.

Guided by the principles of conceptual synthesis, the review identifies recurring mechanisms, constructs, and theoretical relationships across these literary sources. The resulting integration provides the foundation for a coherent conceptual model that not only advances theory but also offers a structured basis for subsequent empirical research.

To enhance methodological transparency, this review applied clearly defined inclusion criteria: (1) peer-reviewed journal articles; (2) published between 2018 and 2025; (3) indexed in Scopus or Web of Science; and (4) originating from journals belonging to Q1 or Q2 journal quartiles in the fields of corporate governance, leadership studies, digital transformation, or AI ethics. The initial search identified approximately 60–70 articles across these domains. Following a relevance screening focused on governance, participative leadership, digital transformation, and AI ethics, 21 studies were retained for final conceptual synthesis (matching

the references used in this paper). This selective approach ensured conceptual depth and theoretical coherence while maintaining an analytically focused corpus suitable for developing a cross-disciplinary conceptual model.

Theoretical Background

Corporate governance provides the ethical and structural foundation through which organisations are directed, controlled, and held accountable, which ensures that strategic choices uphold transparency, fairness, and responsibility towards stakeholders (OECD, 2023). Traditional scholarship has concentrated on macro-level governance mechanisms boards of directors, regulatory frameworks, and external audits but recent works emphasise the growing importance of micro-level governance, where managerial behaviour and interpersonal relationships determine how ethical principles are enacted in practice (Aguilera et al., 2018).

This behavioural perspective has become increasingly salient in the era of digital transformation. Advances in artificial intelligence (AI) and data-driven decision-making often outpace formal regulation, and produce new tensions around ethical consistency, accountability, and moral oversight (Camilleri, 2024; Zaidan & Ibrahim, 2024). Within this environment, participative leadership emerges as a human-centred governance style built on inclusion, shared decision-making, and mutual respect. In contrast to hierarchical or authoritarian models, participative leaders cultivate dialogue, empowerment, and collective problem-solving thereby fostering innovation, engagement, and ethical awareness (Likert, 1967; Vroom & Jago, 1988; Bass & Riggio, 2006; Wang et al., 2022; Ahn et al., 2022).

From a governance standpoint, participative leadership complements macro-level mechanisms such as board oversight and regulatory frameworks by translating normative expectations into everyday organisational practices. While formal structures codify accountability, participative leaders internalise these values through dialogue, reflection, and trust building. In this sense, leadership provides the behavioural infrastructure that connects institutional design with lived organisational culture, shifting governance from a compliance-oriented architecture towards a participatory and value-driven process (Gil Cordero et al., 2023; Toufighi et al., 2024).

Digital transformation intensifies the relevance of this micro governance role. While emerging technologies enhance efficiency and transparency, they also create ethical vulnerabilities including privacy breaches, algorithmic bias, and the erosion of human oversight (Floridi & Cowls, 2019; Batool et al., 2025). To address these challenges, governance must integrate fairness, inclusivity, and accountability into both technological design and organisational implementation (Stahl, 2013; Cao & Moreno, 2025). In emerging economy contexts, where digital literacy remains limited and decision-making highly centralised, participative leadership offers a pragmatic mechanism for cultivating ethical awareness and stakeholder engagement (Budhwar, Chowdhury, & Saini, 2022). Recent evidence from *Prosperitas* reinforces this view showing that successful digitalisation in emerging industrial regions depends not only on technological capability but also on leadership practices that strengthen trust, collaboration, and adaptive governance (Wu & Tóth, 2025). By promoting dialogue, transparency, and shared responsibility, participative leaders align digital innovation with societal expectations and moral standards (Bokhari et al., 2025).

Taken together, these insights position participative leadership as a micro-level corporate governance mechanism that operationalises transparency, accountability, and inclusion within digitally transforming organisations. It bridges the divide between macro institutional structures and the behavioural realities of everyday decision-making. This theoretical synthesis provides the foundation for the conceptual framework developed in the following section, which explicates how participative leadership mediates the relationship between digital ethical challenges and sustainable governance outcomes.

Through this synthesis, participative leadership emerges as a micro-level corporate governance mechanism that bridges the structural and behavioural dimensions of ethical digital transformation. By embedding the principles of transparency, accountability, and inclusion into everyday managerial practice, participative leadership connects the normative intent of macro-level governance boards, regulation, and audit with the lived realities of organisational decision-making. This behavioural translation ensures that governance values are not merely prescribed but enacted thereby transforming compliance into collective moral responsibility. The theoretical contribution of this model is threefold. First, it integrates fragmented literatures on corporate governance, leadership, and AI ethics into a unified explanation of how ethical digital transformation can be achieved through *human-centred leadership*. Second, it reconceptualises governance as a *relational and participatory system* grounded in dialogue and mutual accountability rather than hierarchical control. Third, it provides contextual relevance for *emerging economies*, where participative leadership can offset institutional weaknesses, foster ethical resilience, and strengthen public trust in digital reforms (Bokhari et al., 2025). Collectively, these insights demonstrate that participative leadership is not merely a management style but a governance mechanism capable of embedding ethical consciousness within the fabric of organisational decision-making.

Conceptual Framework

This section introduces the conceptual framework that synthesises the theoretical arguments developed in the preceding sections. As shown in Figure 1, participative leadership is theorised as a micro-level governance mechanism that mediates the relationship between digital ethical challenges and sustainable governance outcomes. The framework integrates insights from corporate governance, leadership theory, and digital ethics to illustrate how leadership behaviour operationalises inclusion, transparency, and human oversight within digitally transforming organisations.

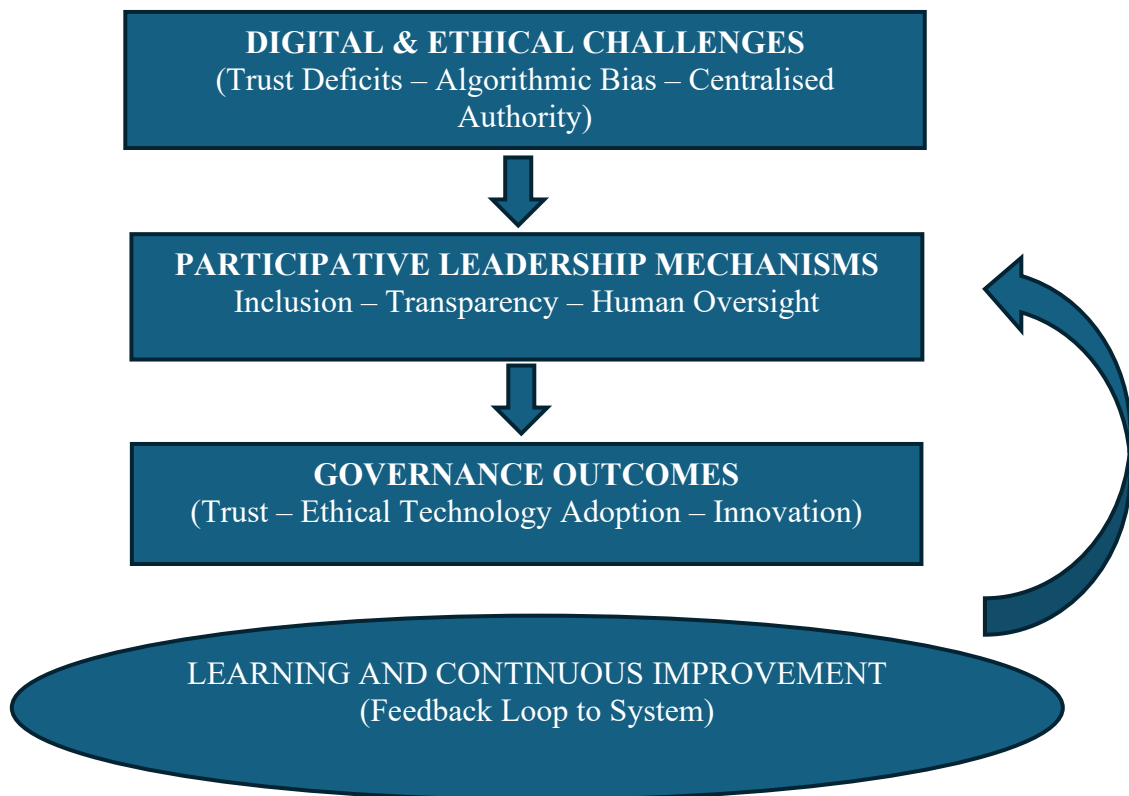


Figure 1: *Participative leadership as a micro-level governance mechanism for ethical digital transformation*

Source: authors' own compilation

The framework theorises participative leadership as the mediating process linking *digital and ethical challenges* to *sustainable governance outcomes*. Digital transformation creates technological and moral tensions: trust deficits, algorithmic bias, and concentrated authority that cannot be addressed through rule-based governance alone. Participative leaders resolve these tensions through three mutually reinforcing mechanisms: inclusion, transparency, and human oversight.

- **Inclusion** engages diverse stakeholders in ethical deliberation and shared ownership of digital decisions.
- **Transparency** ensures openness about technological objectives and risks, reinforcing legitimacy and accountability.
- **Human oversight** preserves moral judgment and critical reflection within algorithmic processes.

Institutionalised together, these mechanisms generate governance outcomes characterised by trust, ethical technology adoption, and a culture of responsible innovation. Conceptually, the model positions participative leadership as both a behavioural process and a governance infrastructure ensuring that digital transformation remains transparent, accountable, and human-centred. This integration provides a coherent foundation for the discussion and implications that follow.

Discussion and Implications

The proposed framework reconceptualises governance in the digital era as a multi-level and participatory process rather than a static hierarchy of control. By positioning participative leadership as a micro-level governance mechanism, the model demonstrates how leadership behaviour operationalises accountability, transparency, and inclusiveness within digitally transforming organisations. Digital transformation is not merely a technological shift but a reorganisation of the ethical and relational foundations of governance. While macro-level mechanisms codes of conduct, regulatory standards, and institutional oversight define *what* organisations should do, participative leadership determines *how* those principles are enacted in practice. Through dialogue, collaboration, and shared responsibility, participative leaders embed ethical values into organisational culture, transforming governance from a compliance-based framework into a living system of moral practice.

At the theoretical level, the framework contributes to the micro foundations of corporate governance (Aguilera et al., 2018) by identifying leadership as the behavioural mechanism through which governance ideals are internalised and enacted. It extends leadership theory into the domain of digital ethics (Wang et al., 2022; Lythreathis et al., 2024) and advances AI governance research by framing ethical digital transformation as a *co-governance system* in which human judgment and institutional design interact dynamically (Zaidan & Ibrahim, 2024; Batool et al., 2025). In doing so, it reconceptualises governance as a relational and participatory system that relies on shared values and human agency rather than hierarchical enforcement.

The model also carries clear implications for policy and organisational practice. From a policy perspective, it underscores that regulation alone cannot ensure ethical digitalisation. National digital strategies should therefore incorporate leadership development and ethics programmes that promote participatory decision-making, algorithmic transparency, and civic engagement. Such initiatives can democratise digital transformation by linking top-down governance with community-level participation. In emerging economies such as Algeria, where institutional capacity and civic trust remain limited, participative leadership can bridge the gap between centralised policy directives and organisational realities, cultivating legitimacy and societal trust through inclusive and transparent engagement. For organisations, the framework offers a roadmap for embedding ethical principles into digital projects by institutionalising participative structures, open communication, and human oversight mechanisms that preserve accountability in algorithmic processes. These practices create a culture of ethical resilience, i.e. an organisational capacity to manage digital risks collaboratively rather than coercively, while enhancing employee engagement and stakeholder confidence.

Beyond its conceptual and practical contributions, this study also lays the groundwork for future empirical research. The proposed relationships invite testing through mixed-methods designs including survey-based structural equation modelling and comparative case studies across industries and national contexts. Future research could explore how contextual variables such as institutional maturity, cultural norms, or technological intensity moderate the effects of participative leadership on governance outcomes. Such empirical inquiry would refine the model's explanatory power and further illuminate how human-centred leadership sustains ethical digital transformation.

Ultimately, this study reaffirms that responsible digitalisation is not simply a technological or regulatory challenge but a human enterprise grounded in trust, inclusion, and reflective dialogue. Participative leadership embodies this human dimension by translating governance principles into lived organisational realities. In doing so, it redefines governance in the digital age not as control imposed from above but as collaboration built on shared ethical responsibility and collective moral purpose.

Limitations and Future Research

Although this study offers a novel behavioural perspective on ethical digital transformation, its contributions should be interpreted in the light of several limitations that also point to promising directions for future research. First, the paper is conceptual in nature and is based on an integrative review of the literature rather than on original empirical data. This design is well-suited for theory building and cross-disciplinary integration, yet it does not allow for direct empirical testing of the proposed relationships. Accordingly, the framework should be viewed as a theoretically grounded foundation intended to guide subsequent empirical inquiry.

Second, the integrative review emphasises conceptual relevance and theoretical coherence over comprehensive coverage. While the analysis draws primarily on high-quality Q1 and Q2 journal publications in corporate governance leadership and digital ethics, this focus may limit the representation of more critical or alternative perspectives. Future research could strengthen and challenge the framework by explicitly engaging with competing governance logics or leadership approaches, particularly those that prioritise formal control, technological determinism, or algorithmic autonomy over participatory processes.

Third, although the framework is presented as especially pertinent to emerging economies, contextual variation is not explicitly incorporated into the model. Institutional capacity, cultural norms, regulatory enforcement, and levels of digital maturity are likely to shape how participative leadership operates as a governance mechanism. Future studies could address this limitation through comparative research across countries, industries, or organisational settings thereby clarifying the conditions under which participative leadership most effectively supports ethical digital transformation.

Building on these limitations, several avenues for future research emerge. Quantitative studies employing survey-based designs and structural equation modelling could empirically examine the proposed relationships between participative leadership, ethical governance mechanisms, and digital transformation outcomes such as trust and responsible innovation. Qualitative approaches, including interviews and case studies, could further illuminate how leaders enact inclusion, transparency, and human oversight in practice, particularly in environments characterised by increasing algorithmic decision-making. Together, these research directions would enhance the explanatory depth of the framework and advance understanding of how micro-level leadership behaviours interact with broader governance structures in shaping ethical digital transformation.

Conclusion

Digital transformation represents not only a technological revolution but a moral reconfiguration of how organisations define responsibility and trust. This study has proposed a conceptual framework that positions participative leadership as the *human core* of this transformation in a micro-level governance mechanism that translates ethical principles into lived organisational practice. By operationalising inclusion, transparency, and human oversight, participative leaders mediate the tension between digital efficiency and moral accountability, which thus generate governance outcomes anchored in trust, ethical innovation, and social legitimacy.

The proposed framework contributes to corporate governance theory by bridging macro institutional design with micro behavioural enactment. It advances leadership studies by demonstrating that participative leadership is not a soft relational style but a structural governance function through which organisations internalise ethics and sustain moral agency in technology-driven environments. The study also expands the domain of digital ethics research, revealing leadership behaviour as the missing link between abstract regulatory ideals and the practical realisation of responsible AI and data governance.

Contextually, the model carries particular significance for emerging economies. Where institutional fragility and centralised decision-making constrain ethical innovation, participative leadership offers a flexible governance architecture that builds ethical resilience from the ground up. By democratising digital transformation and nurturing trust through deliberation and shared ownership, participative leadership transforms compliance-based governance into a participatory culture of responsibility rooted in human dialogue rather than technical design.

Although conceptual, the framework provides fertile ground for empirical validation and comparative inquiry. Future research should test its propositions through multi-method approaches combining survey-based structural equation modelling with qualitative and cross-country analyses to examine how institutional maturity and cultural context shape the effectiveness of participative leadership as an ethical governance mechanism. Such investigations would refine the model's explanatory precision and clarify how leaders operationalise governance ideals across diverse digital ecosystems.

Ultimately, this study reaffirms a simple but profound truth: ethical digital transformation begins with people and not with machines. Governance in the digital age is sustained not by algorithms or codes of conduct, but by the collective moral reasoning of those who lead, decide, and trust one another. Participative leadership embodies that reasoning. It transforms governance from an external apparatus of control into an internal ethic of care ensuring that progress in the digital era remains not only intelligent but just, inclusive, and deeply human.

References

- Aguilera, R. V., Judge, W. Q., & Terjesen, S. (2018). Corporate governance deviance. *Academy of Management Review*, 43(1), 87–109. <https://doi.org/10.5465/amr.2014.0394>
- Ahn, Y., Kang, G. D., & Jung, Y. S. (2022). The role of participative leadership in empowerment and resident participation: Evidence from Korea. *Sustainability*, 14(18), 11223. <https://doi.org/10.3390/su141811223>
- Bass, B. M., & Riggio, R. E. (2006). *Transformational leadership* (2nd ed.). Lawrence Erlbaum.
- Batool, A., Zowghi, D., & Bano, M. (2025). Responsible AI governance: A systematic literature review. *AI and Ethics*. <https://doi.org/10.1007/s43681-024-00653-w>
- Bokhari, S. A. A., Park, S. Y., & Manzoor, S. (2025). Digital government transformation through artificial intelligence: The mediating role of stakeholder trust and participation. *Digital*, 5(3), 43. <https://doi.org/10.3390/digital5030043>
- Budhwar, P., Malik, A., De Silva, M. T. T., & Thevisuthan, P. (2022). Artificial intelligence—challenges and opportunities for international HRM: A review and research agenda. *The International Journal of Human Resource Management*, 33(6), 1065–1097. <https://doi.org/10.1080/09585192.2022.2035161>
- Camilleri, M. A. (2023). Artificial intelligence governance: Ethical considerations and implications for social responsibility. *Expert Systems*, 41(7), e13406. <https://doi.org/10.1111/exsy.13406>
- Cao, J., & Moreno, A. (2025). Ethics and governance of artificial intelligence in digital societies: Public perspectives and policy implications. *Journal of Risk and Financial Management*, 18(2), 132. <https://doi.org/10.3390/jrfm18020132>

- Fatoki, O. (2023). Participative leadership and employee job satisfaction: The mediating effects of psychological empowerment and work engagement. *Foundations of Management*, 15(1), 161–176. <https://doi.org/10.2478/fman-2023-0012>
- Floridi, L., & Cowls, J. (2019). A unified framework of five principles for AI in society. *Harvard Data Science Review*, 1(1). <https://doi.org/10.1162/99608f92.8cd550d1>
- Gil Cordero, E., Ledesma Chaves, P., Ortega Gutiérrez, J., & Han, H. (2023). Organizational value and participatory leadership for sustaining the competitive advantages of hospitality and tourism companies. *Humanities & Social Sciences Communications*, 10, 396. <https://doi.org/10.1057/s41599-023-01881-x>
- Likert, R. (1967). *The human organisation: Its management and value*. McGraw-Hill.
- Lythreatis, S., El Kassar, A. N., Smart, P., et al. (2024). Participative leadership, ethical climate and responsible innovation perceptions: Evidence from South Korea. *Asia Pacific Journal of Management*, 41, 1285–1312. <https://doi.org/10.1007/s10490-022-09856-3>
- Qing, M., & Jinhua, Z. (2023). The influence of participative leadership on the voice behavior of public servants. *Public Personnel Management*, 52(3), 291–316. <https://doi.org/10.1177/00910260221147692>
- OECD. (2023). *Principles of corporate governance*. OECD Publishing. <https://doi.org/10.1787/9789264236882-en>
- Stahl, B. C. (2013). Responsible research and innovation: The role of privacy in an emerging framework. *Science and Public Policy*, 40(6), 708–716. <https://doi.org/10.1093/scipol/sct067>
- Toufighi, S. P., Ghasemian Sahebi, I., Govindan, K., Lin, M. Z. N., Vang, J., & Brambini, A. (2024). Participative leadership, cultural factors, and speaking up behaviour: An examination of intra-organisational knowledge sharing. *Journal of Innovation & Knowledge*, 9(3), 100548. <https://doi.org/10.1016/j.jik.2024.100548>
- Vroom, V. H., & Jago, A. G. (1988). *The new leadership: Managing participation in organisations*. Prentice Hall.
- Wang, Q., Hou, H., & Li, Z. (2022). Participative leadership: A literature review and prospects for future research. *Frontiers in Psychology*, 13, 924357. <https://doi.org/10.3389/fpsyg.2022.924357>
- Wu, C., & Tóth, A. (2025). The systemic transformation of small and medium enterprises (SMEs) in the era of digitalization: Challenges and strategic pathways in emerging industrial regions of China. *Prosperitas*, 11, Article 0142. https://doi.org/10.31570/prosp_2025_0142
- Zaidan, E., & Ibrahim, I. A. (2024). AI governance in a complex and rapidly changing regulatory landscape: A global perspective. *Humanities and Social Sciences Communications*, 11, 230. <https://doi.org/10.1057/s41599-024-03560-x>