

Ethical Blindness in the C-Suite: A Multilevel Theoretical Model of Ethical Fading and Organizational Complicity

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Abstract: Why do organizational executives overlook the moral consequences of their decisions, despite often being viewed as ethical role models? This paper examines ethical blindness in the C-suite, a phenomenon in which senior organizational leaders unintentionally distort or overlook ethical considerations due to systemic, psychological, and cultural biases. Drawing on peer-reviewed journal articles published from 2013 to 2025, this integrative literature review synthesizes insights from behavioral ethics, organizational leadership, and moral psychology. The analysis reveals how power dynamics, strategic silence, cognitive biases, and flawed reward structures collectively erode ethical judgment, enabling executives to rationalize misconduct while preserving a positive moral self-image. The paper proposes a theoretical model to distinguish between ethical blindness and intentional wrongdoing, accounting for mechanisms such as ethical fading, bounded ethicality, and systemic ethical failures at the infrastructural level. The findings challenge traditional approaches to ethics training, underscoring the need for governance reforms that focus on transparency, accountability, and moral reflexivity within executive leadership. This redirects attention from individual failings to the systemic conditions that perpetuate ethical blindness at the highest organizational levels.

Keywords: Ethical Fading, Corporate Executives, Business Ethics, Organizational Leadership

1. Introduction

Ethical failures among organizational executives in the C-suite persist as a significant concern in contemporary US organizations. Despite rigorous compliance programs and intensified public oversight, corporate misconduct continues at an alarming rate. Recent studies indicate that nearly half of corporate employees have witnessed unethical behavior at work, highlighting the widespread prevalence of moral lapses at all levels (Bilderback, 2025). Typically, ethical breaches are attributed to individual executives, often labeled as "bad apples," who are motivated by personal greed or malicious intent. However, emerging research into ethical blindness proposes an alternative view, suggesting that even principled leaders can temporarily lose sight of the ethical dimensions of their decisions (Kump & Scholz, 2022). Termed "ethical fading," this phenomenon occurs when ethical considerations gradually recede from executives' awareness due to cognitive biases and situational pressures (Ho, 2025). Research suggests that even capable and well-meaning leaders might gradually engage in unethical conduct as ethical considerations become obscured over time by organizational or cognitive pressures (Bazerman & Tenbrunsel, 2013; Kump & Scholz, 2022; Kaptein, 2023).

Scholarship is therefore increasingly recognizing that ethical failures extend beyond individual shortcomings, advocating a multilevel view that encompasses cognitive, group, and organizational factors (Bazerman & Tenbrunsel, 2013; Kaptein, 2023; Roszkowska & Melé, 2021). Individually, mechanisms such as self-deception and bounded ethicality allow executives to act against their values while preserving a moral self-concept. At the group level, top management teams reinforce ethical blind spots through collective rationalizations and groupthink, creating environments that both suppress dissent and normalize unethical behavior (Ho, 2025). At the broader organizational level, performance-driven incentives, aggressive business targets, and established routines institutionalize ethical blindness, embedding questionable practices within standard operations (Kump & Scholz, 2022). Consequently, what initially appears as an individual ethical failure often results from the complex interplay of psychological, social, and systemic factors that collectively erode

executive moral awareness (Bilderback, 2025). Addressing ethical blindness thus requires a deeper exploration of these multilevel interactions, highlighting the critical gaps in understanding moral deterioration at the senior leadership levels.

1.1. Problem Statement

In a recent global ethics survey, 67% of corporate board members and 51% of senior executives admitted a willingness to act unethically to advance their careers (Ernst & Young, 2024). This alarming statistic demonstrates that ethical blindness is a critical concern at the executive level, characterized by leaders being increasingly willing to overlook the moral implications of their decisions over time, in a phenomenon known as ethical fading (Kump & Scholz, 2022). Despite robust compliance programs, ethical lapses among senior leaders persist, eroding both organizational integrity and public trust (Mitchell et al., 2023). Ethical fading can also gradually corrode ethical awareness among executives, exacerbated by organizational cultures that implicitly or explicitly shield senior leadership from accountability (Mitchell et al., 2023). Current scholarship has yet to fully explore how ethical fading at the individual level interacts with systemic organizational complicity to sustain ethical blindness at the executive level. This represents a significant gap in understanding, which the theoretical model proposed in this paper seeks to address.

1.2. Literature Review

1.2.1. Individual-Level Ethical Fading

Executives are particularly susceptible to ethical fading due to cognitive biases and psychological mechanisms that obscure moral perception. As previously mentioned, bounded ethicality occurs when individuals subconsciously omit ethical considerations, particularly under high stress or complexity, leading to moral blind spots (Roszkowska & Melé, 2021). For example, framing decisions purely in financial or legal terms often eliminates their ethical relevance, allowing individuals to commit questionable actions without triggering an internal ethical conflict.

Complementing this is moral disengagement, where executives rationalize their unethical behaviors to maintain a positive self-image. Leaders might employ euphemistic language, displace responsibility, or minimize the harm of their actions, allowing them to violate ethical standards without experiencing guilt (Kaptein, 2023). Empirical studies link moral disengagement with various unethical behaviors, particularly in politically sensitive contexts or among individuals with dark triad personality traits (Eissa & Lester, 2025; Zhu et al., 2024). However, existing studies primarily focus on mid-level managers or laboratory settings, which limits their direct applicability to C-suite contexts (Ahmad et al., 2021; Mitchell et al., 2023).

Significantly, ethical fading and disengagement likely interact with bounded ethical awareness, which initially obscures moral recognition, while disengagement subsequently justifies unethical decisions. Although each mechanism has been well-studied individually, a gap remains regarding their combined operation within high-level executive environments, which this study explicitly addresses (Bazerman & Tenbrunsel, 2013; Kump & Scholz, 2022; Mitchell et al., 2023).

1.2.2. Group-Level Complicity and Silence

Ethical blindness in the C-suite often evolves through collective dynamics that reinforce and legitimize misconduct beyond the scope of individual rationalization. Mitchell et al. (2023) found that loyalty norms within executive teams can override individual moral judgment, promoting conformity while discouraging ethical dissent. This loyalty-driven cohesion fosters group rationalizations, where decisions deemed beneficial to the organization are collectively reframed to downplay moral concerns.

Zhu et al. (2024) extended this insight through the concept of ethical contagion, demonstrating that executives tend to mirror their peers' unethical behaviors, particularly when they are perceived as advancing the group's interests. In this context, moral disengagement operates as a shared process and collective narrative, rather than merely an individual justification. Statements such as "everyone does it" or "it is for the company" help normalize deviance across the group. When collectively endorsed, these rationalizations deepen ethical fading and obscure ethical accountability at the group level.

Mishra and Uppal (2025) further emphasized the role of organizational silence in sustaining group-level blindness. Their findings suggest that executives tend to refrain from challenging unethical behavior when it is framed as pro-organizational rather than self-serving. This silence might be "supportive," reflecting an implicit agreement, or "quiescent," driven by fear or a sense of futility. Regardless of the motive, silence contributes to a façade of consensus, suppressing dissent and reinforcing deviant norms.

Although these findings offer compelling evidence of group-level ethical erosion, most originate from mid-level team settings, providing limited insight into how these dynamics unfold in executive circles. Future inquiry must examine how group rationalizations and silence function within the C-suite, where power asymmetries and social insulation might further entrench ethical blind spots.

1.2.3. Organizational-Level Norms and Systems

Organizational systems play a crucial role in determining whether ethical considerations remain central or are overshadowed in executive decision-making processes. Eissa et al. (2025) highlighted the concept of organizational moral disengagement, which describes environments where moral standards are tacitly suspended to serve corporate objectives. Their findings indicate that when executives perceive their organizations as inherently amoral in nature, they are more likely to rationalize misconduct and avoid reporting unethical actions. Importantly, such climates foster blindness not by endorsing immorality but by rendering ethical reflection irrelevant to achieving an organization's performance goals.

Kump and Scholz (2022) noted that routinized decision-making processes, particularly those narrowly focused on efficiency, legality, or profitability, can overlook ethical considerations altogether. These structured patterns filter executive attention, creating blind spots where questionable practices are treated as standard procedure. Notably, real-world scandals such as Volkswagen's emissions fraud and Wells Fargo's sales manipulation support the argument that ethical blindness often emerges from embedded routines rather than explicit wrongdoing (Bazerman & Tenbrunsel, 2013; Kump & Scholz, 2022).

Formal compliance programs alone are insufficient safeguards when an institution's informal norms prioritize short-term performance over ethical reflection. Bilderback (2025) found that a misalignment between formal ethics infrastructure and everyday cultural practices significantly weakens organizational integrity. In such contexts, executives might sincerely believe that their actions are justified, even as unethical conduct becomes deeply ingrained into company culture. This systemic incongruence reveals a critical pathway through which ethical blindness becomes institutionalized at the highest levels. By focusing on these organizational-level mechanisms, this paper highlights the importance of examining how ethics are enacted or sidelined through both formal and informal structures within executive environments.

1.2.4. Synthesis and Gap Identification

The literature converges on a multilevel understanding of ethical blindness in the C-suite: individual cognitive biases such as ethical fading and disengagement weaken personal judgment; group norms of conformity, rationalization, and silence amplify these distortions; and organizational incentives and routines institutionalize them. However, an integrated framework

that tracks how these levels interact to produce durable ethical failures in executive leadership is still lacking. Existing studies tend to treat each domain in isolation, neglecting the question of how team dynamics reinforce individual ethical blind spots, which become embedded in organizational systems. This paper addresses this gap by proposing a unified model explaining how group complicity and organizational structures sustain ethical fading, thereby illuminating why ethical breakdowns often remain invisible until they escalate into full-blown crises.

2. Methods

This study employed an integrative literature review methodology to synthesize recent findings on ethical fading in executive leadership across individual, group, and organizational levels. The search strategy followed the guidelines established by Snyder (2019), who emphasized the value of integrative reviews in developing conceptual frameworks. Between January 2019 and May 2025, searches were conducted on Scopus, Web of Science, Business Source Complete, and PsycInfo for peer-reviewed journal articles, conceptual papers, and empirical studies. Boolean logic was used to connect search terms across three core thematic domains: individual-level mechanisms (e.g., "ethical fading," "bounded ethicality," "moral disengagement"), group-level dynamics (e.g., "groupthink," "loyalty," "strategic silence"), and organizational-level systems (e.g., "organizational routines," "moral disengagement climate," "reward systems").

The searches initially yielded 113 records. After removing nineteen duplicates, 94 articles remained for title and abstract screening. Of these, 58 were excluded because they did not address ethical behavior within executive or C-suite contexts. An additional fourteen full-text articles were removed due to methodological limitations, such as insufficient sample sizes, a lack of peer review, the absence of empirical or theoretical grounding, the failure to specify the executive-level population, or a lack of relevance to the review's conceptual aims. The final corpus comprised 22 validated peer-reviewed sources that met the inclusion criteria of (a) being published between 2019 and 2025, (b) having the full text available in English, (c) being relevant to the context of executive-level ethical decision-making, and (d) having a conceptual or empirical focus on the mechanisms contributing to ethical fading.

Of the 22 validated sources, nine focused primarily on individual-level psychological mechanisms such as moral disengagement, bounded ethicality, and ethical fading, and seven examined group-level phenomena such as collective rationalization, groupthink, loyalty dynamics, and executive silence. The remaining seven articles examined organizational-level antecedents, including climates of moral disengagement, performance-driven norms, and routinized decision-making. Concerning their distribution by year, one source was published in 2013, one in 2019, three in 2021, one in 2022, six in 2023, five in 2024, and five in 2025 (early access). This distribution ensured both recency and conceptual breadth, supporting the paper's aim of developing a multilevel model of ethical fading that is specific to executive leadership.

3. Results

The four-stage conceptual model emerged through an inductive synthesis of patterns across the reviewed literature. Articles examining individual-level mechanisms such as moral disengagement and bounded ethicality informed the first stage by illustrating how executives cognitively reframe questionable actions as justifiable under perceived business necessity (Ahmad et al., 2021; Bazerman & Tenbrunsel, 2013). The second stage of moral muting within executive teams was shaped by studies that explored group-level phenomena, such as loyalty dynamics, groupthink, and strategic silence, where dissenting voices were constrained by social cohesion or hierarchical deference (Hildreth, 2024; Lasmi et al., 2025). The third stage of organizational normalization of deviance drew from research highlighting how repeated minor infractions become institutionalized through reward systems and routinized practices (Kaptein, 2023; Kump & Scholz, 2022). Finally, the fourth stage of systemic reinforcement was informed by articles that

examined how cultural and structural elements such as climates of moral disengagement or bottom-line mentalities perpetuate ethical fading across organizational layers (Eissa & Lester, 2025; Mitchell et al., 2023). The model integrates disparate mechanisms into a recursive structure that explains the evolution of ethical blindness at the executive level by thematically clustering findings across these levels.

3.1. Stage 1: Individual Cognitive Self-Justification

In the first stage, ethical fading begins within the cognitive processes of individual executives. Senior leaders operating under high performance demands and low accountability structures, rationalize their ethically questionable actions through mechanisms such as moral disengagement, motivated blindness, and strategic ignorance. Leaders might reinterpret decisions through euphemistic labeling or shift responsibility onto systems or subordinates. These cognitive frames allow executives to maintain a positive self-image while enacting decisions that violate ethical norms. This rationalization process is intensified in high-autonomy executive environments where leaders face minimal external checks on their decision-making (Kaptein, 2023; Mitchell et al., 2023).

3.2. Stage 2: Group Moral Muting

The second stage is characterized by group-level moral muting within executive teams. Within the C-suite, peer loyalty, shared interests, and identity protection often inhibit dissent. Research suggests that groupthink and collective rationalization within this group suppress moral concerns to preserve cohesion and avoid reputational risk (Mishra & Uppal, 2025; Zhu et al., 2024). In such environments, executives refrain from questioning one another's ethics, even when there are clear signs of moral compromise. This tacit agreement to remain silent reinforces ethical fading, converting it into an accepted social norm within a team. Over time, this group-level suppression of ethical scrutiny becomes habitual and self-reinforcing.

3.3. Stage 3: Organizational Normalization of Deviance

In the third stage, recurring executive decisions that bypass ethical standards become integrated into broader organizational routines. When unethical decisions generate positive short-term outcomes such as increased revenue or shareholder approval, they are perceived as effective and therefore repeated. This process leads to the normalization of ethical deviance, in which previously unacceptable behaviors become common practice due to their instrumental success (Imam & Kim, 2023). Organizational silence, which is often institutionalized through rigid hierarchies or punitive cultures, further prevents lower-level employees from raising ethical concerns. Therefore, the moral boundaries of an organization shift in response to executive behavior, rather than being defined by ethical standards.

3.4. Stage 4: Systemic Reinforcement

The fourth and final stage involves systemic reinforcement through an organization's culture and structure. Executive behaviors become embedded within reward systems, performance metrics, and organizational narratives that celebrate results over process. C-suite incentives tied to short-term financial outcomes can encourage decision-making that is divorced from ethical considerations. A cultural climate that discourages transparency, rewards impression management, and penalizes whistleblowing or dissent also reinforces ethical blindness (Bilderback, 2025). As a result, an organization's moral norms adapt to support the behavior of its most powerful members, completing a self-reinforcing cycle of executive ethical fading.

4. Discussion

The above model suggests that ethical fading in the C-suite is not an anomaly but rather the predictable outcome of cognitive, social, and structural conditions that evolve in tandem. These four stages operate recursively, whereby normalization at the group and organizational levels retroactively validates the cognitive rationalizations at the individual level. This cyclical model offers a new perspective on examining executive misconduct as a breakdown in systems of ethical awareness and accountability rather than a failure of character.

This paper therefore contributes to the theoretical understanding of ethical fading in the C-suite by proposing a conceptual model that integrates individual, group, and organizational dynamics. It clarifies how ethical fading emerges and persists among senior leadership, offering implications for both ethical leadership theory and executive accountability. Prior studies have examined either moral disengagement at the individual level (Kaptein, 2023) or group-level dynamics such as conformity and silence (Mishra & Uppal, 2025). The present framework bridges these perspectives by demonstrating how leadership teams that reward loyalty and suppress dissent (Zhu et al., 2024) reinforce rationalizations such as euphemistic labeling and displaced responsibility (Hildreth, 2024). These social reinforcements then help transform individual ethical blind spots into normalized collective behavior.

Traditional conceptions of ethical fading have emphasized the cognitive limitations triggered by performance pressure (Bilderback, 2025). However, this analysis shows that fading is socially and structurally shaped by group loyalty, incentive systems, and routinized practices that obscure ethical salience. Rather than framing executive misconduct as isolated moral failures, the model underscores how organizational conditions systematically institutionalize unethical behavior.

Incorporating Bagdi and Nimbrain's (2025) theory of deviance normalization, this paper explains how executive teams often reframe questionable behavior as strategic boldness or fiduciary duty, allowing ethical boundaries to erode without explicit recognition of wrongdoing. It further challenges assumptions about psychological safety, suggesting that safety linked to loyalty might suppress dissent rather than promote collaboration in executive contexts. Encouraging cognitive diversity and role differentiation within leadership teams might serve as a safeguard against ethical erosion (Mishra & Uppal, 2025). However, the practical implications extend beyond compliance. Traditional ethics programs might fail unless supported by interventions that disrupt collective rationalization mechanisms. Structured dissent protocols and rotating devil's advocate roles offer tangible mechanisms to surface suppressed concerns and promote ethical accountability (Bilderback, 2025).

The proposed framework thus offers a multilevel, interactional explanation for ethical blindness in executive leadership, responding to calls for more integrative approaches in behavioral ethics (Imam & Kim, 2023). It establishes a foundation for future empirical research into the systemic nature of ethical fading within executive leadership by illustrating how cognitive, social, and structural factors reinforce one another.

5. Conclusion

This paper contributes to the theoretical understanding of ethical fading in the C-suite by identifying it as a progressive erosion of moral awareness shaped by executive cognition and organizational structures. Rather than isolated lapses, recurring patterns such as rationalization, moral disengagement, and strategic silence reflect how ethical concerns gradually lose salience in high-level decision-making (Aleksić & Palazzo, 2023; Chen & Treviño, 2023). The findings highlight that diminished ethical sensitivity among top executives often results from bounded awareness, incentive misalignment, and the routinization of deviance within organizational systems (Bazerman & Tenbrunsel, 2013). As such, addressing ethical fading requires more than individual ethics training, calling instead for structural reforms that embed transparency and accountability into executive processes.

The study's theoretical contributions are twofold. First, it conceptualizes ethical fading as inherently multilevel, shaped by individual cognitive biases, group dynamics, and organizational incentives (Treviño & Nelson, 2021). Second, it challenges traditional compliance-focused ethics programs, highlighting the inadequacy of punitive and detection-based methods in addressing underlying psychological and cultural factors (Ahmad et al., 2021). Instead, sustainable and ethical governance demands proactive strategies that emphasize moral salience, transparent deliberation, and structured mechanisms for dissent (Chen et al., 2023).

Future research should empirically test the propositions of the proposed model through longitudinal and mixed-methods studies, examining whether and how ethical awareness deteriorates across various stages of executive decision-making. Additional studies could explore the effectiveness of scenario-based moral foresight training in leadership programs to prevent ethical blindness (Aleksić & Palazzo, 2023). Such research would facilitate targeted interventions, shifting the scholarly focus from reactive analyses of misconduct to establishing resilient ethical infrastructures that can sustain moral vigilance in the C-suite.

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