



Impact of Ethics and Corporate Social Responsibility on Organization

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ABSTRACT

Corporate social responsibility has emerged as an emergent concern in today's corporate climate. The primary cause for the growth in CSR viewpoint is free media, global trade, and knowledge exchange. Society expects corporations to be increasingly accountable for social issues, and the government is required to give answers to such issues. Such initiatives belong under the CSR umbrella, where plans will holistically include innovation, stakeholder engagement methods, risk management, environmental protection, social inclusion, and economic development.

This study demonstrates how the non-parametric optimisation model of Data Envelopment Analysis can be applied to Corporate Social Responsibility in a company-wide analysis of the capacity of people, processes, and other resources to meet the organization's promulgated social obligations to all stakeholders. The scores of empirical results from an Australian bank research were employed in the analysis.

From a cohort of 231, the DEA model found 11 decision making units that were leading exponents of the behavioural qualities necessary to be recognised as the most efficient in achieving the firm's corporate social responsibility standards. These data can be used to explore why certain units thrive while others struggle. The study can give useful information for the company's development of an effective organisational structure in order to achieve strong corporate governance.

Our study on corporate responsibility and business ethics assists us in understanding how to develop a more responsible business culture.

It helps us to understand the role of corporate responsibility engagement in business strategy - and to explain how corporations' profit from going beyond merely "being nice" and willingly devoting a large portion of company resources to corporate social responsibility operations.

CSR is a wide business term that represents a company's commitment to conduct business in an ethical and sustainable manner, taking into account the economic, social, and environmental consequences of doing so. This might include businesses taking into account their environmental footprint, procuring resources sustainably, and guaranteeing fair working conditions for employees.

It also analyses societal contributions like as employee volunteerism and cooperation with charities, NGOs, universities, and government institutions.

It enables us to appreciate the role of corporate social responsibility involvement in corporate strategy and to demonstrate how firms benefit from going beyond "doing good" and willingly investing considerable amounts of corporate resources to CSR activities.

The wide business concept known as CSR describes a company's commitment to conducting business in an ethical and sustainable manner, while also addressing the economic, social, and environmental implications of managing its commercial operations.



Introduction

The growth of the notion of corporate social responsibility may teach us a lot about social responsibility in the realm of healthcare. This study demonstrates how the Data Envelopment Analysis non-parametric optimisation model may be used to Corporate Social Responsibility in a company-wide analysis of the capacity of people, processes, and resources. A proactive position in society, whose demands identify conditions that give rise to rights, which in turn produce obligations. Beginning with the fundamental concepts of what it takes to manage an organisation, this study explores what might encourage a business to operate in a socially responsible manner. Management excellence results from social responsibility seen as an ethical obligation based on virtue ethics.



Corporate social responsibility refers to how a company interacts with its stakeholders and the environment in which it works. According to Robert Davies of the World Economic Forum, it has moved from the realm of charity to mainstream and strategic business practise for the most successful corporations in the financial marketplace, and is frequently symbolised by the title of corporate citizenship. The ethical duty is the expectation of society that it acts in accordance with established moral norms. A socially responsible corporation is one that demonstrates high levels of social responsiveness to and knowledge of its stakeholders' expectations.

Workers had a humanistic and supportive view of the firm, with open communication and a dedication to justice and ethics demonstrated by the incorporation of ethics in corporate operations and procedures. The organisation encouraged them, and this was reflected in its culture. They were evaluated for corporate social responsibility as a result of the cultural attitude reflected by the previously indicated indicators: affiliation with the business, social accounting, and responsibility. They enabled the firm to comprehend its workers' needs as stakeholders and incorporate them into the firm's business choices, understanding that their futures are inextricably intertwined. The company must comprehend the role of workers in decision-making and how to empower them in this process.

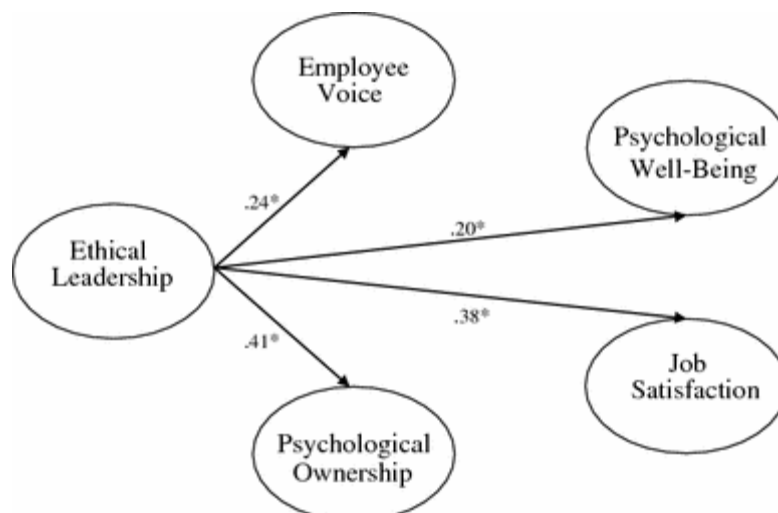
It was expected that companies with such a high social function would simply qualify as socially responsible, with no additional assessment. SR is not a one-size-fits-all concept: it signifies something to different people. Because the reality of human organisations is so diverse and ever-changing, it is evident that there must be more than one method to be accountable to society.



Leadership, ethical behaviours, and employee voice

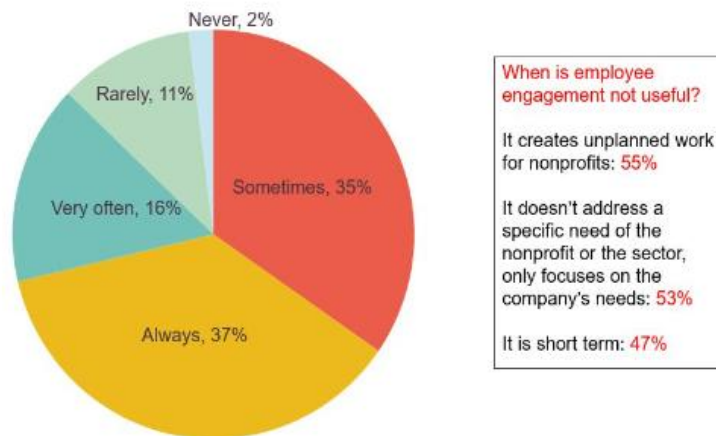
Additionally, unethical behaviour in organisations is frequently linked to employee voice (Brinsfield, 2013). According to Budd, Gollan, and Wilkinson (2010), voice behaviours are a type of pro-citizenship behaviour that focuses on the expression and sharing of constructive challenges with the goal of changing a situation (Van Dyne & LePine, 1998; Duan, Kwan, & Ling) (2014). Employee voice is crucial for continuous development and competitive advantage (Botero & Van Dyne, 2009), however employee silence can have a detrimental influence on the outcomes of organisations, groups, and individuals (e.g., innovation, lower engagement, perpetuation of unethical behaviour; Clapham & Cooper, 2005). It may also be triggered by leadership style (Brinsfield, 2013).

Our following two articles will discuss the relationship between leadership, ethical behaviour, and employee voice. Jin Cheng, Haiqing Bai, and Caixia Hu investigated the mediating role of error management climate and the moderating role of individual staff organisational commitment in their paper, "The relationship between ethical leadership and employee voice: The roles of error management climate and organisational commitment."



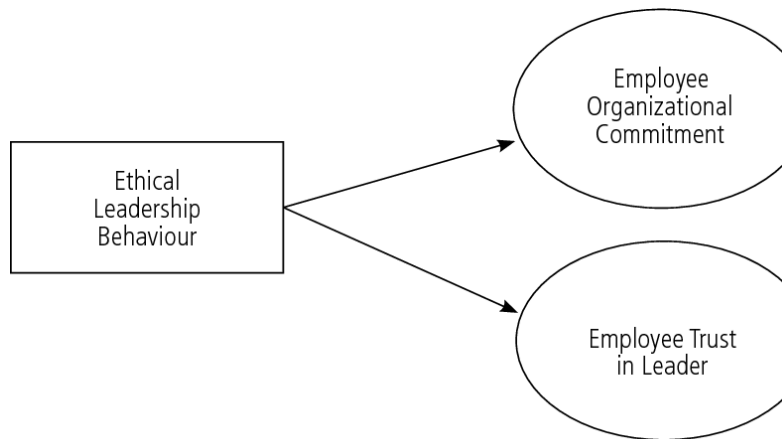
Their data analysis revealed that error management environment partially mediated the association between ethical leadership and voice behaviour, whereas organisational commitment moderated the relationship between error management climate and voice behaviour. Similarly, according to the paper "How and when perceived leader narcissism impacts employee voice behaviour: A social exchange perspective," the effects of perceived leader narcissism on employees' voice behaviours (promotive voice and prohibitive voice) via organisational justice may be driven by employees' trust in the leader. They discovered that perceived leader narcissism is adversely connected to restrictive voice, but trust in leader moderates the association between perceived leader narcissism and voice behaviours. Employees' voice behaviours were similarly linked to perceived leader narcissism when trust in the leader was low.

The usefulness of employee engagement for nonprofits



The authors believe that this is a significant contribution to the research on employee voice, particularly in demonstrating the vital role of trust in the relationship between perceived leader narcissism and workers' voice behaviours. We progress from leadership, ethics, and voice to ethical culture, climate, and social responsibility. We know that organisational settings play an important role in developing organisational behaviours. This suggests that the context of ethical behaviour is determined by the organisational culture and environment. The internal social psychological environment of organisational ethical adaptation that consists of moral ideologies adopted by organisational members, institutionalised philosophies regarding principled conduct, and ethical codes that shape action is referred to as the organisational ethical context.

Additionally, ethical culture may be seen of as a subset of organisational culture, indicating a symbiotic relationship between formal (rules of ethics) and informal (peer conduct) systems of behavioural regulation that can encourage ethical behaviour (Trevino, 1990; Trevino et al., 1998). Previous study has utilised ethical culture and climate to reflect the ethical setting of organisations. The primary focus of our next paper, "CEO Ethical Leadership and Corporate Social Responsibility: Examining the Mediating Role of Organizational Ethical Culture and Intellectual Capital," by Irfan Ullah, Raja Mazhar Hameed, Nida Zahid Kayani, and Yasir Fazal, is this ethical context.



The focus was on the link between CEO ethical leadership and CSR, specifically on the mediating function of ethical culture and the organization's intellectual capital components (human capital and social capital). According to the findings of their study, CEO ethical leadership was positively associated with CSR, whereas intellectual capital components (human and social) and corporate ethical culture successfully moderated the association between CEO ethical leadership and CSR. Their study appears to corroborate the concept that an ethical leader's primary job is to develop an organisational ethical culture, and that one approach for leaders to preserve the desired culture is to set an ethical example themselves (see also Grojean et al. 2004).

Moreover, ethical atmosphere is a proxy for the establishment of organisational ethical behaviour. In reality, Tamara Jovanovi, Maja Mijatov, Aleksandra Dragin, Karolina Simat, and Neboja Majstorovi's work "Identification of predictors' impacts on perceived ethical environment and job satisfaction within the Serbian tourist industry" in the current issue is about ethical climate. The authors analyse the influence of predictors (work department, individual values, and employees' perspectives) on the disparities in ethical environment views, as well as the association between ethical climate type and job satisfaction.

Data research of 258 employees in tourist SMEs reveals that continual social and economic changes impact ethical behaviour. Supervisory and ethical conduct While some leaders carefully utilise their position and influence to avoid detrimental behaviours, others use their power corruptly to mistreat and exploit their followers (Bendaham, Zehnder, Pralong, and Antonakis, 2015). (Schmid, Pircher, Verdorfer and Peus, 2019).

A destructive supervisor, sometimes known as an aggressive supervisor (Tepper, 2000). represents a subjective assessment of subordinate views of a supervisor's persistent exhibition of hostile verbal and nonverbal behaviours avoiding physical contact. According to research, abusive supervision is associated with deviant behaviours (Sungu, Hu, Weng, 2020), unproductive work behaviour (Wei & Si, 2013), and the association between abusive supervisor and counterproductive behaviours (Ahmad, Athar, Azam Hamstra and Hanif, 2019).

HOW ETHICS AND CSR IMPACTS THE CUSTOMERS AND EMPLOYEES

Customers Matter

Adopting socially responsible practises helps a firm attract and keep consumers, which is critical to its long-term success. Additionally, many people would willingly pay a premium for items if they know that a portion of the company's income will be directed towards social issues that are important to them.

Businesses who are devoted to assisting the local community may also see increased foot traffic. Banks that make loans to low-income families, for example, are likely to enjoy an increase in business as a result.

Increases Employee Motivation

Employee engagement may be increased through social responsibility. These businesses tend to attract individuals that want to make a difference in the world in addition to earning a wage. There is power in numbers in huge corporations, and collaborative employee efforts may accomplish significant outcomes, which promotes workplace morale and productivity.

According to Harvard Business School, roughly 70% of employees said they would not work for a firm that did not have a clear mission. 90% of workers who work at organisations with a strong sense of purpose report being more inspired, motivated, and loyal, and 92% of employees who work at a socially responsible company report being more inclined to suggest their employer to individuals in their network seeking for work.

According to research, employee engagement has a direct impact on a company's entire performance and bottom line: engaged employees are 17% more productive, 21% more profitable, and have 41% reduced absenteeism.

To summarise, even a little investment in corporate social responsibility activities may enhance employee engagement and have an influence on the company's profitability.

Community Support and Customer Loyalty

Companies and consumers may use social responsibility to create a positive influence on local and global communities. Companies that execute a social responsibility project that aligns with their beliefs have a better chance of increasing consumer retention and loyalty.

According to research, 87% of American customers are more inclined to buy a product from a company that advocates for an issue they care about, whereas 76% would refuse to buy a product if they discovered the firm backed an issue that contradicted their convictions.

Because of greater brand image, community-oriented businesses frequently have an advantage over their competitors. Elon Musk, CEO of Tesla Inc., has successfully attracted environmentally conscious consumers with his range of cutting-edge electric automobiles and green automotive accessories.

LITERATURE REVIEWS

Corporate Social Responsibility (CSR) is a term used to describe the (CSR)

Corporate social responsibility (CSR) is a business's ongoing commitment to act ethically and contribute to economic development while enhancing the quality of life of its employees and their families, as well as the local community and society at large [6]. The trend of CSR adoption as a kind of Good Corporate Governance implementation (GCG).

Among other things, the scope of social and environmental responsibility (CSR):

- a) Fundamental Responsibility, obligation originating from the company's existence. For example, the need to pay taxes, follow the law, adhere to labour norms, and please shareholders.
- b) Organizational Responsibility, the company's obligation to fulfil the interests of stakeholders, such as employees, customers, shareholders, and society.

Triple Bottom Line Theory

The triple bottom line idea suggests that a sustainable firm that wishes to be acknowledged 3P (Profit, People, Planet). In addition to profit (profit), the corporation must consider the wellbeing of the local community (people) and the preservation of the natural environment (planet). The corporation no longer adheres to a single bottom line in which only economic considerations are represented in the company's financial viewpoint, but rather to a triple bottom line in which the company must also include social and environmental aspects.

Law No. 40 of 2007.

According to Chapter V of the Social and Environmental Responsibility of Law No. 40 of 2007, with each paragraph as follows: 1) Businesses that do business in the field and/or in relation to natural resources in order to execute Social and Environmental Responsibility. 2) Social and environmental responsibility, as defined in paragraph (1), is a company obligation that is budgeted and accounted for as a company expenditure and is carried out with decency and justice. 3) The Company's failure to carry out the requirements referred to in paragraph (1) will be sanctioned in line with the legislation's provisions. 4) Additional social and environmental responsibility provisions governed by government legislation

Program Performance Rating (PROPER)

PROPER is one of the Ministry of Environment's attempts to enhance company compliance in environmental management using information tools. Done through a range of actions aimed at: I encouraging enterprises to comply with regulations through incentives and disincentives, and (ii) encouraging companies with high environmental performance to adopt cleaner manufacturing methods (cleaner production).

METHODOLOGY

The Methodology of Research The procedures that inform a research strategy include methodology, data gathering techniques, and data analysis. The quantitative and qualitative perspectives are often used to view research. This study's research approach is quantitative because it includes primary data collecting via a questionnaire and statistics; and the findings are presented in the form of graphs and tables to portray a feeling of solid and objective research.

This research demonstrates, using a model, what road a company travels, what phases of CSR exist on that path, the strategic logic of these stages, and the many problems the organisation encounters. The paper is organised as follows:

In the first phase, we analysed crucial material within the domains of research using a backward and forward searching technique in order to create a cohesive model of development. In the second section, we create a model based on Greiner's (1998) organisational growth model, Mirvis and Googins's (2006) corporate development stage model, and Molteni's phases of CSR development in corporate strategy (2007). We used peer-reviewed journal articles, book chapters, and working papers that were geared towards practitioners. Our premise is that the formulation and implementation of a CSR plan has a favourable impact. The study is based on a theoretical framework that supports a positive connection thesis.

The CSR and the corporate strategy

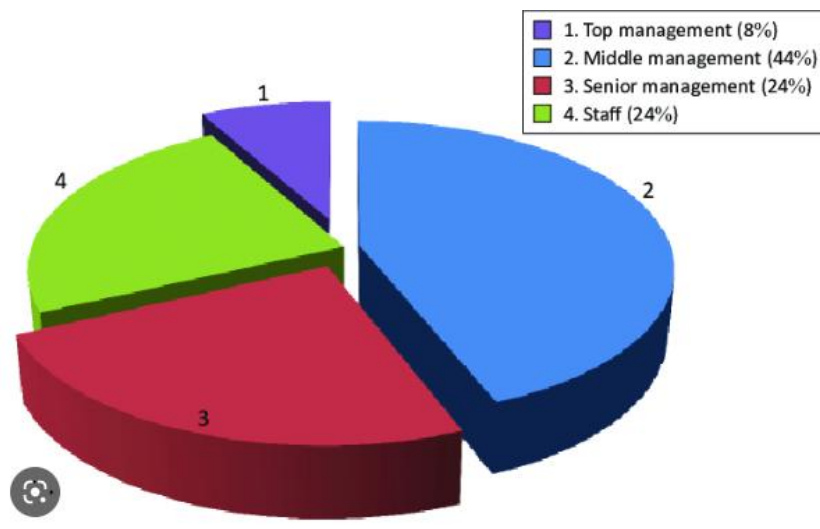
The approach focuses on defining and integrating CSR objectives into company strategy, making it a driver of its growth. Integrating CSR into corporate strategy is a chance provided by the creation of a corporate strategy that is linked with business goals and is strongly based in the ideas and values of corporate social responsibility (Ganescu, 2012). If a corporation develops a business plan to match economic, social, and environmental performance with long-term business principles, corporate social responsibility becomes an integral element of the business and provides long-term benefit to both the company and society (Rochlin et al., 2005, p. 8). Brand boycotts are common when bad opinions about organisations predominate, as customers, particularly in affluent industrialised nations, attempt to penalise parent organisations.

Nonetheless, this presents an opportunity for a new approach to competitive strategy centred on social resources. Meehan and colleagues (2006). Social responsibility cannot be only a reaction to issues as they develop. Only until a corporation incorporates social responsibility as a foundational component of its business strategy can social responsibility as a concept be incorporated into everyday decision making.

To get the best benefits, CSR should ideally be integrated with the company's unique corporate objectives and key strengths. Businesses that integrate CSR into their strategy increase the value of their corporate responsibility obligations.

Identification of essential stakeholders, creation of objectives to fulfil them, and use of a reporting tool are all critical aspects in integrating CSR into strategy.

Businesses of equivalent size and strength that are impacted by the same external variables select distinct CSR programmes and initiatives or social responsibility methods. This decision may be impacted by numerous pressures and incentives that produce innovation pressure as a first step in strategy implementation (Van Bommel, 2011, p. 900), or even by local or national perceptions of the impact of these strategies. Then, the CSR drivers affect firms in many ways. There are five levels of CSR integration in strategy that may be identified. The diagram depicts how CSR development is connected to corporate culture, and how the transition from one stage to another (Greiner, 1998) is determined by changing the management culture.



Below we describe the 5 stages of development of Informal and defensive CSR:

1. The complexity of integrating CSR into strategy is determined by factors such as the enterprise's size and the type of its activities. The CSR process is likely to remain informal and intuitive for the majority of small and medium-sized businesses, particularly microenterprises. Other firms' CSR procedures, which are often limited, are implemented only when it can be demonstrated that shareholder value will be safeguarded as a consequence. 2010 (Visser).
2. CSR for charitable purposes. A firm donates to and sponsors numerous social and environmental initiatives for community groups or civil society organisations. The corporation begins to employ communication tools such as the sustainability report.
3. CSR at the systemic level. CSR is concerned with the micro level, helping social or environmental concerns that coincide with company goal, but without compromising that plan.
4. Creative CSR. The CSR concentrates its efforts on identifying and addressing the core causes of our current unsustainable and irresponsible behaviour, often through inventing business models, changing their processes, goods, and services, and campaigning for progressive national and international regulations. At this point, the process of incorporating CSR into the plan is accomplished. CSR focuses on understanding the macro level system's links - society and ecosystems - and adjusting its strategy to maximise the outcomes for this bigger human and ecological system.
5. Dominant CSR relates CSR activities to the company's core business, frequently through adherence to CSR codes and implementation of social and environmental management systems, which typically involve cycles of CSR policy development, goal and target setting, programmed implementation, auditing, and reporting.

Benefits of corporate social investment for businesses

The potential benefits of CSR to companies include:

Responsible business reputation

Corporate social investment may assist you in developing a reputation as a responsible company, which can contribute to a competitive advantage.

Businesses frequently choose suppliers with responsible policies since it reflects how their consumers see them. Some clients not only prefer to do business with responsible firms; they demand it.

Savings on expenses

You can benefit the environment and save money by minimising resource usage, waste, and emissions. With a few easy actions, you may be able to reduce your electricity expenses and save money for your company. Learn how to decrease corporate waste and save money..

Finding and keeping talented staff

Being a responsible, sustainable business may make it easier to recruit new employees or retain existing ones. Employees may be motivated to stay longer, thus reducing the costs and disruption of recruitment and retraining.

Other benefits of CSR to companies

By acting in a sustainable, responsible manner, you may also find it easier to:

- access finance - investors are more likely to back a reputable business

- attract positive media attention - for example, when participating in community activities
- reduce regulatory burden - good relationships with local authorities can often make doing business easier

QUESTIONS ASKED TO SOME EMPLOYEES TO GET THEIR INSIGHTS

1 What is your company's attitude on ethics and corporate social responsibility (CSR)?

Companies must demonstrate a strong commitment to ethics and CSR in their purpose, vision, and values. This dedication should be reflected in the organization's rules, processes, and actions.

2 What is your organization's definition of ethics and CSR, and how do these concepts fit into your broader purpose and values?

The moral principles and ideals that guide the behaviour of individuals and organisations are referred to as ethics. CSR is the integration of social, environmental, and economic issues into an organization's activities and relationships with stakeholders.

3. What particular efforts has your business done to encourage ethical behaviour and corporate social responsibility?

Companies may encourage ethical behaviour and CSR by creating codes of conduct, teaching staff in ethics, adopting environmental sustainability initiatives, supporting social causes, and participating in transparent reporting.

4. How does your company assess the success of its ethical and CSR initiatives?

Companies can analyse key performance indicators (KPIs) like as employee turnover, customer happiness, environmental impact, and financial performance to assess the impact of their ethical and CSR programmes.

5. Can you give evidence on the financial or societal benefit of your company's ethical and CSR activities, such as greater revenue, higher employee engagement, or lower environmental impact?

Data on the financial and social effects of ethical and CSR efforts should be collected by organisations. They may, for example, calculate the ROI of their sustainability programmes or the amount of volunteer hours staff devote to social causes.

6. How does your company communicate its ethical and CSR objectives to stakeholders such as customers, workers, shareholders, and the general public?

Companies should inform stakeholders about their ethical and CSR activities using a variety of venues, including annual reports, social media, and corporate responsibility reports.

7. What obstacles has your organisation encountered in adopting ethical and CSR efforts, and how have you overcome these obstacles?

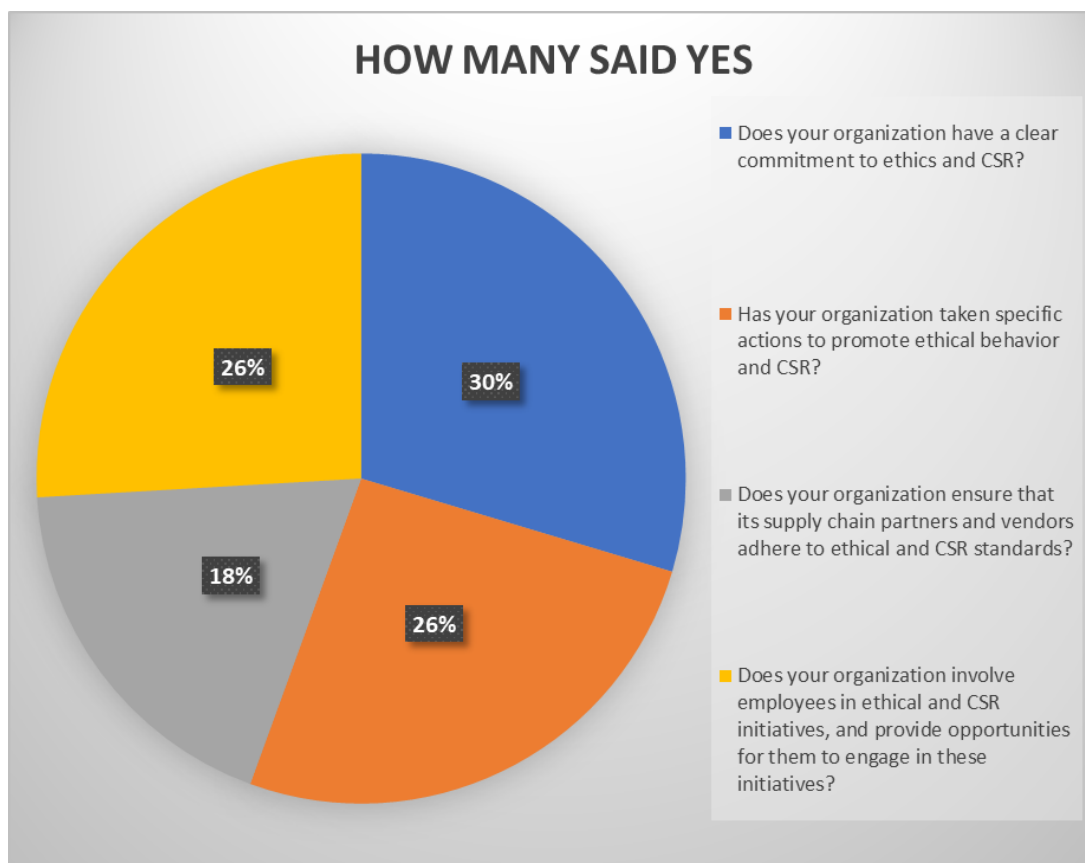
Companies may encounter obstacles such as a lack of resources, difficulties assessing effect, and reluctance to change while adopting ethical and CSR programmes. They should address these issues by establishing realistic goals, involving stakeholders, and providing enough resources.

9. How does your company include workers in ethical and CSR projects, and what chances do employees have to participate in these initiatives?

Employees should be involved in ethical and CSR projects by giving training, developing volunteer opportunities, and recognising and rewarding ethical behaviour.

10. How does your business intend to improve its ethical and CSR practises in the future, and what initiatives will it take to do so?

Companies should assess and improve their ethical and CSR practises on a constant basis by creating goals, monitoring performance, and including stakeholders in the process. They should also keep current on industry developments and best practises.



Conclusion

Several firms nowadays are incorporating CSR into their company strategy. CSR contributes to a company's image as a socially, ecologically, and environmentally concerned and responsible firm. Furthermore, CSR aids in the seamless management of organisational changes. The study model depicts the integration of CSR into Strategy using a gradual manner. The evolutionary route does not always follow the phases perfectly.

CSR is a process of maturing inside a company. The model's stages depict a normal voyage. Companies that have CSR in their culture from the beginning may leap phases of the model because they must respond to a crisis. We can see how the model may be used to determine where firms are in their development and what their evolutionary route was.

Some businesses demonstrate a commitment to CSR from the start due to the existence of a strong leadership that is concerned about social and environmental concerns. Others were unable to integrate CSR gradually and were forced to apply a development-accelerated CSR in business strategy by merging the model's stages.

The model allows you to: -see where your firm is in terms of CSR development and if there are prerequisites for the next step.

According to our hypothesis, the model also suggests that socially responsible acts should be built into business strategy, as they may contribute considerably to the development of intangible riches as sets, which are the cornerstone of modern organisations' competitive advantage. Issues caused by not incorporating socially responsible practises into business strategy can be seen when analysing the costs and benefits of executed initiatives, selecting technology, interacting with the community, and structuring performance incentives.

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