Examining Ethical Leadership: An Insight into Corporate Social Responsibility and Organizational Ethical Performance

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Abstract: This paper explores the construct of ethical leadership, the antecedents and outcomes of corporate social responsibility due to internal and external forces which propels responsiveness. Ethical leaders take post conventional decisions; they make long-term judgments which have positive effect on general organizational activities. It investigates the influence of ethical leadership values in the firm’s performance with regards to her economy, operational, commercial and its relationship with corporate social responsibility. Data were collected from 196 respondents from food and beverage companies in South East Nigeria. The conceptual model designed was empirically tested and the major result indicated that ethical leadership has a significant positive effect on corporate social responsibility (CSR) and the general organizational operational performance. On the other hand, corporate social responsibility (CSR) was found to have statistical positive effect on commercial, operational and organizational performance while operational performance significantly and positively influence commercial performance which propels economic performance. Against the above backdrop, the results gave an insight into the role of ethical leadership in the food and beverage companies which helps in internalization and initiation of corporate social responsibility (CSR) activities which creates room for future research implication and new model development.

Keywords: Ethical Leadership, Corporate Social Responsibility, Organizational Performance

I. INTRODUCTION

Ethical leaders are simple, humble, with high integrity and strong will character. Nowadays, corporate ethical decline and lapses creates the need for ethical consciousness which shows that leadership skills alone are no longer enough in modern organization management (Brown, & Treviño, 2006). The term corporate social responsibility (CSR) more or less referred to as organizational commitment to stakeholders through strategies, operational procedures and practices designed to link it with its immediate environment. Corporate social responsibility (CSR) is no longer community based level functions alone, it has expanded over the years into positive ideological force for social change and other corporate social responsibility initiative and policies. On the other hand, internal legitimacy is as a result of internal and external support of stakeholders that propels social and financial level. Thus, the gap between internal and external role that shape corporate social responsibility policies especially at the management level needed more research. Theoretically, corporate social responsibility (CSR) effect abounds and its influence on organizational reputation and performance are equally evidenced (Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sanchez, 2009). Thus, more organizations and firms are embracing and embarking a corporate social responsibility for accountability and sustainability. However, about four grey areas needed to be addressed, the linkage between corporate social responsibility (CSR) and organizational performance which produced inconsistent results (Griffin, & Prakash, 2014). Thus, from little to no relationship, to negative linkages, there is therefore the need to investigate further into how corporate social responsibility (CSR) influence organizational performance. On the other hand, the impact of corporate social responsibility (CSR) on organizational performance has been variously explored and examined (Tokoro, 2007), but the need to find out how corporate social responsibility (CSR) affects organizational reputation needed further exploration and research. Some studies reported on its direct linkage between corporate social responsibility (CSR) and firm’s performance, thereby neglecting the moderating and mediating role of ethical leadership and its effect on organizational reputation through which corporate social responsibility (CSR) impacts on performance. Furthermore, corporate social responsibility (CSR) usually connotes organizational commitment to stakeholders without crediting leadership style in its activities. It should be noted that corporate social responsibility (CSR), has positive and negative undertone as motives for the leadership and the firms as well (Capelle-Blancard, & Petit, 2015). Thus, it could be employed to disguise unethical conduct in the core mandate of an organization, or as a strategy or marketing instrument to gain undue advantage to enhance visibility but really for social change (Muller, & Kolk, 2015). Ethical leadership plays vital role in the formulation and implementation of corporate social responsibility (CSR) policies and not all leadership styles supports CSR activities and performance (Kang, & Atkinson, 2016). Thus, firm’s corporate social responsibility (CSR) is usually shaped by leadership style especially ethical leadership style (Felix et al., 2016).

It has been evidenced that corporate social responsibility (CSR) contributes to firms reputation while the promotion of some ulterior motives cannot be over-emphasized or ruled out.
as stakeholders are sometimes sceptical in some corporate social responsibility (CSR) activities of an organization. Corporate social responsibility (CSR) and organization reputation has not been fully examined and whether CSR functions produces the desired result (Sánchez, Sotorrío, & Díez, 2011). Against the above backdrop, this paper explores and investigates corporate social responsibility (CSR) antecedents and outcomes and the role of ethical leadership in moderating the linkages. Thus, Ethical leadership, – Corporate social responsibility (CSR) – Organizational reputation and Organizational performance, with the moderation and indirect effect of corporate social responsibility (CSR) on organizational reputation, and indirect effect of CSR on organizational performance, through organizational reputation. This paper responded to numerous calls for more research on how ethical leadership affects corporate social responsibility (CSR) activities and organization outcomes as an antecedent to CSR and this enhances our knowledge and practice of social change.

II. LITERATURE AND HYPOTHESIS DEVELOPMENT

2.1. Ethical Leadership

Ethical leadership has no single definition but in management studies it connotes the demonstration of normative appropriate conduct through personal actions and interpersonal relationship, with promotion of such conduct or behaviour to subordinates through a two way communication, reinforcement and decision making (Brown & Trvino, 2006). Thus, ethical leaders are moral managers which stand them out with other leadership styles, coupled with social modelling and high integrity. Ethical leaders have the ability to blend together the stakeholder theory visa-vis the community, clients, managers, shareholders which are all components of modern organization (Bass & Steidelmeir, 1999: Kang, & Atkinson, 2016). Thus, organizational leadership are to serve all these interests which are vital to organizational success (Deakin, 2007). Literature evidenced that moral integrity as an identity motivates ethical leadership to act consistently with personal values which predicts pro-social behaviour on charitable activities and donations (McNamee, & Fleming, 2007).

Furthermore, ethical leadership builds and develops relationships with relevant stakeholders which is guided by mutual purpose and meaning. Ethical leaders are responsible and walk their talk which propels better social change. They provide ethical enabling environment as an obligation, coupled with safe and healthy products and seeks to meet the needs and expectations of all stakeholders. They achieve their legitimacy through post conventional reasoning (Felix et al., 2017). Ethical leadership style and position makes it a source of guidance and role model as followers tend to emulate their moral values, attitudes and behaviour. Thus, ethical leadership status and power enhances its appeal and the proposed statistical positive linkage between ethical leadership and corporate social responsibility (CSR) is underpinned by stakeholder’s theory which embedded all the morals and values of running an organization (Hadani, & Coombes, 2012).

On the other hand, ethical leadership shares value congruence with CSR and CSR is the sum total of economic, legal, ethical and discreentional expectations. Mendonca (2001: Judge, 2012) posited that ethical leadership are usually altruistic in nature which enables them to address personal and organizational interest and general expectation of all stakeholders by integrating them into CSR cure policies and programmes. Thus, a proposed statistical positive relationship between ethical leadership and CSR is envisaged.

Hypothesis 1: Ethical leadership is positively associated with CSR

2.2. Corporate social responsibility

CSR is a multi-dimensional construct model which is embedded into four components- Economic, legal, ethical and philanthropic. The economic aspect being more essential this economic responsibility maximizes organizational business and stake holder’s interest, legal responsibility relates to code of ethics and rules connoting moral congruence based on utilitarianism and justice ethical principles of social justice while philanthropic responsibility is voluntary and a demonstration of corporate citizenship.

Moreover, organizational reputation is seen as past and future prospect of an organization compared to its rivals (Deakin, 2007). Thus, organizational reputation are equally four-faced – credibility, reliability, responsibility and trustworthiness. On the other hand, organization reputation connotes stake-holders judgements of an organizational condition overtime, or its ability to meet required interest overtime. CSR activities could be summarized into organizational reputation and literature evidenced a link between CSR and organizational reputation. Thus, organizations with better or strong CSR usually enjoy
the trust of stake-holders due to ethical organizational management while consumer’s perception of organizational CSR activities enhances its reputation. Against the above back drop, employee perception of firms of organizational CSR relates to organizational commitment and organizational reputation (Boguslauskas, & Kvedaraviciene, 2015). Therefore, from theoretical and empirical findings, the following is hypothesized.

**Hypothesis 2:** CSR is positively associated with organizational reputation.

Ethical leadership’s post-conventional reasoning reflects their values, moral personality and general ethical work situation. Thus, ethical leadership qualities and attributes including their choice and desires, ultimately influences operational and organizational reputation. Therefore, organizational reputation and performance are embedded in the leadership ethical character. Literature equally and empirically too indicated that ethical leadership has statistical significant positive association with organizational performance and operational level (Fairbrass, & Žueva-Owens, 2012). Thus, the following hypothesis is generated.

**Hypothesis 3:** Ethical leadership is positively related with organizational performance.

2.3. **Ethical leadership as a moderator**

Literature evidenced that CSR influences firm and general organizational performance as ethical leadership propels CSR by gear-up firm reputation and performance (Brown & Trevino, 2006). Ethical leadership motivates, creates credibility, integrity and safeguards organizational reputation through post-conventional reasoning which inspires subordinates.

Thus, strong ethical leadership encourages CSR activities which enhance trust between leadership and all stake-holders. Therefore, efficient and effective CSR is contingent upon sincere demonstration of strong ethical leadership and will character. It is posited here that CSR activities propels firm reputation only through consistent and strong ethical leadership. Therefore, a weak ethical leadership and CSR activities can on ly lead to doom, and CSR policies and program will be misinterpreted by stake-holders, thus an ulterior motive will be attached on any CSR activities embarked upon (Wickert, Scherer, & Spence, 2016). Therefore, we argue that ethical leadership moderates the association between CSR and firm reputation.

**Hypothesis 4:** Ethical leadership moderates the association between CSR and firm reputation

Accordingly, when CSR positively influences firm reputation, ethical leadership positively affect CSR. Therefore, ethical leadership moderates the association between CSR and firm reputation (Godfrey, Hatch, & Hansen, 2008). Thus, strong ethical leadership will indirectly influence firm reputation through CSR, but no indirect influence when ethical leadership is at weak position. Literature evidenced that CSR enhances organizational reputation and adds value to all stake holders which creates operation and reputational advantages (Felix et al., 2016). Thus, CSR propels social economic and political benefit to stake-holders and to the firm through ethical leadership that enables favorable firm reputation (Godfrey, Hatch, & Hansen, 2008).

Thus, we argue that when ethical leadership displays strong will character and post conventional reasoning, an increase in CSR activities will be relating to both reputational and performance enhancement for mutual benefit for firms and stake-holders.

**Hypothesis 5:** Ethical leadership moderates an indirect association between firm reputations via CSR when strong ethical leadership is observed.

**Hypothesis 6:** Ethical leadership moderates the indirect effect of CSR on a firm’s performance via a reputation when ethical leadership is strong.

III. METHODOLOGY

3.1. **Sample and data collection**

We have made use of recognized food and beverage companies in southern Nigeria which account for 70% in Nigeria franchise industry. The ability to formulate and implement CSR activities over the years are one of the criteria used in selecting a company (Griffin, & Prakash, 2014). These companies have a broader social responsibility outlook due to its impact factor and other social cultural and environmental indices and based on her awareness of ethical and moral obligation to firm and all stakeholders. There is an increase of CSR activities in the south eastern state of Nigeria especially in the Niger delta areas where there are increase agitation and protest against multinational oil companies (Felix et al., 2017). Thus, there is equally an increase research on the activities of many companies, firms and organization with regards to CSR activities.

A questionnaire was distributed to some top executive on the affected organization and we made some personal contacts with few of the managers bearing in mind the “Nigeria factor” when it comes to research of this nature due to the fact that personal networks facilitates efficient and effective access to vital individual and crucial data needed (Aguilera, Williams, Conley, & Rupp, 2006). Thus, 199 organizations made up the study sample and most of them where operational for a decade to with manageable pay roles as they were mostly privately owned or in partnership.

Against the above backdrop, ethical leadership had 15 items and CSR 13 items scales developed by Resick et al., (2006) and Singhapakdi, Vitell, Nallapalli and Krafli (1996) for CSR. Firm and organizational reputation we made use of fortune scale criteria with 8 items. Ethical leadership featured measures as- Trust, communication and morale booster, ranging from 1= totally disagree to 5= totally agree, same for
CSR while firm reputation ranges from 1=very poor to 5=very good. Firm reputation was measured ranging from ROI= Return on investment, ROE= Return on equity and ROS= Return on sales.

IV. RESULTS

4.1. Profile of Respondent

In Nigeria, mails always dominate the workforce especially in the northern part of the country. In this study, we have 90.3% as mails; about 9% represent women in top management position as at 2019. However, 51.0% of the respondents were made up of people between 40 years, while 27.6% were between 30 years old and the rest were over 50 years and above making up 20.4%. On the other hand, 73.5% had college degree obtained between 2 or 4 years ago while 21.4% had university degrees and 5.1% were with polytechnic diploma.

4.2. Data analysis

Bootstrapping is mainly used due to the fact that Sobel’s test is based on normality assumption of the indirect influence or effect (i.e. axb) which is tonus (Anderson, 1984).

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<th>Construal</th>
<th>A: CSR (a)</th>
<th>B: Firm reputation</th>
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<tbody>
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<td>(a)</td>
<td>b: .01</td>
<td>se: .79</td>
<td>t: .43</td>
</tr>
<tr>
<td>(b)</td>
<td>b: .10</td>
<td>se: 1.53</td>
<td>t: 1.27</td>
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<tr>
<td>(c)</td>
<td>b: .08</td>
<td>se: .24</td>
<td>t: 1.09</td>
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<tr>
<td>Ethical leadership</td>
<td>.34</td>
<td>0.80</td>
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<tr>
<td>CSR (a)</td>
<td>0.19</td>
<td>1.68</td>
<td>.09</td>
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<td>Ethical leadership x CSR</td>
<td>0.39</td>
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N=199

As above H1 is supported, Ethical leadership related to CSR (b = .34, se = .04, p < .001), while H2, H3 and H4 were rejected. CSR was only statistically linked to firm reputation at (b = .19, se = .12, p < .10). Moreover H5 is supported at (b = .76, se = .09, p < .001) Ethical leadership and CSR was linked to firm reputation at (b = .39, se = .13, p < .001) with weak Ethical leadership, CSR was not associated with firm reputation (b = .08, se = .13, n.s). Thus, with strong Ethical leadership, H4 is supported as CSR is positively related to firm reputation (b = .47, se = .16, p < .001). There is statistical significant interactive effect on Ethical leadership and firm reputation via CSR. Thus H5 is supported when Ethical leadership is strong and H6 is supported as having indirect positive effect in CSR on firm performance via firm reputation when Ethical leadership is strong and not at weak point or low level

V. DISCUSSION

We set out to explore and examine the antecedents and outcomes of CSR activities in food and beverages companies in the south East of Nigeria. Thus, the moderating influence and roles of Ethical leadership was examined moderately its indirect effect on firm reputation via CSR and the following findings were made. Indirect and statistical positive effect was observed when Ethical leadership was at peak level and that CSR equally have indirect effect on firm performance via firm reputation while Ethical leadership was equally strong and not weak.

5.1. Theoretical implications

This study enhanced our knowledge in how Ethical leadership can propel firm CSR reputation and performance. Thus, increasing firm credibility and stakeholders trust as it examined impact of CSR activities by responding to fill gap in the role of all positive only CSR (Mayer et al., 2012). The study will therefore stir the imagination of other scholars to explore and examine the role of ethical leadership on several organizational ethical conducts.

Secondly it buttresses the stakeholders’ theory, which became a reality when several interests are met at mutual conclusive
level (Kang, & Atkinson, 2016). Although in consistency of CSR effect on firm performance highlighted the need for more research on ways as means to bridge this gaps.

Furthermore, Ethical leadership was evidenced to moderate the effect of CSR on organizational performance through firm reputation while CSR has positive indirect effect on firm performance while Ethical leadership is strong. Most study on influence of CSR was concentrated in the Western World, but with our result it could not be generalized (Wickert, Scherer, & Spence, 2016). Thus, we provided an integration of multi-disciplinary approach into Ethical leadership and CSR relationship and effect on reputation, credibility and firm performance in Nigeria.

5.2. Practical implications

This study and its findings evidenced the vital nature of food and beverage companies to establish and create CSR activities to be able to increase firm reputation and performance thereby creating statistical trust and satisfaction. Management and Administration should see the need to create an enabling environment to promote CSR activities through credible strategies and initiatives (Kolk, & Pinkse, 2010). Ethical leadership strong commitment to ethical and moral behavior of subordinates through post conventional reasoning and strong will character.

Moreover, Ethical leadership motivates CSR practice and foster stakeholders trust via positive reputation which equally propels organizational performance. Drucker (1974; Prado-Lorenzo Gallego-Alvarez, & Garcia-Sanchez, 2009), posited that integrity of leadership and common good enhance organizational performance. Though ethical leadership are positive minded, consistent with moral values and ready to take responsibility for action (Sánchez, Sotorrío, & Díez, 2011). Therefore modern organization needed more than leadership skills to excel in global outreach and willing to make ethical and moral messages salient.

Specifically, this study has practical complication for top management of food and allied products in Nigeria. As a developing nation and an emerging economy working towards diversification of her economy, the need to meet global and international standards and practices cannot be over emphasized. Against the global back drop, organizational leaders need to be more ethical and post conventional in reasoning while meeting stakeholder’s interest and organizational responsibility which help to propel the company to greater height and sustain her competitive advantage.

5.3. Limitations and recommendations

We explore the benefits of CSR on organizational reputation and performance while neglecting the ugly aspect of CSR in hampiring firm reputation and performance. CSR could be a positive or negative instrument in the hand of an ethical leaders and unethical leaders. Data we obtained could be faulty due to bias through direct contact with top managements; therefore future studies should diversify to include other stakeholders. Furthermore, qualitative approach in research has its limitation as respondents’ opinion might be colored or misunderstood; even certain theories could be suspect and unable to capture fully an intended objective (Black, 2015). Some variables are treated as perceptual constructs which affects its measures leading to common method bias, though less an issue in moderation. The slope of this study was worn out of six geo-political areas in Nigeria which may limit the generalizability of findings, though Hansford classify Nigeria as collectivist in nature (Hofstede, 2001).

VI. CONCLUSION

We sought to investigate the moderating role of Ethical leadership and explain how and why CSR propels firm reputation and performance by exploring its antecedents and outcomes. Results identified that Ethical leadership is vital instrument of CSR and plays a contingent role in the association between CSR, firm performance and reputation; thereby increasing our knowledge and understanding of the subject made and provides cultural implementation for scholars and organizational leadership at large.

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