Chapter 7

Perceived Social Responsibility and Performance Link

Abdullahi Hassan Gorondutse and Haim Hilman

Additional information is available at the end of the chapter

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Abstract

In today's business environment, companies face ever-growing international competitions, radical technological changes, and demanding customers. This chapter is a guide to the use of a wide variety of strategic management plans. Managers in the world's businesses are under great pressure. The emergence of a multitude of business ethics and social responsibility is the key to competition advantages. Therefore, managers must have a new concept that enables them to see their jobs realistically. This chapter is about a concept which begins to turn managerial energies in the right direction. The chapter will serve as guidance for managers/owners of small and medium enterprises to develop practices of social behavior (business and corporate social responsibility) in order to enhance performance, in a logical and manageable way.

Keywords: ethics, perceived social behavior, business social responsibility

1. Introduction

There is a close, indeed unbreakable, link between ethics and social responsibility on the one hand and business strategy on the other, which will strike most managers as a proposition that is arguable and quixotic at best and dangerously misleading at worst. Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities. In this chapter social responsibility refers to as a business's obligation to maximize its positive impact on their profitability and minimize its increasing inequality, harming the environment on society. Although many people use the terms *social responsibility* and *ethics* interchangeably, they do not mean the same thing.

Ethics stand for a set of morality and moral behavior; they are different from laws, which consider the consequences of actions [1, 2]. The concepts of ethics are diverse [3, 4]. They are similar to rules of appraising of what is accurate or incorrect and good or bad, regarding individual or a firm's behavior in business [4]. Ethical standards should not be compromised because of an organization's requirements to make a profit [2].

Business organizations trying to achieve their objectives must operate ethically in the society [3]. Organizations and their employees have to embrace ethical behavior in business to fulfill freedom, self-confirmation, and organizational performances [4]. Sellers can exert pressure on customers and show an opportunistic behavior [4, 5] in order to achieve rapid financial payback. This unethical work can affect customer satisfaction [6] and consequently results in poor performances as it affects the organization's profitability [3].

Organizational programs and activities that are ethics related enhance performance and also increase employee's business participation because of positive business social responsibility behavior. Business social responsibilities as guiding principles should be able to persuade employees to always observe ethics in their daily routines [2, 7]. For instance, the dissonance theory suggests that workers' understanding decreases disagreement and increases happiness and satisfaction of employees when the company's procedures are ethical [7–10]. The same applies when communally accountable policies are initiated by a firm to enhance the wishes and welfare of major stakeholders such as employees, shareholders, and the society at large [2, 11, 12]. Such challenging work constitutes significant objectives for business social responsibility, which most likely will improve the association between business (making profits) and the workforce (earning a living) [8], as well as the customer and society.

The recent research [13] demonstrated that the organizations that were socially responsible have high ethical standards [14]. It was argued that the financial parameters need an ethical input which requires a new outlook other than lawful, monetary plans of action. The author posited that "moral-cultural mental model," which was grounded in ethics, has regard for human good posture and benefits all. This essential rule is, as per, a powerful bent on social duty responsibility. The absence of higher human- and social esteem-based "attitudes" were in charge of the fizzled human activities that brought about unscrupulous and improper activities in most of the businesses around the world [14–16]. Ref. [17] echoed this view, expressing that their subjective review confirmed such an imperative forerunner, to the point that the convictions and self-esteem frameworks of business people assumed a principal part in molding a supportable corporate system. The mentality seen as a method for human esteem judgments influencing activity judgments [18] underlies the wrongdoings conferred among a progression of occasions that set off the world financial crisis.

The frame of mind was ascribed to a limited extent to the distraction of the offenders with their near-sighted psychological style which planned the ideal way to fast financial gain. Their rationalistic, deterministic, and positivist inclination or perspective had a tendency to overlook the importance of sociopolitical responsibility; contemplations of defective and indeterminate callousness seem to have been the base of their action, and the complex human world or human action framework was lost [11]. Such a view was shared by different researchers and scientists [11]. For instance, alluding to this mood, the causal way of the financial crash is identified.

A major issue for businesses in the past has doubts whether business management studies should consider subjects other than effectiveness of making profits [3]. There is an increasing concern in trying to describe what it considered for a business to be socially accountable. Additionally, in line with the strong evidence of the consequences of unethical behavior, it is said that perceived ethics have a positive outcome on companies' performances [2, 19, 20].

Previous studies maintain this assertion. The theory of reasoned action states that perceptions influence individual attitude and result in willingness to act [21], signifying that perceptions of ethics driven by certified principles lead to the ultimate commitment of business social responsibility and the action of businesses [1], using an American Marketing Association, established that ethical principles are connected with a firm's performance. This further asserts that perceptions of corporate social awareness and accepted practices of business social responsibility could enhance universal thinking about social performance [9]. Ref. [22] state that their qualitative study found that "the beliefs and value systems of entrepreneurs played a fundamental role in shaping a sustainable corporate strategy." The attitude seen as a method for human esteem judgments influencing activity judgments [18] underlies the wrongdoings committed amid a progression of occasions that set off the money-related crisis. A portion of the financial executives in charge of the budgetary crash made them unmindful of the results of their flighty activities on innocent stakeholder.

In this sense, their mentalities lacked the consciousness of social responsibility. The criticism of such behavior was explained, to some degree, by the myopic psychological views of the guilty parties which were exclusively based on monetary benefits.

There has been a significant debate on the link between business or corporate social responsibility and organization performance measures. Ref. [23] contend that organizations ought to invest in socially dependable practices despite the fact that those exercises may decrease the company's cash flows. The authors hypothesize how trade in an open market, based on ethical principles which are embedded in social business responsibility, may advantage the expansion of the firm in spite of the increased costs.

Ref. [24] opined that proof of relationship exists among business social responsibility and corporate budgetary execution. Referring to [25], they indicate four potential hotspots for the change in execution: improving legitimacy and reputation, cost and risk reduction, building the upper hand, and making win-win circumstances through synergistic esteem creation. Ref. [24] propose that organizations ought to endeavor to adjust business social responsibility guidelines into their performance goals.

Ref. [26] reported that there is sufficient evidence to support a positive relationship between the corporate social responsibility (CSR) and financial performance and little evidence of a negative association from their meta-analysis of 127 studies. Regardless of the proof and evidence for a positive CSR and money-related affiliation, [27] contends that doing great by doing great is a fantasy. While this result is likely in effective markets, numerous social issues happen with market disappointments. Doing great by doing great is in strife in these market disappointment cases; subsequently, it is important to control corporate conduct to accomplish the social destinations. One of the objectives of this review is to look at CSR and budgetary performance relationship with regard to organizational core values particularly in the financial industry.

In contrast, [28] while analyzing 27 incident studies where socially irresponsible actions were ascertained reveals that businesses that are socially responsible will surely achieve their objectives. Another study found that perceived ethics has a positive effect on corporate capability [29, 30]. Furthermore, there has been a substantial argument on the association between BSR and business performance measures. Ref. [24] reviewed the literature and found that there is a positive relationship between business social responsibility and corporate financial performance [13]. It was further argued that organization that put their resources in socially responsible practices has an advantage on market value of the firm despite the costs involved in actualizing social projects which lessen business liquidity [13, 23].

Again, [24] suggest that firms should attempt to align business social responsibility activities with their performance objectives [13]. Recently, [31] arrived at a related conclusion. They thought about a coordinated example of US firms on the Dow Jones Sustainability Index with firms not on the list and discovered that firms on the file had a superior gross overall revenue and higher profit for resources than the organizations not on the record.

Organizational ethics is a firm's commitment to ethical principles and actions. A number of businesses encourage a social and an ethical behavior/environment by establishing a significant moral standard that guides organizational members' "ethical thinking and actions [32]. In addition, other businesses promote organizational ethics with codes that demonstrate ethical standards and behavioral necessities among members in the organization [2, 13, 33]. The overall objective of such conducts is to enhance and stimulate workers" commitment to perform tasks in line with ethical aspirations [2, 9].

Perceived ethics which measures a firm's performance is adapted from the scale developed by [29, 31]. This scale has been used by other researchers and found to be reliable [30]. The scale has six items and directly captures organization's perceptions of how strongly they view business social responsibility. It is reported that the scale has internal reliability (i.e., Cronbach's alpha) of .93 [30]. Furthermore, this measurement scale has been used widely by different scholars [29] who endorsed its validity. The samples of items are statements like—"My organization is committed to well-defined ethical principles" and "My organization is aware of environmental issue that will not affect society." Like others, this construct also used seven-point Likert scale as it appears to be optimal and enables respondents to show their stand comfortably.

2. Perceived ethics and performance

In this section, Ref. [24] reviewed literature on the business cases for corporate social responsibility and posited that there is evidence on the link among corporate social responsibility and corporate financial performance. Referring to [25], they indicate four potential hotspots for the change in performance of corporate social responsibility exercises: cost and risk reduction, enhancing authenticity and notoriety, building the upper hand, and creating win-win circumstances through synergistic esteem creation. Ref. [24] proposed that firms must endeavor to adjust corporate social responsibility exercises to their performance goals. Ref. [26] explored the observational research in the vicinity of 1972 and 2002 on the potential relationship among corporate social responsibility and financial performance. They conclude from their meta-analysis of 127 reviews that there is adequate confirmation to bolster a positive link between the corporate social responsibility and financial performance and little evidence of a negative affiliation.

3. Conclusion

Previous studies have established that there is a considerable link between perceived ethics and financial performances [13]. However, some studies [34, 35] found no relation or mixed results, and their methods varied and were contentious. Therefore, based on the above, this chapter uses perceived ethics to find the associations with small- and medium-sized enterprises' performances, which currently has consistent result and low empirical evidence of any negative effects.

This chapter discusses the definitions of perceived ethics and other related concepts; the chapter also looks at the previous research on the association between perceived ethics and performance. To promote ethics and social responsibility around the world, a group of businesses and political and civic leaders in Europe, Japan, and the United States created international principles related to responsible corporate citizenship. The role of business in the lives of customers, employees, owners, competitors, suppliers, and communities was communicated in clear terms. International codes allow businesses to confidently adjust their practices to accommodate cultural, social, and ethical differences in international business.

Author details

Abdullahi Hassan Gorondutse[1,2]* and Haim Hilman[1]

*Address all correspondence to: ahgdutse@gmail.com

1 School of Business Management, University Utara Malaysia, Sintok, Kedah, Malaysia

2 Department of Economics and Management Sciences, Nigerian Police Academy Wudil, Kano, Nigeria

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