

# The Enhanced Role Of Corporate Governance And The Changing Face Of Corporate Ethics- An Analytical Study

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## Abstract

In this research, the enhanced role of corporate governance and the changing face of corporate ethics have been discussed. The secondary qualitative method has been used to analyze the research in this study. In order to conduct this study and achieve the objectives properly this two theories named stakeholder theory and utilitarianism theory are used in this study. There has been provided the background of corporate governance and corporate ethics. The limitations and future scope of this study also mentioned in this research study.

**Keywords:** Business ethics, corporate governance, Corporate social responsibilities, Secondary qualitative method.

## INTRODUCTION

### Introduction

Corporate governance is an important factor that controls the organizations and helps them grow more in the competitive marketplace as the members of corporate governance give their valuable knowledge and experiences to the organizations. Corporate ethics are another influencer of the organizations as it maintains the relationship among the employees. In this chapter, the background of corporate governance and corporate ethics has been discussed. The research questions related to the enhanced role of corporate governance and the changing face of corporate ethics are jotted down in this chapter.

### Research Objectives

The research objectives that are important are mentioned below:

- To analyze the impact of the role of corporate governance on an organization
- To explore the influences of corporate ethics on an organization
- To inspect the relationship between the role of corporate governance and corporate ethics in an organization.

### Research questions

The important research questions that are needed to focus on are provided below:

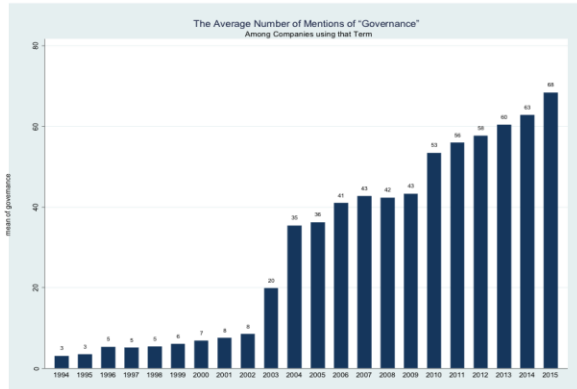
RQ1: In which way does the role of corporate governance affect the organizations?

RQ2: In which manner does a corporate ethic influence the organizations?

RQ3: What are the interconnected relationships between corporate governance and corporate ethics in an organization?

## Background

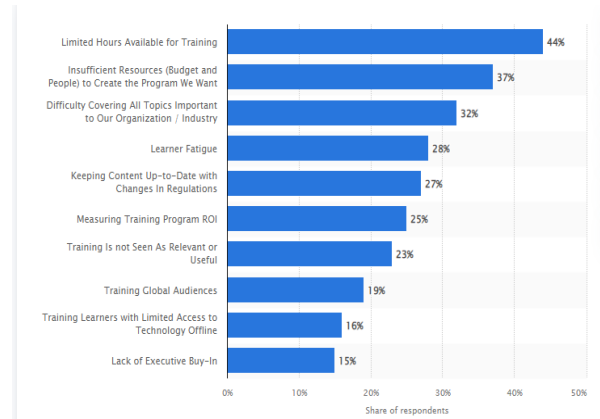
Corporate ethics has first shown a noticeable change in the 1960s as, at that time, more companies started to embrace social responsibility. The theologians, philosophers and scholars began to investigate the world of business in the 1970s, which led to a new term called corporate ethics or business ethics. As per Scherer & Voegtlin (2020), findings, business ethics had seen a great transition phase between the 1970s and 1980s as the new organizations started to rise up in the marketplace. The first time business ethics were openly discussed was at a conference held in November 1974 at the University of Kansas where the case studies and ideas related to corporate ethics were discussed. According to the views of De Bakker, Rasche & Ponte (2019), corporate ethics took a lot more critical approach after the introduction of business ethics in the world in the following years. As per the corporate governance, corporate governance has existed for a long back; however, it is said that **Bob Tricker** is the “father of corporate governance”.



**Figure 1: The growth of corporate governance**

(Source: Ferrell et al. 2019)

Figure 1 illustrates the growth of corporate governance from the year 1994 to the latest year, which interprets that corporate governance increases rapidly.



**Figure 2: The Challenges of corporate ethics**  
(Source: Scherer & Voegtlin, 2020)

Figure 2 depicts the challenges of corporate ethos that surface in an organization, where the challenges are illustrated in the form of a graph.

## LITERATURE REVIEW

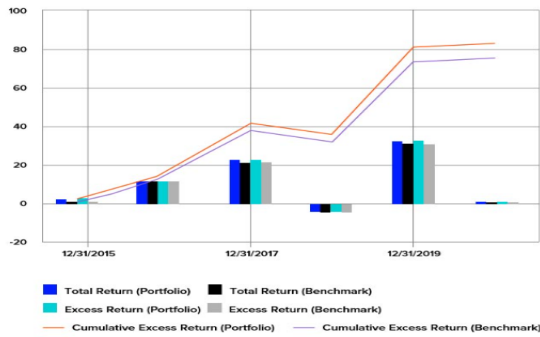
### Introduction

In this chapter, the enhanced role of corporate governance and the changing face of corporate ethics have been discussed in a brief way that helps others to understand the importance of corporate governance and corporate ethics. In this part of this research, the theories named stakeholder theory and utilitarianism theory related to corporate governance and corporate ethics are jotted down.

### The enhanced role of corporate governance

Corporate governance is a system that controls the activities of an organization directly and indirectly. The main purpose of corporate governance is to make an environment that involves trust, accountability, financial stability, a chance to grow, business integrity, and transparency in the workplace. As per the views of Coffie, Aboagye-Otchere & Musah (2018), maintaining the confidence level of investors, ensuring that the management of a company considers the interest of customers, and helping companies deliver long term growth and success are the major positive sides of using corporate

governance in an organization. Corporate governance includes 4P's, which refer to people, process, purpose and performance. Therefore, corporate governance maintains the balance in the economy and ensures the strong development of the organization by maintaining transparency between the investors, employees and stakeholders.

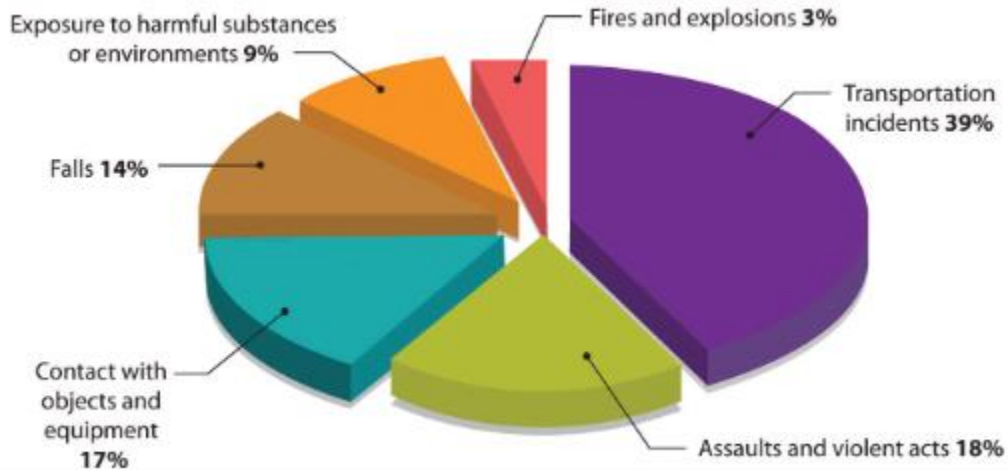


**Figure 3: Top three trends in corporate governance**  
(Source: Zaman et al. 2022)

Figure 3 illustrates the top three trends in corporate governance, which shows that it is highest in the year 2019.

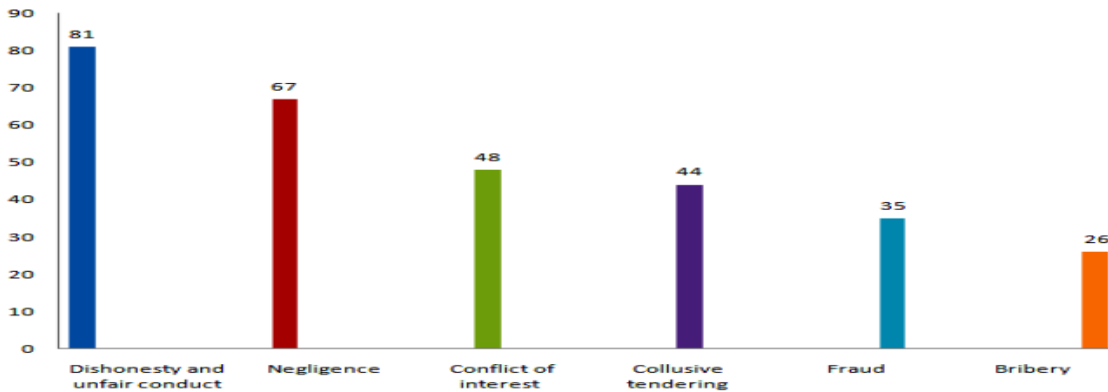
**The changing face of corporate ethics**

Corporate ethics are the set of morals that help the organizations maintain the relationship among the employees and support the organizations grow more in the marketplace. The major part of corporate ethics is obeying the company's rules, taking responsibility, creating a bond of trust, and effective communication. As per the statements of Ferrell et al. (2019), the main seven corporate ethics are politics without principles, wealth without work, worship without sacrifice, science without humanity, commerce without morality, pleasure without conscience, and knowledge without character. The purpose of implementing corporate ethics in an organization is to maintain the moral attitude within the organization from freshers to the high authorities which help to ensure the trust, respect, equality and honesty within the company among the employees (Carroll & Brown, 2018).



**Figure 4: Business ethics and corporate social responsibilities**  
(Source: De Bakker, Rasche & Ponte, 2019)

Figure 4 illustrates the effects of business ethics on corporate social responsibilities.



**Figure 5: Forms of Unethical behaviour**

(Source: Ferrell & Fraedrich, 2021)

Figure 5 illustrates that dishonesty and unfair conduct is considered the major unethical behaviour.

## Theory

### Stakeholder Theory

Stakeholder theory provides an image of capitalism which describes the internal relationships between a business and its employees, communities, suppliers, investors, customers, consumers, and others that are related to the business directly and indirectly. As per the views of Uribe, Ortiz-Marcos & Uruburu (2018), this theory also suggests that the values of a firm need to be based on the stakeholders as well as the shareholders. The stakeholder theory of corporate governance needs to focus on every aspect of activities that are done in an organization based on the stakeholders' corporation. Therefore, the stakeholder theory states that the firms need to understand and look over all the stakeholders of their companies as they have a huge impact on the growth curve of the organizations (Freeman, Phillips, & Sisodia, 2020). In this theory, the stakeholders are employees, shareholders, suppliers, creditors, the government and the interested customers.

### Utilitarianism Theory

Utilitarianism theory refers to the theory that includes the morality of advocates' actions which helps to find happiness and pleasure. This theory also suggests opposing the activities that cause

unhappiness and harm. As per the views of Altman & Kester (2019), the utilitarianism theory determines the right and wrong outcomes as it holds the most ethical choice. The key elements of this theory are welfarism, impartiality, aggregations and consequentialism (Savulescu, Persson & Wilkinson, 2020). This is important to implement in an organization as it has a significant role in helping the organization's growth curve.

## METHODOLOGY

This study is conducted with the help of a secondary qualitative method as all the data that are used during this study are collected from various articles and journals. In these articles and journals, all of the data is well defined and well-explored which helps to conduct the study. The secondary qualitative data analysis refers to the finding of the outcomes from the information that is not quantitative by using the existing data. Sometimes, while conducting this analysis, the answers differ from the answers that are given to the questions which are asked in the original research. According to the views of Wikert et al. (2022), the secondary qualitative method is a cost-effective method as the pieces of information are easily extracted from the pre-reviewed resources for the researchers. Therefore, it can be said that the secondary qualitative method gives a systematic review and a descriptive exploratory framework of the information that is pre-reviewed. Thus, the secondary qualitative method has a significant role in this study as it provides the researcher with a good concept and idea about the information that is collected from the journals and articles for

further progress of the study (VanScoy, Bossaller & Burns, 2018). It also serves as an analyzation of the relevant theory that helps the researcher to conduct and complete the study (Suleiman, Hanafi & Muhajir, 2019). All the data that are collected from various journals, articles, government records, magazines and the internet provides a brief discussion on the impact of

corporate governance and corporate ethics on corporate social responsibilities. These pieces of information help to interpret the data in a good manner to understand the purpose of the study. The review of secondary qualitative data is presented in this study to understand the outcomes of this study.

## RESULT

### Quality review

Authors	Study design	Number of resources	Measured outcomes	Result	Quality review
Scherer & Voegtlin, (2020)	Qualitative	15	The role of the corporate governance to generate innovations.	Corporate governance helps to meet the collective goals and helps the innovation to be accepted socially.	Moderate
Coffie, Aboagye-Otchere & Musah, (2018)	Quantitative	10	The impact of corporate governance on corporate social responsibility	Corporate governance has a huge impact on the presence of social responsibility to maintain the corporate ethics.	High
Zaman et al. (2022)	Quantitative	12	The relationship between corporate governance and corporate ethics.	The enhancement of the relationship between corporate governance and corporate ethics has an impact on socially responsible.	Moderate
Ferrell et al. (2019)	Qualitative	13	The relationship between corporate ethics and social responsibility.	The results are related to the expectations of customers related to the corporate social responsibility and corporate ethics	High

**Table 1: Quality review****Thematic coding**

Author	Code	Themes
Coffie, Aboagye-Otchere & Musah, (2018)	Corporate Social Responsibility, Sustainable development, corporate governance, developing economy, multinational activities.	Corporate governance has a huge influence on corporate social responses.
Ferrell et al. (2019)	Business ethics, responsible governance, corporate ethics, social responsibility.	The relationship between corporate ethics and social responsibilities.

**Table 2: Thematic coding****Thematic analysis****Theme 1: Corporate governance has a huge influence on corporate social response**

Corporate governance refers to the system that controls the various organizations directly and indirectly. People such as board directors and stakeholders, performance, purpose and process are the major four components of corporate governance that control the organizations. Corporate social responses refer to the management concept of an organization that helps the company to integrate the environments and social concerns in the business. As per the views of Scherer & Voegtlin, (2020), corporate governance influences corporate social responsibility on a broad scale which helps corporations to maintain a good balance. Corporate governance has impacts on the mechanism and transparency which leads an organization to generate good and high standard products that bring a profit to the organization which leads a good corporate social responsibility. As per the findings of Coffie,

Aboagye-Otchere & Musah (2018), good corporate governance is able to fulfil the objectives of corporate social responsibility which is providing positive social value.

**Theme 2: The relationship between corporate ethics and social responsibilities**

Corporate ethics are the set of principles and morals that an organization follows to improve their activities that help the organization achieve its objectives. Corporate ethics helps to fulfil the purpose of corporate social responsibilities which are taking part in philanthropic causes and returning back good responses to the community. As per the statement of Zaman et al. (2022), corporate ethics are important to make a difference and build a positive aspect of an organization that is increasingly turning to corporate social responsibilities. These corporate ethics make the organizations more accountable and presentable to the investors and stakeholders, which leads to a sustainable environment and good social responsibilities for the organizations. Therefore, business ethics and corporate social responsibilities are part of each other and they are connected deeply to each other.

**Discussion**

Thus, it can be well understood that corporate governance and corporate ethics have an important role in corporate social responsibilities. As per the views of Ferrell et al. (2019), environmental responsibility, ethical responsibility, philanthropic responsibility, and economic responsibility are included in corporate social responsibility and are influenced by corporate governance and corporate ethics. Therefore, corporate governance aims to fulfil the objectives of corporate social responsibilities by maintaining corporate ethics. Corporate governance and corporate ethics have other advantages such as they help to encourage positive behaviour and keep motivated the people, reduce the cost of capital by applying a proper strategy, assure the internal controls and relationships among the employees, and improve the decision-making system in a high-level.

## CONCLUSION

Thus it can be concluded that business ethics and corporate governance have a huge impact on the organizations as it controls the relationships among the employees and maintains the balance of the relationship between the stakeholders such as suppliers, customers, shareholders and the organizations. Therefore it can be said that the main objectives of this study are to find the importance of the role of corporate governance and the changing face of corporate ethics in the firms. The other aim of this study is to find the influences of corporate governance and business ethics on the various factors of corporate social responsibilities as it helps to maintain the balance of a proper work environment. In this study, two theories are used which are the stakeholder theory and the utilitarianism theory related to corporate governance and corporate ethics. Stakeholder theory illustrates the internal relationships between the organizations and the employees, suppliers, and customers, which is related to corporate governance. The utilitarianism theory depicts the activities that cause happiness and pleasures which are related to corporate ethics. In this study, the secondary qualitative method is used to analyze the data. The limitations and the future scope of conducting this study are also jotted down in this research.

## Limitations

During conducting this study, it is noticed that the qualitative secondary data analysis comes with a number of drawbacks and the information lacks some statistical data that are required to complete this study in a better manner. The factors of corporate governance and corporate ethics have reduced the comprehensiveness of this research. Time efficiency and cost efficiency are also some limitations that are faced by the researcher while conducting this study.

## FUTURE SCOPE

This study comes with a high future scope as it provides basic information on corporate governance and corporate ethics. This study also covers the areas such as the role and importance of corporate governance and corporate ethics on corporate social responsibilities and the other aspects that need more focus from the researcher. Thus, the researchers are able to find the strategies to implement corporate ethics in a proper way in an organization in the near future.

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