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Leadership Effects on CSR Employee, Media, Customer, and NGOs

Ali et al.
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Abstract
This study aims to examine and compare the effects of ethical leadership (EL) and transformational leadership (TL) separately on different dimensions of corporate social responsibility (CSR) including (i) CSR to media (M), (ii) CSR to employee (E), (iii) CSR to customer (C), and (iv) CSR to NGOs (N). Convenience sampling methodology was used to collect the data through two survey questionnaires. In total, 266 responses of employees and managers were received: 87 responses were collected from the customers of top companies in Sulaymaniyah, that is, Carrefour, Qaiwan, Asiacell, and Korek. The methodology includes descriptive statistics, regression analysis, correlations, and covariance. This study provides a unique insight into the relationship between CSR and different types of leadership styles (EL and TL). The study finds out that both EL and TL have positive relationships with the variables M, E, C, and N. Leadership style, which leads an organization to better CSR in all of the above-mentioned dimensions, has been identified in this study.

Keywords: Corporate social responsibility; CSR practices; CSR to employees; CSR to customers; CSR to NGOs; Leadership vs CSR.

1. INTRODUCTION

Corporate social responsibility (CSR) is one of the concepts of business ethics that has gained the utmost attention in the present-day business world (Radcliffe, 2009). CSR could be defined as activities of a firm that appears to do or actually undertakes some social good, beyond the direct interests of the firm and its shareholders and beyond what is required by law (McWilliams and Siegel, 2001). Companies develop affirmative ethical identities and sound relationships with employees through CSR activities (Balmer et al., 2007; Castaldo et al., 2009; Fukukawa et al., 2007). In recent times, the customers expect the companies to have the high levels of ethical, and philanthropic values of doing business (Golob et al., 2008; Xiaoli and Kwangjun, 2007; Demir et al., 2019). By the quality products and services, businesses aim to increase customer satisfaction (Budur, 2018b; Budur et al., 2018), repurchase or revisit intention (Demir and Mukhlis, 2017; Torlak et al., 2019), and spread pleasure feelings Word of mouth (WOM) to their environment (Poturak and Turkyilmaz, 2018). Besides, CSR activities of the firms can also improve customers and employee's awareness and financial performance of the businesses as well (Cochran and Wood, 1984; Fombrun and Shanley, 1990; Budur and Demir, 2019a; Demir and Budur, 2019).

Some of the companies in Kurdistan implement CSR activities, which involve taking care of the environment, preventive measures to reduce pollution, financial aid for poor families, sponsoring educational institutes, and deserving students in the region (Demir and Budur, 2019). Companies publicize their CSR activities social as well as traditional media to improve their corporate image and reputation in the eyes of stakeholders (Budur et al., 2019; Al-Ani et al., 2018).

In the Kurdistan region of Iraq, big companies apparently seem to be highly socially responsible. Asiacell Company, a subsidiary of Faruk Group, is one of the leading telecom companies in Sulaymaniyah province. It gives scholarships to deserving students and donates generously for charity purposes. Qaiwan...
Group, another conglomerate giant in energy, real estate, and education sectors, also pays millions of dollars as Zakat (Islamic charity funds) to poor people of the region and as donations to educational institutes.

Drawing on the current literature, there is a positive and significant relationship between CSR and leadership (Mostovicz et al., 2009). Researchers are taking interest in transformational leadership style due to its significant and positive impact on organizational performance as well as employee performance (Budur and Demir, 2019b). An ethical leadership style also impacts the performance of the organization and performance of employees (Zhu et al., 2014).

Knowing the ever-increasing trend of CSR activities in Kurdistan region, this study aims to find the proper and better leadership style for managers, which could improve CSR of organizations in Kurdistan. The purpose of this study is to examine and compare the effects of ethical leadership (EL) and transformational leadership (TL) separately on different dimensions of CSR including CSR to media (M), CSR to employees (E), CSR to customers (C), and CSR to NGOs (N). This will help organizations choose a leadership style that improves their reputation as well as builds their better image among masses and stakeholders.

The paper is divided into the following parts: literature review, methodology, data analysis and findings, conclusion, and managerial implications.

2. LITERATURE REVIEW

2.1. Corporate Social Responsibility

CSR can be defined as the actions of a firm, which go beyond its economic interest and are aimed at creating a positive reputation among social and nonsocial (Türker, 2009). Moreover, it can be referred to as “The actions that happen to advance some social good, beyond the interests of the firm and those needed by law” (McWilliams et al., 2006: 1). CSR can also be defined as an organization’s performance and initiatives that it takes to take care of its societal obligations instead of merely focusing on corporate profits (Bhattacharya and Sen, 2004; Brown and Dacin, 1997). CSR has developed at a quick pace and received acceptability as an emerging academic field over the past 70 years, among academia, society, and industry (Kiessling et al., 2016). Now, the firms are expected to demonstrate progressive corporate behavior “to a level appropriate with prevailing social values, norms and expectations of performance” (Sethi, 1975: 62).

Carroll (1979) proposed a CSR model highlighting four areas where a firm should be held responsible to perform including economical, legal, ethical, and altruistic dimensions and called it corporate social performance (CRP) model. According to Carrol, firms must exhibit socially responsible behavior, by having sound environmental practices and policies for the betterment of stakeholders and employees (Carroll, 2015). CSR, in turn, benefits the organizations as well by improving employee attitudes, productivity, and workplace behavior and eventually contributes to the organization’s profitability (Agan et al., 2016).

After all the attention CSR got from the scholars, scholars also developed reliable and valid methods to measure CSR. Türker (2009) classified CSR into five dimensions: (i) CSR to environment, E, (ii) CSR to media, M, (iii) CSR to customers, C, and (iv) partnership with NGOs, N, and (v) CSR to government, G. Agan et al. (2014) also used the above-mentioned dimensions of CSR to measure CSR in their study. This study, however, treats every dimension of CSR as a separate variable and finds the impact of transformational and ethical leadership styles on four of the following CSR dimensions.

2.1.1. CSR to Environment

Kolk (2016) finds out that the environment is the most significant dimension of CSR that impacts the behavior of employees. The company striving for achieving sustainability in its operations and preserving the environment is also likely to bear fruits in terms of improved financial performance (Agan et al., 2014).

2.1.2. CSR to Media

Bansal and Clelland (2004) found out that a positive relationship existed between media visibility and environmental believability if the top management’s sensitivity is higher and the organization increasingly engages in the processes of external certification. The influence of media news on environment believability has substantial importance, as Bansal and Clelland (2004) declare that environmentally friendly firms get
benefitted because of their decreased financial risk. Stahl and Sully de Luque (2014) proposed a leadership model, which mentions media as an important component of cultural and institutional context, affecting and determining responsible leader behavior.

2.1.3. CSR to Customers
Society and business should mutually benefit from each other, as it is only possible to set up a successful business in a healthy society and vice versa. We can define strategic CSR as “any responsible activity that allows a company to gain a sustainable competitive advantage, careless of motive” (McWilliams and Siegel, 2011). The main purpose of strategic CSR is to gain an advantage over competitors in an ethical manner while focusing mainly on consumers. Strategic CSR management will only guarantee an affirmative reaction from the consumer if it is a strictly interactive process between consumers and the organization’s management.

2.1.4. CSR to Employees
Employee behavior is greatly impacted by an organization's CSR commitments (Kolk, 2016). If the employees appreciate their manager’s leadership qualities and tend to get their values aligned with the organization's CSR objectives, then, in turn, it leads to job satisfaction. The perceived leadership qualities of managers are positively related to job satisfaction (Vlachos et al., 2013).

2.1.5. Partnership with NGOs
Businesses all over the world have been practicing CSR through building partnerships with nonprofit organizations, and this kind of association is one of the most important elements of CSR implementation (Seitanidi and Crane, 2009). Agan et al. (2014) have also used this dimension of CSR in their study to determine the impact of CSR on corporate financial and nonfinancial performance.

2.2. Transformational Leadership
Burns (1978), Bass (1985), and Avolio in association with Bass (2000) have contributed a lot to the literature distinguishing transformational and transactional leadership styles. According to the literature, transformational leaders inspire their followers by using clear communication strategies. They tend to develop a clustered vision and motivate them to look to work selflessly for the good of the team as well as the organization. Basically, TL theory has strong ethical grounds, and it focuses on how a leader can transform the mindset of its fellow employees from merely setting self-interest goals toward striving for collective organizational goals (Burns, 1978). The role of transformational leaders in any organization is like ethical function models, who direct the followers toward better and improved moral values (Dion, 2008). Moreover, transformational leaders do not merely focus on shareholders’ short-term financial interests but also take care of the overall interest of multiple stakeholders of the organizations both in the long and short run (Waldman et al., 2006).

Prior research, both theoretical and empirical, suggests that transformational research possesses a personal quality of “openness to change,” which includes values such as stimulation, self-direction, affinity to change, novelty and challenges. These values of “openness to change” help transformational leaders to articulate a vision of a better and brighter future for the employees and organization (Lan et al., 2008; Sosik, 2005). Transformational leaders win over their followers by challenging the position coming up with the strategies that aid and achieve organizational change (Conger and Kanungo, 1987).

2.3. Ethical Leadership
Great leaders have a vision, and they define various goals to move in the direction of their vision. A leader should be trustworthy, should welcome good ideas that require hearty involvement, and should be ethically principled (Muteswa, 2016). According to Trevino et al. (2003), ethical leaders at executive positions should be open, approachable, honest, and trustworthy. EL also includes the qualities of a transactional leader, for instance, high ethical and accountability standards for themselves as well as the subordinates. An ethical leader takes care of the collective interest of all employees while following the personal and organizational ethical code of conduct.

EL depends on a leader’s personality and ethical conduct, and ethical standards set by the organization (Brown et al., 2005; Budur, 2018b). Gallagher and Tschudin (2010) suggest that to respond in an adequate manner to any situation, an ethical leader should possess professional content as well as ethical ability. The
The main qualities that an ethical leader should possess are stated by Treviño et al. (2003) as fair-mindedness, humbleness, uprightness, care, and tolerance for mistakes.

Managers are the main source of ethical behavior due to their prominent and crucial position. They are the role models for employees in the organization, and if they behave in an ethical manner, they will inspire their subordinates to act in a similar fashion as well. (Bandura, 1978; Neubert et al., 2009). On the contrary, according to Neubert et al. (2009), if managers have wrong relational attachments in the workplace, they are likely to exercise personal power over subordinates and will affect their behavior in the context of ethical standards.

3. METHODOLOGY

The aim of the study was to investigate the leadership effects on the dimensions of CSR in the Kurdistan region of Iraq. For this purpose, a survey questionnaire has been prepared and translated into the Kurdish language by professionals. The sample data were collected through a random sampling technique from 266 full-time employees in 45 private and public organizations in Kurdistan. In the beginning, the questionnaires were translated into Kurdish, and almost 700 copies of both Kurdish and English questionnaires were sent out. However, only 266 participants properly responded to the questionnaire. The participants were Kurdish, Arab, and overseas employees who are proficient in English. Consequently, regression, correlation, and covariance analyses have been performed to test the relationship between the variables in the proposed model (Figure 1).

3.1. Hypotheses

According to the model, the following hypotheses have been developed to test the relationship among the variables:

Hypothesis 1: Ethical leadership (EL) has a positive impact on CSR to media.
Hypothesis 2: EL has a positive impact on CSR to customers.
Hypothesis 3: EL has a positive impact on CSR to employees.
Hypothesis 4: EL has a positive impact on CSR to NGOs.
Hypothesis 5: Transformational leadership (TL) has a positive impact on CSR to media.
Hypothesis 6: TL has a positive impact on CSR to customers.
Hypothesis 7: TL has a positive impact on CSR to employees.
Hypothesis 8: TL has a positive impact on CSR to NGOs.
3.2. Measurement Variables
A five-point Likert scale questionnaire was used to measure the dimensions of CSR. Answers to questions ranged from 1 (strongly disagree) to 5 (strongly agree). The questionnaire for this study was originally adapted from Türker (2009) to measure CSR and later modified by Agan et al. (2014).

To measure CSR to Media or M for EL, three questions with the $t$-stat value of 6.378 were used. CSR to E, CSR to C, and CSR to N were measured using three questions each, with $t$-stat values of 12.27, 10.393, and 10.474. Similarly, for TL, M, E, C, and N included three questions each with the $t$-stat value of 5.436, 11.139, 8.623, and 8.293.

3.3. Data Analysis and Research Findings
3.3.1. Demographics of Employees
Google survey forms and LinkedIn were used to collect responses from the managers and employees of the companies; 196 employees completely responded to the survey questionnaires. A complete demographic makeup of the respondents has been given in Table 1. A majority of the respondents (148) are university graduates; whereas, 37 respondents hold a master’s degree or PhD. Only 10 had qualifications equivalent to High School Diploma. Most respondents (81) have industry experience of 6-10 years, followed by those with experience of 1-5 years (65); whereas, 36 respondents have been working in the industry for more than 15 years. The table also shows that most of the final participants of this survey hold middle management positions (77), and 35 of the respondents hold higher management positions in the companies. Moreover, 164 of the participants were male, and only 31 were female.

3.3.2. Regression Analysis
The impact of ethical leadership on M, E, C, N is described in Table 2. Regression analysis shows that EL has a significant impact on all dimensions of CSR, that is, M, E, C, and N with significant $t$-stat values of 6.3786, 12.27, 10.393, and 10.474, respectively. Hence, we will accept the first four hypotheses (H1, H2, H3, and H4), establishing the result that ethical leadership plays a significant role in improving the organization’s CSR.

<table>
<thead>
<tr>
<th>Demographic categories</th>
<th>Sublevels</th>
<th>Number of respondents</th>
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<tbody>
<tr>
<td><strong>Education level</strong></td>
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<tr>
<td>High school</td>
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<tr>
<td>University graduation</td>
<td>148</td>
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<tr>
<td>Master and PhD</td>
<td>37</td>
<td></td>
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<tr>
<td><strong>Experience in industry</strong></td>
<td></td>
<td></td>
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<tr>
<td>Less than 1 year</td>
<td>6</td>
<td></td>
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<tr>
<td>1-5 years</td>
<td>65</td>
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<tr>
<td>6-10 years</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>11-15 years</td>
<td>6</td>
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<tr>
<td>More than 15 years</td>
<td>36</td>
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<tr>
<td><strong>Position</strong></td>
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<tr>
<td>Top managers</td>
<td>35</td>
<td></td>
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<tr>
<td>Middle managers</td>
<td>77</td>
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<tr>
<td>Team managers</td>
<td>38</td>
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<tr>
<td>Expert</td>
<td>45</td>
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<tr>
<td><strong>Gender</strong></td>
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<tr>
<td>Male</td>
<td>164</td>
<td></td>
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<tr>
<td>Female</td>
<td>31</td>
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</table>
Table 2. Summary of the Results Regarding EL.

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Hypothesis</th>
<th>$R^2$</th>
<th>Coefficient</th>
<th>t-stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL to CSR Media</td>
<td>H1</td>
<td>18%</td>
<td>0.245</td>
<td>3.378</td>
</tr>
<tr>
<td>EL to Employees</td>
<td>H2</td>
<td>44%</td>
<td>0.719</td>
<td>12.270</td>
</tr>
<tr>
<td>EL to Customers</td>
<td>H3</td>
<td>36%</td>
<td>0.488</td>
<td>10.393</td>
</tr>
<tr>
<td>EL to NGOs</td>
<td>H4</td>
<td>36%</td>
<td>0.661</td>
<td>10.474</td>
</tr>
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</table>

Table 3. Summary of Results Regarding TL.

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Hypothesis</th>
<th>$R^2$</th>
<th>Coefficient</th>
<th>t-stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>TL to CSR Media</td>
<td>H5</td>
<td>13%</td>
<td>0.381</td>
<td>5.436</td>
</tr>
<tr>
<td>TL to Employees</td>
<td>H6</td>
<td>39%</td>
<td>0.664</td>
<td>11.139</td>
</tr>
<tr>
<td>TL to Customers</td>
<td>H7</td>
<td>28%</td>
<td>0.420</td>
<td>8.622</td>
</tr>
<tr>
<td>TL to NGOs</td>
<td>H8</td>
<td>26%</td>
<td>0.550</td>
<td>8.293</td>
</tr>
</tbody>
</table>

activities in the Kurdistan region of Iraq. According to the regression model, the ethical leadership has the most significant impact on E, as the coefficient $\beta = 0.7194$ for this relation, followed by N ($\beta = 0.6619$), C ($\beta = 0.4501$), and M ($\beta = 0.4888$), respectively.

The impacts of TL on M, E, C, and N are shown in Table 3. It can be seen from the t-stat numbers that TL also has a significant impact on all dimensions of CSR. Hence, we will accept all hypotheses regarding the relationship between TL and M, E, C, and N, respectively (H5, H6, H7, H8, and H9). TL also has the most significant impact on E where its $\beta = 0.66451$, followed by N ($\beta = 0.550864$), C ($\beta = 0.42063$), and M ($\beta = 0.38115$), respectively.

3.3.3. Covariance and Correlations

3.3.3.1. Covariance

$$\text{Cov}(X, Y) = \frac{\sum(X_i - \bar{X})(Y_i - \bar{Y})}{n}$$

The covariance of EL and TL with M, E, and NGOs is shown in Table 4. It can be noted that there is a linear relationship between the dependent and independent variables of both groups in our model. Both EL and TL have the highest covariance with E, 0.577939 and 0.855535, respectively. Even though TL seems to have a stronger covariance with E compared to EL, the overall EL has higher covariance with the remaining variables (N, C, M) in this analysis.

3.3.3.2. Correlations

Formula for correlations:

$$r = \frac{1}{n-1} \sum \left( \frac{x - \bar{x}}{s_x} \right) \left( \frac{y - \bar{y}}{s_y} \right)$$

Table 5 exhibits the correlations of EL and TL with M, E, C, and N, separately. The correlation between EL and M is 0.4198, which is moderate. EL and E have a strong correlation, which is equal to 0.6612. The
correlation between EL and C is 0.5977, and that between EL and N is 0.6039, which indicates somewhat moderate-to-strong relations between these variables.

TL has a similar pattern of correlation with all the variables; however, the correlation is not as strong as between EL and other variables. TL has a weak correlation of 0.3635 with M, a strong correlation of 0.6242 with E, and a moderate correlation with C and N, with correlation values of 0.5263 and 0.51339, respectively.

4. CONCLUSION, IMPlications, AND LIMITATIONS

Many organizations get involved in CSR activities to serve the society and community and to build better relationships with the stakeholders to achieve long term effectiveness. Considering the generality of CSR, organizations need to focus on various dimensions of CSR strategically, to achieve these goals. It is recommended that achieving an advanced level of synchronization between social causes and organizations’ economic goals and communicating CSR operations through synergistic messaging are efficient ways to grow an organization’s business.

The results of the analysis show that ethical leadership plays a more impactful role compared to transformational leadership on CSR to employees. This can be implied that when a leader has strong ethical demeanor, they will care more about employees and will share stronger bonds with employees compared to the transformational leaders. Ethical leaders are more likely to influence CSR practices with NGOs, employees, media, and customers compared to transformational leaders. CSR impacts the financial performance of the organization. Therefore, to improve CSR as well as the financial performance of the organization, the companies should hire managers with stronger ethical leadership characteristics compared to transformational leadership qualities. For this purpose, the companies can use different ethical evaluation, interviewing and testing methods available in the academic literature to select managers who possess ethical leadership qualities (Sivadas et al., 2003). Moreover, the companies should provide ethical tests to managers, which they should use if any ethical dilemma arises at work (Pagano, 1987).

The limitation of this study is that it did not include one of the most significant dimensions of CSR, i.e., CSR to the environment in its model. The exclusion of this dimension is due to the unwillingness of companies in Kurdistan to disclose information regarding their operations. The extent to which operations of companies under observation are sustainable and environment friendly cannot be examined properly, and hence excluded from the study.

In the future, if the companies incorporate transparency in their operations and financial performance, the researchers can study other dimensions of CSR, including CSR to the environment, to extend and improve this study. The relation between ethical leadership, CSR, and financial performance of the organization also

<table>
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<tr>
<th>Table 4. Covariance Matrix.</th>
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<tr>
<td><strong>Media</strong></td>
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<tr>
<td>EL</td>
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<td>TL</td>
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<th>Table 5. Correlations: Relationships between EL and TL, with M, E, C, and NGOs.</th>
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<tr>
<td></td>
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<tr>
<td><strong>Media</strong></td>
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<tr>
<td>EL</td>
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needs to be established in the Kurdistan region. However, owing to the secretive policies of the leading organization regarding their financial data, the nonavailability of financial data hinders research activities on this topic. Therefore, this area in the literature might remain unexplored in the foreseeable future, until and unless the government reforms and implements the corporate transparency laws in the Kurdistan region.

Author Contributions
All authors contributed equally to this original research work.

Conflict of Interest
None.

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Sosik JJ. 2005. The role of personal values in the charismatic leadership of corporate managers: a model and preliminary field study. The Leadership Quarterly 16(2): 221-244.

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