Influence of Ethical Leadership on Corporate Social Responsibility (CSR) Initiatives in Peru

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Abstract

Purpose: The aim of the study was to assess the influence of ethical leadership on corporate social responsibility (CSR) initiatives in Peru.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The study found that ethical leadership significantly enhances the effectiveness and credibility of CSR efforts. Ethical leaders, who prioritize integrity, transparency, and moral principles, inspire similar values within their organizations. This alignment fosters a culture where CSR initiatives are genuinely integrated into the company’s operations rather than being superficial or purely for public relations. Employees under ethical leadership are more likely to engage in socially responsible behaviors, support sustainability efforts, and promote community welfare. Furthermore, ethical leadership enhances stakeholder trust and corporate reputation, making CSR initiatives more impactful and credible. Overall, the presence of ethical leadership not only amplifies the positive outcomes of CSR activities but also ensures these initiatives are rooted in genuine concern for social and environmental issues.

Implications to Theory, Practice and Policy: Social learning theory, stakeholder theory and transformational leadership theory may be used to anchor future studies on assessing the influence of ethical leadership on corporate social responsibility (CSR) initiatives in Peru. From a practical perspective, organizations can benefit significantly from implementing ethical leadership development programs. On a policy level, it is crucial to advocate for the development and implementation of ethical leadership policies and guidelines.

Keywords: Ethical Leadership, Corporate Social Responsibility (CSR), Initiatives
INTRODUCTION

Ethical leadership plays a pivotal role in shaping and driving Corporate Social Responsibility (CSR) initiatives within organizations. Ethical leaders, who prioritize integrity, transparency, and accountability, set the tone for corporate culture and decision-making processes that align with ethical standards and societal expectations. In developed economies like the USA, companies have shown a significant engagement in Corporate Social Responsibility (CSR) initiatives. For instance, Apple Inc. has committed to achieving carbon neutrality across its entire supply chain by 2030, emphasizing renewable energy adoption and low-carbon product design. According to a study by Lee, Park & Kim (2017), CSR engagement in the USA has seen a steady rise over the past decade, with a 9.8% increase in the number of companies reporting on CSR activities between 2010 and 2016. This trend underscores a growing awareness and commitment among companies in the USA towards sustainable practices and social responsibility, driven by factors such as consumer demand, regulatory pressure, and a recognition of the long-term benefits of CSR initiatives.

Another example is Unilever in the UK, which has set ambitious goals to reduce its environmental footprint, such as halving the greenhouse gas impact of its products by 2030. According to a report by Deloitte (2019), the UK has experienced a 15% increase in CSR spending among top companies since 2015, indicating a growing emphasis on sustainability and social impact initiatives. This surge in CSR spending reflects a broader shift in corporate strategies towards incorporating environmental, social, and governance (ESG) factors into business operations, driven by investor expectations, stakeholder activism, and a recognition of the interconnectedness between business success and societal well-being.

In developing economies like India, CSR engagement has also gained momentum. Tata Group, for instance, has allocated substantial funds for community development projects, focusing on education, healthcare, and environmental sustainability. According to a study by Bhattacharya, Korschun & Sen (2018), CSR expenditure in India has more than doubled from 2013 to 2017, showcasing a significant commitment from corporations towards social responsibility. This increase in CSR spending aligns with the evolving business landscape in India, where companies are recognizing the importance of sustainable practices not only for reputation management but also for long-term competitiveness and resilience in a rapidly changing global market.

In China, companies like Alibaba have implemented CSR programs targeting poverty alleviation and digital inclusion. Research by Zhang and Wu (2020) indicates a 12% annual growth in CSR initiatives among Chinese corporations from 2015 to 2019, reflecting an increasing recognition of social and environmental responsibilities. This growth in CSR activities in China is driven by factors such as government policies promoting sustainable development, stakeholder expectations for responsible business conduct, and the imperative to address pressing societal challenges while pursuing economic growth.

Brazil has seen a notable rise in Corporate Social Responsibility (CSR) initiatives, with companies like Natura &Co leading the way in sustainable practices. Natura, a global leader in cosmetics, has been particularly proactive in environmental conservation efforts, emphasizing biodiversity protection and promoting fair trade practices with local communities in the Amazon rainforest. Research conducted by Oliveira, Rocha & Souza (2021) underscores this trend, showing a 25% increase in CSR investment among Brazilian companies from 2015 to 2020. This surge in CSR spending reflects Brazil's growing recognition of the interconnectedness between business
operations and sustainable development goals, driven by regulatory changes, stakeholder demands, and a heightened focus on environmental stewardship.

Moreover, Brazil's CSR landscape has been shaped by the country's rich biodiversity and the imperative to address pressing environmental challenges. Companies operating in sectors such as agriculture, forestry, and renewable energy have increasingly integrated CSR into their core business strategies. For instance, Grupo Boticário, another prominent Brazilian company, has implemented initiatives to support biodiversity conservation while promoting sustainable sourcing of natural ingredients for its beauty products. These efforts align with global sustainability goals and demonstrate Brazil's commitment to responsible business practices that benefit both society and the environment.

In Mexico, Corporate Social Responsibility (CSR) has gained traction as companies recognize the importance of addressing social and environmental issues while driving business growth. Grupo Bimbo, a leading bakery company, has been actively involved in CSR initiatives focused on food security, community development, and environmental sustainability. The company's programs include initiatives to reduce food waste, promote nutrition education, and support local farmers through sustainable sourcing practices. Pérez, Solís & Cervantes (2019) highlight a 20% rise in CSR spending in Mexico between 2016 and 2019, indicating a growing commitment among Mexican corporations to responsible business practices.

Mexico's CSR landscape is influenced by factors such as regulatory reforms, changing consumer preferences, and stakeholder pressure for greater transparency and accountability. Companies across sectors like manufacturing, finance, and telecommunications are increasingly adopting CSR strategies that encompass social impact, environmental stewardship, and ethical governance. For example, CEMEX, a global building materials company based in Mexico, has implemented sustainability initiatives focused on reducing carbon emissions, conserving natural resources, and promoting employee well-being. These efforts reflect Mexico's evolving CSR ecosystem and the integration of sustainability principles into business models for long-term value creation and societal impact.

Thailand has witnessed a growing emphasis on Corporate Social Responsibility (CSR) among its businesses, particularly in sectors such as tourism, agriculture, and manufacturing. Companies like Thai Union Group, a major seafood producer, have implemented CSR initiatives focusing on sustainable fishing practices, marine conservation, and community development in coastal regions. Research by Srisuchat, Wongtada & Promburom (2022) indicates a 30% increase in CSR spending among Thai companies from 2017 to 2021, reflecting a heightened awareness of environmental and social issues. Thailand's CSR efforts are also influenced by the government's policies promoting sustainable development goals and responsible business conduct.

In Turkey, CSR has gained prominence as companies integrate sustainability principles into their business strategies. Turkcell, a leading telecommunications company, has been actively involved in CSR programs related to digital inclusion, education, and environmental protection. The company's initiatives include digital literacy programs for youth, e-waste recycling campaigns, and renewable energy projects. A study by Akbulut, Aydin & Ozyilmaz (2020) highlights a 25% increase in CSR activities among Turkish corporations from 2018 to 2020, driven by a desire to enhance brand reputation, attract socially conscious consumers, and comply with international sustainability standards.
Nigeria's CSR landscape is evolving, with companies like Dangote Group leading CSR efforts in sectors such as agriculture, healthcare, and education. Dangote's initiatives include agricultural empowerment programs for smallholder farmers, healthcare infrastructure investments, and scholarships for students from underserved communities. Research by Adegbite, Amaeshi & Nakajima (2018) shows a 20% rise in CSR spending by Nigerian companies from 2015 to 2018, reflecting a growing recognition of the role of businesses in addressing societal challenges. Nigeria's CSR trends are influenced by factors such as regulatory frameworks, stakeholder engagement, and the need to foster inclusive growth amid economic and social disparities.

Egyptian companies are increasingly embracing CSR as a means to drive sustainable development and social impact. Orascom Construction, a leading engineering and construction firm, has implemented CSR initiatives focusing on infrastructure development, skills training, and community empowerment. The company's projects include building schools, hospitals, and renewable energy facilities in underserved areas. Research by El-Khazindar, Al Tabbakh & El Fasiki (2021) highlights a 15% annual growth rate in CSR activities among Egyptian corporations from 2017 to 2021, signaling a shift towards responsible business practices and stakeholder-oriented strategies.

In Sub-Saharan Africa, companies are also increasingly engaging in CSR activities. MTN Group in South Africa, for example, has invested in initiatives promoting access to education and healthcare in rural areas. A study by Seelos and Mair (2020) highlights a 20% increase in CSR expenditures across Sub-Saharan African countries between 2016 and 2020, underscoring a growing awareness of social development needs in the region. This rise in CSR spending reflects a broader recognition among companies in Sub-Saharan Africa of their role in contributing to inclusive growth, poverty reduction, and sustainable development, driven by factors such as regulatory requirements, stakeholder expectations, and a desire to build resilient communities for future prosperity.

Another notable example is Safaricom in Kenya, which has prioritized CSR efforts in areas such as youth empowerment and environmental conservation. Data from the World Bank (2019) shows a 15% annual growth rate in CSR spending by Kenyan companies from 2014 to 2018, indicating a rising trend of corporate social investment. This upward trajectory in CSR investment in Kenya signifies a strategic shift among companies towards aligning business goals with societal needs, leveraging CSR as a tool for fostering inclusive growth, enhancing brand reputation, and building sustainable business models for the benefit of both shareholders and communities.

Ethical leadership is a crucial concept that emphasizes the importance of moral principles, integrity, and responsibility in guiding decision-making and behavior within organizations. At its core, ethical leadership involves leaders who demonstrate ethical values, fairness, transparency, and accountability in their actions and interactions with stakeholders. These leaders not only adhere to ethical standards themselves but also promote a culture of ethics and social responsibility within their teams and organizations (Brown & Treviño, 2019). Four key dimensions of ethical leadership can be identified: moral personhood, moral management, moral leadership, and moral culture. Moral personhood refers to the leader's individual character, values, and ethical conduct, serving as a role model for ethical behavior. Moral management entails the leader's commitment to fairness, justice, and ethical decision-making processes, considering the impact on all stakeholders. Moral leadership involves inspiring and motivating others to act ethically, fostering
a sense of shared purpose and ethical responsibility. Lastly, moral culture encompasses the organization's values, norms, and practices that promote ethical conduct, trust, and accountability among employees (Brown & Treviño, 2021).

Ethical leadership plays a pivotal role in driving engagement in Corporate Social Responsibility (CSR) initiatives within organizations. Leaders who demonstrate ethical values and integrity inspire trust and credibility among stakeholders, creating a conducive environment for CSR efforts. For instance, leaders who prioritize fairness and transparency in decision-making are more likely to allocate resources and support initiatives that benefit society and the environment (Kaptein & Wempe, 2019). Ethical leaders also foster a culture of responsibility and accountability, encouraging employees to actively participate in CSR activities and align their actions with the organization's ethical values and social impact goals (Treviño & Nelson, 2020).

Moreover, ethical leadership contributes to building strong relationships with external stakeholders, such as customers, investors, and communities, who increasingly value ethical behavior and corporate citizenship. Leaders who uphold ethical standards in their interactions with stakeholders are more likely to garner support and collaboration for CSR initiatives, leading to enhanced reputation, brand loyalty, and long-term sustainability (Gardiner & Tiggemann, 2018). Overall, ethical leadership serves as a catalyst for meaningful engagement in CSR initiatives, driving positive social and environmental impact while fostering ethical organizational practices.

Problem Statement

Despite growing recognition of the importance of ethical leadership in driving Corporate Social Responsibility (CSR) initiatives, there remains a need to understand the specific mechanisms and impact of ethical leadership behaviors on CSR outcomes within organizations (Brown & Treviño, 2019). While prior research has explored the positive relationship between ethical leadership and employee attitudes, such as trust and commitment, limited empirical evidence exists regarding the direct influence of ethical leadership on the implementation and effectiveness of CSR programs (Kaptein & Wempe, 2019). Furthermore, the contextual factors that may moderate or mediate this relationship, such as organizational culture, industry dynamics, and stakeholder expectations, require further investigation to inform strategic decision-making and leadership practices (Treviño & Nelson, 2020).

Theoretical Framework

Social Learning Theory

Originated by Albert Bandura, social learning theory posits that individuals learn by observing and modeling the behavior of others, particularly role models or leaders. This theory is relevant to the topic as it suggests that ethical leadership behavior can serve as a model for employees, influencing their attitudes and actions towards CSR initiatives (Kaptein & Wempe, 2019). Through social learning processes, employees may adopt ethical values and practices advocated by ethical leaders, leading to increased engagement and commitment to CSR activities.

Stakeholder Theory

Developed by Edward Freeman and others, stakeholder theory asserts that organizations should consider the interests of all stakeholders, including employees, customers, communities, and the environment, in decision-making and strategic planning. This theory is pertinent to the topic as it
Rodrigo, (2024) emphasizes the role of ethical leadership in balancing the needs and expectations of various stakeholders, thus guiding CSR initiatives that create shared value and sustainable outcomes (Treviño & Nelson, 2020). Ethical leaders, according to stakeholder theory, prioritize stakeholder well-being and societal impact, aligning CSR efforts with broader organizational goals and values.

**Transformational Leadership Theory**

Introduced by James MacGregor Burns and later expanded by Bernard Bass, transformational leadership theory posits that leaders who inspire and motivate followers to achieve higher levels of performance and moral development can have a transformative impact on organizational outcomes. This theory is relevant to the topic as it suggests that ethical leaders, through their vision, charisma, and ethical values, can foster a culture of social responsibility and innovation, driving meaningful CSR initiatives that benefit both the organization and society (Brown & Treviño, 2019).

**Empirical Review**

Brown and Smith (2018) investigated the relationship between ethical leadership and Corporate Social Responsibility (CSR) engagement within a multinational corporation (MNC). Employing a quantitative approach, they collected data through surveys from employees across different hierarchical levels within the MNC. The study found a significant positive correlation between ethical leadership behaviors, such as fairness, transparency, and integrity, and employees' participation and commitment to CSR initiatives. Employees perceived ethical leaders as role models who embody ethical values and principles, influencing their attitudes and behaviors towards CSR practices. The findings underscored the importance of ethical leadership in fostering a culture of responsibility and ethical conduct within organizations. The study recommended that organizations invest in developing ethical leadership capabilities among managers to enhance CSR outcomes and cultivate a culture of ethical responsibility. This aligns with prior research highlighting the positive impact of ethical leadership on employee morale, organizational commitment, and overall performance.

Chen and Li (2019) focused their research on the mediating role of employee trust in the relationship between ethical leadership and CSR implementation within a Chinese manufacturing firm. They employed a mixed-methods approach, combining surveys and interviews with employees and managers to gather qualitative and quantitative data. The study revealed that ethical leadership significantly predicted employee trust, which subsequently influenced the firm's CSR initiatives positively. Ethical leaders were perceived as credible and trustworthy, leading to higher levels of trust among employees regarding the organization's CSR efforts. The findings highlighted the significance of fostering ethical leadership behaviors and building trust among employees to promote meaningful CSR engagement within organizations. The study recommended that organizations prioritize ethical leadership development programs and initiatives that strengthen trust among employees to enhance CSR outcomes and create a positive organizational culture.

Garcia and Martinez (2020) examined the influence of CEO ethical leadership on CSR performance in Spanish firms. Utilizing a mixed-methods approach, they analyzed data from CSR reports and administered surveys to top-level executives and CSR managers in Spanish companies. The study found a positive relationship between CEO ethical leadership practices, such as ethical vision and integrity, and the overall CSR performance of the firms. Ethical leaders at the CEO
level played a crucial role in setting the tone for ethical conduct and social responsibility within organizations, influencing CSR strategies and outcomes. The findings emphasized the importance of ethical leadership at the executive level in driving CSR excellence and creating value for stakeholders. The study recommended that organizations focus on developing ethical leadership competencies at the executive level and integrate ethical considerations into strategic decision-making processes to enhance CSR performance and reputation.

Jones and Brown (2021) assessed the impact of ethical leadership on CSR initiatives in the banking sector in the UK. Through a mixed-methods approach involving surveys and interviews with employees and executives in major UK banks, they explored the relationship between ethical leadership behaviors and the integration of CSR principles into the strategic decision-making processes of banks. The study revealed a positive association between ethical leadership and the alignment of CSR practices with organizational goals and values. Ethical leaders were perceived as trustworthy and committed to ethical conduct, fostering a culture of responsibility and social accountability within banks. The findings highlighted the importance of ethical leadership development in enhancing CSR strategies and fostering trust among stakeholders. The study recommended that banks prioritize ethical leadership training and initiatives that promote ethical decision-making to drive CSR excellence and create long-term value for stakeholders and society.

Kim and Lee (2022) investigated the moderating role of organizational culture in the relationship between ethical leadership and CSR outcomes in South Korean firms. Adopting a mixed-methods approach, they collected data through surveys and organizational assessments to examine the influence of organizational culture types on the impact of ethical leadership behaviors on CSR initiatives. The study found that a supportive organizational culture strengthened the positive impact of ethical leadership on CSR initiatives. Ethical leaders were perceived as catalysts for ethical behavior and social responsibility within organizations, and their effectiveness was enhanced in supportive cultural contexts. The findings underscored the importance of organizational culture in shaping the effectiveness of ethical leadership in driving CSR outcomes. The study recommended that firms focus on cultivating a culture of ethics and social responsibility alongside promoting ethical leadership behaviors to create a conducive environment for meaningful CSR engagement and impact.

Martinez and Nguyen (2019) investigated the impact of ethical leadership on employee engagement in CSR initiatives within a multinational technology company. Employing a mixed-methods approach, they collected data through surveys, focus groups, and performance evaluations to assess the influence of ethical leadership behaviors on employee perceptions and involvement in CSR activities. The study found that ethical leadership significantly influenced employee engagement levels in CSR activities, leading to increased motivation and commitment among employees. Ethical leaders were perceived as inspirational and trustworthy, fostering a sense of purpose and responsibility among employees regarding CSR initiatives. The findings highlighted the importance of ethical leadership in driving employee engagement and participation in CSR efforts. The study recommended that organizations foster a culture of ethical leadership and provide opportunities for employee involvement in CSR decision-making processes to enhance engagement and create positive social impact.

Smith and Thompson (2018) examined the influence of ethical leadership on CSR reporting practices in publicly traded companies in the USA. Employing a content analysis approach of CSR
reports and surveys of senior executives, they investigated the relationship between ethical leadership behaviors and the quality and transparency of CSR reporting among companies. The study found a positive association between ethical leadership and the credibility and transparency of CSR reporting. Ethical leaders were perceived as champions of ethical conduct and social responsibility, leading to more comprehensive and accurate CSR disclosures within organizations. The findings emphasized the importance of ethical leadership in enhancing the credibility and impact of CSR communication efforts. The study recommended that firms invest in developing ethical leadership competencies and integrate ethical considerations into CSR reporting practices to enhance transparency, accountability, and stakeholder trust.

METHODOLOGY
This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

RESULTS
Conceptual Gap: While the studies by Jones and Brown (2021) provide insights into the positive correlation between ethical leadership and CSR engagement, there is a conceptual gap regarding the specific mechanisms through which ethical leadership influences CSR outcomes. Future research could delve deeper into the underlying processes, such as the role of ethical leadership in shaping organizational culture, fostering stakeholder relationships, and driving strategic CSR decision-making.

Contextual Gap: The studies by Kim and Lee (2022) primarily focus on specific contexts such as multinational corporations, Chinese manufacturing firms, Spanish companies, UK banks, South Korean firms, and publicly traded companies in the USA. There is a need for research that explores the influence of ethical leadership on CSR initiatives across diverse industries, organizational sizes, and cultural contexts to provide a more comprehensive understanding of the dynamics at play.

Geographical Gap: While the studies offer valuable insights from various geographical regions, such as Asia, Europe, and North America, there is a geographical gap in terms of representation from emerging economies and regions such as Africa, Latin America, and the Middle East. Future research could explore how ethical leadership influences CSR practices in these regions, considering unique socio-economic, political, and cultural factors (Brown and Smith, 2018).

CONCLUSION AND RECOMMENDATIONS
Conclusion
The influence of ethical leadership on Corporate Social Responsibility (CSR) initiatives is a topic of significant importance in the realm of organizational behavior and sustainability. Through a review of empirical studies, it is evident that ethical leadership plays a pivotal role in shaping CSR engagement and outcomes within organizations. Studies have consistently shown a positive correlation between ethical leadership behaviors, such as fairness, transparency, integrity, and
trustworthiness, and employees' participation and commitment to CSR activities. Ethical leaders are perceived as role models who embody ethical values and principles, influencing employee attitudes and behaviors towards CSR practices.

Furthermore, ethical leadership at the executive level, particularly among CEOs, has been found to influence the overall CSR performance of firms, setting the tone for ethical conduct and social responsibility within organizations. The studies also highlight the mediating role of employee trust and the moderating role of organizational culture in enhancing the impact of ethical leadership on CSR initiatives. A supportive organizational culture strengthens the positive influence of ethical leadership, fostering a conducive environment for meaningful CSR engagement and impact.

In conclusion, the evidence suggests that ethical leadership is a critical determinant of successful CSR implementation and outcomes. Organizations that prioritize ethical leadership development, cultivate a culture of ethics and responsibility, and integrate ethical considerations into strategic decision-making processes are better positioned to drive meaningful CSR initiatives, enhance stakeholder trust, and create long-term value for society. Ethical leadership is not only a moral imperative but also a strategic advantage in navigating complex business environments while contributing positively to societal well-being.

**Recommendations**

The following are the recommendations based on theory, practice and policy:

**Theory**

To further advance our theoretical understanding of how ethical leadership influences CSR initiatives, it is recommended to conduct longitudinal studies that track the long-term effects of ethical leadership behaviors on CSR outcomes. These studies should consider a wide range of variables such as organizational culture, stakeholder engagement, sustainability performance, and financial metrics. By examining these factors over an extended period, researchers can gain deeper insights into the sustained impact of ethical leadership on CSR practices and outcomes. Additionally, there is a need to develop theoretical frameworks that elucidate the mechanisms through which ethical leadership influences CSR. These frameworks should incorporate mediating factors such as employee trust, organizational culture, strategic decision-making processes, and the role of leadership in shaping ethical values and norms within organizations.

**Practice**

From a practical perspective, organizations can benefit significantly from implementing ethical leadership development programs. These programs should be designed to enhance the ethical decision-making capabilities of current and aspiring leaders, focusing on areas such as stakeholder engagement, social responsibility, and ethical supply chain management. By providing leaders with the necessary tools, training, and resources, organizations can foster a culture of transparency, accountability, and integrity. Additionally, integrating ethical considerations into performance evaluations, recognition systems, and organizational values can reinforce the importance of ethical leadership in driving CSR initiatives and creating value for stakeholders.

**Policy**

On a policy level, it is crucial to advocate for the development and implementation of ethical leadership policies and guidelines. Collaborating with industry associations, regulatory bodies, and
government agencies can help establish standards and best practices for ethical leadership practices, CSR reporting, and accountability mechanisms. These policies should promote responsible business conduct, ethical supply chain management, and community engagement initiatives. Furthermore, fostering public-private partnerships can facilitate knowledge sharing, capacity building, and collective action towards addressing social and environmental challenges. By advocating for ethical leadership policies and guidelines, organizations can contribute to creating a more sustainable and responsible business environment.
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