

BUSINESS ETHICAL VALUES AS A MECHANISM LINKING CSR AND INTERNAL OUTCOMES ON JOB PERFORMANCE

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ABSTRACT

This research aims to examine Business Ethical Values (BEV) important role on CSR and outcomes related to work, such as Organizational Citizenship Behaviour (OCB), Organizational Commitment (OC) and Job Performance (JP) relationship of Indonesian ports-logistic management organizations. An empirical validated formal structured questionnaire was used to perform survey research. Two dimensions (i.e., environmental and social) were used to measure employees' CSR perceptions. The PLS-SEM analysis confirms the study theoretical framework. Precisely, the findings show the relationship between dimensions of CSR and OCB and BEV. Nevertheless, the link between CSR and Organizational Commitment (OC) is mediated by BEV. Therefore, the effect of CSR on OC can only be attained through the concrete BEV. Likewise, the influence of BEV on JP through OCB and OC.

Keywords: Business Ethical Values, Organizational Citizenship Behavior, Organizational Commitment, Job Performance

INTRODUCTION

Today, a widespread debate on the critical importance and role of socially responsible organizations. Contemporary organizations are focusing more and more on their social impact as a way to pursue competitiveness on a sustainable basis, while consumers are emphasizing CSR facets as key components affecting their decision-making (Thongrawd, Bootpo, Thipha & Jermsittiparsert, 2019; Titisari, Moeljadi, Ratnawati & Indrawati, 2019). Moreover, Dahlgard, Edgeman & Dahlgard (1998) further consider the ethical core values to be the requirement for excellence in business. More and more organizations are gradually appreciating the important role of CSR, engaging and communicating with the stakeholders (Hermawan & Gunardi, 2019). Several studies recommends that the investment in CSR by the organization not just improves its financial performance of the organization, but also enhances the non-financial results, like reputation name of brand, internal process efficiency, employee satisfaction with job and their performance level (Kim, Hur & Yeo, 2015). CSR practice is of great assistance to an organization to improve customer's loyalty and satisfaction (Thai, Yuen & Wong, 2016; Jermsittiparsert, Siam, Issa, Ahmed & Pahi, 2019), improving stakeholders' relationships and market share (Morates, 2017; Dutta, 2020). Furthermore, Youn, Kim & Lee (2019) found that the reputation of CSR is positive with the intention of buying. Likewise, customers seem prepared to pay premium in support of CSR objectives (Thai et al., 2016). Despite the increased academic focus of the CSR impact on the performance of the organization, there can be considered a limited amount of studies into the CSR internal aspects in Indonesian port-logistic management (Muafi, 2017; Wiradanti, Pettit, Potter & Abouarghoub, 2020). The current study therefore emphasizes on the role of BEV in CSR and several important

behavioral outcomes relationships, such as OCB, organizational commitment and in role work performance.

LITERATURE REVIEW

There is a sense of responsibility to the society from which profit-making organizations derive. The concept was the source of the idea of CSR. Naturally, profit-making organizations main objectives are to make profits. This can lead to an organizational problem that differs from the views of stakeholders and managers. A problem occurs when stakeholders find corporate social responsibility as resource waste and managers find it as an increasing factor in employee performance (Freidman, 1970). While the issue of corporate social responsibility has long been discussed, there has been a growing interest in recent years. Glavas & Aguinis (2012) found 180 important research papers, some half of which had been published since 2005, in major journals. Moreover, the CSR-focused journals are available in at least 25 peer reviewed journals. It is not only difficult to measure CSR because legal, economic and ethical prospects are changing over time but due to discretionary expectations are still changing. This problem in measuring CSR objectively leads to more subjective measures, like employees, shareholders and management. Instead of only taking care of the stakeholders, the concept of CSR was evolved into shareholders (Shabana & Carroll, 2010; Sonpar, Laplume & Litz, 2008).

Primarily, CSR research was chiefly carried out at the organizational field and the role of organizations in society was discussed (Frederick, 1960). This topic has been studied more recently at micro-level and is positively associated with performance (Joness, 2010)), OCB (Joness, 2010), organizational commitment (Blakely, Niehoff & Moorman, 1998), employee engagement and employee's relationship. No matter how and why corporate social responsibility affects employees directly, little is known in spite of research efforts at the micro-levels (Lee, 2008). One reason for this is that the corporate social responsibility measures are aggregate and based mainly on evaluations carried out by players outside of the organizations (Toffel & Chatterji, 2010). Therefore, such ratings cannot be deducted from external visibility (e.g., philanthropy, charities) and from internal activities carried out within the organization. We chose to adopt the definition of corporate social responsibility in Kelley & Glavas (2014) in order to adopt an empirically reliable and valid scale and link the results of the various studies. Therefore, the definition of CSR is: “[. . .] caring for the well – being of others and the environment, with the purpose of also creating value for the business. CSR is manifested in the strategies and operating practices that a company develops in operationalizing its relationships and impacts on the well – being of all of its key stakeholders and the natural environment”.

In the debate on shareholders, organization including suppliers, investors, customers, local or even international groups and organization employees should consider the various classes of individuals who control and are controlled by their businesses (Zinnk, 2005) stresses the significant role of shareholder guidance in the CSR framework as a sustainability requirement. To date, CSR is clear and difficult to clarify what precisely it includes (Carroll, 1999), whereas CSR is sometimes difficult to tell the difference between business ethics. The earlier discussion of viewpoints on CSR merely shows that different views overlap (Carroll, 1999). For example, social responsibility and natural environmental responsibility have common factors. Furthermore, all of the above arguments clearly take into account the maximization of short-term profits or wealth (of stakeholders) and other shareholders as stated. The idea that a profit-making organization may not work only to maximize short-term profits may has significant implications for decision-making at managerial roles (Joness, 2010).

The Relationship between CSR and BEV

BEV is referred to as “subset of organizational culture, representing a multidimensional interplay among various formal and informal systems of behavioral control” (Butterfield, Treviño & McCabe, 1998). However, the more formally business ethical values are expressed in the form of compensation programs, procedures, policies and codes. Informal system, however, includes values, standards and beliefs that are shared by individuals. If managers and other influential people are specifically followed by these more formal procedures and policies, then a high level of BEV exists (Wood, Hunt & Chonko, 1989). The entire idea behind business ethical values is that individuals respond only in a way as their work value (Wood et al., 1989). The influence of the ethical context has been shown in studies such as organizational commitment, job satisfaction etc. (Dahlgard-Park, 2011). Furthermore, the evaluation of social issues by employees involved in the activities of the organization, the results generated of those activities and how people are treated internally and externally (Williams, Rupp & Aguilera, 2011).

The ethical behavior as defined by Skinner & Ferrell (1988) and ethical code organizations (Richardson & Ford, 1994) is usually associated with an environment which offers a higher level of validation of operating procedures, roles and rules. Ethical leadership is a logical antecedent of the BEV. Kuenzi, Mayer, Bardes, Greenbaum & Salvador (2009) show a cascade by which ethical leadership from top management is spread across the entire organization. Ethical leadership is a logical background of BEV. Kuenzi, et al., (2009) are proposing a cascade that extends ethical leadership of executives across the enterprise. Walters & Bandura (1977) proposed social learning theory that individuals would echo the behavior of role model in work situations. The top managers act as a role model for individuals due to their power and visibility. In contrast to the caring and fair environment they see in the organization, the top managers are engaged in fair processes and they are encouraged to participate in prosecution. Therefore, we develop the following hypotheses:

H1: CSR perception by employees has a positive relationship with BEV.

H2: Social dimension of CSR perception by employees has a positive relationship with BEV.

H3: Environmental dimension of CSR perception by employees has a positive relationship with BEV.

The Link between CSR and Organizational Commitment

OC means a connection or relationship between a person and an organization for which he or she works. OC are of three types: affective, normative and continuous commitment (Allen & Meyer, 1991). Amongst other components of commitment, Affective Commitment (AC) to an emotional participation, attachment and identification of employees in the organization, has dominated and has been studied extensively for the effect it has on the behaviors of employees. Employees identifying with their organization are thought to be more difficult and (Riketa, 2002) supported this significant effect of AC on job performance. Employees will probably use organizational features to assess the organization and to evaluate a person in the same way as they do. That means that the CSR has an impact on the company's perceptions. Social Identity Theory (SIT) for example states that an organization CSR programs, including its organization, has a positive impact on how individuals see the organization and self-identity of employees is also founded in their own social group status. Even if CSR is directed at employees, the CSR contributes in a positive way to the employees' organizational image. According to (Ferrell, Maignan & Hult, 1999) CSR has a positive influence on the commitment of employees as it is making their work easier and because their organization is becoming more prideful. Socially accountable organizational employees show a high AC and are more likely to feel proud of membership (Li, Fu & Duan, 2014). Working in socially accountable organizations, it strengthens the employees' awareness of purpose and meaningfulness at job and enhances the self-concept of employees

(Kelley & Glavas, 2014). The social contribution corporate increases the reputation of the organization to attract highly potential and motivated employees (Petersson, 2004).

Empirical evidence supported that mediation mechanism may also contribute to the sense and purpose at work for an employee and also perceived organization's support that may affect organizational commitment and job satisfaction (Kelley & Glavas, 2014). Furthermore, meaningfulness concerns not only the type of work, but the relationships between employees and their work. The variable close to the meaningfulness of work is the significance of task (Oldham & Richard, 1976) whereas Grantt (2008) points out that the importance of work does not apply to particular work features, but also to the sense of interest and social effects. Kelley & Glavas (2014) maintain that the perceptions of employees working in a socially positive organization, such as corporate social responsibility can impact meaningfulness of individuals at workplace. Therefore, we develop the following hypotheses.

H2a: CSR perception by employees has a positive relationship with OC.

H2b: Social dimension of CSR perception by employees has a positive relationship with OC.

H2c: Environmental dimension of CSR perception by employees has a positive relationship with OC.

The Link between CSR and OCB

Orgen (1988) defined OCB as “an individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization”. In view of the OCB voluntary nature, factors affecting this behavior should be identified. Some OCB studies show a significant and positive association between procedural justice perceptions and OCB. In other words, when employees feel that the actions of their organizations are generally fair, they choose to be organizational citizens. The link between organizational citizenship behavior and CSR is further supported by the SET based on the principles of mutual exchange relationships (Petersson, 2004). If an organization provides opportunities to employees for their development, in return employees show more OCB by showing their loyalty to the organization. The citizenship behavior is a combined phenomenon and helps efficiency in the allocation of resources and effective functioning and coordination of the entire organization. Therefore, we hypothesize the following.

H3a: CSR perception by employees has a positive relationship with OCB.

H3b: Social dimension of CSR perception by employees has a positive relationship with OCB.

H3c: Environmental dimension of CSR perception by employees has a positive relationship with OCB.

Ethical leadership in top management can act as an institutional facilitator for ethics, as top-level managers express ethical values and standards. According to Sung, Shin, Kim & Choi (2015) top management ethical behavior and beliefs are critical to the performance of the organization. The development of BEV that lead employees in the organization to a high level of ethical behavior through their effect on other organizational latent constructs (Hunt, Baker & Andrews, 2006). In contrast, they have a tendency to be emotionally exhaust, absenteeism and turnover, when employees see unethical behavior and inequality in their corporate routines. With an increasing OC, mainly for those individuals who share strong ethical values, ethical behavior is expected to be further strengthened. Furthermore, the possible result could be a superior OCB result of ethical behavior. High BEV levels are therefore expected to be related positively with the organizational desired enhanced OCB (Hunt et al., 2006). The ethical leadership can therefore be significantly linked to an organization's procedural and ethical justice climate, directly responsible for OCBO (Sung et al., 2015) and can develop and maintain the moral values within the organization. OCB supports colleagues, promotes organizations outside the workplace and volunteers for additional work activities.

Moreover, ethical climates can improve the performance of employees through procedural justice, which reinforces the dedication of their tasks and joint efforts towards achieving organizational objectives directly. The social exchanges between employees and their respective organizations would, at least partially, be based on some convictions of common ethical values. Employees with high level of organizational commitment, demonstrate higher productivity, performance and less tardiness and absenteeism. Likewise, combined OCB helps efficiently allocate resources and efficiently organize and increase the entire organization's efficiency. Improving employee OCBs through high ethical behaviors can lead, in fact, to increased JP of the organization (Hunt et al., 2006). Higher productivity by (Turnipsed, 2002) has been identified as being related to the OCB and is a criterion for performance of work. In addition, some of OCB's predictors include OC, job fairness and JS. The following hypotheses have been developed based on these contributions:

H4: BEV has a positive and significant impact on OC.

H5: BEV has a positive and significant impact on OCB.

H6: OC has a positive and significant impact on JP.

H7: OCB has a positive and significant impact on JP.

RESEARCH METHODOLOGY

This research examines the mediation of the business ethical values between CSR and behavioral outcomes (OCB, OC, in role job performance) in Indonesian ports' logistic management service organizations. A structured questionnaire was used to conduct survey-based research. Six managers from various academics and firms twice tested the survey tools to confirm that the survey's cognitive relevance to the CSR business of service organizations throughout the supply chain. In the selection of the participants, they participated actively in the CSR action plan of the organization to guarantee a thorough CSR activities awareness and their implications regardless of their hierarchy. 106 valid questionnaires were provided as a result of this process. In this study, 57 percent of the participants were male. The majority (55 percent) were under 30 years of age, whereas 51 percent were not married. In this survey most of the respondents have master's degree with a percentage of 59 percent and 15 percent were having post-graduate degree. The working experience of the participants was above five years with a percentage of 44 percent. The percentage of the participants working as a front-line employee's were 32 percent, whereas the remaining 63 percent were having managerial positions. The net salary of 34 percent of the participants was 1000 dollar or lower per month.

The latent variables used in the current study have been measured by empirically validated multi-item scales. The measurement scale for corporate social responsibility was adopted from Kelley & Glavas (2014). Likewise, the measurement scale of business ethical values was developed by Hunt, et al., (2006). Similarly, the measurement scale of organizational commitment (affective commitment) six (6) items scale was developed by (Allen, Meyer & Smith, 1993). Likewise, the scale of Organizational citizenship behavior with six (6) items was developed by Anderson & Williams (1991). Lastly, the measurement scale of in role job performance was developed by (Anderson & Williams, 1991). A five-point Likert type scale was utilized to measure the scale items ranging from 1=strongly disagree to 5=strongly agree.

The current study used partial least squares structural equation modeling (PLS-SEM) for data analysis. One advantage of smart PLS approach is the ability to handle situations in which little is known about latent constructs distribution and requirements concerning the proximity between estimate and data are met, and the sample sizes are too small, in comparison with covariance-based structural equation modeling. In particular, the recommendation is to produce a minimum sample size 10-fold the largest number of structural paths in the model of an internal path to a given

construct. The current study sample size therefore complies with the minimum PLS requirements. All the first order components are designed with reflective indicators in the present measurement model.

RESEARCH RESULTS

The validity and reliability of the latent variables were first evaluated in the measurement model. The Compositive Reliability (CR) values of all the latent variables were higher than the recommended threshold value of 0.7 as shown in Table 1 (Fornell & Larcker, 1981). The criterion for estimating the convergent validity of the scale was through the adoption of Average Variance Extracted (AVE) (Fornell & Larcker, 1981). As Table 1 shows, every measurement scale fulfills this criterion, since each construct's AVE value is greater than the threshold value of 0.5. Moreover, the items loadings for all the constructs items in the respective latent variables is higher than the threshold value of 0.70 ($p < 0.01$), (Higgins, Barclay & Thompson, 1995), whereas items loadings less than 0.4 were deleted in the measurement model (Fornell & Larcker, 1981). The analysis of AVE and correlation were evaluated for discriminant validity. All the latent variables as demonstrated in Table 1 and 2 in the current model of research have been shown to have sufficient discriminant validity, since the diagonal factors that constitute to the AVE square root in their respective columns and rows are higher than the off-diagonal factors.

Table 1
CONSTRUCTS RELIABILITY, COMPOSITE RELIABILITY AND AVE

Constructs	A.M	S.D	Items	CR	AVE
Corporate Social Responsibility (social)	4.87	1.149	4	0.922	0.792
Corporate Social Responsibility (environment)	5.38	0.986	4	0.913	0.715
Business Ethical Values	2.89	1.128	4	0.851	0.532
Organizational Commitment	5.21	1.277	6	0.947	0.769
Organizational Citizenship Behavior	5.19	1.085	6	0.874	0.786
Job performance	5.42	1.088	6	0.924	0.711

Table 2
FORNELL LARCKER CRITERION

Constructs	CSR (social)	CSR (environment)	BEV	OC	OCB	JP
Corporate Social Responsibility (social)	0.891					
Corporate Social Responsibility (environment)	0.489	0.836				
Business Ethical Values (BEV)	0.449	0.448	0.733			
Organizational Commitment (OC)	0.261	0.267	0.430	0.877		
Organizational Citizenship Behavior (OCB)	0.127	0.412	0.450	0.209	0.886	
Job performance (JP)	0.110	0.411	0.375	0.353	0.744	0.836

The path coefficient values were evaluated by using smart PLS 3.0. In order to assess the structural model and in particular the statistical significance of all parameters estimate, a 5000 bootstrapping procedure was performed. The PLS-SEM structural path model is evaluated primarily by the use of R2 of dependent construct LV (Chinn, 1998) as well as the Goodness of Fit (GoF) and for the predictive relevance; Stone-Geiser Q2 analysis was performed. The values of R2 0.67, 0.33 and 0.19 were considered as substantial, moderate and weak as recommended by Chinn (1998). The findings showed R2 values to be moderate in the present research by the recommendations of Chinn (1998) and these values are illustrated in Table 3.

Construct	CV-Red	CV-Com	R²
Corporate Social Responsibility (social)	-	0.538	-
Corporate Social Responsibility (environment)	-	0.485	-
Business Ethical Values	0.121	0.267	0.281
Organizational Commitment	0.129	0.683	0.187
Organizational Citizenship Behavior	0.176	0.559	0.284
Job performance	0.392	0.578	0.610

There is no serious multicollinearity problem among the exogenous latent constructs as the values of Variance Inflation Factors (VIF) are between 1.132-1.538 far less than the recommended threshold value of 3.3 or 5 (Hair Jr, Ringle, Hult, & Sarstedt, 2017). In the current study, the value of GoF Index is 0.485, which means that, given the complexity of the model, the proposed model can be more than adequate and account for 48.5% of its achievable fitness. The positive score of Q² further implies a predictive relevance for the model (Fornell & Cha, 1994). This research estimates two types of Q² statistics which are cross-validated redundancy and cross-validated communality. Table 4 shows the findings of the parameter's estimation (*i.e.*, significance level and path coefficients values).

H	Path-Coefficient	B-value	P-value	Decision
H1a	Corporate Social Responsibility (social) → BEV	0.313	< 0.01	Accepted
H1b	Corporate Social Responsibility (environment) → BEV	0.310	< 0.01	Accepted
H2a	Corporate Social Responsibility (social) → OC	-	NS	Not accepted
H2b	Corporate Social Responsibility (environment) → OC	-	NS	Not accepted
H3a	Corporate Social Responsibility (social) → OCB	0.215	< 0.05	Accepted
H3b	Corporate Social Responsibility (environment) → OCB	0.341	< 0.01	Accepted
H4	Business Ethical Values → OC	0.372	< 0.01	Accepted
H5	Business Ethical Values → OCB	0.379	< 0.01	Accepted
H6	Organizational Commitment → JP	0.187	< 0.05	Accepted
H7	OCB → JP	0.708	< 0.01	Accepted

The current study findings show that the CSR dimensions (*i.e.*, environmental and social) are associated with BEV ($\beta=0.313$, $p<0.01$) and ($\beta=0.310$, $p<0.01$). Whereas OCB ($\beta=0.215$, $p<0.05$) and ($\beta=0.341$, $P<0.01$). Therefore, the results of the path coefficient supported the H1 and H3, whereas the path coefficient value is not supported for H2, as CSR is not related to organizational commitment. The results of the path coefficient values showed that BEV has a positive and significant relationship with OC ($\beta=0.371$, $p<.01$) and OCB ($\beta=0.379$, $p<0.01$), thus indicating that H4 and H5 are supported. In addition, the results of the study provide support for mediation in between the relationship of dimensions of CRS and OCB. In fact, Hair Jr, Ringle, Hult & Sarstedt (2014) recommended a mediation procedure and statistical indirect effects ($p< 0.01$) were identified as proposed. Likewise, organizational commitment and OCB both has a positive and significant relationship with JP ($\beta=0.187$, $p<0.01$) and the ($\beta=0.708$, $p<0.01$), thus supporting the hypothesis 6 and hypothesis 7. Lastly, the results of the path coefficient showed that OCB and organizational commitment proved to be mediators of the association between business ethical values and JP ($p<0.01$) following the recommendations of Hair Jr, et al., (2017).

CONCLUSIONS AND RECOMMENDATIONS

In the case of an Indonesian port's logistic management services organizations, the current study examines the BEV role in the relationship between CSR and behavioural outcomes (*i.e.*, OCB, organizational commitment and in role job performance). Lyau, Lin, Chen, Tsai & Chiu (2010) say that by quality consciousness, business ethical values promote better CSR. An organization's CSR policies are becoming more relevant not just to its employees, but also to its customers, other major shareholders and local community. Jonkar (2000) depicts modern organizations as responsible social contributing players and reveals an important relationship between sustainability, TQM and shareholders accountability. Sustainable business practices promote global business performance, by improving performance of innovation to promote market and financial efficiency.

The results of the present research are consistent on the positive relationship between total quality management social components (human resource management and leadership style) and the social outcomes of the action of the organizations. The findings showed that the influence of dimensions of CSR on BEV and OCB are positive and statistically significant, thus provides support for hypothesis 1 and hypothesis 3. In fact, the type of ethical leadership might be the organizational facilitator of CSR embeddedness and ethical processes through structures strategies and practices. Leaders saw the promotion of shareholder health, environmental impacts and the protection of distributive and procedural justice as a major inspiration and incentive for employees to participate positively and substantially enhance the OCB (Lyau et al., 2010).

Business ethical values have nevertheless a full mediating construct in the relationship between CSR and organizational commitment. This is confirmed by Milliman & Ferguson (2008) that BEV may improve employee's attitudes and job performance. Dahlgard-Park (2012) emphasizes the important influence on motivation of employees and commitment of ethical core values. The current study results are further in line with (Kelley & Glavas, 2014) that the association between CSR and organizational commitment was partially mediated by the POS. In addition, Chooi (2008) recommended the extent to which employees value organization's fairness to others as a whole and which, in turn, expresses organizational commitment, as well as the way they are treated by their respective organizations. The effect of full mediation of the business ethical values developed in the present research highlights only through the development of specific BEV the important mechanism underlying organizational strategies and practices that guide the CSR impact on organizational commitment.

Business ethical values are associated to in role job performance also supports the hypothesis H4 to H7 through organizational commitment and OCB. The organizational commitment between employees and OCB can be increased by ethical workplace. If a person believes that the ethical values of a higher level are consistent with the ethical values of an organization, the affective attachment and intrinsic motivation is strengthened. Ethical values creation at the business level may cause employees in different organizations that promote organizational commitment to increase ethical behavior (Hunt et al., 2006). Business ethical values strengthened its relationships with the organizations, and favored stronger psychological contracts, which increased the motivation of employees to be altruistic (Kumar, Saleem & Shahid, 2016). Conclusions from Turnipsed (2002) confirmed that employees with a high ethics score showed more OCBs as well.

Both the corporate members' affective commitment to organization within employees as well as OCBs strengthens the job performance, which actually leads to teamwork and organization's efficiency. Employees, who emotionally identify with ethical leader, accept BEVs and share organization's policies will be more likely to become committed and to increase OCB, thereby having a direct significant effect on creativity, work quality and job performance. High organizational commitment and OCB enhance interpersonal interaction, conflict reduction and

competence. Employee commitment is considered a powerful tool to enhance the performance of organization (Lyau et al., 2010). As the organization learns and operates in a dynamic environment, adapt, integrate and flexible, it is constantly developing its organizational culture. Strong culture of an organization participates BEVs, promotes employee supporting behavior and enhances organizational commitment to develop human resource and improve performance of job. Nonetheless, for the generalizability of the results, several limitations need to be considered. For example, the present research was cross-sectional in nature and cannot therefore justify the causality of the associations under examination. Furthermore, in a country in which financial recession is deep, our results of the current study are based on a survey-based research in the Indonesian Ports logistic organizations.

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