BOHR International Journal of Business Ethics and Corporate Governance
2023, Vol. 2, No. 1, pp. 51–58
DOI: 10.54646/bijbecg.2023.17
www.bohrpub.com

RESEARCH

A sociological analysis: performance of global financial institutions, business ethics, and corporate governance

Asifa Younas*

Superior University, Lahore, Pakistan

***Correspondence:**
Asifa Younas,
asifayounas12@gmail.com

Received: 06 November 2023; **Accepted:** 17 November 2023; **Published:** 21 December 2023

With the rapid advancement of technology, the 21st century has brought us a dynamic terrain that has given rise to extremely competitive markets. In addition to spurring innovation, technological developments have also resulted in a deterioration of public confidence in the banking industry, which has been made worse by recent high-profile cases of financial misbehavior. Businesses are under increasing pressure to operate well and sustainably for the good of their clients, shareholders, and the company as a whole. These pressures range from environmental concerns to human rights violations. Organizations must outline plans in order to successfully navigate this complicated terrain and address societal needs while ensuring future success. Companies that want to compete successfully in marketplaces with cutting-edge technology must address ethical issues. Businesses must find a careful balance between financial imperatives, environmental sustainability, and respecting human rights within their strategy frameworks in an era marked by widespread corporate disobedience and non-compliance. Public fear has been exacerbated by recently reported banking scandals, which include employee dishonesty such as opening bogus accounts, market manipulation schemes, and deficiencies in compliance processes. These violations, which go unpunished for long stretches of time, highlight how urgent it is that businesses have strong corporate social responsibility policies. According to this study, businesses that actively participate in corporate social responsibility (CSR) have a higher chance of long-term success, highlighting the importance of morality and social responsibility in overcoming the difficulties presented by modern markets.

Keywords: sociological analysis, business ethics, corporate governance, corporate social responsibility, ethical issues, technological advancement

1 Introduction

Companies include compliance rules in their internal management processes to ensure that their business actions follow company policies, uphold moral principles, and respect legal boundaries (1). The emphasis on corporate compliance and ethics in company operations has increased in response to recent corporate scandals, including those during the 2008 and 2009 financial crises (2). The banking industry's excessive focus on financial performance at the expense of moral behavior contributed significantly to the financial crisis and harmed the standing of financial institutions (3).

According to Stöber et al. (4), the frequency of big business crises has raised public scrutiny of regulatory compliance in the banking industry and concerns about corporate governance. Effective compliance programs are crucial in guaranteeing that management aligns with corporate objectives. Compliance programs are an essential part of a company's risk management procedures. Internal controls are deemed sufficient when they provide guidelines for appropriate conduct, frequently provided via compliance education and programs designed to promote a moral workplace environment (5).

It was observed that multinational firms devote substantial financial resources to compliance initiatives yearly; sectors such as banking and defense invest tens or hundreds of millions of dollars toward these goals (6). Even the most sophisticated compliance processes have yet to eliminate corporate misconduct and unethical behavior across various sectors, despite the installation of strong compliance techniques to handle employee misconduct occurrences and breaches in internal controls (7).

Leaders in the sector brought internal controls and regulations to deal with corporate wrongdoing decades ago, following corporate scandals of the 1970s and 1980s. Legislators in the United States tightened restrictions and punishments for unethical business operations due to growing efforts to stop unethical corporate activity (8). Corporate social responsibility (CSR) reporting was required of businesses, and industry executives saw self-reporting as a means of avoiding extra regulatory expenses and lightening the load on government investigators. Nevertheless, it was determined that self-reporting was insufficient to guarantee moral corporate conduct (9). It was asserted that compliance has now spread to include human rights, environmental issues, and the prosecution of financial crimes, among other areas of federal regulation (9). The significance of compliance is underscored by various government agencies, including the Environmental Protection Agency (EPA), the Department of Justice (DOJ), the Health and Human Services (HHS), and the Securities and Exchange Commission (SEC). These agencies base their enforcement actions on corporate compliance. The International Organization for Economic Cooperation and Development (OECD) emphasizes the necessity of compliance, which has also transformed it into a global prescription for fighting corruption (10).

It was contended that businesses have not adequately addressed the ethical and psychological ramifications of their workers' conduct and the entire company culture, even ten years after the landmark Enron accounting debacle (11). Certain scholars contend that compliance programs function as safeguards to uphold a favorable public perception of the organization. Still, they cannot effect significant modifications in the underlying corporate culture (12). Others argue that even while compliance programs may have sincere intentions, management's attitudes and behaviors—which may or may not increase the risk of non-compliance—impact these programs' effectiveness (13). Businesses might profit from maintaining their reputation because federal authorities may be more forgiving of businesses that have earned the public's confidence by adhering to industry guidelines (14).

Since knowledgeable customers rely on their judgments about doing business with firms on their reputation, business ethics have become increasingly important (15). It is important to remember that unethical business practices are not exclusive to big financial institutions; companies in various sectors have come under fire from the public for acting unethically. According to a recent study by Lim et al. (16), several well-known brands, including Apple, Facebook, Uber, United Airlines, and Walmart, have come under fire from the public for engaging in unethical behavior. Examples such as Walmart's price-fixing scheme and Volkswagen's pollution crisis highlight the various dishonest marketing tactics used in many businesses (17).

Like any other company, financial institutions are ethically obligated to do business socially and responsibly. Corporate social responsibility is a notion that many businesses have integrated into their daily operations. However, many companies continue to engage in unethical commercial activities. More studies are necessary to understand why many businesses fail to promote ethical behavior (18). It is critical to understand the distinction between ethics and laws since they have somewhat different meanings. Sims (19) argues that laws are rules and regulations implemented by traditional regulatory bodies, whereas ethics are related to a moral duty to society. What is deemed "right" and "wrong" is determined by ethics, which is a philosophical framework, whereas laws represent the legal constraints within an established community (20).

Researchers like Yang J, Basile K have suggested that corporate social responsibility (CSR), a company's brand, and financial success are positively correlated. Additionally, Milenkovska V, Petrovska J, Stoilkovska A contend that corporate ethics are crucial to the general success of banking industry businesses. However, according to Chiang et al. (23) executives in the financial services sector may not always rely on CSR's efficacy because of the heated discussion about the costs and advantages of the program (24). To improve the standing of financial institutions, managers and leaders in the sector need to handle employee behavior properly. This may be achieved by assessing the company's culture and practices and determining the elements that impact workplace decision-making (25).

In the banking sector, it is critical to comprehend reputational risk and its negative impacts on society and business success (26). Financial crises in international economies can be consistently set off by reputational risk. Reputational risk and its relationship to financial performance have received much attention in recent regulatory actions and studies led by Hill (27). Banks risk losing their good name if they don't live up to the expectations of their stakeholders, including shareholders and consumers (28). The corporate crisis involving Wells Fargo, in which staff established millions of accounts fraudulently, serves as just one example (29). Several government entities conducted investigations and assessed fines due to this misbehavior. Besides facing legal ramifications, Wells Fargo also experienced considerable harm to its reputation (30). The fall in new customer accounts and credit applications was also significant; in the weeks after the incident, applications for checking accounts fell by 40%. The bank has attempted to rebound, but because of the harm done to its reputation, it has not quite recovered its prior competitive advantage (31).

Not all company misbehavior results in reputational harm; rumors can carry serious consequences (32). For example, the Jiangsu Sheyang Rural Commercial Bank in China suffered reputational harm after it was said that it denied a customer's request to withdraw money, which caused several customers to cancel their accounts and take their money (33). Similarly, when Bank of America introduced a new cost for debit account holders in 2011, it faced a crisis in its image. This was followed by a reaction from consumers on social media, which forced the company to remove the price (34). Notably, harm to one's reputation can have worldwide effects. For example, the demise of the British bank Northern Rock and the collapse of US institutions such as Bear Stearns, IndyMac, and Wachovia were caused by damage to their reputation that was associated with corporate malfeasance (35). Additionally, the Petrobras affair severely damaged the corporate image of Brazilian bank BTG Pactual SA, which impacted the firm and the Brazilian economy (36). One of a business's most important assets is its reputation, and social media's ascent has revolutionized consumer relations with companies (37).

Businesses have put extensive compliance processes in place to address ethical issues and deficiencies in internal control, yet corporate malfeasance has persisted despite these advanced compliance measures (38). To improve performance, researchers have focused on business ethics and incorporating corporate social responsibility (CSR) initiatives into company strategy (39). CSR is an organization's dedication to meeting its internal and external stakeholders' needs. After the global financial crisis, federal authorities and management have emphasized CSR initiatives in the banking sector to restore reputation and confidence. Although corporate social responsibility (CSR) endeavors are thought to improve financial performance and public relations, recent scandals such as the Wells Fargo account fraud have shown enduring moral problems within the banking industry (40). Since social media spreads information quickly, reputational damage has become a serious worry. This essay highlights the significance of corporate social responsibility (CSR) in attaining long-term success by examining the cultural ramifications of ethics, governance failures, and their impacts on the banking industry's performance and society (41).

1.1 Literature review

Because it may affect a company's reputation and financial health, operational risk management is critical in the banking industry. Operational risks include a variety of elements, such as fraud, both external and internal, that can cause the business to suffer large financial losses (42). In contrast to other categories of risks like credit and market risks, operational risks are frequently contentious (43). Operational risk is defined by the Basel Committee on Banking Supervision as the possibility of an economic collapse brought on by inadequate internal controls, mistakes made by people, malfunctions in the system, or outside events (44). Operational risk is one of the biggest threats to financial services firms. Following the early collapse of Barings Bank in 1995, this danger became more well-known. Inadequate internal controls were largely blamed for the bank's collapse, as they allowed an employee of the Singapore International Money Exchange to invest \$1.4 billion without authorization (45). More recently, in 2019, HSBC reached a \$192 million settlement with the US Department of Justice on accusations of tax evasion and non-compliance with anti-money laundering protocols (DOJ, 2019). Reputational harm from these kinds of events can be permanent and greatly affect a business's capacity to survive. Relationships built on trust are crucial for financial organizations—more studies on reputational risk in the financial industry (46). Negative effects, such as strained client relationships, subpar market performance, and trouble getting funding, might result from a tarnished reputation (47).

In the financial sector, preserving a solid reputation is crucial, and this has long been understood. The value of trust in business is demonstrated by historical instances, such as the Middle Eastern traders who established alliances based on trust in the eleventh century (48). In banking, trust is a strategic component that guarantees stability and long-term success. In the banking industry, social trust is predicated on stakeholders acting socially consciously. This trust is a multifaceted idea that has been examined from social, psychological, and economic angles (49). Financial success and economic growth depend on social trust. It may affect a company's capacity to get corporate funding, choose investments, and improve overall performance (50). It also impacts auditing fees, debt contracting, cash holdings, and financial reporting. Ineffective company governance and a negative workplace culture are common causes of corporate malfeasance. The work environment impacts employees' conduct; if wrongdoing goes unaddressed, there may be serious repercussions. Corporate wrongdoing is frequently underreported and underprosecuted, reflecting a lack of leadership and governance. Studies reveal that there is a higher frequency of corporate wrongdoing than what is shown in public databases (49). Whether businesses should be prosecuted for misbehavior instead of people is still up for debate. Financial institution leadership can incentivize unethical activity or foster a culture of financial irresponsibility (51).

There have been a lot of bank collapses and scandals lately. These events have damaged the public's confidence in the banking industry, which has also had dire repercussions for the affected institutions. For instance, Deutsche Bank and the DOJ settled in 2015 for \$775 million for Deutsche Bank's involvement in manipulating the London Interbank Offered Rate (LIBOR) (DOJ, 2015). The recent collapse of Silicon Valley Bank in 2023 was caused by inadequate internal governance and controls. The bank's failure resulted from its inability to guarantee client funds' insurance. The simultaneous failure of Silicon Valley Bank (SVB) and Credit Suisse highlights the importance of trust and responsible behavior in the financial sector (52). The Wells Fargo account cross-selling scandal exposed the negative effects of having high standards for staff performance and establishing aggressive sales objectives. These actions fostered an immoral culture that resulted in serious financial fines and harm to one's reputation (53). Research has shown that corporate social responsibility, or CSR, improves a company's reputation and performance. Businesses prioritizing CSR typically see improvements in performance, investor attraction, and public perception. Better client relations and a better reputation for the business can result from ethical leadership and a compliance-focused culture (54).

Banks are subject to strict regulations, and several regulatory bodies monitor their compliance. Securing regulatory monitoring is crucial for maintaining and expanding the financial sector. However, if institutions think they can depend on government bailouts, the regulatory framework may occasionally lead to moral hazard (55). The 2008 global financial crisis had a significant effect on the worldwide economy. It resulted from financial institutions' excessive risk-taking and irresponsible lending practices. Because of the crisis, public confidence in the financial sector declined, underscoring the significance of trustworthy relationships and ethical conduct (56). Trust, corporate social responsibility, operational risk management, and regulatory compliance are critical components of the banking industry's stability and prosperity. Ignoring these factors can result in financial losses, harm to one's reputation, and even the collapse of an institution (57).

2 Methodology

Research approach: In order to examine the complex interactions between corporate governance, technical breakthroughs, ethical issues, and the effects of corporate social responsibility (CSR) on long-term success, the study used a qualitative research approach. To fully convey the richness and depth of these occurrences, the qualitative method was selected. The sampling plan complies with the guidelines for qualitative research provided by Creswell (58) and Malterud et al. (59) to examine pertinent publications, industry reports, and regulatory papers. The goal of this thorough method is to provide a more comprehensive contextual understanding by triangulating findings. Apply content analysis to examine patterns and trends within the analyzed documents. This method aids in extracting meaningful insights from the existing literature and contextualizing them within the study's framework. This method aids in extracting meaningful insights from the existing literature and contextualizing them within the study's framework. Make sure that the researcher is trustworthy by being aware of any potential biases and outside influences on the research. Establish credibility by peer debriefing, member checking, and extended data engagement (60). Throughout, analysis, and reporting, ethical standards are upheld.

3 Study outcomes

The study's main objective was to present a thorough sociological analysis of the connection between ethical behavior, economic success, and corporate conduct in the global financial services industry (61). Three main questions were the focus of this investigation. Initially, it looked at the potential financial fallout for institutions with a history of unethical behavior, weak corporate governance, and insufficient internal controls. Second, it investigated the possibility that past and present corporate behavior regulations in the financial services sector exacerbate moral risks. Lastly, it examined whether financial firms could reduce economic and reputational risks by adopting socially conscious conduct (62). Additionally, a critical assessment of the benefits and drawbacks of investing in corporate social responsibility (CSR) and its influence on business performance was conducted in this study. Peer-reviewed journals, papers, books, and US laws about corporate crime were among the many sources used in the research. This study aimed to provide a thorough understanding of the connection between CSR and financial performance to support lawmakers, risk compliance officers, managers, leaders in the financial services industry, and academic researchers in improving corporate ethics (63).

A more thorough study on the efficacy of compliance program designs is necessary, even considering the generally recognized benefits of incorporating CSR into compliance activities. Although several studies have looked at compliance programs in and of themselves to improve a company's reputation, more studies need to be undertaken on the actual implementation of these programs. Therefore, further study is necessary, emphasizing the moral atmosphere and corporate behaviors—often referred to as the "tone at the top"—because these elements greatly impact compliance (64). Numerous studies have examined how various rules of conduct perform under various design strategies. Studies have indicated that the success of compliance programs depends more on corporate or individual commitment to the program's design than on the presence of codes of conduct. This comprises more successful components in helping firms achieve compliance-related goals than regulatory punishments, such as training and reinforcement of ethical conduct (65).

Moreover, a company's compliance program's purpose largely depends on management's goals and dedication to promoting and modeling good business ethics. Regarding CSR and long-term success, the idea of value-creating and value-destroying theories has also been explored. The research conducted in this context looks at two theories: value-destroying theory, which claims that CSR destroys value, and value-creating theory, which claims that CSR benefits stakeholders at the expense of shareholders by deflecting attention from profits. These divergent viewpoints emphasize the need for more research on the relationship between corporate social responsibility (CSR) and financial success, particularly the possible trade-offs that may arise when less lucrative initiatives gain corporate support (66). Economic theories have always assumed that people make logical judgments. Researchers and psychologists studying business ethics contend that conduct is typified by a dual pattern of thinking that combines intuitive and logical mental processes. Automatic, emotionally charged activities rooted in memory and habits are called intuitive actions. Because they are self-governing, they are difficult to stop (67).

On the other hand, reasoning thought processes are purposeful frameworks for structured introspection and problem-solving. As temptation and incentive play major roles in compliance inside organizations, especially in white-collar crimes, compliance breaches would be rare if employees behaved in highly ethical ways. There has been a contention that an individual's propensity to act in morally good manner to shapes their conduct, shaping business compliance (68). Nonetheless, it is critical to recognize the gaps in our knowledge of the motivations for immoral action. Although science has shed light on how the brain works, it falls short of addressing the fundamental causes of unethical behavior. Three environments have been linked to financial crimes by criminologists and white-collar crime researchers, people who view a problem as too big to handle, think they can't solve it without using secrecy or deceit, or justify their behavior. Self-interest, entitlement, and the conviction that one deserves the money one is embezzling are examples of rationalizations frequently connected to white-collar crimes. Certain justifications provide the incentive for certain kinds of illegal activity (69).

Since reputational risk has the potential to have systemic effects on the world economy, it is an essential component of managing company performance, especially in the banking sector. Researchers and banking authorities have recently focused on reputational risk and how it relates to financial success (70). Banks risk losing their good name if they don't meet the expectations of their stakeholders, customers, and shareholders. The Wells Fargo account issue exemplifies an organization's ability to suffer reputational harm. After the controversy, the bank saw a sharp drop in new client accounts and credit applications, resulting in large financial losses (71). Unfavorable publicity and rumors on social media may also harm a person's reputation. For instance, claims that the Jiangsu Sheyang Rural Commercial Bank in China denied a customer's withdrawal caused reputational harm and led many clients to withdraw their money. Similarly, Bank of America suffered financial losses and harm to its brand when it revealed a new charge for debit account holders, sparking outrage from the public (72). Smaller banks are more vulnerable to reputational harm, as demonstrated by SVB's bankruptcy in 2023. Poor internal controls and reputational harm from investors and elite clients withdrawing their money because they no longer trusted the bank's soundness were the main causes of SVB's collapse (72).

Their voluntary nature has highlighted concerns regarding the efficacy and moral consequences of corporate social responsibility initiatives in the banking sector. Opponents contend that laws must be made necessary to guarantee that financial companies behave morally and follow corporate social responsibility guidelines. To determine corporate accountability, it is necessary to differentiate between legal and moral duties (73). The efficacy of current corporate social responsibility law is questioned due to its capacity to incentivize firms to perform ethically without requiring them to provide hard proof of compliance because businesses could appear to be involved in CSR while neglecting to integrate it into their regular operations, creating worries about moral hazard (74).

According to research, stricter rules and regulations are required to ensure businesses truly engage in CSR initiatives and show their dedication to social responsibility. Laws should stop businesses from using CSR reporting as a front by emphasizing the real execution of CSR projects rather than disclosure (75). Because actual efforts can differ greatly from superficial compliance, monitoring compliance is critical to the performance of an organization. Studies have indicated no direct relationship between corporate rules of conduct and business ethics. This suggests that changing behavior and raising morale requires more than implementing compliance controls and internal regulations. The management's attitudes and readiness to encourage moral behavior inside the company can have a big impact on compliance (76).

Laws from the past and present that regulate financial institutions can affect leadership and staff morale, especially when a company's size and systemic significance provide employees with a sense of security. The complicated connection that exists between regulatory bodies and major financial companies is highlighted by recent examples, such as the Swiss government's backing of UBS Group AG to purchase Credit Suisse Bank. Because these organizations could be considered "too big to fail," there could be moral hazard and even wrongdoing (77). This study offers insightful information about how corporate cultures, business ethics, and financial performance interact in the global financial services industry. The results highlight how crucial moral behavior is to maintaining a business's good name and financial stability (78).

4 Discussion and future research directions

The key findings highlight associations or noteworthy patterns in the relationship between workers' opinions of corporate social responsibility and organizational commitment. It is important to investigate the usefulness of these results for organizations, especially those in the healthcare industry. Given the particularities of the healthcare sector, it is also critical to emphasize the study's theoretical contributions within the larger body of research on organizational commitment and CSR. In terms of approach, considering any restrictions or difficulties observed can guide further studies.

There are a few interesting study avenues to think about in the future. Studies with a longitudinal design can monitor changes in CSR perceptions and how they affect commitment over time. Comparative studies between different businesses can shed light on industry-specific issues, while qualitative research techniques like focus groups and interviews can explore the intricate workings of the system. To improve our understanding, we can investigate mediating and moderating variables such as cultural variations and leadership styles. Cross-cultural research and employee segmentation help deepen the analysis. There is room for more research into creating context-specific CSR measurement tools, evaluating the effect on worker productivity, and conducting intervention studies to determine the direct effects on commitment. In summary, these directions for future research are critical for a more thorough understanding of CSR's impact on commitment, which could result in better CSR policies and increased employee involvement in the healthcare industry and other industries.

5 Conclusion

The goal of this study was to provide a social analysis of the relationship that exists between corporate cultures, employee ethics, and the financial performance of large financial services companies. The Wells Fargo account scandal serves as an example of the detrimental impacts of bad corporate cultures. Widespread misbehavior within the company caused a significant fall in market performance. As a result of this misconduct, nearly 5,000 workers were involved in wrongdoing, and former Wells Fargo CEO John Stumpf was finally fired. Even though Wells Fargo was able to bounce back and keep its position as a major worldwide bank, it has had trouble outperforming its rivals ever since the incident. Similar findings from a study on compliance programs by Chen and Soltes (6) highlighted the failure of compliance behavior training and whistleblower hotlines in businesses. This analysis found that the lack of true leadership commitment to promote responsible employee conduct is the primary cause of organizations' internal control process failure, even when they only use compliance rules as a front. Workers are frequently forced to participate in training programs that management has no intention of supporting or promoting in their daily work; rather, these initiatives are added ostentatiously to protect the company's image.

Companies must address sociological factors in light of changing generations and technological improvements to remain relevant. To truly motivate change, businesses must, however, demonstrate the effectiveness of their CSR and internal compliance programs. There needs to be a general agreement on the influence of corporate social responsibility (CSR) on a company's finances due to the lack of research on the relationship between CSR and financial performance and the divergent ideas regarding its importance. Thus, more investigation is necessary to support the idea that businesses with a strong ethical and responsible culture have a higher chance of long-term success. Businesses may include social and environmental factors into their bottom line by integrating CSR and business ethics, encouraging sustainable performance. Achieving enhanced performance in the dynamic technology environment of marketing and strategy planning will need to balance financial gains, social responsibility, and employee growth in the business sector.

Author contributions

Apply content analysis to examine the analyzed documents. This method aids in extracting meaningful insights from the existing literature and contextualizing them within the study's framework. Starting with the conceptualization of the study's need to explore the complex dynamics between technology advancements, corporate governance, ethics, and the impact of corporate social responsibility (CSR) on long-term success in the quickly changing 21st-century business landscape, AY made significant contributions to the research process. After conducting a thorough review of the literature, AY summarized what was already known about pertinent subjects. AY was instrumental in selecting a qualitative approach, creating the sampling plan, and crafting interview questions during the research methodology development process. In addition to overseeing the analysis of documents and actively participating in data collection, AY also conducted in-depth interviews and made sure that ethical standards were followed. AY oversaw the data analysis and used content and theme analysis to extract insightful information. AY also critically considered the study's limitations, wrote the manuscript, revised and edited it, and interpreted the results, all of which significantly added to the study's scholarly value and robustness, and approved the submitted version.

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