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How does the Integrity Matter for Organisations: An Empirical Study on Role of Effective Corporate Governance in Firms profitability

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Abstract
The concept of "integrity" has gained increasing prominence in studies on government and governance, as well as in policymaking at all levels. Integrity is closely tied to commitment, and employees who demonstrate the capacity to drive organizational success. Achieving organizational goals significantly depends on the quality and quantity of human resources. With integrity, individuals are empowered to accomplish tasks effectively. Those who possess integrity foster trusting relationships with others. At the corporate level, individuals with integrity play a crucial role in building harmony around shared values and guiding the organization toward common goals. Integrity is regarded as the quality of adhering to moral values, norms, and rules. It relates to the ethical behaviour of all individuals involved in governance and is considered essential for understanding governance itself. Corporate governance mechanisms, in particular, play a critical role in influencing a firm's performance, as they help address conflicts of interest between managers and shareholders. 217 respondents were considered in the study as a sample size. Mean and T-test was applied in the study to find the outcome.
Keywords: Integrity, Organizational Commitment, Ethics, Performance, Good governance

Introduction

Integrity is a key concept in understanding governance. Organizational integrity encompasses the ethical conduct of individual actors, the moral quality of their interactions, and the guiding norms, activities, decision-making processes, and outcomes within an organization. It is defined as the alignment of actions with relevant moral values, norms, and rules, a perspective grounded in the arguments previously outlined **(Huberts, 2018).** Organizational integrity extends beyond individual managerial integrity and is not limited to having people of good character within the organization. True integrity is demonstrated when individuals, even when given the option to disregard their commitments, choose to honour their promises, recognizing that violating them would bring personal shame and damage their credibility. In the workplace, especially within organizations, the importance of integrity is paramount. It serves as a foundation for building trust, accountability, and a positive organizational culture. In the context of human resource development, integrity becomes a critical factor. Employees with strong integrity are essential for fostering an environment where ethical behaviour is upheld, and the organization's objectives are pursued diligently **(Febrina & Yamsir, 2020).** Organizations must take full responsibility for ensuring that ethical leadership guides their management practices and that trust in leadership is cultivated through the establishment of ethically grounded business systems and functions. By fostering ethical leadership, companies not only reinforce a culture of integrity but also create an environment where transparency, fairness, and accountability thrive. When corporate leaders prioritize integrity, they cultivate a culture of openness and accountability. While integrity-driven governance fosters profitability, excessive leverage and a large firm size can adversely impact financial performance, underscoring the importance of maintaining balance in growth strategies. This transparency enhances trust among stakeholders, drawing in investors, improving access to capital, and lowering borrowing costs. Firms that operate with integrity are more likely to gain the confidence of investors and customers alike, ultimately leading to stronger market performance. Strengthening these ethical foundations is essential for enhancing work engagement among employees. When leaders consistently demonstrate fairness and ethical behaviour, especially in decision-making processes, employees feel valued and secure. This sense of trust is critical, particularly in dynamic or uncertain work environments, where employees look to their leaders for stability and guidance. When they trust that leadership will act in their best interests, employees are more likely to be committed, motivated, and engaged in their work **(Engelbrecht, Heine & Mahembe, 2017).** Adopting sound corporate governance practices significantly enhances a company's transparency, ensuring that its operations are conducted with clarity and openness. This transparency fosters accountability at all levels, improves risk management strategies, and ultimately contributes to increased profitability. Effective corporate governance creates a solid framework for monitoring performance and decision-making, which in turn strengthens the company's ability to navigate challenges and seize opportunities. Integrity enhances transparency and accountability Moreover, good corporate governance promotes cooperation among stakeholders, fostering an environment where shareholders, managers, employees, and other parties are aligned in their objectives. Most importantly, it helps harmonize the interests of shareholders with those of managers, ensuring that decisions are made in the best interest of the company as a whole. This alignment reduces potential conflicts of interest and sets the stage for long-term corporate success **(Nwonyuku, 2016).** Countries lacking robust corporate governance frameworks are at significant risk of facing economic and corporate disasters. Compliance with governance principles, such as transparency and accountability, significantly enhances profitability. When companies raise their debt levels beyond an optimal point without adhering to proper corporate governance practices, they expose themselves to heightened financial vulnerabilities and potential crises. Poor governance can lead to mismanagement, lack of oversight, and risky financial decisions, which, in turn, may destabilize not only individual firms but also broader economic sectors. These firms are able to establish effective control mechanisms, ensure transparency, and maintain oversight, which not only enhances their operational efficiency but also reduces risk. Such organizations benefit from better access to financial resources, improved investor confidence, and a stronger capacity to capitalize on growth opportunities, leading to overall enhanced performance **(Kijkasiwat, Hussain & Mumtaz, 2022).**

Literature Review

Corporate governance practices, such as internal audits, audit committees, and the size of the board, demonstrate a significant and positive impact on firm performance. According to the findings of this study, businesses that adhere to high ethical standards in corporate governance are more likely to achieve higher levels of financial and commercial success. Strong corporate governance can lead to a reduction in agency costs, which further enhances operational efficiency. For companies operating in developing regions, adopting improved corporate governance practices presents an opportunity to enhance performance and profitability. These companies can benefit from better oversight, risk management, and decision-making processes, contributing to their overall success. However, the study also reveals that while many governance indicators positively affect firm performance, not all corporate governance factors exert a significant influence. This suggests that the impact of governance practices varies, and firms need to identify and focus on the most effective governance mechanisms that align with their specific organizational goals and market conditions **(Alfalah, Muneer & Hussain, 2022).** Corporate governance includes the promotion of corporate ethics, fairness, transparency, and accountability. It refers to the collection of processes, customs, policies, laws, and institutions that shape how a company is directed, administered, and controlled. The proper governance of companies is as vital to the global economy as effective governance is to nations. Corporate governance establishes a foundation for building long-term trust between companies and their stakeholders. Good governance is essential to a company's existence, as it fosters and enhances investor confidence by demonstrating the company's commitment to sustainable growth and profitability. Through robust corporate governance practices, companies can ensure their operations align with ethical standards and stakeholder expectations, ultimately driving long-term success **(Aggarwal, 2013).** Corporate governance refers to a system of interconnected and interdependent rules, regulations, processes, and activities designed to manage and control the affairs of an organization effectively. Strong corporate governance is widely recognized as a critical factor in enhancing a firm's value and performance. By establishing clear guidelines and accountability mechanisms, good governance ensures that organizations operate efficiently and ethically, ultimately benefiting shareholders and other stakeholders. Companies that hold regular audit committee meetings and maintain high audit quality tend to achieve stronger profitability. A robust legal framework supports these governance practices by providing the necessary structures for enforcement and accountability **(Khan, Tanveer & Malik, 2017).** The study found that government integrity positively influences corporate leaders' decisions and practices regarding corporate governance. This positive relationship indicates that when government integrity is high, corporate leaders are more likely to engage in ethical governance practices. Conversely, in environments characterized by low government integrity, instances of corruption and bribery among corporate leaders tend to increase, highlighting a clear link between transparency and corporate conduct. The study suggests that governments must first establish integrity and transparency within their systems before expecting corporate entities to adhere to ethical standards. Without a strong foundation of governance, it is unrealistic to anticipate that corporate leaders will consistently make responsible decisions **(Chizema & Pogrebna, 2019).** Policymakers must establish clear criteria for evaluating corporate governance practices. The study suggests that companies should develop comprehensive corporate governance regulations, emphasizing the importance of fostering a business culture rooted in ethics and ensuring equal treatment among shareholders. The findings underscore that robust corporate governance practices can significantly enhance a company's financial performance. This is crucial for investors, as it allows them to assess the quality of corporate governance for each listed company and, consequently, to mitigate investment risks. By focusing on good governance, companies not only improve their operational effectiveness but also bolster investor confidence, ultimately leading to better financial outcomes **(Bui & Krajcsak, 2023).** Corporate governance is a vital aspect of modern corporate leadership, profoundly influencing a company's profitability and overall financial success. Companies with robust governance frameworks, featuring regular audits and ethical oversight, are better positioned to manage risks effectively. This reduces the likelihood of losses from regulatory penalties, legal disputes, and reputational harm, ultimately leading to increased profitability. Understanding the hypotheses surrounding corporate governance and its implications is essential for stakeholders, legislators, and practitioners navigating this complex relationship. The importance of the connection between corporate governance and business success cannot be overstated. Strong governance frameworks foster investor confidence, facilitate access to capital, mitigate risks, and encourage the creation of long-term value. Moreover, effective governance processes stimulate innovation, enhance global competitiveness, contribute to economic stability, and safeguard corporate reputation. Integrity in governance aligns the interests of managers and shareholders. Corporate leaders who demonstrate integrity are more inclined to make decisions that focus on long-term value creation rather than short-term profits, resulting in sustained growth and profitability. The symbiotic relationship between corporate governance and profitability continues to shape modern business practices. As governance systems evolve to address the demands of an ever-changing landscape, researchers, policymakers, and practitioners must strive for a deeper understanding of this connection. The pursuit of effective governance measures is an ongoing challenge, requiring a careful balance between the needs of various stakeholders and the interests of shareholders. By navigating this complexity, organizations can foster a governance framework that not only enhances profitability but also supports sustainable growth and stakeholder trust **(Almashhadani, 2023).** Corporate governance mechanisms are crucial factors influencing firm performance, particularly because managers often have interests that diverge from those of shareholders. These governance systems are designed to enhance economic efficiency, with a primary focus on increasing shareholder wealth **(Al-Kake et al., 2019).** Ethical governance practices streamline decision-making and strengthen internal controls, boosting operational efficiency. By minimizing inefficiencies and promoting the responsible use of resources, companies can increase profitability. Findings indicate that the size of the audit committee does not have a significant impact on profitability. Additionally, adherence to the principles of corporate governance significantly correlates with improved profitability. In contrast, factors such as leverage and firm size have been found to negatively affect profitability **(Naimah & Hamidah, 2017).**

Study's Objectives

1. To know Role of Effective Corporate Governance in Firms profitability.
2. To ascertain how does the Integrity Matter for Organizations.

Methodology of the Study

Nature of study is empirical. A sample of 217 is collected. To collect the data structured questionnaire was prepared. Mean and t-test was applied to find the outcome of study. Convenience sampling is the method of sampling.

Result of Demographics

Table 1. Show gender details of respondents, 52.07% are male, and 47.93% are female. Regarding Age of respondents, 30 – 35 years are 32.72%, 35 – 40 years are 29.03%, and those who are above 40 years are 38.25%. With regards to Size of Company, Small-scale companies are 32.72%, Medium-scale companies are 27.19% and Large-scale companies are 40.09%.

Table1. Respondent's Details

Variables	Number of Respondents	Percentage
Gender		
Male	113	52.07

Female	104	47.93
Total	**217**	**100**
Age		
30 – 35 years	71	32.72
35 – 40 years	63	29.03
Above 40 years	83	38.25
Total	**217**	**100**
Size of Company		
Small-scale company	71	32.72
Medium-scale company	59	27.19
Large-scale company	87	40.09
Total	**217**	**100**

Table2. Role of Effective Corporate Governance in Firms profitability and how does Integrity matters for Organization

Serial No.	Statement of Survey	Mean	T-Value	Sig.
1.	When corporate leaders are committed to integrity, they foster a culture of openness and responsibility	4.29	19.337	0.000
2.	Stakeholders, including investors and customers, are more likely to trust firms that operate with integrity, leading to improved market performance	4.19	17.951	0.000
3.	Companies with strong governance frameworks, characterized by regular audits and ethical oversight, are better equipped to manage risks	4.27	19.463	0.000
4.	Integrity in governance ensures the alignment of interests between managers and shareholders	4.13	16.968	0.000
5.	Corporate leaders with integrity are more likely to prioritize long-term value creation over short-term gains in their decision-making	4.11	16.941	0.000
6.	Ethical governance practices streamline decision-making	4.03	15.455	0.000

	processes and improve internal controls, leading to greater operational efficiency			
7.	Companies with regular audit committee meetings and higher audit quality demonstrated stronger profitability	3.13	1.969	0.025
8.	Adherence to governance principles, including transparency and accountability, had a significant positive impact on profitability	4.00	15.214	0.000
9.	By reducing inefficiencies and ensuring responsible use of resources, firms can enhance their profitability	3.17	2.555	0.006
10.	Risk management minimizes losses from regulatory penalties, litigation, and reputational damage, contributing to higher profitability	3.19	2.906	0.002

Table 2. Shows mean value of "Role of Effective Corporate Governance in Firms profitability and how does Integrity matters for Organization". When corporate leaders are committed to integrity, they foster a culture of openness and responsibility is the first statement of t-test have the mean score of 4.29, second statement is Stakeholders, including investors and customers, are more likely to trust firms that operate with integrity, leading to improved market performance scored the mean of 4.19, Companies with strong governance frameworks, characterized by regular audits and ethical oversight, are better equipped to manage risks is the third statement that have scored the mean of 4.27. Fourth statement is Integrity in governance ensures the alignment of interests between managers and shareholders, the mean value of this statement is 4.13. Corporate leaders with integrity are more likely to prioritize long-term value creation over short-term gains in their decision-making and Ethical governance practices streamline decision-making processes and improve internal controls, leading to greater operational efficiency are fifth and sixth statements of t-test and have scored the mean value of 4.11 and 4.03 respectively. Companies with regular audit committee meetings and higher audit quality demonstrated stronger profitability is the seventh statement with the mean of 3.13, next statement is Adherence to governance principles, including transparency and accountability, had a significant positive impact on profitability with the mean score of 4.00. The last two statements of the study are, By reducing inefficiencies and ensuring responsible use of resources, firms can enhance their profitability and Risk management minimizes losses from regulatory penalties, litigation, and reputational damage, contributing to higher profitability with the mean of 3.17 and 3.19 respectively. T-value of survey statements in context of Role of Effective Corporate Governance in Firms profitability and how does Integrity matters for Organization are identified as significant as t-value of all statements are positive and significant as significant value is less than 0.05.

Conclusion

This empirical study demonstrates that integrity plays a pivotal role in fostering effective corporate governance, which in turn significantly impacts a firm's profitability. Integrity in corporate governance ensures adherence to ethical principles such as transparency, accountability, and fairness, creating an environment where trust and responsible management thrive. These elements are essential for building investor confidence, enhancing the firm's reputation, and promoting long-term sustainability. The findings suggest that firms with high levels of integrity in their governance structures experience better financial outcomes. Transparent decision-making processes help mitigate risks and align the interests of managers with those of shareholders. Strong ethical standards reduce the likelihood of corruption, enhancing operational efficiency and resource allocation. Corporate governance mechanisms such as audit quality, regular board meetings, and adherence to governance principles all contribute positively to firm performance. The study also highlights that while integrity positively influences profitability, factors such as excessive leverage and firm size can pose challenges to financial performance. Therefore, companies must balance their growth strategies with robust governance practices to ensure sustainable profitability. T-value of survey statements in context of Role of Effective Corporate Governance in Firms profitability and how does Integrity matters for Organization are identified as significant as t-value of all statements are positive and significant as significant value is less than 0.05.

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