RESEARCH & INNOVATION DIVISION

Exploring the Impact of Enterprise Integrity and Compliance on Corporate Effectiveness in Peshawar's Construction Sector: The Role of Responsible Business Conduct

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This study investigates the influence of EI practices on corporate effectiveness within the construction sector of Peshawar, Pakistan, focusing on responsible business conduct. Through an examination of the mediating role of responsible business practices, including social, environmental, and ES dimensions, the study aims to understand the interrelation between EI and organizational effectiveness. Primary data was collected via a tailored questionnaire distributed among targeted construction firms, yielding 62 responses out of 100 questionnaires dispersed. The study employed regression analysis to explore the effect of EI on Organizational Performance (OP) while considering the mediation of responsible business practices. The findings establish a significant positive relationship between EI and OP, highlighting the substantial impact of responsible business practices as a mediating factor. This study provides crucial insights into the intricate dynamics between EI, responsible business conduct, and organizational effectiveness within the construction sector, contributing to a deeper understanding of sustainable corporate strategies in this context.

Abbreviations:
Enterprise Integrity (EI)
Organizational Performance (OP)
Pakistan Stock Exchange (PSE)
Company Effectiveness (CE)
Sustainable Development Goals (SDGs)
Corporate Social Responsibility (CSR)
Statistical Package for Social Science (SPSS)
Social Sustainability (SS)
Environmental Ethics (EE)
Economic Sustainability (ES)

Keywords: Cooperate Effectiveness, Responsible Business Conduct, Economic Sustainability.

Introduction:

Enterprise Integrity (EI) encompasses the structured procedures and relationships managed by various groups to oversee and operate a business, as articulated by the Cadbury Committee in 1992. It has become a widely discussed topic, particularly in emerging economies. The prevailing consensus suggests that implementing EI not only enhances a firm's performance but also safeguards the interests of its shareholders. It serves as a vital mechanism for resolving conflicts among stakeholders, especially between shareholders and executives, aiming to improve strategic performance. However, the application of EI varies significantly across countries due to differing economic, political, and local structures. Many businesses, often family-owned and foundational to an economy, form the backbone of stock exchanges. The performance of stock exchange-listed companies often reflects the overall growth or decline of an economy. Firms tend to perform better when they aspire to lead businesses for future generations, necessitating adherence to specific frameworks. Developed countries typically operate within well-managed regulatory frameworks, while developing nations encounter challenges due to political instability and economic crises, hindering effective implementation of such frameworks. In Pakistan, listed corporations, crucial to the economy, operate under the EI Act established in 2002. While many businesses have initiated the integration of EI practices, some corporations either lack awareness of these principles or choose not to prioritize governance within their firms. The firm's performance, often denoted as Company Effectiveness (CE), holds substantial significance for a multitude of stakeholders, encompassing shareholders, lenders, employees, business affiliates, society, and the government. Each stakeholder group possesses unique interests in corporations. Shareholders, for instance, aspire for sustained growth in share prices over the long term. Lenders prioritize safeguarding their investments and receiving timely interest payments. Meanwhile, employees seek prolonged job security and enhanced compensation packages [1]. Business partners are driven by the pursuit of heightened profits. Society looks to corporations for exemplary citizenship, while the government focuses on tax collection. Conflicts frequently arise among these stakeholders, particularly as a select few wield substantial decision-making authority, often prioritizing their own interests over the collective welfare of the corporation. There's a pressing need for a comprehensive framework capable of effectively addressing the diverse needs and concerns of stakeholders, both individually and collectively. This framework should aim to balance competing interests and ensure that decision-making considers the broader spectrum of stakeholders, not just a privileged few [2]. The framework should strive to prevent any one stakeholder from unfairly dominating the decision-making process, while also protecting against the infringement upon the interests of other stakeholders. EI encompasses the system or structure designed to achieve the interests of both stakeholders and the corporation itself [3].

EI delineates the structured framework overseeing and governing the operations of corporate entities, intending to achieve organizational goals. This framework asserts that numerous stakeholders, encompassing investors, businesses, and governments, acknowledge the pivotal role of EI in bolstering competitiveness, both within domestic markets and on the global stage. Presently, it stands acknowledged as a distinct domain within the business sphere, fostering economic expansion and fortifying investor trust. Scholars have undertaken thorough inquiries into the influence of EI on the financial performance of companies, spanning across developed and developing nations [4]. Researchers utilize various EI metrics, such as board composition, compensation arrangements, and ownership patterns, either independently or in tandem, to gauge their influence on a company's financial performance. To comprehensively evaluate the impact of multiple factors on firm financial performance, scholars like [5] take into account variables such as risk, cash flow, regulatory aspects, and other pertinent considerations. In analyzing the impact of diverse EI metrics on a company's fiscal performance, scholars delve into the singular or collective effects of board configuration, compensation arrangements, and ownership frameworks [6].

Empirical studies have highlighted that integrating EI with Corporate Social Responsibility (CSR) practices allows firms to emphasize stakeholder welfare in their business activities, beyond solely focusing on shareholders' financial gains. Sustainability, an encompassing concept, has evolved from the principles of CSR. The realm of computer science has progressed to embrace the concept of the "triple bottom line," emphasizing Economic Sustainability (ES), Social Sustainability (SS), and Environmental Ethics (EE) as integral components [7]. Environmental issues indeed command considerable focus, yet it's crucial to acknowledge the comprehensive scope outlined by the triple bottom line definition of corporate sustainability. Company sustainability embodies the evaluation of economic and social facets in conducting business, encompassing vital corporate frameworks, paradigms, and practices that foster enduring value creation. Moreover, it incorporates environmental preservation and conscientious stewardship of natural resources into its purview. This holistic approach underlines the importance of balancing economic prosperity, social welfare, and environmental conservation for long-term viability and prosperity [8].

As a company elevates its reputation and competitiveness, integrating effective customer service practices becomes instrumental in enhancing its overall performance. Extensive research has explored the impact of computer science on a company's strategic performance. However, disparities persist among the findings of existing studies. Some studies have focused on assessing the influence of customer satisfaction on fiscal performance using samples from commercial banks [9]. The research findings indicated a noteworthy positive correlation between customer satisfaction and fiscal performance. However, in another investigation concerning small and medium-sized enterprises (SMEs) within South Korea's fashion industry, the study revealed no statistically significant impact between customer satisfaction and fiscal performance within this specific context [10].

The field of computer science has witnessed a surge in prominence owing to the increasing adoption of CSR practices. CSR has emerged as a subject of global, regional, and national discussions, propelling the popularity of computer science. The amplified focus on instilling fundamental tenets of good EI fairness, transparency, accountability, and responsibility has stimulated the integration of these principles into corporate strategy. Consequently, this integration has facilitated a deeper interaction between EI and the business sector [11]. Absolutely, signaling theory underscores the strategic use of information by businesses to convey positive or negative signals to stakeholders and investors. Investors often show interest in making investment decisions based on the disclosed CSR in annual reports, perceiving companies favorably when they demonstrate fulfillment of responsibilities. In the current context, especially concerning Pakistan, it becomes crucial for enterprises to adopt robust EI and CSR standards. Doing so not only aligns with ethical practices but also enhances strategic performance and augments investor confidence, fostering sustainable growth in the long run [12]. The research landscape concerning EI CSR, and OP has seen extensive exploration across various industries in developed and developing nations, including Pakistan. However, within Pakistan's construction sector, a crucial domain in the country's economic fabric, there exists a notable research gap. While studies have delved into the mediating role of sustainable business practices between EI and OP in diverse industries, this relationship remains unexplored within the specific context of construction businesses in Pakistan. This gap in research underscores the need for an investigation into how sustainable business practices, EI , and OP intersect within the construction industry, shedding light on crucial variables that may significantly impact the sector's dynamics and performance [13]. To bridge this gap, the current study intends to gather primary data to derive findings within this domain. The interplay among computer science performance, EI and OP has attracted substantial interest from investors, scholars, practitioners, and government regulators. Despite this interest, empirical research addressing these variables collectively remains limited, with only a handful of papers exploring their combined influence. This scarcity underscores the need for comprehensive investigations into the simultaneous impact of these factors on organizational dynamics and outcomes [14].

Therefore, the principal aim of this research is to fill the current research void by exploring the mediating function of EI on OP. This investigation is tailored to the setting of construction firms situated in Peshawar, Khyber Pakhtunkhwa. The study's impetus stems from the dearth of empirical research conducted within less developed countries, notably within the construction sector [15]. Previous studies have predominantly centered on large companies within the manufacturing and financial sectors listed on the Pakistan Stock Exchange (PSE), often overlooking the construction industry. Yet, it's crucial to recognize that construction companies encounter their own set of challenges concerning sustainable development, which might not be immediately evident. Within the construction domain, there's a widespread acknowledgment that integrating sustainability practices not only confers a competitive advantage but also elevates the overall efficacy of building processes. Research specifically directed toward the construction sector holds the promise of introducing a fresh outlook to the current body of literature concerning sustainability [16]. This study aims to address several key research questions. The investigation aims to elucidate the impact of EI on corporate sustainability performance, probing how governance structures influence a company's sustainability initiatives. A central inquiry revolves around exploring whether business sustainability performance acts as a mediator between EI practices and company financial performance. By outlining these research questions, the study aims to offer comprehensive insights into the relationships and dynamics between these pivotal factors within the examined domain [17]. The objective of this study is to examine the role of corporate sustainability as a mediator in the association between EI and OP. The present study aims to conduct a comprehensive literature review on the topic of EI in order to assess its impact on the performance of organizations [18]. Stakeholders are increasingly concerned about how organizations manage their practices, especially in balancing economic, societal, and environmental values in today's dynamic landscape. This growing concern emphasizes the need for enterprises to prioritize social responsibility in creating value for stakeholders while actively addressing societal and environmental concerns, ensuring a harmonious alignment without compromising on any aspect [19].

EI revolves around the pivotal task of striking a balance among diverse stakeholders, including shareholders, directors, employees, clients, suppliers, lenders, financial institutions, governments, and communities. This approach aims to guarantee fair and equitable consideration of the concerns and requirements of each involved party. The specific Code of EI varying across countries, is influenced by a spectrum of factors encompassing economic, legal, social, cultural, and ownership-related characteristics. The concept of EI occupies a substantial domain within scholarly exploration, leading to numerous challenges and contradictions within existing theoretical frameworks and practical applications [20]. Absolutely, the Covid-19 pandemic holds the potential to reshape how firms approach self-governance, handle social issues, and embrace environmental policies. As highlighted by the Cadbury Committee, EI constitutes a set of regulations and guidelines that define the rights and obligations of numerous stakeholders, encompassing shareholders, corporate executives, creditors, governmental bodies, employees, and various other internal and external parties with vested interests. Establishing a robust system of EI becomes imperative for ensuring prudent and efficient management of principal investors' funds. The pandemic has brought an added focus on these governance structures, given their crucial role in navigating uncertainties and sustaining trust among stakeholders during challenging times [21].

Corporate sustainability involves integrating environmental, social, and economic facets into the operational strategies and practices of organizations. Presently, there's a universal preoccupation with sustainability, evident across nations worldwide. The inception of the Sustainable Development Goals (SDGs) in 2015 by United Nations member states aimed at eradicating poverty, preserving the environment, and fostering prosperity by 2030. In response, businesses encounter mounting pressure from stakeholders to encompass concerns about climate change and human rights within their corporate responsibilities, contextualized within the realm of sustainable development. This heightened focus reflects the increasing expectations for businesses to align with global sustainability objectives while ensuring responsible and ethical practices [22]. The concept of corporate sustainability is intricate and multifaceted, as extensively debated. Within scholarly literature, the term " sustainable business practices " has been approached and defined through various conceptualizations. Empirical research defines "sustainable business" as a managerial approach that facilitates organizations to not only achieve financial growth but also promotes positive outcomes for the environment, society, and the economy simultaneously. This strategic framework aims to balance economic prosperity with environmental and social well-being, aligning business goals with broader societal and environmental objectives [23].

Within the realm of sustainable development, computer science encompasses three distinct dimensions: social, environmental, and economic components. Corporate social activities target various stakeholder groups, including the community, consumers, suppliers, and workers. Categorizing these activities aids in managing stakeholder relationships. For instance, in the tourist industry of Tanzania, initiatives were categorized into community, economy, and eco-efficiency projects for CSR. Corporate sustainability stands as a business approach centered on creating shared value, collaborating with stakeholders, and integrating environmental, social, and governance factors into decision-making processes. In this study, sustainable business practices are regarded as a mediating variable, allowing an exploration of how EI influences OP. This investigation aims to unravel the extent to which sustainable business practices mediate this relationship, shedding light on the intricate dynamics between governance, sustainability, and organizational outcomes [24]. The concept of strategic performance involves assessing how effectively an organization achieves its goals and objectives. It encompasses the efficient execution of strategies and resource allocation to attain these goals. Factors like effectiveness, efficiency, and outcomes of a business model contribute to an organization's overall success. The effectiveness of an organization heavily relies on the leadership team's ability to implement strategies. Research indicates a positive correlation between EI and OP. Enhanced strategic performance often links to successful EI practices, with high-performing organizations demonstrating a tendency to reinforce their EI structures. Strong EI is linked to increased profitability. Studies have analyzed the relationship between EI and performance to understand how these factors interrelate. This research framework shapes hypotheses aimed at exploring the dynamics between EI and OP, underscoring the impact of governance on organizational success [25]. Their study unveiled a significant correlation between various EI variables and OP, a discovery that echoes findings from prior literature reviews by other researchers. However, upon thorough examination of multiple studies, it was noted that the impact of EI on fiscal performance lacks significance. This insight, derived from a compilation of diverse research, forms the basis for the following hypothesis within the proposed framework. H1: The relationship between EI and corporate financial performance exhibits a statistically significant and favorable impact.

This hypothesis encapsulates the anticipated association between EI and financial performance, positing a notable and positive influence of EI on a company's financial outcomes. This assertion draws from the broader body of research and aims to elucidate the potential impact of governance practices on the financial success of organizations [26].

Methodology:

The study aims to investigate the mediating role of corporate sustainability between EI and company financial performance. Rooted in organizational theories such as stakeholder theory, agency theory, stewardship theory, resource dependency theory, legitimacy theory, and institutional theory, the research establishes a robust theoretical framework to elucidate relationships among variables.

Adopting an applied, descriptive, and quantitative approach, the research leverages numerical data analysis, relying on deductive reasoning as its foundational methodology. The primary data collection involved the design and dissemination of a meticulously crafted questionnaire, informed by existing literature and theoretical constructs. This survey instrument utilized a five-point Likert scale to gather responses from employees affiliated with 94 construction enterprises in Peshawar, within Khyber Pakhtunkhwa.

Data Collection:

Out of 100 questionnaires distributed, 62 responses were obtained and subjected to rigorous analysis using Statistical Package for Social Science (SPSS) software. The data collection strategy incorporated a convenient sampling technique, selecting 75 construction entities from a larger population of 150 within Peshawar.

Analytical Techniques:

The analytical phase encompassed a suite of statistical techniques including regression analysis, ANOVA, coefficient tests, correlation assessments, frequency computations, reliability statistics, and validity appraisals. These methodologies aimed to authenticate collected data and delineate the intricate relationships between EI corporate sustainability, and strategic performance within the construction industry.

Findings:

The study seeks to explicate the mediating role of corporate sustainability, employing robust analytical mechanisms to ensure the veracity and precision of the acquired data. Through this meticulous methodology, the research aims to illuminate the nuanced dynamics linking EI corporate sustainability, and strategic performance within the construction sector.

Results and Discussion:

This study offers a thorough examination of the analyses and assessments conducted on the survey data. The accuracy of the information was ensured through the utilization of descriptive statistics. A correlation matrix was used to evaluate the relationship between two variables, while a model summary was generated. A coefficient test, encompassing both standardized and unstandardized coefficients, was employed to analyze the data, particularly to assess the influence of independent variables - corporate sustainability and governance - on the dependent variable, financial performance. Moreover, an analysis of variance (ANOVA) test was conducted to present the results, ensuring a suitable evaluation. Reliability statistics, including the Cronbach's alpha coefficient, were used to gauge the internal consistency of the variables. Notably, the results indicate that each variable's alpha (Cronbach's alpha) exceeds the minimum requirement of 1.

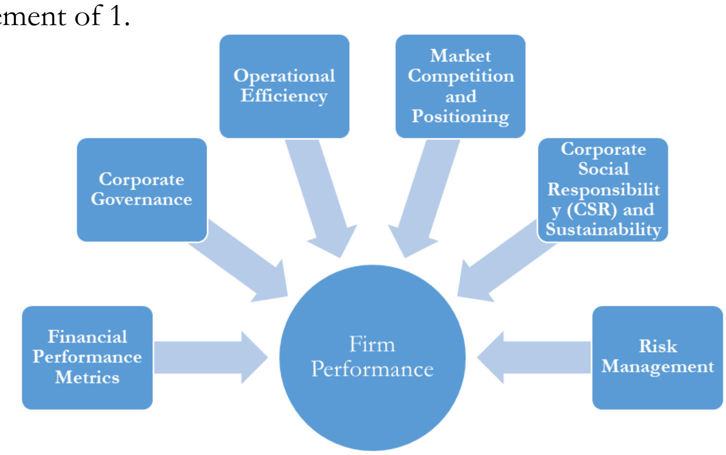

Figure 1: Factors Affecting Sustainable Performance of a Firm

Descriptive statistics served to provide a comprehensive portrayal of the fundamental characteristics of the examined data. Specifically, the section furnished quantitative data on the variable EI. The statistical insights revealed that the mean value for EI stands at 73, derived from a sample size of 62 observations, with a minimum of 55 and a maximum of 92. Additionally, the standard deviation for EI was computed at 6.31. Similarly, for the variable sustainable business practices, the observed range spanned from 70 to 99, with a mean value of 85.245 and a standard deviation of 6.31, derived from 62 observations. The variable denoted as OP showed a mean and standard deviation of 20.9 and 1.5, respectively, from a sample of 62 observations, with minimum and maximum values of 15 and 20, correspondingly. The analysis delved into the influence of EI on OP, with CSR acting as a mediator, conducted in two steps.

In the initial step, EI accounted for 38% of the variance in OP ($R2 = 0.295$, $p < 0.001$), exhibiting a statistically significant positive relationship ($\beta = 0.192$, $p < 0.000$). The subsequent step revealed that the combination of EI and OP variables accounted for 36% of the variation ($R2 = 0.298$). The mediating role of CS was statistically significant, indicating a substantial impact (F value = 17.245, $p < 0.000$). The findings affirm a significant positive relationship between EI and OP, mediated by CS (Beta = 0.173, $p < 0.001$, R-squared change = 0.312, $p < 0.001$). Ultimately, this study aims to engage in an extensive discussion and provide a conclusive summary of these findings.

Table 1: Descriptive Statistics and Regression Analysis Findings on EI

Variable	Mean	Standard Deviation	Min	Max	Sample Size
EI	73	6.31	55	92	62
Sustainable Business Practices	85.245	6.31	70	99	62
OP	20.9	1.5	15	20	62

The principal aim of this study is to explore how EI impacts OP within construction firms in Peshawar, Pakistan, by considering the mediating role of corporate sustainability. Specifically, the investigation seeks to understand the integration level of social, environmental, and ES dimensions in the operational strategies of Pakistani construction companies. Primary data was gathered through a customized questionnaire distributed among targeted companies. Out of the 100 questionnaires dispersed, 40 responses were received. To ensure the reliability of the variables, a reliability analysis was conducted on the questionnaire items. Regression analysis was employed to examine the influence of EI on strategic performance while taking into account the mediating effect of sustainable business practices. Previous research suggests that EI has shown substantial productivity across diverse dimensions, prompting an assessment of how it may influence future OP in construction enterprises. The study formulated two hypotheses based on a mediation model to explore the relationships between the variables. The study's findings indicate a statistically significant and positive correlation between EI and OP, corroborating the acceptance of Hypothesis 1, which asserts a direct link between EI and OP. This aligns with previous research conducted in the field. Furthermore, it is evident that EI significantly impacts strategic performance through the mediating role of sustainable business practices both directly and indirectly. This supports the acceptance of Hypothesis 2, as evidenced by the reference provided.

Conclusion:

In summary, the findings underscore the pivotal role of EI in shaping the strategic performance of construction enterprises in Pakistan. The study reveals a significant impact of EI on OP, particularly when considering its mediating role through corporate strategy. These outcomes, drawn from data collected via a survey using a questionnaire administered to 45 respondents from construction companies in Peshawar, indicate a positive and substantial influence of various EI aspects on OP. The study underscores the critical role of EI in enhancing the operational effectiveness of construction firms. To foster organizational growth and efficacy within Pakistan's construction sector, prioritizing each facet of CSR Social Sustainability (SS), (EE), and ES – becomes imperative. Leveraging primary data collection methods in analyzing authentic data has yielded statistically robust results pertinent to the OP of construction enterprises. However, it's essential to acknowledge the study's limitations and offer directions for future research in this domain.

The present study encounters limitations arising from constraints in time, financial resources, and other non-monetary factors. Given these limitations, the inclusion of all construction companies in Pakistan or an examination of the entire Khyber Pakhtunkhwa province was unfeasible within the allocated timeframe. Thus, a deliberate selection focused solely on accessible enterprises in Peshawar was made for data collection, detailed in Appendix

B. The study's focus on three dimensions—SS, ES, and EE—to explore the mediating role of CSR between EI and OP was intentional. However, future research might expand this exploration by incorporating additional sustainable business practices. Moreover, the exclusive reliance on the questionnaire method for data collection in this study may have limitations. Subsequent research endeavors might consider employing supplementary data collection methods to enrich and corroborate findings. Additionally, the study's selection of Peshawar's construction businesses was constrained by specific limitations, suggesting the need for future investigations to explore diverse regions for comparative analysis. Exploring at least two additional locations could offer valuable comparative insights. Finally, recognizing computer science as an intermediary between various variables—excluding EI —such as earning management, CSR practices, fiscal performance, stock return, and capital structure, could present a compelling avenue for future research exploration.

The Study's Implications:

This study holds relevance for building enterprises in Peshawar, Pakistan, given the construction sector's pivotal role in the economy. The chosen variables encompass critical factors that profoundly influence the growth and resilience of construction firms. However, it's crucial to acknowledge that certain segments within these businesses might lack comprehensive awareness regarding the influence of SS, EE, ES, and EI on overall OP. Hence, this study endeavors to explore the extent of recognition and comprehension regarding the implementation of corporate sustainability and the significance of encompassing all three sustainability dimensions. Its objective is to augment the strategic performance of construction companies in Peshawar, Pakistan, by emphasizing the holistic integration of sustainability practices.

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