
Corporate Social Responsibility and Commercial Law: Balancing Profitability with Ethical and Legal Obligations in Modern Business Practice

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Abstract

The research is based on "Corporate Social Responsibility and Commercial Law: Balancing Profitability with Ethical and Legal Obligations in Modern Business Practices." The research mentions the importance of implementing effective CSR policies and the ways in which they are linked to the elements of commercial law. Maintaining a balance between ethical and legal obligations is required because it helps manage profitability levels. There are three case studies for Tesla, Unilever and Ikea, which conclude that for businesses, if they follow CSR strategies, then it would become convenient for them to fulfil their ethical and legal obligations without making any impact on the profitability levels. Primary data is also collected from 100 participants in the form of surveys and the level of significance is also high for businesses when they implement effective CSR strategies and modern practices. For future research, it is recommended to focus on specific business niches to cover high subjectivity.

Keywords: CSR, 3Ps, People, Planet, Profitability, Ikea, Unilever, Tesla and stakeholders.

Identify the Unique Contribution

The concept of corporate social responsibility (CSR) is becoming a point of concern for businesses as it is the demand of consumers that steps be taken to maintain a balance between people, the planet, and profitability factors. The contribution of this research is extended to focus on analyzing the importance of

CSR and commercial law [1]. Through the research, it is assumed that an understanding is made about the ways through which ethical and legal obligations are fulfilled by businesses. This research is unique as it focuses on modern business practices. It is an integral aspect of conducting the research. There are often studies that are conducted regarding the adoption of appropriate and effective CSR practices and analyze ways through which businesses will be successful by implementing modern business practices. This study is also unique because it focuses on maintaining a balance between financial and non-financial factors to assess ways through which the adoption of modern practices can help sustain competitiveness in business [2].

Introduction

CSR represents the best and most suitable business practices that follow ethics and achieve profitability targets. The focus of CSR is on taking the business initiatives that are integral for keeping various stakeholders satisfied. When business practices are adopted in general, then their focus is on maintaining high profitability standards, but when CSR is linked with modernized business practices, it is assumed that decision-making will also facilitate people and the planet. There is not only a focus on profitability but also on the ethical and legal implications of making business decisions. The concept of commercial law is also an integral aspect of this research, and it will represent the frameworks that businesses follow to accomplish their goals. It is also observed that there is going to be excessive interlinking between the concepts of CSR and commercial law, as both will represent the best practices that should be followed to achieve profitability levels. The CSR principles are also expected to be the foundation for commercial law development as they will help the legislation understand the practices that should be followed [3].

It is true for businesses that the prime focus of management is to make sure that they are achieving their profitability targets, but along with this, decisions must be made to facilitate the other stakeholders as well. Term stakeholders refer to the participants who are directly or indirectly affected by the operations conducted by the business [4]. These operations mean the practices and legislation followed by

businesses, but in recent times, these principles have been modernized and focused completely on the ethical and legal aspects of conducting operations. In a general overview of business environments, it is evident that there has been massive market competition across all business sectors, and this will demand practices which can generate the required returns. However, in order to achieve those targets, it is often observed that there is a compromise in terms of ethical and legal obligations, as the entire focus is on profitability. However, modernized business environments will understand the importance of ethical and legal obligations for continuing business operations and the market reputation of the business, thus demanding a balance between business decisions so that the implications are positive for all stakeholders [5].

Literature Review

- Defining CSR and its importance:

CSR is defined as the ability of a business to make a positive impact on people and the environment. The concept is essential in fulfilling business responsibilities because it is presumed that consumers are in demand to fulfil social responsibilities and protect people and the environment [6]. Businesses that focus on fulfilling CSR responsibilities tend to be more progressive as their employees are willing to work in the best interest of the organization. Customer loyalty will also be enhanced, and market reputation will also be increased if CSR initiatives are followed efficiently [7].

- Relationship between CSR and commercial law:

There is a positive link between CSR and commercial law, as both represent the best principles for running business operations. The commercial law requires that it is necessary that businesses should focus on implementing policies which can help in achieving profitability levels but also trying to focus on the betterment of people and planet [8]. Commercial law also demands sustainability, which is also the prime concept of CSR factor and can help in achieving the profitability and markets hare targets [9].

- CSR as Part of ethical and legal Responsibility:

CSR is considered the legal and ethical responsibility of a business. Both these factors require businesses to manage their business practices and fulfil sustainability goals. It is expected that CSR focuses on ways through which they can help the environment specifically [10]. Legal requirements are also part of fulfilling CSR responsibility, in which businesses ensure that they will take initiatives such as minimizing their carbon footprint to become good corporate citizens [11]. Legal and ethical responsibilities all demand businesses manage their ability to adopt modern business practices, which can help fulfil profitability levels [12].

- Theoretical framework:

The theoretical framework which research follows is:

3P's of CSR

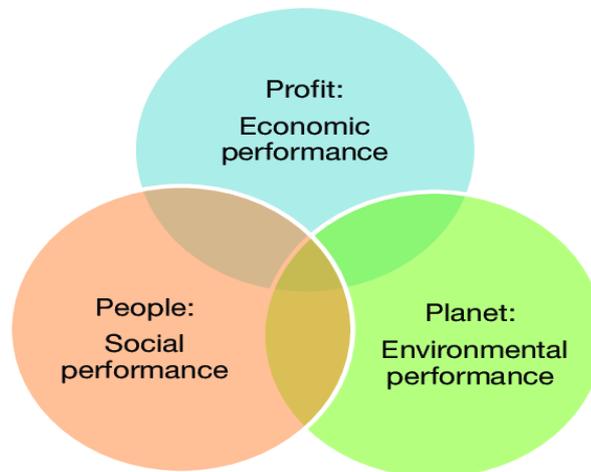


Figure 1: 3P's of CSR [13]

The three Ps of CSR are as follows:

People: People factor focuses on the ability of business to make a positive impact on society. The people will be prioritized and business will ensure ways through which long-term relationships are maintained [14].

Planet: The planet factor will focus on ways through which initiatives will make an impact on environment. Sustainable practices will be adopted that will help in managing ways through which environmental aspects can be managed in a positive manner [15].

Profit: The profitability element focuses on ways through which the profit levels are managed by the business. It is the prime responsibility of businesses to make sure that they are managing ways through which returns are generated for their investors [16].

- **Limitations:**

The limitation of this research is the high level of subjectivity involved in the research. The data collection will only focus on a qualitative approach, but it is also an issue which needs to be catered to. Quantitative analysis is necessary because it would help analyze the views and opinions of consumers regarding the adoption of CSR initiatives [17]. If these opinions are included within the research, then it would help increase the validity or reliability of findings, as consumer perception will help highlight the importance of having CSR initiatives in place [18].

Define Research Objectives and Questions

Research objectives will evaluate the expected scope for analyzing the different variables in the research. The research objectives outlined are as follows:

1. To evaluate the meaning of CSR and commercial law along with its dependence on each other.
2. To understand the need to implement CSR in business decisions taken by modern businesses.
3. To assess the impact of following CSR and commercial law obligations on the profitability of businesses.
4. To analyze the importance of fulfilling ethical and legal obligations of businesses in modern business practices.

From the above-outlined objectives, the questions are as follows:

1. What is the meaning of CSR and commercial law, along with their dependence on each other?
2. Why is there a need to implement CSR in business decisions taken by modern businesses?
3. What is the impact of following CSR and commercial law obligations on the profitability of businesses?
4. What is the importance of fulfilling ethical and legal obligations of businesses in modern business practices?

Research Methodology

The research methodology will outline the expected research design and data collection approach that will be used to gather and evaluate the required data for this research. For this research, using appropriate research methodology is crucial considering its high subjectivity and unlimited scope, and thus, the use of mixed method research design is beneficial [19]. The qualitative research design will focus on the non-financial factors and components of the research, and quantitative approach will analyze the data in the form of trends and significance levels of CSR for businesses. Qualitative research is more descriptive in nature, and thus, it would be used to gain an in-depth understanding of the concepts used in the research first and then their interconnectivity. The context of this research is also wide, considering its ultimate focus on modern business practices, which are also descriptive in nature, and thus, only the use of qualitative research design will help in understanding this context without any difficulty. It is also evident that the data collection for this research will be from multiple resources, and thus, flexibility in the data collection process is also required, which can be done through the use of a qualitative approach [20]. It is also expected that certain uncovered patterns and conflicts may arise while gathering and evaluating data. For instance, CSR and commercial law force businesses to focus on their ethical and legal obligations towards stakeholders and not only focus on profitability. On the contrary, profitability is equally important because it is unjust for investors not to generate

profits. This represents that there might be certain conflicting opinions and views that might be catered to in this research, and thus, only the use of a qualitative research approach can help uncover those patterns through in-depth understanding. However, while using the qualitative research design, it is equally required to focus on different components and make sincere efforts to gather all possible data; otherwise, there is a risk regarding the validity and reliability of the data gathered [21].

For the research methodology, an important aspect which should be given due importance is the use of deductive reasoning. Although this research is mixed method, deductive reasoning will still be used to focus only on modern business practices. It is evident that there must be data regarding the use of traditional business practices, which is not useful in forming the conclusion of this research, and thus, by deducing the research to modern business practices only, the validity and reliability of findings can easily be maintained [21].

Data Collection and Analysis

The data collection process in the research will represent the expected methods and approaches that will be used for gathering data. It is already mentioned that this research is subjective, considering its focus on different factors such as CSR, commercial law, modern business practices, etc., and thus, the use of primary and secondary data collection is beneficial. Primary data will be gathered from businesses and sample size selected is 100 as it is convenient to form conclusion. The survey will be conducted from businesses to understand the impact of using CSR and modern business practices on profitability and fulfillment of ethical or legal responsibilities. The secondary data that is gathered for this research will be from peer-reviewed journal articles. These articles will be from the last 5 years so that the component of modern business practices is also fulfilled. These journal articles are also used to extract case studies related to the implementation and success of CSR in terms of achieving high profitability and building consumer trust. The data analysis is also done by highlighting the case studies regarding the success stories in the business world where maintaining a balance between ethical and legal obligations has helped businesses achieve their profitability levels. The

expected population and sample size on the basis of case studies will be 3 cases of corporate world in which modern business practices has helped businesses in achieving their profitability targets [22].

Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	100	1.00	5.00	3.0833	.96792
EthicalObligations	100	1.00	5.00	3.0333	.78639
LegalObligations	100	1.00	5.00	3.1800	1.01107
CSR	100	1.00	5.00	3.4867	.96797
Valid N (listwise)	100				

This table presents summary statistics for four variables: Profitability is a factor that sort under the business or economic responsibility whereas Ethical Obligations and Legal Obligations are two factors that sort under social responsibility and sustainability while CSR is also under Social Responsibility and Sustainability. There are 100 observations for each variable. Attached to the table are the minimum and maximum values for each variable, the mean value and standard deviation.

Correlations

		Profitability	EthicalObligations	LegalObligations	CSR
Profitability	Pearson Correlation	1	.335**	.649**	.444**
	Sig. (2-tailed)		.001	.000	.000
	N	100	100	100	100
EthicalObligations	Pearson Correlation	.335**	1	.238*	.189
	Sig. (2-tailed)	.001		.017	.059
	N	100	100	100	100
LegalObligations	Pearson Correlation	.649**	.238*	1	.623**
	Sig. (2-tailed)	.000	.017		.000
	N	100	100	100	100
CSR	Pearson Correlation	.444**	.189	.623**	1
	Sig. (2-tailed)	.000	.059	.000	
	N	100	100	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

This table above reflects on the degree of correlation between the four variables; This is how it is possible to state that all the variables are in a positive relation and should the value of any of the variables go high, then all the other variables will definitely go high too. Whereas the analysis shows that Profitability has positive and significant relation with Legal obligation as well as CSR, Ethical obligation is related positively and significantly with the Legal obligation as well as CSR.

Regression

H1 – Ethical obligations positively influence profitability.

H2 – Legal obligations positively influence profitability

H3 – CSR positively influence profitability.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.676 ^a	.457	.440	.72428

a. Predictors: (Constant), CSR, EthicalObligations, LegalObligations

b. Dependent Variable: Profitability

The main idea of this section is to review the results of the regression model's fitness assessment. In this case, R (the correlation coefficient) is 0.676 which shows that there exists a relatively good positive relationship between the two independent variables and profitability. This gives an estimated adjusted R square of 0.457 indicating that 45.7% of the variability in profitability is explained by the predictor variables.

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	42.391	3	14.130	26.936	.000 ^b
Residual	50.359	96	.525		
Total	92.750	99			

a. Dependent Variable: Profitability

b. Predictors: (Constant), CSR, EthicalObligations, LegalObligations

The ANOVA (Analysis of Variance) table checks the overall significance for the regression model. Therefore, the F-statistic is greater than F critical value at the desired level of significance ($\alpha = 0.05$), therefore we conclude that the model fits the data nicely ($p < .001$).

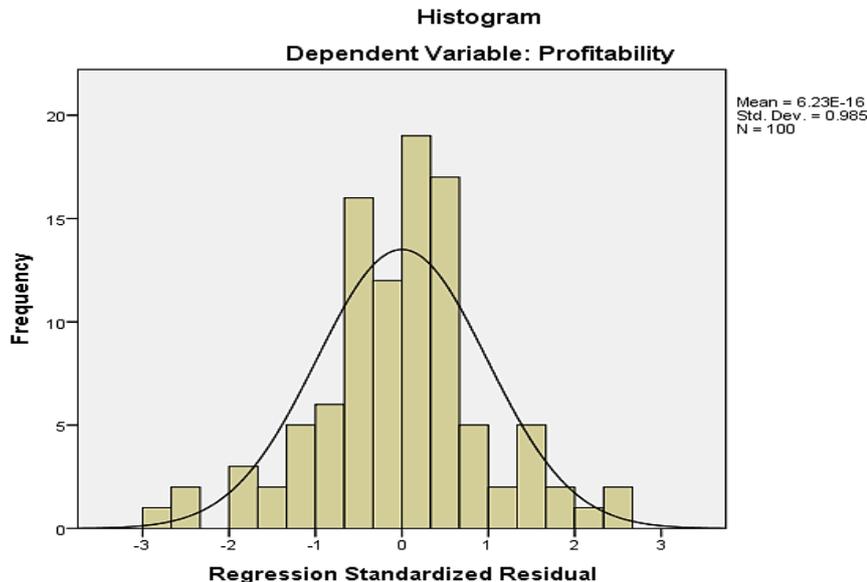
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.455	.363		1.254	.213
1 EthicalObligations	.233	.095	.190	2.446	.016
LegalObligations	.546	.093	.571	5.864	.000
CSR	.052	.096	.052	.544	.588

a. Dependent Variable: Profitability

Table III provides the estimate, standard error, t-value and significance of independent coefficients, as well as the standardized coefficients. The unstandardized coefficients refer to the effect of the predictor variable as a change in one unit when controlling for other variables on the dependent variable, that is, on profitability., Self-generated or Internal Pressures Legal Obligations (0.546) and Ethical Obligations (0.233) have a positive significant relationship with profitability ($p < .05$). Contrary to expectation, CSR, however, was not significantly related to profitability (t values displayed $p > .05$).

Histogram



In this, Hypothesis 1 (If ethical objectives have positive impacts on profitability) and Hypothesis 2 (If legal objectives have positive impacts on profitability) have

been accepted since both the variables of Ethical obligations and Legal have positive impact on profitability.

Discussion

The case studies selected for this research are as follows:

Case 1: Unilever

The first case that was observed was Unilever's sustainable living plan. This was the plan that was part of the CSR strategy adopted by businesses in 2010 and focused on managing sustainability, as it is the ethical and legal responsibility of businesses to make decisions that focus on the success of different stakeholders. The initiative was significant for Unilever as it helped the business achieve its competitive goals in terms of revenue and profitability. Plastic reduction was Unilever's target by the end of 2025, and the business also planned to move towards renewable energy sources completely. These are the two initiatives that are ethical in terms of protecting the people and planet, but they are also part of the legal frameworks that require businesses to adopt such practices. As a result of the sustainable living plan for Unilever, the company has seen an overall growth of 75%, which is reported to be 69% faster than the competitor businesses. In the year 2020, the brand reported an annual revenue of €60 billion, and this revenue has grown by 6% to 7% in different regions, and it is due to the presence of CSR-aligned practices [23].

Case 2: Tesla

Tesla is among the most popular businesses in the automobile industry, and despite significant market competition, the focus of management is on modern business practices. There are three factors that are evident in the ethical and legal policies adopted by Tesla: compliance, innovation, and CSR. The business realizes that they should adopt modern business practices which can make it convenient for them to fulfil their ethical and moral responsibility. Fulfilling the 3Ps, such as people, planet, and profit, was Tesla's priority, as management is completely invested in making decisions that comply with the ethical and legal environments. Tesla has installed "Gigafactories" that were responsible for battery production

only so that the business can produce units that are free from carbon emissions. For the automobile industry primarily, it is often part of the legal framework to design their units in a way that has minimum carbon emissions, and Tesla complies with this aspect completely. Sustainable practices were Tesla's priority, and as a result, the market value for the business increased by the end of 2021. The market capitalization for the brand is also recorded at \$1 trillion, which means that the business is fulfilling its ability to become successful and accomplish targets by complying with CSR responsibilities. The focus of Tesla is also on reducing carbon emissions, and this initiative is also considered an ethical and legal obligation which helped the business increase the level of electric vehicle (EVs) sales by 16% because the community is also focusing on supporting businesses that focus on people and planet component [24].

Case 3: Ikea

Ikea is a commercial retail store that focuses on the people's and planet's positive, sustainable strategies so that environmental and commercial laws are enacted. The business understands the need to use renewable resources, and thus, the focus on using renewable materials is the target of the business. The business has an initiative to use 100% renewable energy sources by the end of 2030. The management of Ikea is well-versed in the importance of fulfilling sustainability goals as part of their ethical or legal obligation. This initiative was successful because the community extended its support to the business as the revenue of the business was reported at €44.6 billion in 2022, and the profit levels have also increased by 4%, which has helped the business in accomplishing its profitability targets which are only possible through managing the legal or ethical responsibilities [25].

Conclusion and Recommendations

By analyzing the three case studies of the most popular brands and businesses in the consumer market, it is concluded that it is becoming essential for businesses to focus on ways through which they can fulfil their corporate social responsibility. While analyzing the need for CSR policies among businesses, it is evident that

consumers demand that businesses adopt sustainable practices. The adoption of sustainable practices is also embedded in the aspect of commercial law, which also demands that businesses be inclined towards fulfilling their ethical and legal responsibilities. In terms of ethical and legal business responsibilities, it is evident that most businesses, such as Tesla, are under pressure to manage their carbon footprint due to the nature of their operations. It is the legal responsibility of businesses in modern business environments to focus on sustainable renewable energy sources. It is also concluded that the adoption of modern business practices is becoming common, but for businesses, managing these practices and profitability levels is becoming an issue. The theoretical framework also mentions the theory of 3P, such as people, profit, and the planet, which also requires management to be aware of maintaining a balance between these factors as part of their ethical responsibilities.

It is recommended that for the future studies the scope should be limited and the sectors must be clearly ascertained. This is will help in analyzing the policies and practices adopted by the business sector as part of their modern business practices which is also helping them in maintaining their CSR responsibilities.

It is also recommended that the studies should also incorporate the perspective of shareholders. Surveys should also be conducted because this will help understand the success of modern business practices and CSR initiatives. If such studies are conducted, the findings can help managers understand the need to comply with the CSR factors as part of their ethical responsibility, considering its massive impact on the satisfaction rate of consumers.

Lastly it is recommended that the comparative analysis among the business sector should be done. Each sector has different commercial laws and thus it is required that a comparative analysis must be done which can help in understanding that how each commercial law factor is making an impact on the ability of business to comply with their CSR responsibility.

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