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THE IMPACT OF ETHICS ON THE PERFORMANCE OF ORGANIZATIONS
IN LEBANON

BY

SANA SAMIR TUTUNJI

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Approved by:

Sana Jerejian
A thesis

Submitted in partial fulfillment of the requirements of the degree of

Master of Business Administration

To the faculty of Business Administration and Economics

At Haigazian University

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HAIGAZIAN UNIVERSITY

**THE IMPACT OF ETHICS ON THE PERFORMANCE OF ORGANIZATIONS
IN LEBANON**

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HAIGAZIAN UNIVERSITY

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First of all, I would like to thank my lovely family; Mom (Rola Tutunji), Dad (Samir Tutunji), and two sisters (Sana and Sara Tutunji) who are my heart for all their support and constant encouragement.

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AN ABSTRACT OF THE PROJECT OF

Sana Tutunji for Master of Business Administration and
Economics

Title: THE IMPACT of ETHICS ON THE PERFORMANCE OF ORGANIZATIONS IN
LEBANON.

These last couple of decades ethics have become a vital and intrinsic part of the world's cultural, political, and business landscape. We see large numbers of people rebelling against their corrupt and unethical governments, and big businesses collapsing and causing tremendous amounts of damage to the economic and social welfare of their communities because of unethically and mismanaged management practices. I will be studying whether ethics in Lebanese companies affect performance and which of the independent variables affect each of the dependent variables.

The methodology used to study my research question was through the analysis of the data obtained by administering a questionnaire. The sample of my study was one hundred four employees. The results were analyzed using various statistical techniques such as descriptive analysis, correlation, regression, and one way Anova.

Our results indicate that ethics affect performance of companies in lebanon as perceived by employees. It also affects employee motivation and engagement in work activities but not to the extent that employees change their workplace. We found a significant relationship between all factors.

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1. PURPOSE AND INTRODUCTION

During my work in a large organization in Lebanon I became aware of the importance of ethics on the organization's performance. Also as an observer of the contemporary scene of the business world, I understood that indeed one of the major factors that distinguish successful organizations from non successful ones is how genuine are the organizations in their willingness to build an ethical culture and commit themselves to ethical values.

Furthermore, my readings on the topic of ethics made me sensitized to the importance of this topic and to its impact on productivity and business performance.

These are the reasons behind my decision to make ethical organizational leadership as my topic for this study.

2. LITERATURE REVIEW

Ethical values and ethical behavior have always been very important for people because they lie at the heart of human relationships. Also, people recognize the main characteristics of ethical behavior; they know for example that ethical behavior means to do the right thing.

Thompson & al. (2010) indicated that notions of right and wrong, fair and unfair, moral and immoral, ethical and unethical, are present in all societies, organizations and individuals' lives. Some of the most important, for example, is being truthful (not lying), strike a chord of what is right, resonate with people of most cultures, regardless of local traditions and cultural norms, and are, thus, universal.

The same is true for honesty ,demonstrating integrity of character, trustworthiness, reliability ,and accountability ,not cheating ,treating people with dignity and respect, exercising diligence in product safety ,and not acting in a manner that harms others or pillages the environment; these are concepts that resonate with people of all nations.

Joanne B. Ciulla (2004) states that ethics is the attempt to work out the rights and obligations we have and share with others .Ethics is the pursuit of justice, she says, fair play, and equity. It tries to find a way to protect one person's rights and needs against and alongside the right and needs of others. Tension of ethics comes because we are in need of others and at the same time self serving.

If ethics is a part of life, so too are work, labor, and business. Although business is about earning a living, producing a product or service, making money, it is also about people-people you work

for and with. Life, labor, businesses share the same bottom line- people. And ethical principles in general are not different from ethical business principles, which are the application of general ethical principles and standards to actions and decisions of companies and the behavior of the company personnel, such as, not cheating, being honest to customers, being transparent to investors and partners, and not engaging in corruption.

Ethical leadership is a complex moral relationship between people based on trust, obligation, commitment, emotion and a shared vision of the good. It is how we distinguish right from wrong, good from evil in relation to actions of human beings. Ethics lie at the heart of all human relationships, hence at the heart of leadership.

These last couple of decades ethics have become a vital and intrinsic part of the world's cultural, political, and business landscape. We see large numbers of people rebelling against their corrupt and unethical governments. We see large numbers of big businesses collapsing and causing tremendous amounts of damage to the economic and social welfare of their communities because of unethically and mismanaged management practices.

For this study I will first conduct a literature review related first to the description / discussion of business ethical practices, and the description of the major characteristics of ethical business leadership, and then to the argument that ethical business practices assure competitive advantage to companies.

Characteristics of an Ethical Organization

Thus, Thompson & al. (2010) describe the moral manager as someone who is ethically principled, sees himself as a steward of ethical behavior and believes it is important to exercise ethical leadership, pursue success within the letter and spirit of what is ethical and legal and view

what is legal as the ethical minimum and has a habit of operating at well above what the law requires.

Ethical managers tend to resist several temptations, says Thompson, such as the pervasiveness of immoral and amoral business people, overzealous pursuit of personal gain, wealth and other selfish interests, a company culture that puts profitability and good business performance ahead of ethical behavior and heavy pressures on them to meet or beat earnings targets.

And ethical strategy starts with these moral managers who themselves have strong character, for example, who are honest, have integrity, and truly care about the company when they conduct the company's business. They walk the talk in displaying the company's stated values. They exhibit high ethical standards, are advocates of a corporate code of ethics and strong ethics compliance.

Business ethics is the application of ethical principles and standards to business behavior.. Ethical behaviors in business have to be judged in the context of society's standards of right and wrong, they require adhering to generally accepted norms about conduct that determine whether an action is right or wrong. Company managers have to observe the ethical norms when crafting and executing strategy.

Senior executives as well as employees at large have to "walk the talk", i.e. make sure that their action or proposed action is in harmony with their core values.

Thus, the moral manager is dedicated to high standards of ethical behavior, both in his own actions and in his expectations of how the company's business is to be conducted..Moral managers may well be ambitious and have a powerful urge to succeed but they pursue success in business within the confines of both the letter and spirit of what is ethical and legal.

Future employability ,added decisions –making authority to employees ,onsite day care ,flexible work schedules for single parents, work place exercise facilities, special leaves to care for sick family members, work at home opportunities, gender pay equity, showcase plants and offices ,special safety programs ,and actions to build a workforce that is diverse with respect to gender ,race, national origin and other aspects that different people bring to the work place.

A leader who creates an “ethical advantage” for his/her company, says James A. Mitchell (2001), creates a productive and ethical culture with three main characteristics:

- 1- Balancing the interests of the various stakeholders
- 2- Leadership effectiveness
- 3- Process integrity

Balancing the interests of various stakeholders involves taking the long view. The leaders see that their company is part of a larger “whole “and that the relationships that a firm has with its various stakeholders tend to be systematic, interconnected and reciprocal in nature. Overtime, all stakeholder groups need to benefit so that they continue to support the organization. As the expression goes, “What goes around comes around”.

Leadership effectiveness has little to do with charisma, though the leaders must articulate the mission and values of the firm in a compelling way .Effective leaders need to articulate the organization mission and values in a way that is compelling for their employees –that helps give them a sense of purpose .Employees need a reason to get out of bed every morning and come to work, but most of them seem that they don’t have a very good reason. According to a recent survey, says James A. Mitchell (2001), only 26 percent of American workers say they are

“engaged” (loyal and productive), some 55 percent of employees are “not engaged” (just putting in time), worst, 19 percent are “actively disengaged” (unhappy and spreading their discontent).

Effective ethical leaders must also do their very best to “walk the talk” themselves, to live values of the firm. If they don’t, all their words will be viewed as hypocrisy. You, as a leader, may say that you believe that your customers come first but how much time do you spend personally actually listening to customers? You may also believe that “employees are your most important asset” but when was the last time you left a group of assets waiting outside your office for half an hour? What a leader does, speaks so loud, it often doesn’t matter very much what he says.

Process integrity deals with how deeply the ethical culture is ingrained in a company’s core processes. Do lower and middle level managers feel comfortable “doing the right thing” even though this may mean lower profits in the short term? Is the system of reward and recognition aligned with the firm’s core values?

Leaders need to build ethical behavior into the processes of the firm so that all employees live the firm’s values. In many cases, it is the job of the leader to be a good steward of an already existing ethical culture. Such leaders strive to improve the performance of the organization while at the same time carrying on the traditions and values that made the company strong in the first place. In other cases a leader has to start building a culture from the ground up, whether in a turn-around situation or in a relatively new organization. In all cases the leader will be a role model and the ethical leader must model the desired behaviors consistently and persistently.

As quoted by John Della Costa (1998), Deitrich Bonhoeffer states that ethical leader is responsible for setting the ethical tone of all the systems of the organization including a specific

ethics program; that a value based approach focuses on a desired rather than undesired behavior, that an approach based solely on achieving compliance emphasizes the negative, concentrating on preventing and punishing employees for wrongdoing. John Della Costa refers to a recent study that indicates that the value based approach works better and that in fact, if employees perceive the ethics program existing only to protect senior management, it can result in more unethical conduct than if an organization had no ethics program at all.

“Values –based program produces highly committed employees who are aware of ethics and compliance issues, who seek advice within the organization and who are willing to deliver bad news to their managers or report ethical /legal violations. Results also include less unethical /illegal behavior in the organization and better decision making because of organizations’ ethics compliance efforts.”

It is not sufficient for a firm to attempt to balance the interests of various stakeholders, to have a compelling mission and values, and to have leaders who work hard to” walk the talk”. The business process of the organization must be aligned in manifesting these elements .We call this concept “process integrity”.

The process of serving customers doesn’t operate in vacuum. It is virtually impossible, for instance, to treat customers well always; if we treat our employees badly; the customer and employee processes need to reinforce one another .And a change in a part of the system will “feedback” and cause a change in another part of the system, so alignment is critical .We need to have the right metrics for each part of the system and to hold people accountable for their results .The process must have integrity, both individually and collectively. Process integrity means that the ethical culture permeates throughout the entire organization.

As quoted again by John Della Costa (1998) Desmond Berghofer and Geraldine Schwartz describe ethical leaders as people oriented, aware of how their decisions impact others, using social power to serve the greater good instead of serving their self interests, and motivating followers to put the needs or interests of the group ahead of their own; they find that motivating is engaging others in an intellectual and emotional commitment between leaders and followers and this makes both parties equally responsible in the pursuit of a common goal. They state that ethical leadership includes inspiring, stimulating, and visionary leader behaviors that make up transformational and charismatic leadership.

Furthermore, Desmond Berghofer and Geraldine Schwartz explain that ethical leadership is based on four timeless principles: you must be ethical to lead ethically, be trustworthy to build trust, define a path for others to follow, and believe ethics is profitable. Ethical leadership is also knowing your core values and having the courage to live them in all parts of your life in service of common good.

Leading and managing ethically, says Ronald R. Sims (2003) means managing with integrity. Integrity shapes, influences and maintains values, tones, climate of a culture of the organization, the communication among all its members, and the commitment, imagination and reaction of everyone in the organization.

Managerial values shape the ethical quality of the organization's strategy. Managers with strong ethical convictions take pains to see that their companies observe a strict code of ethics in all aspects of the business. They forbid practices such as accepting or giving kickbacks, bad mouthing rival's products and buying political influence with political contributions.

Ronald R. Sims (2003) finds that every business has an ethical duty to its stakeholders, customers, suppliers, and community.

A company has a duty for its stakeholders who, for instance, rightly expect a return on their investment. Even though investors may differ in their preferences of “profits now” versus “profits later”, their tolerance of greater risk, and their enthusiasm for exercising social responsibility, business executives have a moral duty to pursue profitable management of owner’s investment.

A company’s duty to employees includes the respect for the worth and dignity of individuals who devote their energies to the business and who depend on the business for their economic well being .Principle strategy making requires that employee related decisions be made equitably and compassionately, with concern of due process and for the impact that strategic change has on employees’ lives. The strategy must promote employee interests ,and concerns for compensation, career opportunities, job security, and overall working conditions. Even in crisis situations, businesses have an ethical duty to minimize whatever hardships have to be imposed in the form of work force reductions, plant closings, job transfers, relocations, and loss of income.

The duty to customer arises out of the expectations that attend the purchase of a good or service. Should the seller voluntarily inform the consumers that its product contains ingredients that, though officially approved for use, are suspected of having potentially harmful effects? Is it ethical for the makers of alcoholic beverages to sponsor college events, given that many college students are under the age of twenty-one? Is it ethical for manufacturers to stonewall efforts to recall products they suspect have faulty parts or defective designs?

An ethical duty to suppliers arises out of the market relationship between them .They are both partners and adversaries .Partners in the sense that the quality of suppliers' parts affects the quality of a company's product and in the sense that their businesses are connected. They are adversaries in the sense that the supplier wants the highest price and profit it can get while the buyer wants a cheaper price, better quality and speedier service. An organization confronts several ethical issues in its supplier relationships. Is it ethical to purchase goods from foreign suppliers who employ child labor, pay substandard wages, or have sweatshop working conditions in their facilities? Is it ethical to threaten to cease doing business with a supplier unless the supplier agrees not to do business with key competitors?

An organization's ethical duty to community at large stems from its status as a member of the community and as an institution of society. Societies expect businesses to be good citizens-to pay their fair share of taxes for fire and police protection, streets and highways, waste removal, and so on, and to exercise care in the impact their activities have on environment, society and communities in which they operate. Is it ethical for a brewer to advertise its products on TV at times when these ads are likely to be seen by underage viewers?

Organizational management that truly cares about business and corporate social responsibility is proactive rather than reactive in linking strategic actions and ethics. It resists ethically and morally questionable business opportunities and business practices and it ensures that its actions reflect integrity and high ethical standards.

Additionally the following characteristics of a high integrity organization are offered: a clear vision and picture of integrity is embodied and owned by the top management; policies, practices of the organization, and the reward system are aligned with vision of integrity; it is also

understood throughout the organization that every significant management decision has ethical value dimensions and everyone is expected to work through conflicting stakeholder value perspectives.

Unethical leadership has increased nowadays, and is described as a cancer continuing to destroy the fabric of society in too many of today's organizations and beyond. Based on data from Global Corruption Report sponsored by Transparency International, corruption among public officials and in business transactions is widespread across the world. Unethical behaviors include: individuals cut corners on quality control, cover up incidents, abuse or lie on sick days, lie to and deceive customers, put inappropriate pressure on others, cheat on expense accounts, discriminate against co workers, pay or accept kickbacks, managers lie to employees, office nepotism and favoritism, take credit of others' work, and steal the company.

Organizational factors influence ethical behavior .The type of climate plays a major role in whether or not the organization develops counter norms, reward systems and group think that can all result in unethical employee behavior. There is a strong relationship between the kind of cultural ethical climate and employee performance that organizations and their dealers develop.

An ethical leader is highly committed to high ethical standards which apply to everyone. He uses customer welfare, doing what is best for the public, as one of the primary standards. He is willing to confront situations where ethics are questionable and confront ethical issues openly and honestly. He is proactive in heading off ethical problems .He sets an example for others and treats ethics as a priority and as a performance measure not different than sales, for example. He actively supervises it. Learns about the legal and ethical aspects of business and doesn't plead ignorance when asked a question or use the excuse that other companies have lower standards.

In "Ethics and Corporate Social Responsibility (2003) "ethics begins at the top", says William C. Ferguson, former chairman and CIO of Nynex Corporation. He recently noted that "the shadow of the leader –the example that they set is the most important weapon in ethics' arsenal .Leaders cannot shrink from their obligation to set a moral example for those they lead .They must draw the line between, on one hand, the perpetual push for higher profits, and on the other hand ,actions antagonistic to the values of the larger society.

Ethical business leadership requires "not only harvesting the fruit we can pluck today investing in the small trees and experimenting hybrids that won't yield a thing in this quarter or the next ,but also caring for the soil that allows us to produce such a rich harvest in the first place .Therefore if leaders want to cast an ethical shadow, they need to practice what they preach and organizations must create and maintain strong ethical organizational cultures that can counter to a "win at all cost " mentality.

Institutionalizing ethics is important for today's organizations if they are to effectively cancel out the increasingly frequent occurrences of blatantly unethical and often illegal behavior .And this is true even within the large and often highly respected organizations. And this also means getting ethics formally and explicitly into daily business life. This can be done where organizations develop their organization's culture so that it supports the learning of personal values that promote ethical behavior. When decisions are made, managers should explain the ethical factors behind their actions.

Joanne B. Ciulla (2004) defines ethics as the basis of transforming leadership which is a relationship in which leaders and followers morally elevate each other toward a shared common

purpose and values. This type of leader helps his followers change for the better and empowers them to improve their lives and the lives of others.

Burn's theory (1990) of transforming leadership argues that leaders have to operate at higher need and value levels than those of followers. He also talks about servant leadership where leaders serve followers; A servant leader leads because he wants to serve others. People follow him because they trust him and because he elevates them.

According to Bass (1990) transactional managers act like everyone has a price; it is just a matter of establishing it, whereas transformational leaders motivate followers to put aside selfish aims for the sake of some greater common good. Extraordinary leaders are required to transform members' self interested tendencies, create exciting visions, communicate these in compelling ways, and energize others to achieve them despite personal costs.

Superior leadership performance, according to him, is all about transformational leadership. He says that superior leadership performance occurs when leaders broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their self interests for the good of the group.

Joanne B. Ciulla (2004) says that ethics of leadership affect the ethos of the work place and thereby help to form the ethical choices and decisions of workers in the workplace. Leaders help set the tone, develop the vision and shape the behavior of all those involved in organizational life.

Aristotle said that the spirit of morality is awakened in the individual through the witnessing and the conduct of a moral person. "Witness of another" is what we now refer to as the role modeling of the leader.

Freeman in "Ethics, the Heart of Leadership" (2004) argues that the role of business labor and work is to make life more secure, stable and equitable. Business is to serve more than just itself as a separate entity unaffected by the demand of individuals. He says that people were wrong in believing that the only purpose of industry is to make profit and not the general welfare. According to him ethics is how we treat each other, everyday, person to person. If you want to know about a company's ethics, look at how it treats people—customers, suppliers, and employees. Business is about people and business ethics is about how customers and employees are treated.

Ethical businesses include, for example, decent product at fair price, honesty in advertisement, fair treatment of employees, customers, suppliers and competitors, strong sense of responsibility to communities it inhabits and serves, reasonable profits for financial risk taking of its shareholders and owners.

According to Joanne B. Ciulla (2004), ethics of leadership rests upon three pillars:

- 1- Moral character of the leader
- 2- Ethical legitimacy of values embedded in leader's vision, articulation, and program which followers either embrace or reject.
- 3- Morality of the processes of social ethical choices and actions that leaders and followers engage in and collectively pursue.

In the Ethical Imperative, John Dalla Costa (1998) discusses the importance for the companies to have an ethical orientation. This orientation outlines a “global ethic for the global economy” “based on respect, honesty, fairness, justice, and environmental responsibility. An ethical orientation feeds the growth of trust and is itself further developed by trust .Dignity extended to employees and customers by the company create the foundation for trust to be exchanged. Honesty, fairness, and justice set the terms of interaction and provide integrity that earns trust in even unpredictable and ambiguous situations, and sustainability demonstrates the commitment to our shared natural environments that warrants trust for the long term. Conversely, unethical or amoral behavior completely undermines trust-self interest invites self protection, dishonesty erodes credibility, unfairness invites a reciprocal exploitation, injustice displaces trust with cynicism, and environmental profligacy suggests a wider irresponsibility. A commitment to trust is therefore inextricably a commitment to ethics, and an ethical orientation, by practice, builds trust.

The following chart taken from the book “The Ethical Imperative” (1998).

Table 1. Business Model for Ethical Orientation

	Strategic Clarity	Respect Dignity	Be Fair	Be Honest	Strive for justice	Honor the environment
principle	Manage assets professionally	Conduct all actions with humanity	Practice business with equanimity and care	Operate Truthfully	Balance business with moral obligations	Manage nature as an asset
rule	Don't	Do not kill	Do not steal	Do not lie	Do not	Do not destroy

	devalue (build sustainable equity)	(enhance human life)	(give equitability)	(value integrity)	discriminate (honor intrinsic rights)	(respect the ecosystem)
metry	“Offer value in the quality and with the qualities you seek in profit”	“What you do not wish done to yourself ,do not do to others”	“Practice self interest with equity for the needs and interests for others”	“Be accountable for truth to earn the trust that you rely on ,and expect in, others”	“Contribute to the formation of community that you would want to entrust yourself to”	“Use nature for only what you need ,and in balance with what you put back”
ation	-Innovations for future return -Respect for all relationships -Long term building of balance sheet	-Job safety -Stress relief -Job Dignity -Compassion in balance with efficiency	-Fair wages for all -Equitable CEO pay -Fair value to customers and suppliers -Anti corruption Intellectual rights	- Transparen cy and access -Protection of privacy -Truths in ads ,HR, and internally -Listening	-Pay equity -Equal potential for all -Community priorities(education ,human rights)advanced by business as member of that	-Sustainability -Pricing to reflect the cost of replacement and cleaning up -Work toward “Zero Waste” -Fulfill Koyoto Commitments.

				with integrity -Provide genuine Value	community	
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I will complete this section on the characteristics of ethical leadership with more focus on the concept of social responsibility which most researchers recognize as the intrinsic and vital dimension of ethical leadership.

"leadership is nothing if not linked to collective purpose", says Burns (1990) and most analysts agree with him.

Thus, according to Thompson & al. (2010), leaders must display a social conscience in operating the business and specifically take into account how management decisions and company actions affect the well being of employees, local communities, the environment and society at large. They must apply social responsibility and recognize the company's duty to operate in an honorable manner and provide good working conditions for employees, to be a good steward of the environment, and actively work to better the quality of life in the local communities where it operates and society at large .They make charitable contributions, are involved in community service endeavors, various worthy causes and help the disadvantaged. They engage in actions over and above what is required to protect and enhance the environment, including both environmental problems stemming from the company's own business activities and those problems outside the company's sphere of operations. They strive to create a work environment and make the company a great place to work. They should balance the strategic actions to benefit shareholders against the duty to be a good corporate citizen.

Socially responsible managers comply with the laws and regulations of countries in which they operate participating in community service projects, donating monies to charities and other worthy social causes undertaking actions that earn trust and respect from all stakeholders, operate in an honorable and ethical manner, strive to make the company a great place to work, and demonstrate genuine respect for the environment.

They adopt an environment sustainability strategy that consists of the company's deliberate actions to meet the current need of customers, suppliers, shareholders, employees and other shareholders in a manner that protects the environment and provides for the longevity of natural resources, maintaining ecological support systems for the future generations and guard against ultimate endangerment of the planet. A rapidly growing number of companies are expanding their exercise of social responsibility to include impact of their strategies and operations on future generations and well being of the planet.

Business leaders who want their companies to be regarded as exemplary corporate citizens not only see their companies operate ethically but also must personally display a social conscience in making decisions that affect the employees, environment, committees in which they operate and society at large.

Ronald R. Sims (2003) explains that "ethics" is derived from the Greek word "ethos" meaning character and custom. It is related to effective leadership because it connotes an organization code conveying moral integrity and consistent value in service to the public. To act in a socially responsible way requires leaders to consider the effect of their decisions on the well being of the society; managers must ask themselves what their actions do to society. Managers rely on their ethics to choose an appropriate course of action.

Social responsibility or public policy committees, explains Ronald R.Sims (2003) serve two functions in an organization. First, they lend legitimacy to consideration of ethics agenda at highest level of organizational decision making and second, they symbolically communicate employees and external stakeholders of the organization its commitment to ethical principles in conducting business. Managers can use the code of ethics for describing the general value system of the organization, defining the organization's purpose, providing the guidelines for decision making consistent with these principles , and for implementing ethics training programs .

Impact of Ethics on Organizational Performance

The relationship between ethics and organization behavior/performance has been analyzed by many researchers and analysts.

Thus Thompson &al. (2010) identify two reasons behind why a company strategy should be ethical. These reasons are: first, a strategy that is unethical, in whole or in part, is morally wrong and reflects badly on the character of the company personnel involved; second, an ethical strategy is good business and is in the best interest of shareholders, because pursuing an unethical strategy not only damages a company's reputation, it can also have costly consequences, some visible, others hard to track down.

They describe these costs as level 1, level 2, and level 3 costs.

Level 1 costs are government fines and penalties; civil penalties arising from class actions lawsuits and other litigation aimed at punishing the company for its offense and harm done to others; costs to shareholders in form of lower stock price. These costs get more executive attention .They are visible and possibly less damaging.

Level 2 costs are legal and investigative costs done by the company; costs of providing remedial education and ethics training to company personnel; costs of taking corrective actions; administrative costs associated with ensuring future compliance.

Level 3 costs are customer defections; loss of reputation; loss of employee morale and higher degree of employee cynicism; employees believe that only selfishness motivates human actions.

Thompson and al. (2010) observe that companies with reputations for unethical conduct have considerable difficulty recruiting talented employees. Most hardworking, ethically upstanding people are repulsed by a work environment where unethical behavior is condoned; they don't want to be trapped in compromising situations nor do they want their personal reputations to be tarnished by actions of unsavory employers.

Can a business be both ethical and profitable? Recent headlines are filled with examples of companies whose ethical lapses have created short term results and yet are now burdened with tarnished reputations, financial penalties and criminal sanctions.

James A. Mitchell (2001) argues that organizations that build an ethical culture outperform organizations that don't, and they reduce their exposure to ethical lapses that cause breakdowns. If a culture is right, employees have a context of norms and values that guide them in making the right choices.

But why invest in building an ethical culture? Does it really help the bottom line? Or is it something that feels good to do?

James A. Mitchell (2001) says "From personal experience, I know that a company can be both ethical and profitable. I had the privilege of being CEO of a company that, over a nine-year

period, became the fastest growing and the most profitable firm in its industry. Our profit grew at a compound annual rate of 23% and our return on equity was consistently twice the industry average. We achieved that by treating our customers and employees very well. We –all of us working together–created the kind of culture that demonstrated that ethical behavior is good business. ”So the term business ethics is far from an oxymoron. The truth is that companies that have the ethical advantage demonstrate better financial performance than companies that don’t.

James A. Mitchell (2001) quotes professors John P. Kotter & James L. Heskett of the Harvard Business School who, in their book titled *Corporate Culture and performance*, stated:

“We found that firms with cultures that emphasized all the key managerial constituencies (customers, stockholders, and employees) and leadership from managers at all levels outperformed firms that didn’t have those cultural traits by a huge margin. Over an eleven -year period, the former increased revenues by an average of 682% versus 166% for the latter, expanded their work forces by 282% versus 36%, grew their stock prices by 901% versus 74% and improved their income by 756% versus 1%”. Revenues grew four times as fast, employment increased 8 times as fast, and stock prices increased twelve times as fast. Having the ethical advantage–paying attention more than just returning profits to stockholders–can have a huge payoff. The ethical advantage can help your company perform to its highest potential.

Acting ethically matters, says Ronald R. Sims (2003). First, ethical behavior by employees is important to the viability of all organizations. Second, acting ethically and legally means saving billions of dollars each year in theft, lawsuits and settlements. Third, cost to business is payment of financial penalties for acting unethically. It also includes ineffective information flow throughout the organization, deterioration of relationships, declining productivity, creativity, and

loyalty and absenteeism. Fourth, unethical companies face difficulties in retaining valued professionals.

Employees care about ethics, Ronald R. Sims (2003) says, and they are attracted to companies with an ethical culture. He observes many benefits from managing ethics in the work place, such as commitment to ethics brings more teamwork and productivity; employees feel strong and react with strong motivation and performance; ethics help employees face reality in organizations and themselves, they feel confident and deal with whatever comes their way. Over 90% of a firm's effectiveness is attributable to its culture. Ethical leadership is the way to create and maintain a productive and ethical culture.

Attention to business ethics has substantially improved society. Ronald R. Sims (2003) observes for example, that some decades ago, when workers' limbs could be torn off on the job, disabled workers were condemned to poverty and often to starvation. Children in their countries worked 16- hour days. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out .Price fixing crippled normal market forces .Employees were terminated based on personalities. Influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high volume on fairness and equal rights. Antitrust laws were instituted, government agencies were established .Unions were organized, laws and regulations were established.

If organization stakeholders conclude that management is not measuring up to ethical standards, investors will sell their stock. Concerned employees unionize and bargain collectively and seek employment elsewhere. Customers switch to competitors. Suppliers can find other buyers.

Community and society can do anything from staging protest marches and urging boycotts to stimulating political and governmental actions.

Henry Posters (2003) explains that destructive effects occur when leadership of a company doesn't behave ethically. Running a business ethically is good for business; he says "Business Ethics" means the standards of conduct of individual business people. A business that behaves ethically induces other business associates to behave ethically as well. If a company exercises particular care in meeting all responsibilities to employees, customers, suppliers, it usually is awarded with a high degree of loyalty, honesty ,quality ,productivity. When individuals operate with a sense of confidence regarding the ethical soundness of their position, their mind and energies are freed for maximum productivity and creativity. When practicing unethical behaviors, the individual find it necessary to engage in exhausting subterfuge resulting in diminished effectiveness and reduced success.

Joanne B. Ciulla (2004) explains that empowerment entails the confidence, desire, and most important, the ability of people to bring about real change. Workers do a better job when they have a say in their work. Without trust, the hallmark of ethical culture and "Transformational Leadership" there is no cooperation, no communication, no commerce, and no community. Companies (Honda) in which workers are trusted and trust each other collaborate more readily ,solve problems faster, and take more creative risks in innovation.

The following chart taken from “The Ethical Imperative” (John Dalla Costa, 1998) lists the business benefits from an ethical orientation.

Table 2 Business Benefits from an Ethical Orientation.

An ethical corporate character wins trust.	In a world of globalization and market convergence ,reputation is critical and even more important differentiator
A trusted company earns greater loyalty from customers	Saturn and Xerox have achieved outstanding retention and satisfaction rates from customers by focusing on issues of integrity.
A trusted company attracts and holds on to trusting people.	The people with the skills that companies most covet are in short supply and will gravitate to, and perform for, those companies like Hewlett-Packard that provide a sense of purpose.
A trusted company attracts responsible strategic partners.	Companies, like people, want to link up with organizations that are not only successful but responsible enough to manage a fruitful relationship
A trusting work environment	People will innovate if they trust that they will not be arbitrarily

creates the support that fuels creativity.	punished for failure .All the scientific research into innovation ,including professor Warren Bennis ‘s work in Organizing Genius ,confirms the importance of group support and mutuality.
A trusting work environment is faster and more responsive.	When people don’t have to look over their shoulders, they can focus all their energy on walking ahead. Trust minimizes “cover your ass” tactics that only slow down work.
A trusting work environment is more open to change.	Trust begets trust. Trust is the only antidote to fear.
A trusting company is motivated to produce excellence in both revenues and social results.	Enduring companies are defined by their beliefs and traditions, never just by their products.
A trusting company creates personal growth opportunities for its people.	Particularly in the knowledge economy, companies that neglect the intellectual wisdom growth of their people are risking joining Arie de Geus’s list of prematurely expired organizations. Ironically in business it is not the good that die young.

Stroh & Reilly (2004) pointed out that the pride and sense of identification that employees feel for their company correlates to their commitment. High performance is based on high passion and it is counter to every human intuition and experience to expect bullied and bloodied employees to be caring and proactive. They explained that there are systematic links

between employee loyalty and organizational performance, manifested in employees' willingness to assume responsibility for their work and to perform their task in a highly reliable way. Employees who are accorded respect and dignity learn better, do better at problem solving and are better able to provide highly satisfying service to customers. Companies that build trust and treat employees with respect are more successful and the ethical advantage they achieve becomes more important even in an economic downturn or time of crisis. When your customers, employees and the community can trust your company to behave in an ethical manner, they will stand by you and favor your firm over a less trustworthy competitor.

Robert Waterman, coauthor with Tom Peters of a landmark study of corporate excellence is quoted in "Ethics , the Heart of Leadership" (2004); he concludes "companies that set profits as their no. 1 goal are actually less profitable in the long run than people –centered companies. "Profit is important but it is most readily achieved when it shares priority with values of relationship building and trust."

In "Ethics , the Heart of Leadership" (2004) Amitai Etzioni explains: "moral commitments reduce what economists call "moral hazards" ,specifically the stronger the moral underwriting of implicit contracts the lower the transaction cost, resulting in less of a need to buy hedge protection. Efficiency is a result not just of streamlined processes and cost control but of smooth and reciprocal interaction between people. Therefore leaders must set the context in which the business operates and provide rules for achieving its results. This is only the beginning. To be effective in the sphere of ethics the CEO needs that inner discipline and vision to balance self interest and competitive instincts demanded by the market with the legal and moral responsibilities expected by the community.

Leaders have never been solely about intelligence or strategic smarts. A leader must not only choose the optimum direction but also inspire people to do their best individually and within teams to realize the organization's goals. This requires moral authority –the regard and trust earned by example that the leader understands not only the difficulties of the situation but also the difficulties of the people led.

As to why exercising social responsibility is good business, Thompson & al. (2010) explain that exercising social responsibility generates internal benefits (in employee recruitment, workforce retention, employee morale, and training). Companies with good reputation are more able to attract and retain employees compared to companies with tarnished reputations. Employees feel better about working for a company committed to improving society. The outcome would be lower turnover and better work productivity.

Direct and indirect economic benefits include lower costs of staff recruitment and training. Workforce diversity initiative promotes success of companies that stay behind them. Making the company a great place to work pays dividends in recruiting talented workers, more creativity and energy on the part of workers, higher productivity, greater employee commitment to company business mission and success in the market place.

Exercising social responsibility reduces risk of reputation –damaging incidents that lead to increased buyer patronage. Employees, consumers, and shareholders may penalize the company for actions that are not socially responsible. For example the CEO of a major oil company said that the most negative input that the company suffered from and the one that made him fear the most was that bright young graduates are no longer attracted for work to the company. Consumer

rights activists as well as pressure groups criticize the business whose actions are considered out of the line and they are adept at getting their message to the public.

Exercising social responsibility is in the best interest of shareholders. It helps avoid or preempt legal and regulatory actions that could prove costly. Mutual funds and pension benefits managers are restricting their stock purchase to companies that meet social responsibility criteria. It enhances earning per share, profitability, and likelihood of winning contracts. Therefore there is a positive relationship between corporate citizenship and corporate financial performance.

In sum, companies that take social responsibility and environmental sustainability seriously can improve their business reputations and operational efficiency while also reducing their risk exposure and encouraging loyalty and innovation. Overall, companies that take special pains to protect the environment (beyond what is required by law), are active in community affairs, and are generous supporters of charitable causes and projects that benefit society are more likely to be seen as good investments and as good companies to work for or do business with. Shareholders are more likely to view the business case for social responsibility as a strong argument, even though they certainly have a right to be concerned whether the time and money their company spends to carry out its social responsibility strategy outweighs the benefits and reduces the bottom line by an unjustified amount.

James A. Mitchell (2001) says that business results of companies that consider the community as a stakeholder are quite consistent with Kotter and Heskett findings. In fact, as recently as a 1999 survey of fifty two academic studies on the relationship between corporate social performance and corporate financial performance showed that thirty three studies found a positive relationship

between social and financial performance; five found a negative relationship, and fourteen found no relationship or were inconclusive .Thus almost two thirds of these studies found an ethical advantage of some significance, whereas less than one tenth found the converse.”

Furthermore, James A. Mitchell (2001) refers to a 1997 paper on “the Corporate Social Performance Financial Performance Link” which provides a compelling evidence that social performance and financial performance are indeed linked and that corporate social performance is both a predictor and consequence of a company’s financial performance .That is, there is a simultaneous relationship, or a kind of virtuous circle.

Thus, we see that ethical leadership is acknowledged as a necessity in modern business, and that it’s now an opportunity ,a source of competitive advantage for companies, and a tool with which to add business value.

Stephen R. Covey, the quintessential writer on ethical leadership, in all his major writings (1989,1990,2006) advocates managing and leading based on correct and proven principles such as modeling trustworthiness(that come from character and competence),laying the foundation of trust, path finding ,building common vision, strategic priorities and values, aligning, designing and executing structures, systems and processes to encourage the empowerment of people and culture to serve the vision, strategic priorities and values selected in the path finding process.

Covey’s leader believes that the human beings are not things to be motivated and controlled. Hi s/ Her paradigm is the “Whole Person Paradigm”, which means people are 4-dimensional: have a spirit, mind, heart and body, and none of these dimensions can be neglected, because doing so will alienate people, depersonalize work and create chronic problems in an organization. Thus, neglecting the spirit creates low trust as manifested in fighting, victimism,

defensiveness, not sharing vision/values; neglecting the mind creates ambiguity, hidden agendas, political games, chaos; neglecting or disempowering the heart creates apathy, boredom, escapism, anger, fear; and neglecting the body creates co-dependency and hypocrisies. People, believes Covey, have choices, they make choices consciously or sub consciously and decide how much of themselves they will give to their work depending on how they are treated on their opportunities to use all four parts of their nature.

Covey's leader is a conscience driven person, has that inward moral sense of what is right and what is wrong, that drive toward meaning and contribution. He/she has developed his /her 4 intelligences, physical, mental, emotional and spiritual, expresses his/her voice in vision, discipline and passion, and inspires others to find their voice.

Covey's leader has mastered the "enabling art". She/he affirms the worth and potential of people so clearly that they come to see it in themselves, not just through the leaders' words but also through aligned and reinforcing systems and incentives that make people feel valued and respected, feel that their opinions are sought, their unique experiences are appreciated, that they are involved in the path finding process and that the work they are engaged in is worthy of their commitment and their best effort.

Covey's leadership has the capacity and ability to produce synergistic solutions, creative cooperation, because it is built upon the foundation of moral authority at the personal level and trust in relationships. The exemplary organization for Covey is an organization where you are doing a job that taps into your passion and a job in which your leaders become your servants- where they exist to personally or systematically help you do your job, where structures and systems are supportive, helpful, and are geared toward enabling, identifying and releasing your

potential, your talent and creativity, where you are continuously recognized and rewarded, and felt the intrinsic satisfaction of contributing significantly to a cause you felt worthy of such heartfelt commitment. In these aligned organizations and institutions co-missioning takes place, where the basic needs of the people and the organization overlap. Co-missioning taps into the passion, energy, and drive-in voice of employees who feel they are doing work they love, that they are doing it in such a way that meet their deepest needs and the needs of their organization. Their voices blend and employees feel they are intrinsically motivated to peak performance. And Covey predicts that it will be those organizations that reach a critical mass of people and teams expressing their full voice that will achieve next-level breakthrough in productivity, innovation and leadership in the market place, and society.

Covey knows that we live in an age of the "knowledge worker", where intellectual capital is supreme. "It's a knowledge worker economy", he says, and wealth creation has migrated from money and things to people. He predicts that quality knowledge work is so valuable that unleashing its potential offers organizations an extraordinary opportunity for value creation and achievement of breakthrough performance. These organizations are truly principle centered and have institutionalized moral authority, which is the institutional capacity to consistently produce quality and trusting relationships with various stakeholders.

Covey's Leadership is not only profoundly ethical based on genuine respect, caring and service toward people, but also a call for organizational greatness. His envisioned organization will survive, thrive and profoundly impact the future of the world.

3. RESEARCH QUESTION, METHODOLOGY,& HYPOTHESES

3.1 Research Question

The research question that I wanted to clarify in my study is the following:

If ethical leadership is very important for good performance of organization, can we state that the organization that is led by ethical leaders will perform better than those whose leadership doesn't focus on ethics?

3.2 Research Methodology

This study will be divided into two parts. The first will be theoretical. It will include a review of literature describing first the characteristics of an ethical organization and then revealing the link between organizational ethics and organizational good performance.

The second part will be the write-up of my field work where I will use data collected from employees working in different organizations. The statistical analysis of these data will help me lead to a conclusion about the impact of ethics on productivity and business performance.

The methodology used to obtain the information and data needed was through the administration of questionnaires. I previously tested this questionnaire to see whether it is clearly written. Afterwards, I had to partially amend it to fit in the comments and the improvement suggestions put forward by those who reviewed it. My sample was developed through visiting several MBA Programs in Lebanon AUB, LAU, and HU and targeting master's students of more than 1 year of work experience. 104 out of 120 students of more than 1 year of experience answered the questionnaire.

The answers to choose from were "1" completely disagreeing with the statement, "2" strongly disagreeing, "3" disagreeing, "4" being neutral, "5" agreeing, "6" strongly agreeing, and "7" completely agreeing.

Thus the factors reflecting ethical culture and practices identified in my literature review were:

V1 - The managers in your organization overall are ethically principled, i.e. are honest, trustworthy, have integrity, build trust and walk the talk in displaying the company's stated ethical values, are a role model and model the desired behaviors consistently and persistently.

V2 - The managers in your organization overall view what is legal as the ethical minimum and operate at well above what the law requires.

V3 - The managers in your organization overall are advocates of strong ethics compliance and treat ethics as a priority and as a performance measure.

V4 - The managers in your organization overall create an ethical culture, balance the interest of various stakeholders, help give them a sense of purpose.

V5 - The managers overall serve the greater good instead of serving their self interests, and motivate followers to put the needs or interests of the group ahead of their own.

V6 - The managers overall believe ethical strategy making is profitable, that's why they resist ethically and morally questionable business opportunities and business practices and ensure that their actions reflect integrity and high ethical standards.

V7 - The managers overall have respect for the worth and dignity of individuals who devote their energies to the business, and who depend on the business for their economic well being.

V8 - The managers overall build a transforming leadership in which they and their followers morally elevate each other toward a shared common purpose and values despite personal costs.

V9 - The managers overall display a social conscience in operating the business .Take into account how management decisions and company actions affect the well being of the employees, local communities, the environment, and the society at large .They make charitable contributions, are involved in community service endeavors and various worthy causes, including the well being of the planet.

V10 - Ethical culture is ingrained in the company's core processes ex: policies, practices and the system of the reward and recognition are aligned with the firm's core values and vision of integrity.

V11 - Ethical organization guidelines and culture support the learning of ethical values and behavior of employees.

V12 - Customers are treated with honesty.

And the measures of performance i.e. the dependent variables were defined as follows:

V13 – The organization has not obtained tarnished reputation, loss of customers, loss of investors, financial penalties and criminal sanctions because it didn't have ethical lapses, such as offense and harm done to others.

V14 - Productivity in the company is increasing.

V15 - Employee turnover in the company is decreasing.

V16 - The company has no difficulty in recruiting and retaining talented employees who care about working in ethical companies.

V17- The company has no difficulty working with partners, suppliers who are attracted to your company for their choices and ethical culture.

V18 - Employees in the organization have high morale and they feel engaged and highly committed in work.

V19 - Employees make ethical choices and decisions under the influence of company's norms and values.

V20 - The company outperforms other organizations because it has superior reputation based on managers who take social responsibility and environmental sustainability seriously. They take special pains to protect the environment (beyond what is required by law), are active in community affairs, and are generous supporters of charitable causes and projects that benefit society.

3.3 Research Hypotheses:

We formulated our research hypothesis as follows:

Whether some or all of the 12 independent variables (ethical measures) affect each of the 8 dependent variables.

4. STATISTICAL ANALYSIS

4.1 RELIABILITY TESTS

We tested the reliability of the overall data by using the Cronbach's alpha test. The SPSS output given below shows an alpha value of 0.876 which is considered to be an acceptable alpha value. Therefore we can conclude that the data is reliable and further analysis can be conducted.

Data Processing Summary

Reliability Statistics

Cronbach's Alpha	N of Items
.876	20

Then we tested the reliability of the answers regarding the independent variables (Ethical Factors) which include the different aspects of ethics to see if they were reliable. The SPSS output shows Cronbach's alpha of 0.872 which is considered a very acceptable value.

Reliability Statistics

Cronbach's Alpha	N of Items
.872	12

Finally, we tested the reliability of the answers regarding the dependant variables (performance Factors) to see if they were reliable. The SPSS output shows Cronbach's alpha of 0.819 which is considered a very acceptable value.

4. STATISTICAL ANALYSIS

4.1 RELIABILITY TESTS

We tested the reliability of the overall data by using the Cronbach's alpha test. The SPSS output given below shows an alpha value of 0.876 which is considered to be an acceptable alpha value. Therefore we can conclude that the data is reliable and further analysis can be conducted.

Case Processing Summary

Reliability Statistics

Cronbach's Alpha	N of Items
.876	20

Then we tested the reliability of the answers regarding the independent variables (Ethical Factors) which include the different aspects of ethics to see if they were reliable. The SPSS output shows Cronbach's alpha of 0.872 which is considered a very acceptable value.

Reliability Statistics

Cronbach's Alpha	N of Items
.872	12

Finally, we tested the reliability of the answers regarding the dependent variables (performance Factors) to see if they were reliable. The SPSS output shows Cronbach's alpha of 0.819 which is considered a very acceptable value.

Reliability Statistics

Cronbach's Alpha	N of Items
.819	8

... impact on the performance of organizations in Lebanon. Therefore, we
 ... an a descrip... analysis for ... ethical factors and the performance factors. Below are the tables that
 ... summarize all the information about each variable starting from V1 to V20. Please note V1 to V12 are
 ... independent variables (concerned with ethics) while V13 to V20 are dependent variables (concerned
 ... with Performance).

My scale ranges from completely disagreeing to completely agreeing. "1" being
 completely disagreeing with the statement, "2" strongly disagreeing, "3" disagreeing, "4" neutral,
 "5" agreeing, "6" strongly agreeing, and "7" completely agreeing.

Descriptive statistics for the independent variables (Ethical factors):

Variable	Mean	Median	Mode	Variance	Standard Deviation	confidence Interval 95% lower	confidence Interval 95% upper	Count
V1	3.91	4	4	2.85	1.694	3.22	4.24	104
V2	4.19	4	3	2.17	1.465	3.67	4.51	104
V3	3.92	4	3	2.75	1.656	3.00	4.25	104
V4	4	4	3	2.79	1.670	3.04	4.27	104
V5	3.91	4	3	2.54	1.594	3.61	4.22	104
V6	3.87	4	3	2.89	1.699	3.54	4.20	104
V7	3.97	4	3	2.75	1.594	3.60	4.25	104
V8	3.94	4	3	2.52	1.584	3.64	4.23	104
V9	3.83	4	3	2.22	1.489	3.53	4.12	104
V10	3.91	4	4	2.79	1.671	3.59	4.24	104
V11	4.01	4	4	2.64	1.625	3.71	4.34	104
V12	4.28	4	5	3.11	1.762	3.94	4.62	104

V1. The managers in your organization overall are ethically principled, i.e. are honest, trustworthy, have integrity, hold their word and walk the talk in displaying the company's stated ethical values, are a role model and would be desired behaviors consistently and persistently.

4.2 DESCRIPTIVE ANALYSIS

I believe ethics has an impact on the performance of organizations in Lebanon. Therefore; we ran a descriptive analysis for the ethical factors and the performance factors. Below are the tables that summarize all the information about each variable starting from V1 to V20. Please note V1 to V12 are independent variables (concerned with ethics) while V13 to V20 are dependent variables (concerned with Performance).

My scale ranges from completely disagreeing to completely agreeing. "1" being completely disagreeing with the statement, "2" strongly disagreeing, "3" disagreeing, "4" neutral, "5" agreeing, "6" strongly agreeing, and "7" completely agreeing.

Descriptive statistics for the independent variables (Ethical factors):

Variables	Mean	Median	Mode	Variance	Standard Deviation	confidence interval 95.% lower	confidence interval 95.% upper	Count
V1	3.91	4	4	2.85	1.688	3.59	4.24	104
V2	4.19	4	3	2.77	1.665	3.87	4.51	104
V3	3.92	4	3	2.78	1.668	3.60	4.25	104
V4	4	4	3	2.79	1.670	3.68	4.32	104
V5	3.91	4	3	2.54	1.594	3.61	4.22	104
V6	3.87	4	3	2.89	1.699	3.54	4.20	104
V7	3.95	4	5	2.35	1.534	3.66	4.25	104
V8	3.94	4	3	2.52	1.586	3.64	4.25	104
V9	3.83	4	3	2.22	1.490	3.54	4.12	104
V10	3.91	4	4	2.79	1.671	3.59	4.24	104
V11	4.03	4	4	2.64	1.626	3.71	4.34	104
V12	4.28	4	5	3.11	1.762	3.94	4.62	104

*V1: The managers in your organization overall are **ethically principled**, i.e. are honest, trustworthy, have integrity, build trust and walk the talk in displaying the company's stated ethical values, are a role model and model the desired behaviors consistently and persistently.*

The count indicates that 104 observations were used to conduct the descriptive statistics. The mean for V1 (managers are ethically principled) was 3.91, median was 4, mode was also 4. We conclude that managers are generally perceived by their subordinates as neutral, neither completely ethically principled nor the opposite. The variance showed a score of 2.85 and standard deviation of 1.688. The lower confidence interval *is*: 3.59 while the upper *one is*: 4.25 at 0.95% confidence *level*. This indicates that employees are mostly neutral about the ethicality of their managers (they perceive them as being neither ethical nor unethical). We also notice that there are no extreme values and no outliers.

V2: *The managers in your organization overall view what is legal as the ethical minimum and operate at well above what the law requires.* The mean for V2 (managers viewing what is legal as ethical minimum) was 4.19, median was 4, mode was also 3. We conclude that managers are generally perceived by their subordinates as neutral. The variance showed a score of 2.77 and standard deviation of 1.665. The lower confidence interval *is*: **3.87** while the upper one *is*: **4.51** at 0.95% confidence *level* which indicates that employee's perception of viewing what is legal as ethical minimum varies between neutrality and agreeing. We also notice that there are no extreme values and no outliers.

V3: *The managers in your organization overall are advocates of strong ethics compliance and treat ethics as a priority and as a performance measure.* The mean for V3 (managers treat ethics as a priority) was 3.92, median was 4, mode was also 3. We conclude that managers are generally perceived by their subordinates as neutral. The variance showed a score of 2.78 and standard deviation of 1.668. The lower confidence interval *is*: 3.60 while the upper *one is*: 4.25 at 0.95% confidence *level*. This indicates that employees are mostly neutral about

their managers considering ethics as a priority. We also notice that there are no extreme values and no outliers.

V4: *The managers in your organization overall create an ethical culture, balance the interest of various stakeholders, help give them a sense of purpose.* The mean for V4 was 4, median was 4, and mode was 3. We conclude that managers are generally perceived by their subordinates as neutral. The variance showed a score of 2.79 and standard deviation of 1.670. The lower confidence interval is: 3.68 while the upper one is: 4.32 at 0.95% confidence level. This indicates that employees are mostly neutral about their managers creating an ethical culture. We also notice that there are no extreme values and no outliers.

Descriptive statistics for the dependent variables (Performance factors):

My scale ranges from completely disagreeing to completely agreeing. "1" being completely disagreeing with the statement, "2" strongly disagreeing, "3" disagreeing, "4"neutral, "5"agreeing, "6"strongly agreeing, and "7"completely agreeing.

Variables	Mean	Median	Mode	Variance	Standard Deviation	confidence interval 95.% lower	confidence interval 95.% upper	Count
V13	4.25	4	3	3	1.731	3.91	4.58	104
V14	4.33	5	5	2.99	1.73	4.00	4.67	104
V15	3.90	4	5	2.73	1.652	3.58	4.21	104
V16	3.74	3	3	2.67	1.635	3.43	4.06	104
V17	4.25	4	5	2.27	1.505	3.96	4.54	104
V18	3.67	3	3	2.71	1.65	3.35	3.98	104
V19	3.9	4	3	2.0	1.644	3.59	4.22	104
V20	3.77	4	4	2.22	1.489	3.48	4.06	104

V13: *Your organization has not obtained tarnished reputation, loss of customers, loss of investors, financial penalties and criminal sanctions because of no ethical lapses, such as offense and harm done to others.* The count indicates that 104 observations were used to conduct

the descriptive statistics. The mean for V13 was 4.25 (slightly above neutral), median was 4, mode was 3. We conclude that companies obtaining tarnished reputation as perceived by the employees is generally decreasing thus customer and investor retention is improving. Our aim is then to discover what factors contribute for such improvement. The variance showed a score of 3 and standard deviation of 1.731. The **lower confidence interval is: 3.91** while the upper is: **4.58** at 0.95% confidence level. We also notice that there are no extreme values and no outliers.

V14: Productivity in your company is increasing. The mean for V14 was 4.33 (slightly above neutral), median was 5, mode was 5. We conclude that productivity as perceived by the employees is generally increasing thus production is improving. Variance showed a score of 2.99 and standard deviation of 1.73. The lower confidence interval **is: 4** while the upper one **is: 4.67** at 0.95% confidence **level**. We also notice that there are no extreme values and no outliers.

V15: Employee turnover in your company is decreasing. The mean for V15 was 3.90 (neutral), median was 4, and mode was 5. The variance showed a score of 3 and standard deviation of 1.731. The lower confidence interval **is: 3.91** while the upper one **is: 4.58** at 0.95% confidence **level**. We conclude that employee turnover as perceived by the employees is generally decreasing thus employee retention is improving. We also notice that there are no extreme values and no outliers.

V16: Your company has no difficulty in recruiting and retaining talented employees who care about working in ethical companies. The mean for V16 was 3.74 (neutral), median was 3, and mode was 3. We conclude that retaining employees as perceived by the employees is generally decreasing. The variance showed a score of 2.67 and standard deviation of 1.635. The

lower confidence interval is: **3.43** while the upper one is: **4.06** at 0.95% confidence level. We also notice that there are no extreme values and no outliers.

This suggests to me that employees in the organizations of my sample are either unclear about the concept of ethics and its implications or they are passive and desensitized about their managers' ethical behavior. This was a finding that surprised and confused me.

Variables	High Significance	Low Significance
Manager GI managers	Increased productivity V14	Decreased Employee turnover (V15)
Legality of ethical business with respect to strategies	Company's attitude of company on its ethical reputation V20	Decreased Employee turnover
Ethical reward as performance incentive by managers	Increased productivity V14	Decreased Employee turnover
Ethical culture	High morale and commitment of employees V11	Decreased Employee turnover
Managers become an inherent source of moral goals	Overperformance of company due to superior reputation V20	Decreased Employee turnover
Managers reflecting ethical behavior in variables	Employees doing ethical choices and decisions V12	Decreased Employee turnover
Manager respect individuals	Increased productivity V14	Decreased Employee turnover
Managers build new learning techniques	Employees doing ethical choices and decisions V12	Decreased Employee turnover
Managers building social concerns	Employees doing ethical choices and decisions V12	Decreased Employee turnover
Organizational culture in companies and procedures	Increased productivity V14	Decreased Employee turnover
Executive support system	Employees doing ethical choices and decisions V12	Decreased Employee turnover
Good customer service	Increased productivity V14	Decreased Employee turnover

From the table above we can conclude the following:

- The correlation between the ethicality of managers and the increase in productivity is 0.728 which indicates that the correlation between ethicality of managers and productivity is highly significant at a 0.05 level. The correlation between ethicality

4.3 Correlation Matrix:

The correlation matrix set (attached in the following page) is comparing the independent variables with each with each other and with each of the dependent variables. Our aim is to see the significance between independent vs. independent variables in order to measure the significance of the relationships between them. The table below shows each of the independent variables (V1-V12) and its corresponding high significance and low significance dependent variable(V13-V20).

Variable	High Significance	Low Significance
1 Ethicality Of managers	Increased productivity V14	Decreased Employee turnover(V15)
2 Legality is ethical minimum with respect to managers	Outperformance of company due to superior reputation V20	Decreased Employee turnover
3 Ethics treated as performance measure by managers	Increased productivity V14	Decreased Employee turnover
4 Ethical culture	High morale and commitment of employees V18	Decreased Employee turnover
5 Managers behave as leaders(serving greater good)	Outperformance of company due to superior reputation V20	Decreased Employee turnover
6 Managers believing Ethical strategy is profitable	Employees doing ethical choices and decisions V19	Decreased Employee turnover
7 Managers respect individuals	Increased productivity V14	Decreased Employee turnover
8 Managers build transforming leadership	Employees doing ethical choices and decisions V19	Decreased Employee turnover
9 Managers building social conscious	Employees doing ethical choices and decisions V19	Decreased Employee turnover
10 Ethical culture ingrained in companies core processes	Increased productivity V14	Decreased Employee turnover
11 Culture support ethics	Employees doing ethical choices and decisions V19	Decreased Employee turnover
12 Good customer service	Increased productivity V14	Decreased Employee turnover

From the table above we can conclude the following:

- 1- The correlation between the **ethicality of managers** and the **increase in productivity** is: **0.728** which indicates that the correlation between ethicality of managers and productivity is highly significant at a 0.05 level. The correlation between **ethicality**

of managers and decreased employee turnover is 0.311 which indicates that the correlation between ethicality of managers and decreased employee turnover is the lowest at 0.05 level.

- 2- The correlation between **treating legality as ethical minimum by managers and outperformance of the company** due to superior reputation as perceived by employees is **0.743** which indicates that the correlation between treating legality as ethical minimum by managers and outperformance of the company due to superior reputation is highly significant at 0.05 level. The correlation between **treating legality as ethical minimum** by managers and **decreased employee turnover** is **0.413** which indicates that the correlation between treating legality as ethical minimum by managers and decreased employee turnover is the lowest at 0.05 level.
- 3- The correlation between **treating ethics as a performance measure by managers and increased productivity** as perceived by employees is **0.738** which indicates that the correlation between treating ethics as a performance measure by managers and increased productivity is highly significant at 0.05 level. The correlation between **treating ethics as a performance measure by managers and decreased employee turnover** is **0.426** which indicates that the correlation between treating ethics as a performance measure by managers and decreased employee turnover is the lowest at 0.05 level.
- 4- The correlation between **ethical culture and high morality and commitment of employees** as perceived by employees is **0.742** which indicates that the correlation between ethical culture and high morality and commitment of employees as perceived

by employees is highly significant at 0.05 level. The correlation between **ethical culture** and **decreased employee turnover** is **0.488** which indicates that the correlation between ethical culture and decreased employee turnover is the lowest at 0.05 level.

5- The correlation between **managers behaving as leaders** and **outperformance of the company due to superior reputation** is **0.741** which indicates that the correlation between managers behaving as leaders and outperformance of the company due to superior reputation as perceived by employees is highly significant at 0.05 level. The correlation between managers behaving as leaders and **decreased employee turnover** is **0.519** which indicates that the correlation between managers behaving as leaders and decreased employee turnover is the lowest at 0.05 level.

6- The correlation between **managers believing ethical strategy is profitable** and **employees choosing ethical choices and decisions** as perceived by employees is **0.736** which indicates that the correlation between managers believing ethical strategy is profitable and employees choosing ethical choices and decisions as perceived by employees is highly significant at 0.05 level. The correlation between managers believing ethical strategy is profitable and **decreased employee turnover** is **0.550** which indicates that the correlation between managers believing ethical strategy is profitable and decreased employee turnover is the lowest at 0.05 level.

7- The correlation between managers respecting individuals and increased productivity as perceived by employees is 0.749 which indicates that the correlation between managers respecting individuals and increased productivity as perceived by

employees is highly significant at 0.05 level. The correlation between managers respecting individuals and **decreased employee turnover** is **0.415** which indicates that the correlation between managers respecting individuals is profitable and decreased employee turnover is the lowest at 0.05 level.

8- The correlation between managers building transforming leadership and employees making ethical decisions as perceived by employees is 0.743 which indicates that the correlation between managers building transforming leadership and employees making ethical decisions as perceived by employees is highly significant at 0.05 level. The correlation between managers building transforming leadership and **decreased employee turnover** is **0.489** which indicates that the correlation between managers building transforming leadership and decreased employee turnover is the lowest at 0.05 level.

9- The correlation between managers building social conscious and employees making ethical decisions as perceived by employees is 0.735 which indicates that the correlation between managers building social conscious and employees making ethical decisions as perceived by employees is highly significant at 0.05 level. The correlation between managers building social conscious and **decreased employee turnover** is **0.475** which indicates that the correlation between managers building social conscious and decreased employee turnover is the lowest at 0.05 level.

10- The correlation between ingrained ethical culture in company's core processes and increased productivity as perceived by employees is 0.742 which indicates that the correlation between ingrained ethical culture in company's core processes and

increased productivity as perceived by employees is highly significant at 0.05 level.

The correlation between ingrained ethical culture in company's core processes and **decreased employee turnover** is **0.519** which indicates that the correlation between ingrained ethical culture in company's core processes and decreased employee turnover is the lowest at 0.05 level.

11- The correlation between culture supporting ethics and employees making ethical decisions as perceived by employees is 0.735 which indicates that the correlation between culture supporting ethics and employees making ethical decisions as perceived by employees is highly significant at 0.05 level. The correlation between culture supporting ethics and **decreased employee turnover** is **0.513** which indicates that the correlation between culture supporting ethics and decreased employee turnover is the lowest at 0.05 level.

12- The correlation between good customer service and increase productivity as perceived by employees is 0.730 which indicates that the correlation between correlation between good customer service and increase productivity as perceived by employees is highly significant at 0.05 level. The correlation between good customer service and **decreased employee turnover** is **0.486** which indicates that the correlation between good customer service and decreased employee turnover is the lowest at 0.05 level.

- **The correlation matrix reveals the following patterns:**

- 1- Ethicality of managers, treating ethics as a performance measure, managers respecting individuals, ethical culture, and good customer significance are mostly significant with productivity.
- 2- Ethical strategy, managers building transforming leadership, managers building social consciousness, and culture supporting ethics are mostly significant with employees doing ethical choices and decisions.
- 3- Legality as ethical minimum and managers behaving as leaders are mostly significant with outperformance.
- 4- Overall ethical culture is highly significant with high morale and commitment of employees.
- 5- The relationships of independent variables with the turnover rate always take the lowest significance. This may mean that the ethical culture and ethical practices of the managers are not affecting employees' decisions to leave their workplace. I believe that the same rationale that I used to try to explain the Lebanese employees lack of clear comprehension of ethics and its implications in our descriptive analysis maybe true here also.

4.4 One Way Anova Test

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
v13	Between Groups	10.266	2	5.133	1.738	0.181
	Within Groups	301.296	102	2.954		
	Total	311.562	104			
v14	Between Groups	10.744	2	5.372	1.823	0.167
	Within Groups	300.589	102	2.947		
	Total	311.333	104			
v15	Between Groups	15.558	2	7.779	2.958	0.056
	Within Groups	268.289	102	2.63		
	Total	283.848	104			
v16	Between Groups	7.514	2	3.757	1.416	0.247
	Within Groups	270.543	102	2.652		
	Total	278.057	104			
v17	Between Groups	10.908	2	5.454	2.476	0.089
	Within Groups	224.654	102	2.202		
	Total	235.562	104			
v18	Between Groups	4.832	2	2.416	0.891	0.413
	Within Groups	276.501	102	2.711		
	Total	281.333	104			
v19	Between Groups	9.652	2	4.826	1.814	0.168
	Within Groups	271.395	102	2.661		
	Total	281.048	104			
v20	Between Groups	10.434	2	5.217	2.418	0.094
	Within Groups	220.08	102	2.158		
	Total	230.514	104			

I conducted the one way Anova test to see whether the means of performance factors differ between industries.

- **Null Hypothesis:** All population means are equal.
- **Alternative hypothesis:** At least one mean is different.

We look at the significance of the dependent variables one by one :

- V13: significance $0.181 > 0.05$
- V14:significance $0.167 > 0.05$
- V15:significance $0.056 > 0.05$
- V16:significance $0.247 > 0.05$
- V17:significance $0.089 > 0.05$
- V18:significance $0.413 > 0.05$
- V19:significance $0.168 > 0.05$
- V20:significance $0.094 > 0.05$

- We can conclude that industry doesn't affect any of these dependent variables; The Organization has not lost its customers and investors because of ethical lapses, such as offense and harm done to others, productivity in your company is increasing, Employee turnover in your company is decreasing, company has no difficulty in recruiting and retaining talented employees who care about working in ethical companies, company has no difficulty working with partners, suppliers who are

attracted to your company for its choices and ethical culture, employees have high morale and they feel engaged and highly committed in work, employees make ethical choices and decisions under the influence of company's norms and values, and company outperforms other organizations because it has superior reputation.

Model Summary^a

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1.	.913 ^a	.833	.832	0.53498	1.762

a. Predictors: (Constant), ethical score
 b. Dependent Variable: PERFORMANCE SCORE

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1.	Regression	147.212	1	147.212	514.308	.000 ^b
	Residual	29.479	103	0.286		
	Total	176.69	104			

a. Predictors: (Constant), ethical score
 b. Dependent Variable: PERFORMANCE SCORE

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1.	(Constant)	0.678	0.135			4.305	.000
	ethical score	0.833	0.037	.913		22.68	.000

a. Dependent Variable: PERFORMANCE SCORE

4.5 REGRESSION ANALYSIS

- We ran the regression analysis using the “enter” Method to the dependent variables (Performance score) vs. independent variables (Ethical score) to see the overall effect of ethics on performance. Scores were calculated by averaging the different aspects of ethics or performance to get 1 score that can sum up all the aspects together.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.913 ^a	0.833	0.832	0.53498	1.762

a. Predictors: (Constant), ethical score

b. Dependent Variable: PERFORMANCE SCORE

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	147.212	1	147.212	514.369	.000 ^a
	Residual	29.479	103	0.286		
	Total	176.69	104			

a. Predictors: (Constant), ethical score

b. Dependent Variable: PERFORMANCE SCORE

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.678	0.155		4.385	0
	ethical score	0.829	0.037	0.913	22.68	0

a. Dependent Variable: PERFORMANCE SCORE

The model summary table above shows the value of R^2 and the coefficient of Durbin-Watson.

The term R-squared refers to the fraction of variance explained by a model. The R^2 value in this case indicates how much of the first measure of the dependent variable, i.e.83.3% of performance score can be explained by the ethical score.

The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable.

By looking at the B column under the Unstandardized Coefficients column we can present the regression equation as:

$$Y1 = 0.829X + 0.678$$

We then ran the regression analysis using the “Stepwise” Method to each of the dependent variables(Performance Factors) vs. all independent variables (Ethical Factors) to eliminate all non affecting factors i.e. to eliminate collinearity.

Regression 1: The first model aims at discovering which of the independent variables affect the good reputation of the company by running stepwise regression of variable V13(**Organization has not obtained tarnished reputation, loss of customers, loss of investors, financial penalties** and criminal sanctions because of ethical lapses, such as offense and harm done to others) on all independent variables. The model summary table below shows the value of R^2 . The term R-squared refers to the fraction of variance explained by a model. The R^2 value in this case indicates how much of the first measure of the dependent variable, i.e. 59.1% of Organization not obtaining tarnished reputation can be explained by the independent variables: customer service, support of ethical altitudes, respect of managers toward employees Durbin-Watson Statistic is a measure used to detect correlations.

Model Summary^d

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
	.768 ^c	0.591	0.578	1.124	0.017	4.233	1	101	0.042

c. Predictors: (Constant), v12, v11, v7

d. Dependent Variable: v13

The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable.

ANOVA^d

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	184.005	3	61.335	48.565	.000 ^c
	Residual	127.557	101	1.263		
	Total	311.562	104			

c. Predictors: (Constant), v12, v11, v7

d. Dependent Variable: v13

Coefficients^a

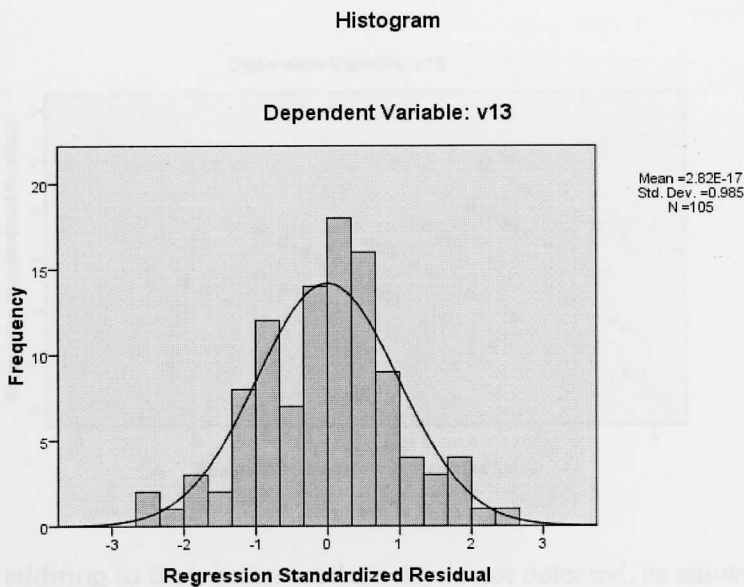
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.205	0.308		3.908	0	0.593	1.816
	v12	0.712	0.067	0.724	10.667	0	0.579	0.844
2	(Constant)	0.778	0.319		2.438	0.017	0.145	1.411
	v12	0.508	0.087	0.517	5.825	0	0.335	0.681
	v11	0.322	0.095	0.303	3.408	0.001	0.135	0.51
3	(Constant)	0.587	0.328		1.791	0.076	-0.063	1.237
	v12	0.392	0.103	0.399	3.824	0	0.189	0.596
	v11	0.262	0.098	0.246	2.681	0.009	0.068	0.455
	v7	0.235	0.114	0.208	2.058	0.042	0.008	0.462

a. Dependent Variable: v13

By looking at the B column under the Unstandardized Coefficients column we can present the regression equation as:

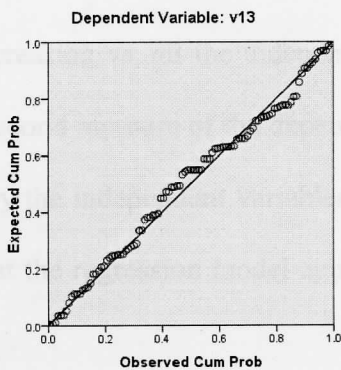
$$Y1 = 0.392X_1 + 0.262X_2 + 0.235X_3 + 0.587$$

As per above mentioned regression table good customer service, support of ethical altitude, respect of managers toward employees positively affects the company Good will as perceived by employees and as are relevant by the high significance of P-values: 0.000, 0.009, and 0.042.

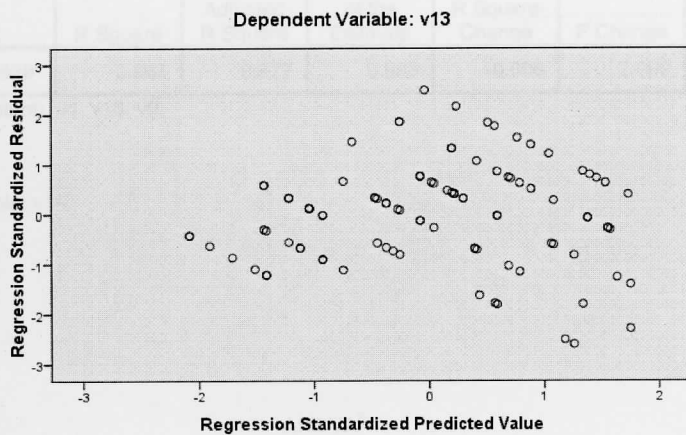


The histogram and the P-P plot below show that the independent variables are normally distributed. The histogram shows a bell-shaped curve and the normal plot of the residuals shows the points close to the diagonal line.

Normal P-P Plot of Regression Standardized Residual



Scatterplot



In addition to that, heteroscedasticity is not detected, as shown in the above graph.

Regression 2: The Second model aims at discovering which of the independent variables affect the increased productivity of the company by running stepwise regression of variable V14 (Productivity is increasing vs. all the independent variables. The R^2 value in this case indicates how much of the second measure of the dependent variable, i.e. 68.7% of increasing productivity can be explained by the independent variables: V1, V10 and V9. The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable.

Model Summary^f

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
5	.829 ^e	0.687	0.677	0.983	-0.006	2.099	1	100	0.15	1.567

e. Predictors: (Constant), v1, v10, v9

Dependent Variable: v14

ANOVA^f

Model		Sum of Squares	df	Mean Square	F	Sig.
5	Regression	213.744	3	71.248	73.738	.000 ^e
	Residual	97.59	101	0.966		
	Total	311.333	104			

e. Predictors: (Constant), v1, v10, v9

f. Dependent Variable: v14

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	0.996	0.312		3.191	0.002	0.377	1.615
v7	0.844	0.074	0.749	11.461	0	0.698	0.99
2 (Constant)	0.664	0.294		2.26	0.026	0.081	1.246
v7	0.527	0.096	0.468	5.513	0	0.338	0.717
v1	0.405	0.087	0.395	4.657	0	0.233	0.577
3 (Constant)	0.551	0.282		1.95	0.054	-0.009	1.111
v7	0.285	0.117	0.252	2.431	0.017	0.052	0.517
v1	0.349	0.085	0.34	4.119	0	0.181	0.517
v10	0.33	0.1	0.319	3.309	0.001	0.132	0.528
4 (Constant)	0.344	0.287		1.199	0.233	-0.225	0.912
v7	0.176	0.122	0.156	1.449	0.15	-0.065	0.418
v1	0.283	0.086	0.276	3.275	0.001	0.112	0.455
v10	0.316	0.097	0.305	3.245	0.002	0.123	0.509
v9	0.248	0.097	0.214	2.551	0.012	0.055	0.441
5 (Constant)	0.408	0.285		1.433	0.155	-0.157	0.973
v1	0.317	0.084	0.309	3.787	0	0.151	0.483
v10	0.395	0.081	0.382	4.903	0	0.235	0.555
v9	0.297	0.092	0.256	3.245	0.002	0.115	0.479

a. Dependent Variable:
v14

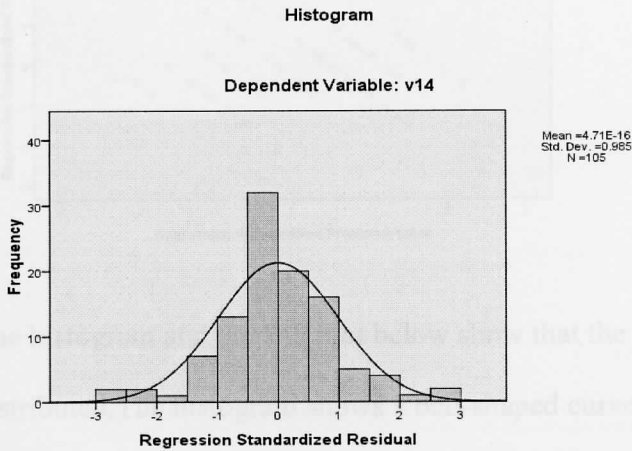
By looking at the B column under the Unstandardized Coefficients column we can present the regression equation as:

$$Y1 = 0.317X_1 + 0.395X_2 + 0.297X_3 + 0.408$$

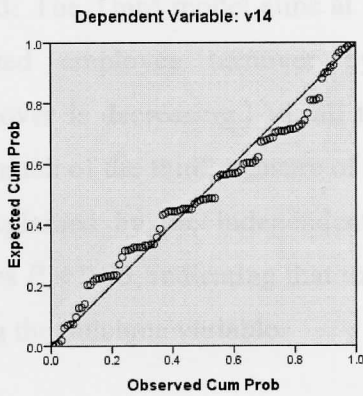
As per above mentioned regression table ethically principled managers, engrained ethical culture, and managers displaying social consciousness positively affects the increasing

productivity as perceived by employees and as are relevant by the high significance of P-values:

0.000, 0.000, 0.002.

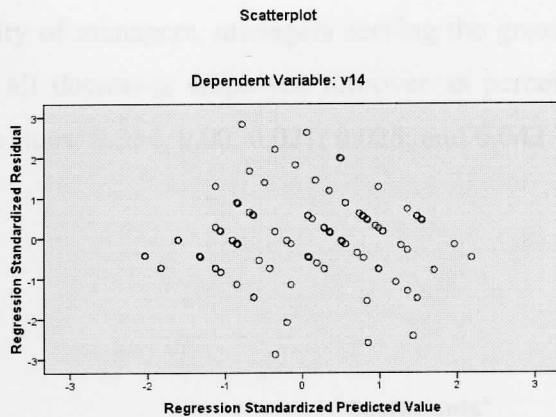


Normal P-P Plot of Regression Standardized Residual



Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. F Change	Cohen's kappa
				R Square Change	F Change	df1	df2		
.827	.684	.645	1.77	.684	4.228	1	99	.000	1.770



The histogram and the P-P plot below show that the independent variables are normally distributed. The histogram shows a bell-shaped curve and the normal plot of the residuals shows the points close to the diagonal line. In addition to that, heteroscedasticity is not detected, as shown in the above graph.

Regression 3: The Third model aims at discovering which of the independent variables affect the decreased employee turnover by running stepwise regression of variable V15 (Employee turnover is decreasing.) vs. all the independent variables. The R^2 value in this case indicates how much of the third measure of the dependent variable, i.e. 43.2% of decreasing turnover can be explained by the independent variables: V6, V1, V5, V12 and V11. The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable.

Model Summary^f

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
3	.657 ^e	0.432	0.403	1.277	0.024	4.225	1	99	0.042	1.758

Predictors: (Constant), v6, v1, v5, v12, v11

Dependent Variable: v15

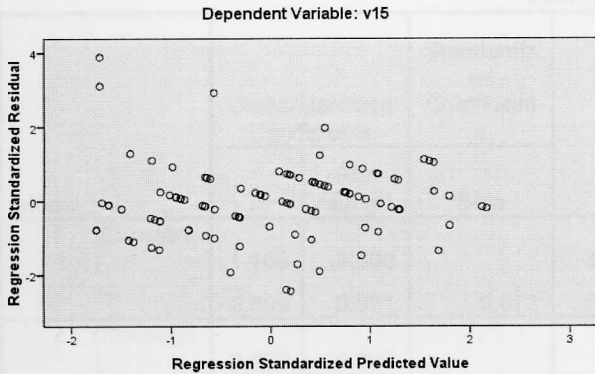
As per above mentioned regression table managers believing ethical strategy making profitable, ethicality of managers, managers serving the greater good, customers treated with honesty, and supporting ethics all decreases employee turnover as perceived by employees and as are relevant by the significance of P-values: 0.034, 0.00, 0.021, 0.025, and 0.042.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error				Beta	Lower Bound
1 (Constant)	1.827	0.338		5.41	0	1.157	2.497
v6	0.535	0.08	0.55	6.684	0	0.376	0.694
2 (Constant)	2.071	0.355		5.841	0	1.368	2.775
v6	0.718	0.121	0.738	5.942	0	0.478	0.957
v1	-						
	0.243	0.122	-0.248	-2	0.048	-0.484	-0.002
3 (Constant)	1.83	0.356		5.146	0	1.125	2.536
v6	0.503	0.142	0.518	3.555	0.001	0.223	0.784
v1	-						
	0.404	0.132	-0.413	-3.055	0.003	-0.666	-0.142
v5	0.434	0.161	0.419	2.696	0.008	0.115	0.754
4 (Constant)	1.604	0.361		4.448	0	0.889	2.319
v6	0.364	0.15	0.374	2.419	0.017	0.065	0.662
v1	-						
	0.529	0.14	-0.54	-3.79	0	-0.806	-0.252
v5	0.434	0.157	0.419	2.756	0.007	0.122	0.746
v12	0.294	0.124	0.313	2.376	0.019	0.048	0.539
5 (Constant)	1.432	0.365		3.927	0	0.708	2.155
v6	0.264	0.156	0.271	1.692	0.094	-0.046	0.573
v1	-						
	0.593	0.141	-0.606	-4.21	0	-0.873	-0.314
v5	0.37	0.158	0.357	2.344	0.021	0.057	0.684
v12	0.277	0.122	0.295	2.27	0.025	0.035	0.519
v11	0.281	0.137	0.276	2.055	0.042	0.01	0.552

a. Dependent Variable:
v15

Scatterplot



In addition to that, heteroscedasticity is not detected, as shown in the graph above.

ression 4: The fourth model aims at discovering which of the independent variables affect the good
 tment and retainement of talented employees by running stepwise regression of variable V16 (Company h
 ficulty in recruiting and retaining talented employees who care about working in ethical companies.)vs. all
 endent variables. The R^2 value in this case indicates how much of the fourth measure of the dependent
 le, i.e. 55.7% of company has no difficulty in recruiting and retaining talented employees can be explained
 dependent variables: V4, V7 ,V3, and V8 . The ANOVA table shows $P < 0.05$, indicating that the regression
 applied is significantly good enough in predicting the outcome variable.

Model Summary[°]

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
	.746 ^d	0.557	0.539	1.11	0.034	7.63	1	100	0.007	2.066

redictors: (Constant), v4, v7, v3, v8

endent Variable: v16

ANOVA[°]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	154.868	4	38.717	31.429	.000 ^d
	Residual	123.189	100	1.232		
	Total	278.057	104			

redictors: (Constant), v4, v7, v3, v8

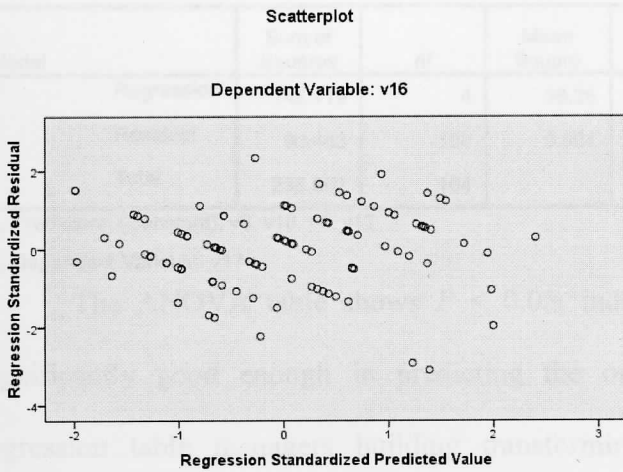
endent Variable: v16

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
	1 (Constant)	1.108	0.309				3.584
v4	0.659	0.071	0.673	9.225	0	0.517	0.8
2 (Constant)	0.679	0.325		2.09	0.039	0.035	1.324
v4	0.407	0.104	0.415	3.903	0	0.2	0.613
v7	0.364	0.113	0.341	3.205	0.002	0.139	0.588
3 (Constant)	0.72	0.32		2.248	0.027	0.085	1.356
v4	0.564	0.127	0.576	4.435	0	0.312	0.817
v7	0.471	0.123	0.442	3.834	0	0.227	0.715
v3	-						
	0.279	0.134	-0.285	-2.091	0.039	-0.545	-0.014
4 (Constant)	0.505	0.32		1.577	0.118	-0.13	1.14
v4	0.47	0.128	0.48	3.678	0	0.217	0.724
v7	0.427	0.12	0.401	3.555	0.001	0.189	0.665
v3	-						
	0.405	0.137	-0.413	-2.952	0.004	-0.677	-0.133
v8	0.319	0.116	0.31	2.762	0.007	0.09	0.549

a. Dependent Variable:
v16

As per above mentioned regression table ethical culture, managers creating an ethical culture, managers respecting the dignity of their employees, managers treating ethics as a priority, and managers building transforming leadership positively affects the recruitment and retainment of talented employees as perceived by employees and as are relevant by the high significance of P-values: 0.000, 0.001, 0.004, and 0.007.



In addition to that, heteroscedasticity is not detected, as shown in the graph above.

Regression 5: The fifth model aims at discovering which of the independent variables attracts the partners and suppliers to company by running stepwise regression of variable V17(company has no difficulty working with partners, suppliers who are attracted to your company for their choices and ethical culture.) vs. all the independent variables. The R^2 value in this case indicates how much of the fifth measure of the dependent variable, i.e. 61.6% of company has no difficulty in recruiting and retaining talented employees can be explained by the independent variables: V8, V10, V5, and V12.

Model Summary^a

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.785 ^d	0.616	0.601	0.951	0.019	5.051	1	100	0.027	2.058

a. Predictors: (Constant), v8, v10, v5, v12

b. Dependent Variable: v17

ANOVA^e

Model		Sum of Squares	df	Mean Square	F	Sig.
4	Regression	145.119	4	36.28	40.114	.000 ^d
	Residual	90.443	100	0.904		
	Total	235.562	104			

d. Predictors: (Constant), v8, v10, v5, v12

e. Dependent Variable: v17

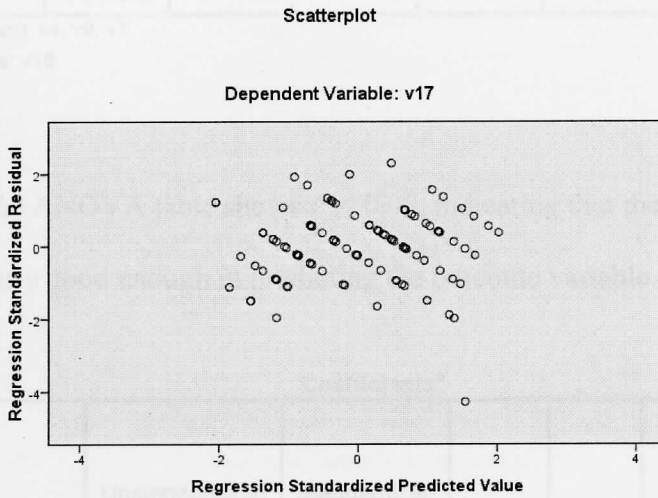
The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable. As per below mentioned regression table managers building transforming leadership, ethical culture ingrained in company's core processes, managers behaving as leaders, and good customer service attracts the partners and suppliers to company as perceived by employees and as are relevant by the high significance of P-values: 0.077, 0.061, 0.027, and 0.027.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	1.603	0.281		5.708	0	1.046	2.16
v8	0.671	0.066	0.707	10.141	0	0.54	0.802
2 (Constant)	1.249	0.274		4.551	0	0.705	1.794
v8	0.429	0.085	0.452	5.064	0	0.261	0.596
v10	0.334	0.08	0.371	4.16	0	0.175	0.494
3 (Constant)	1.125	0.273		4.126	0	0.584	1.665
v8	0.282	0.102	0.297	2.77	0.007	0.08	0.483
v10	0.258	0.084	0.286	3.057	0.003	0.09	0.425
v5	0.256	0.104	0.272	2.475	0.015	0.051	0.462
4 (Constant)	1.034	0.27		3.825	0	0.498	1.57
v8	0.192	0.107	0.203	1.789	0.077	-0.021	0.405
v10	0.173	0.091	0.191	1.897	0.061	-0.008	0.353
v5	0.23	0.102	0.243	2.248	0.027	0.027	0.433
v12	0.206	0.092	0.241	2.247	0.027	0.024	0.388

a. Dependent Variable:
v17

In addition to that, heteroscedasticity is not detected, as shown in the graph below.



Regression 6: The sixth model aims at discovering which of the independent variables affect the morale of employees by running stepwise regression of variable V18 (Employees in your organization have high morale and they feel engaged and highly committed in work) vs. all the independent variables. The R^2 value in this case indicates how much of the sixth measure of the dependent variable, i.e. 61.2% of company has no difficulty in recruiting and retaining talented employees can be explained by the independent variables: V4, V9, and V7.

Model Summary^d

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
3	.782 ^c	0.612	0.601	1.04	0.015	3.94	1	101	0.05	1.923

a. Predictors: (Constant), v4, v9, v7

b. Dependent Variable: v18

ANOVA^d

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	172.196	3	57.399	53.119	.000 ^c
Residual	109.137	101	1.081		
Total	281.333	104			

Predictors: (Constant), v4, v9, v7

Dependent Variable: v18

The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable.

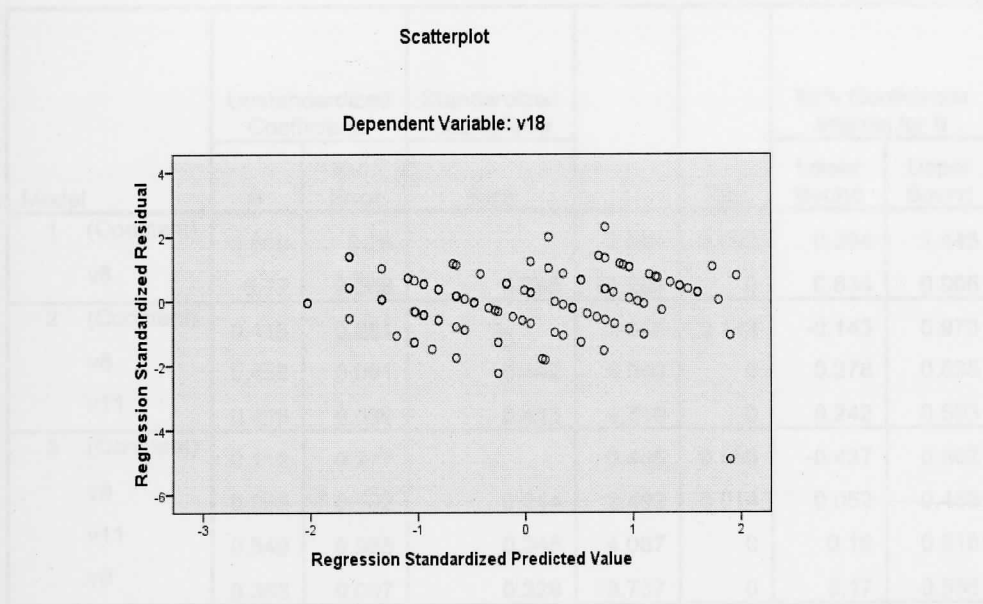
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	0.743	0.282		2.636	0.01	0.184	1.301
v4	0.731	0.065	0.742	11.24	0	0.602	0.86
2 (Constant)	0.334	0.294		1.139	0.258	-0.248	0.917
v4	0.486	0.095	0.493	5.123	0	0.298	0.674
v9	0.363	0.106	0.329	3.414	0.001	0.152	0.574
3 (Constant)	0.166	0.302		0.551	0.583	-0.432	0.765
v4	0.388	0.106	0.394	3.674	0	0.179	0.598
v9	0.288	0.111	0.261	2.593	0.011	0.068	0.509
v7	0.213	0.108	0.199	1.985	0.05	0	0.427

a. Dependent Variable:
v18

As per above mentioned regression table managers creating ethical culture, managers displaying social consciousness, and managers respecting the dignity of individuals positively affect the high morale of employees as perceived by them and as are relevant by the high

significance of P-values: 0, 0.011, and 0.05. In addition to that, heteroscedasticity is not detected, as shown in the graph below.



Regression 7: The seventh model aims at discovering which of the independent variables affect the ethical decisions done by employees by running stepwise regression of variable V19 (Employees make ethical choices and decisions under the influence of company’s norms and values) vs. all the independent variables. The R^2 value in this case indicates how much of the seventh measure of the dependent variable, i.e. 67.7% of company has no difficulty in recruiting and retaining talented employees can be explained by the independent variables: V8, V11 ,and V9. The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable.

As per below mentioned regression table managers building transforming leadership, culture supporting ethics, and managers building social conscious positively affect the ethical decisions done by employees as perceived by employees and as are relevant by the high

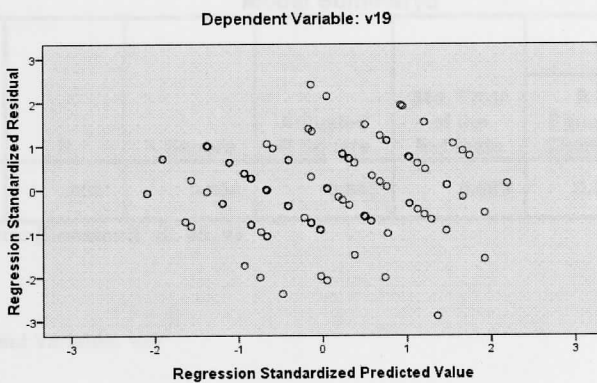
significance of P-values: 0.014, 0.000, and 0.000. In addition to that, heteroscedasticity is not detected, as shown in the graph below.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	0.869	0.29		2.994	0.003	0.294	1.445
v8	0.77	0.068	0.743	11.259	0	0.634	0.905
2 (Constant)	0.415	0.281		1.475	0.143	-0.143	0.973
v8	0.458	0.091	0.442	5.049	0	0.278	0.638
v11	0.418	0.089	0.413	4.719	0	0.242	0.593
3 (Constant)	0.112	0.277		0.405	0.686	-0.437	0.662
v8	0.253	0.102	0.244	2.492	0.014	0.052	0.455
v11	0.349	0.085	0.345	4.087	0	0.18	0.518
v9	0.363	0.097	0.329	3.737	0	0.17	0.555

a. Dependent Variable:
v19

Scatterplot



Regression 8: The eight model aims at discovering which of the independent variables affect the outperformance of the company due to superior reputation by running stepwise regression of variable V20 (Company outperforms other organizations because it has superior reputation based on managers who take social responsibility and environmental sustainability seriously. They take special pains to protect the environment (beyond what is required by law), are active in community affairs, and are generous supporters of charitable causes and projects that benefit society.) vs. all the independent variables. The R^2 value in this case indicates how much of the eighth measure of the dependent variable, i.e. 65.4% of company has no difficulty in recruiting and retaining talented employees can be explained by the independent variables: V2, V5, and V9.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
3	.808 ^c	0.654	0.643	0.889	0.027	7.986	1	101	0.006	1.887

c. Predictors: (Constant), v2, v5, v9

d. Dependent Variable: v20

ANOVA^d

Model		Sum of Squares	df	Mean Square	F	Sig.
3	Regression	150.642	3	50.214	63.497	.000 ^c
	Residual	79.872	101	0.791		
	Total	230.514	104			

c. Predictors: (Constant), v2, v5, v9

d. Dependent Variable: v20

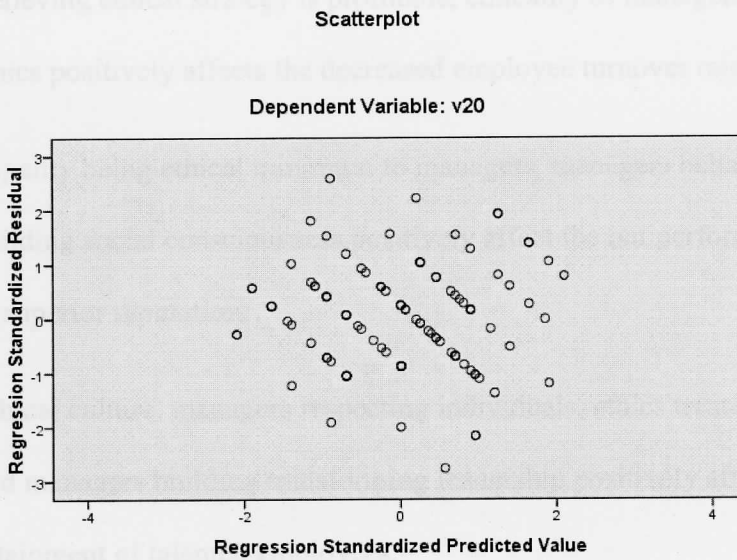
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	0.986	0.266		3.711	0	0.459	1.513
v2	0.665	0.059	0.743	11.275	0	0.548	0.782
2 (Constant)	0.649	0.255		2.54	0.013	0.142	1.155
v2	0.381	0.083	0.426	4.572	0	0.216	0.546
v5	0.39	0.087	0.418	4.483	0	0.217	0.563
3 (Constant)	0.413	0.261		1.584	0.116	-0.104	0.93
v2	0.305	0.085	0.341	3.592	0.001	0.137	0.474
v5	0.298	0.09	0.319	3.306	0.001	0.119	0.477
v9	0.238	0.084	0.239	2.826	0.006	0.071	0.406

a. Dependent Variable:
v20

The ANOVA table shows $P < 0.05$, indicating that the regression model applied is significantly good enough in predicting the outcome variable. In addition to that, heteroscedasticity is not detected, as shown in the graph above.

As per above mentioned regression table legality being ethical minimum to managers, managers behaving as leaders, and managers building social conscious positively affects the outperformance of the company due to superior reputation as perceived by employees and as are relevant by the high significance of P-values: 0.001, 0.001, and 0.006.



5. CONCLUSION, RECOMMENDATIONS, & LIMITATIONS

5.1 CONCLUSION

- Companies with higher ethical scores perform better than companies with low ethical scores.
- Higher customer service, support of ethical attitudes, and respect of managers toward their employees affect positively the company's good will.
- Ethicality of managers, ethicality of the culture, and managers building social consciousness positively affect the company's productivity.
- Believing ethical strategy is profitable, ethicality of managers, and culture supporting ethics positively affects the decreased employee turnover rate.
- Legality being ethical minimum to managers, managers behaving as leaders, managers building social consciousness positively affect the out performance of the company due to superior reputation.
- Ethical culture, managers respecting individuals, ethics treated as a performance measure and managers building transforming leadership positively affect the recruitment and retainment of talented employees.
- Building transforming leadership, ingrained ethical culture in company's core processes, managers behaving as leaders and good customer service attract the partners and suppliers to the company.

- Creating ethical culture, managers displaying social consciousness, and managers respecting the dignity of individuals positively affect the high morale of employees as perceived by them.
- Building transforming leadership, culture supporting ethics, and managers building social consciousness positively affect the ethical decisions made by employees.

5.2 LIMITATIONS

What's new about my thesis? The topic itself is new in the Lebanese society; I haven't seen any literature in Lebanon studying the link between ethics and performance. It was also a critical topic but I was very interested in talking about it regardless of several obstacles that I faced.

The topic I chose is a very sensitive topic. The only samples I could develop were employees picked randomly. I wasn't able to have an access to specific organizations and their management staff since managers refused letting me in .

If ethics is a part of life, so too are work, labor, and business. Although business is about earning a living, producing a product or service, making money, it is also about people-people you work for and with. Life, labor, businesses share the same bottom line- people. Therefore; ethical principles in general are not different from ethical business principles, which are the application of general ethical principles and standards to actions and decisions of companies and the behavior of the company personnel.

5.3 RECOMMENDATIONS

- Since ,as concluded by my literature review and statistical analysis,ethics affect performance therefore ethics should grab the attention of organizations since nowadays it is a competitive advantage. Managers in Lebanon should be aware to the importance of ethics and believe that ethics is profitable for their business in the long run.

APPENDIX A

APPENDIX A

This Survey is about "Ethics and its Impact on the performance of the organization." This questionnaire is part of the project for submission to Haigazian University. You are kindly requested to **answer all the questions and to answer frankly and honestly as possible**, because by doing so, you can make a valuable contribution to this study. It is important to note that **your responses will be kept confidential**, since their use is strictly for educational purposes. **We sincerely appreciate your collaboration** without which it is very difficult to continue this research.

Age: Below 25() 26-30 yrs () 31-35yrs () 36-45() Above 45()

Gender: Male () Female ()

Qualifications: High School () BA/BS () MA/MS/PHD ()

Position: Employee () Supervisor () Management ()

Industry: Banking () Services () other ()

Experience: 2-3 yrs () 3-6 yrs () 6-10 yrs () over 10 yrs () otherwise, please specify: _____

Please answer the following questions using the scale from 1 to 7 according to: 1 completely disagree, 2 strongly disagree, 3 disagree, 4 neutral, 5 agree, 6 strongly agree, 7 completely agree and please choose only one answer for each question.

	1	2	3	4	5	6
The managers in your organization overall are ethically principled, i.e. are honest, trustworthy, have integrity, build trust and walk the talk in displaying the company's stated ethical values, are a role model and model the desired behaviors consistently and persistently.						
The managers in your organization overall view what is legal as the ethical minimum and operate at well above what the law requires.						
The managers in your organization overall are advocates of strong ethics compliance and treat ethics as a priority and as a performance measure.						
The managers in your organization overall create an ethical culture, balance the interest of various stakeholders, help give them a sense of purpose.						
The managers in your organization overall serve the greater good instead of serving their self interests, and motivate followers to put the needs or interests of the group ahead of their own.						
The managers in your organization overall believe ethical strategy making is profitable, that's why they resist ethically and morally questionable business opportunities and business practices and ensure that their actions reflect integrity and high ethical standards.						

	1	2	3	4	5	6
The managers in your organization overall have respect for the worth and dignity of individuals who devote their energies to the business, and who depend on the business for their economic well being.						
The managers in your organization overall build a transforming leadership which they and their followers morally elevate each other toward a shared common purpose and values despite personal costs.						
The managers in your organization overall display a social conscience in operating the business .Take into account how management decisions and company actions affect the well being of the employees, local communities, the environment, and the society at large .They make charitable contributions, are involved in community service endeavors and various worthy causes, including the well being of the planet.						
-In your organization, ethical culture is ingrained in the company's core processes ex: policies, practices and the system of the reward and recognition aligned with the firm's core values and vision of integrity.						
-In your organization, ethical organization guidelines and culture support the learning of ethical values and behavior of employees.						
-In your organization customers are treated with honesty.						
- Your organization has not obtained tarnished reputation, loss of customers, loss of investors, financial penalties and criminal sanctions because of ethical lapses, such as offense and harm done to others.						
- Productivity in your company is increasing.						
- Employee turnover in your company is decreasing.						
- Your company has no difficulty in recruiting and retaining talented employees who care about working in ethical companies.						
-Your company has no difficulty working with partners, suppliers who are attracted to your company for their choices and ethical culture.						
- Employees in your organization have high morale and they feel engaged and highly committed in work.						
- Employees make ethical choices and decisions under the influence of company's norms and values .Selfishness is not a motivator of action.						
- Your company outperforms other organizations because it has superior reputation based on managers who take social responsibility and environmental sustainability seriously. They take special pains to protect the environment (beyond what is required by law), are active in community affairs, and are generous supporters of charitable causes and projects that benefit society.						

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