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IMPACTS OF ETHICAL LEADERSHIP AND DECISION MAKING ON ORGANIZATIONAL PERFORMANCE

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This thesis brings up a bit of ethical leadership and decision making in an organization. The purpose of this thesis was to investigate the relationship between ethical leadership and organizational performance. The study was conducted in Meat processing industry in Pietarsaari in 2018.

To study the relationship between ethical leadership and organizational performance, a hypothesis was written that stated, “Ethical Leadership has positive influence on organizational performance.” To check this hypothesis a quantitative survey was conducted with the help of pen and paper questionnaire survey. After carefully analyzing all the data it was concluded that the correlation between ethical leadership and organizational performance appeared to be moderate as well as positive.

Numerically, the correlation coefficient between ethical leadership and organizational performance $r = 0.298$ signifies that two variables were moderately associated. Similarly, the value of $R$-square is $0.347$, this signifies that $34.7$ percent variation on dependent variable is determined by independent variable and $p$ value is $0.039$ where null hypothesis is rejected when the $p$ value is less than $0.05$, therefore the claim is accepted.

Based on the above-mentioned results, it is concluded that ethical leadership and organizational performance are positively associated to each other.

**Key words**
Correlation, Ethical Decision, Ethical Leadership, Organizational Performance
ABSTRACT

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1 INTRODUCTION

Organizations are striving to optimally perform and therefore take all options to improve into account. Hereby, they can use ethical leadership as a tool to achieve a competitive advantage since it can be a uniquely important instrument because of the executive’s potential to influence employee behavior. Ethical leadership is a leadership that is directed by respect for ethical beliefs and values and for the dignity and right of others. Therefore, it is related to trust, honesty, consideration, charisma and fairness. Ethics is always concerned with the kinds of values and morals an individual or society finds desirable or appropriate. Consistent performance is the basic aim of any organization because performance enables the organization for further expansion. The world has seen major corporate scandals of last decade which were resulted from unethical practices. Since then ethical leadership has received considerable attention in recent years due to various corporate scandals that aroused around the globe.

The aim of the thesis is to study the relationship between ethical leadership and organizational performance. This thesis brings up together a bit of ethical leadership and decision making. What we consider an ethical decision, and how an ethical leader influences decision making. Similarly, this thesis deals with traditional vs ethical decision making, framework for ethical decision making as well as the factors that influence ethical decision making. Furthermore, this study aims to research the relationship between ethical leadership and organizational performance. In the past there have been very few similar studies such as, “The Relationship Between Ethical Leadership and Organizational Performance” by Khademfar and Amiri (2013) and “Impacts of Ethical Leadership on Organizational performance by Mediating Role of Corporate Social Responsibility: Evidence from Banking Sector of Pakistan” by Butt, Butt(a), and Ayaz. (2016). This study will certainly help as the confirmatory finding for these studies if found positive.

This thesis will examine the association between ethical leadership and organizational performance, if this study found the association between ethical leadership and organizational performance, this study will also examine the degree to which these two are associated. Brown & Tervino. (2006) argued that the question regarding relationship between executive ethical leadership and organizational performance is still open and should be studies. Therefore, keeping this view in mind, this thesis tries to examine the impacts of ethical leadership on organizational performance. Thus, the following hypothesis was derived. In this thesis, in-depth study will be conducted with the help of data analyzing software. Therefore,
all the theoretical assumptions will be tested and justified numerically as well. The hypothesis of this thesis is that: Ethical leadership has a positive influence on organizational performance.

Decision making is the foundation of every management and business activity and good decisions making starts with the purposeful, consecutive, and strategic thinking process by respective leaders. A good decision is always the result of high intention, sincere effort, intelligent direction, and of course skillful execution. This thesis examines how ethical leadership and ethical decision-making impact on organizational performance. In other words, this thesis attempts to examine the impacts of ethical leadership on organization performance.

Organizations perform various activities to accomplish their organizational objectives. It is theserepeatable activities that utilize processes for the organization to be successful that must be quantified in order to ascertain the level of performance and for management to make informed decision. Therefore, it can be said that there is a close relationship between the organizational objectives and the concept of organizational performance. It is certain that all the companies try to achieve pre-determined objectives with the help of available resources. Hence, the two aspects of the concept i.e. organizational objective, and organizational inputs or the resources can be considered in the definition of organizational performance. However, before organizational objectives and inputs, ethical leadership should appear to be in the first place because it is a factor that defines and determines the overall organizational performance.

The data were collected in August 2018 in a form of pen and paper questionnaires. A total of a hundred questionnaires were distributed in a meat processing industry in Pietarsaari, Finland. This meat industry has several sister industries managed under its parent company. This meat industry alone employs about six hundred fifty full time employees. The purpose of the study, surveyor name, and contact information were clearly mentioned in the questionnaire. In order to maintain the data anonymity, all the responses were collected in a closed box because data anonymity is really important to increase the reliability of the data and decrease the chance of social desirability. As mentioned above this meat industry alone employs about six hundred fifty full time employees, however for this particular research three specific departments were chosen. Most of the employees in this industry were Finnish or Swedish speakers, therefore the response rate is relatively low as compared to the entire population. This particular research was academic and conducted in English, therefore several employees were bit hesitant to participate in the survey.
2 LEADERSHIP

Leadership is a very important function of management. Leadership is the factor that motivates people to a higher level of performance. This chapter deals with the concept of ethical leadership and how they behave within an organization. Similarly, this chapter explains different types of leadership style and how a leadership style can influence ethical decision. Moreover, this chapter explains about the habits of strong ethical leader.

2.1 Ethical Leadership

Leadership can be defined as the art of persuading a follower to want to do the things, activities, that the leader sets as goals. Therefore, the role of leader is in the process of directing the individual’s behavior towards a desired goal. Leaders are depending on the individual leadership style that has stems from personality characteristics. Some charismatic leaders have personal power through which they engage employees, whereas other exert the positional, legitimate power. Leaders are characterized by different values, attitudes, beliefs, conduct, habits and practices and that is to a certain extent dependent upon the organizational, professional or institutional culture. Leadership in the context of normative organizational ethics would be defined with regard to how individuals should or ought to behave in an organization. This includes speculations about criteria that define ethical decision and personality characteristics. Ethical leadership is crucial and vital in providing direction that enables the organization to fulfil its mission, vision and achieve desired goals. It is regarded as a key factor in the management of an organization’s reputation in the external environment in comparison with competitors. (Bogdan, Mihelic & Metka 2010, 32.)

Ethical leadership is a leadership that is directed by respect for ethical beliefs and values and for the dignity and right of others. Therefore, it is related to trust, honesty, consideration, charisma and fairness. Ethics is always concerned with the kinds of values and morals an individual or society finds desirable or appropriate. Furthermore, it is composed of establishing positive environment with productive relationship in individual level, in a team and the overall organization. Leadership has a dominant role in shaping the ethical tone of an organization; therefore, leadership is crucial to an organization’s ability to meet increased ethical requirements. (Hartman 2013, 21-27.) According to Brown, Trevino, & Harrison (2005, 121) ethical leadership is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationship, and the promotion of such conduct to followers
through two-way communication, reinforcement and decision making.” The first part of the definition dealt with the moral person aspect who are perceived as having integrity, honesty and trustworthiness. Similarly, second part of the definition suggests about moral manager aspect. It suggests the leader moral ethical standards, proactively communicates a value laden message and diligently considers the ethical implications of his or her decision. (Brown et. al 2005, 117-134.)

Brown et al. stated their definition and conceptual development of ethical leadership around the social learning perspective. According to the authors, the social learning perspective of ethical leadership proposes that leadership modelling influences the ethical tone of employee conduct. Ethical leadership is conceptualized in terms of social learning because leaders are emulated figures; ethical leaders engage in explicit ethics-related communication and influence ethics-related outcomes through demonstration of normatively appropriate behavior. (Brown et al. 2005, 117-134.)

The first aspect of ethical leadership is that of the moral person, which represents observer’s perception of leader’s personal traits, character and altruistic motivation. The ethical aspect is reflected as fair and principled decision-makers, caring about the wider society, including other people, and leaders that believe ethically in both personal and professional life. (Brown & Trevino 2006, 595-616.) Besides the moral person, Trevino et al. labelled the other part of ethical leadership as moral manager. This aspect reflects the leader’s proactive efforts to influence followers’ ethical behavior. Ethical leaders make ethics an explicit part of their communication towards their followers. They set ethics on the agenda and visibly use and communicate ethics in order to stimulate their followers to make them more accountable for their behavior. Ethical managers really try to set an example for their followers on how to behave ethically by making ethical decisions inside and outside their organization. (Hendriks 2011, 5.)

Whether, a process, outcome or decision is perceived as ethical, it depends on the receiver’s judgement and follower’s normative appropriate conduct, or general social norms. Therefore, the conclusion that something right or wrong is partly subjective. However, people in the same culture generally have shared normative appropriate conduct and attitude. Ethical leadership is based on the followers’ perceptions of their leader’s ethical behavior. Leaders must be the attractive and credible role model, but they are only perceived as credible and trustworthy when they act on what they preach, so that followers are likely to copy their behaviors. Ethical leadership can be viewed in terms of healing and energizing powers of love, recognizing that leadership is reciprocal relation with followers. Leader’s mission is to serve and support and his passion for leading comes from compassion. Ethical leader should be composed of some major elements such as; be the example, champion on the importance of ethics and communication.
Ethical leaders can help establish a positive environment with productive relationships on three levels; the individual, the team, and the overall organization. (Ciulla 2013, 303-304.)

### 2.2 Business Ethics and Leadership

“Whatever approach an organization might have to managing business ethics, whether it is formal or informal, compliance based or value based, minimal or extensive, the role of the organization’s leader’s in demonstrating ethical leadership is going to be significant.” (Ciulla 2013.) Good examples are companies such as Walmart and Coca-Cola, which over the years have faced a range of ethical criticism, but more recently they have gone through major turnarounds, primarily led by their CEOs at the time. Similarly, the Unilever CEO Paul Polman is widely credited with investigating the company’s lauded Sustainable Living Plan. (Crane & Matten 2016, 136.)

Leaders are the ones responsible to set the ethical tone in organizations. If they are perceived as being ruthless and inconsiderate in their dealing with others, or if leaders are just seemed to care only about the short-term bottom line, employees are likely to get that message too. On the other hand, research has shown that the personal values of CEOs and leaders can significantly influence the degree to which their organizations engage in responsible practices. Leaders can also play a significant role in the contextual factors, such as authority norms and culture, which we know may have key influence on ethical and unethical decision making. “All leadership is value laden. All leadership, whether good or bad, is moral leadership. The point is, all leadership claims a particular point of view or philosophical point of ideas it wishes to advocate and advance. All forms of leadership try to establish the guidelines, set the tone and control the manners and morals of the constituency of which they are a part.” (Crane & Matten 2016.) If one accepts this argument, the leaders clearly have a profound role in shaping the ethical decision of their employees. (Crane & Matten 2016, 135-136.)

According to Crane & Matten (2016, 137), there are two approaches to managing for an ethical culture; i.e. ethical culture changes and ethical culture learning. Under the ethical culture change approach, the leader’s role is to articulate and personify the values and standard that the organization aspires to, and then to inspire and motivate employees to follow their lead. For example, there are two pillars to developing a reputation of ethical leadership; to be perceived as a moral person and moral manager. For the leader to be considered as a moral person, employees need to recognize genuine individual traits in leader such as honesty and integrity. Secondly, for the leader to be considered as a moral manager, he/she
entails focusing the organization’s attention on ethics and values and infusing the organization with principles that will guide all the action of employees. (Crane & Matten 2016, 136-137.)

From the cultural learning perspective, the role of leadership is more one of participation and empowerment in order to foster moral imagination and autonomy. Thus, employees are encouraged to think independently to be able to make reasoned responsible evaluations and choices on their own. In short “free moral agent”. Ethical behavior is not to be promoted simply through the promulgation of specific beliefs and principles, but through facilitating personal moral engagement, dialogue, and choice. (Crane & Matten 2016, 137.)

2.3 Leadership Styles Influence Ethical Decision

Leadership styles influence many aspects of organizational behavior, including employees’ acceptance of and adherence to organizational norms and values. Leadership is crucial, and the leader’s job is to create the desired future for the company or organization he or she involved. Leaders need to develop intimate involvement with the strategic directions of their company. Effective strategic leadership practices could help business leaders enhance performance while competing in turbulent and unpredictable environments and so does to make ethical decision. (Emery 2015, 24.)

Styles that focus on building strong organizational values among employees contribute to shared standard of conduct. Furthermore, they also influence the organization’s transmittal and monitoring of values, norms, and codes of ethics. In short, the leadership style of an organization influences how its employees behave. Although we often think CEOs and other top managers as the most important leaders in an organization, a firm’s board of directors is also a required leadership and an oversight component. “The leadership concept is not only for CEOs, board of directors, and managers but can also be fellow employee.” (Ferrell, Ferrell & Fraedrich 2011.) Ethical leadership by CEO requires an understanding of firm’s vision and values, as well as the challenges of responsibility and the risk in achieving organizational objectives. Lapses in the ethical leadership can occur even in people who possess strong ethical character, especially if they view the organization’s ethical culture as being outside the realm of decision making that exists in the home, family and community. (Ferrell et al. 2011, 242.)

Ethical leaders need both knowledge and experience to make decisions. Strong ethical leaders must have the right kind of moral integrity and such integrity must be transparent. The ethical leaders must be
proactive and ready to leave the organization if it’s corporate governance system makes it impossible to make the right choice. The ethical leader must choose a balance of all involved today as well as in the future and at the same time must be concerned with shareholders as well as the lowest paid employee. Experience shows that no leader can always be right or judged ethical by stakeholders, the acknowledgement of this may be perceived as a weakness, but in reality, it supports integrity and increases the debate exchange of views on the ethics. (Ferrell et al. 2011, 243.)

According to Daniel Goleman (2000), there are six leadership styles that are based on emotional intelligence – the ability to manage ourselves and our relationships effectively.

TABLE 1. The six leadership styles by Goleman (adapted from COMINDWORK Weekly 2017)

<table>
<thead>
<tr>
<th>The Six Leadership Styles (Goleman)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commanding</strong></td>
</tr>
<tr>
<td>The leader’s modus operandi</td>
</tr>
<tr>
<td>The style in a phrase</td>
</tr>
<tr>
<td>Underlying emotional intelligence competencies</td>
</tr>
<tr>
<td>When the style works best</td>
</tr>
<tr>
<td>Overall impact on climate</td>
</tr>
</tbody>
</table>

Table 1 shows the six leadership styles by Daniel Goleman (2000). According to Goleman managers work within a mix of six styles. Every style consists of specific methods and is ideally applicable only in certain situations.
Commanding – the leader demands instantaneous obedience and focuses on achievement, initiative, and self-control. Although this style can be very effective during times of crisis or during a turnaround, this otherwise creates negative climate for organizational performance.

Visionary – this leadership is considered to be one of the most effective styles as it inspires employees to follow a vision, facilitates to change, and creates strongly positive organizational performance climate. The visionary manager mobilizes employees toward a vision when change is required or when clear direction is needed.

Affiliative – the affiliative leader creates harmony and builds emotional bonds. This kind of leader values people, their emotions, and their needs and relies on friendship and trust to promote flexibility, innovation and risk taking within an organization. Affiliative manager tries to heal rifts in a team and motivate people during stressful circumstances.

Democratic – the democratic leader relies on participation and team work to reach the collaborative decision. The managers focus on communication and participation to create positive organizational environment.

Pacesetting – this leadership may create a negative environment because of the high standard set by the managers. However, this style works best for attaining quick results from highly motivated and qualified individual who value achievement and take the initiative.

Coaching – this style of leadership builds positive environment by developing skills to foster long-term success, delegating responsibility, and skillfully issuing challenging assignments. This kind of manager tries to help its employee improve performance or develop long-term strengths.

However, the most successful leaders do not rely on one style, instead they alter their techniques based on the characteristics of the situation. Different leadership styles might be effective in developing an ethical culture and healthy working organizational environment depending on the manager’s assessment or risk and desire to achieve a positive climate organizational performance. (Ferrell et al. 2011, 244; Goleman 2000.)

Another way of classifying leadership style could be based on transactional leadership or transformational leadership. Transactional leader is considered to be the one who attempt to create employee satisfaction through negotiating for desired behavior or levels of performance, whereas transformational leader is the one who strive to raise employees’ level of commitment and to foster trust and motivation. Therefore, both transactional as well as transformational leaders can contribute positively in building ethical corporate culture. Following table shows clearer picture about transactional and transformational leadership. (Ferrell et al. 2011, 243-244.)
TABLE 2. Comparison of transactional and transformational leader (Ferrell et al. 2011, 243-244.)

<table>
<thead>
<tr>
<th>Transactional leader</th>
<th>Transformational leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional leaders focus on ensuring that required conduct and procedures are implemented</td>
<td>Transformational leaders communicate a sense of mission, stimulate new ways of thinking and enhance new learning experience</td>
</tr>
<tr>
<td>Produce employees who achieve a negotiated level of performance, including compliance with ethical and legal standard</td>
<td>Build commitment and respect for values that provide agreement on how to deal with ethical issues</td>
</tr>
<tr>
<td>As long as manager and employee both find this exchange mutually rewarding, the relational is likely to be successful</td>
<td>Have strong influence on co-worker support for ethical decision and building an ethical culture</td>
</tr>
<tr>
<td>Best suited for rapidly changing situation, including those that require response to ethical issues or dilemmas</td>
<td>Best suited for organizations that have higher level or ethical commitment among employees as well as the companies that have strong stakeholder support for an ethical culture</td>
</tr>
</tbody>
</table>

Table 2 shows the comparison between transactional and transformational leader. It can be said that transformational leadership is more practiced and more effective to build ethical corporate climate. A number of industry trade associations including American Institute of Certified Public Accountants, Defense Industry Initiative on Business Ethics and Conduct, Ethics and Compliance Officer Association, and Mortgage Bankers Association of America are helping companies provide transformational leadership. (Ferrell et al. 2011, 243-244.)

**2.4 Habits of Strong Ethical Leader**

Hard work is just not enough to become a successful leader, it requires many other things such as personality, tolerance, and leadership skills. Outstanding leaders cause their passions and enthusiasm to set a charge into their organizations. Great leaders are self-assured and very confident in themselves, therefore, you employees will naturally draw towards you. Leader’s confidence conveys a sense of calm during turbulent times towards their employees, and they do not waver once they commit to a course of action. Furthermore, ethical leader stirs and idle organization into action with their communication, leaders communicate persuasively, passionately, and honestly. In short, an ethical leader is a persuasive leader. Great leaders are sensitive and have an intuitive feel for the needs of their people in and outside organization. They understand what drives their employees and demonstrate genuine concern for their welfare. Similarly, great leaders are very determined as they monitor anything they believe helps them
to achieve their goals. They just do not give up that easily when things do not go their way. Moreover, great leaders are genuinely concerned for the health and welfare of the people who are involved in their organization. They are distinguished, responsible, optimist, honest, and very organized. In spite of the fact that great leaders require analytical thinking skills when they go through various scenarios, successful leaders organize and plan ahead. (Economy 2014, 10.)

Ethical leadership is based on a holistic thinking that embraces the complex and challenging issues that organizations face on a daily basis. Ethical leaders need both knowledge and experience to make the right decision. Strong ethical leaders have both the courage and the most complete information to make the decision that will be the best in the long run. Strong ethical leaders must stick to their principles and if necessary they will be ready to leave their organization if its corporate governance system is so flawed that it is impossible to make the right choice. (Ferrell et al. 2011, 244.)

Many corporate founders such as Sam Walton, Bill Gates, Milton Hershey, Michael Dell, Steve Jobs, as well as Sallie Krawcheck left their ethical stamp on their respective companies. Their conduct set the tone within their organization, making them role model for desired conduct in the early growth of their respective corporations. In the case of Milton Hersey, his legacy endures, and Hershey Foods continues to be a role model for ethical corporate culture. In the case of Sam Walton, Wal-Mart embarked on a course of rapid growth after his death and became involved in numerous conflicts with various stakeholder groups, including employees, regulators, competitors as well as with communities. Despite ethical foundation left by Sam Walton, Wal-Mart has been into several ethical lapses. Similarly, despite being Microsoft world’s largest software maker in terms of revenue, Bill Gates has done something that is ethically questionable in 1990s. There are hundreds of other organizations dealing with several ethical lapses every day. (Ferrell et al. 2011, 244.)

According to Ferrell et al. (2011, 245) below listed are seven habits of strong ethical leader

- Ethical leaders have strong personal character
- Ethical leaders have passion to do right
- Ethical leaders are proactive
- Ethical leaders consider stakeholders’ interest
- Ethical leaders are role models for the organization’s values
- Ethical leaders are transparent and actively involved in organizational decision making
- Ethical leaders are competent managers who take a holistic view of firm’s ethical culture
There is a general agreement that ethical leadership is highly unlikely without a strong personal character. Thomas I. White is a leading authority on character development, he believes emphasize should be given to “ethical reasoning” rather than on being a “moral person”. According to White, the ability to resolve the complex ethical dilemmas encountered in a corporate culture requires intellectual skills. For example, When Lawrence S. Benjamin took over as a president of U.S. Food Service after a major ethical disaster, he initiated ethics and compliance program to promote transparency and to teach employees how to make difficult ethical choices. (Ferrell et al. 2011, 245.)

The passion to do right is “the glue that holds ethical concept together.” Some leaders develop this trait early in their managerial career, whereas others develop it over the time through experience. Having a passion to do right indicates a personal characteristic of not only recognizing the importance of ethical behavior but also the willingness to face challenges and make tough choices. Similarly, ethical leaders are proactive, they do not just hang around waiting for ethical problem to arise. They anticipate, plan, and act proactively to avoid potential ethical issues. Ethical leaders who are proactive understand social needs and apply or even develop the best practice of ethical leadership that exist in their organization. Furthermore, ethical leaders consider the interest of all stakeholders, who is directly or indirectly involved in company. Ethical leaders always take the responsibility to balance stakeholders’ interest to ensure that the organization maximizes its role as a responsible corporate citizen. (Ferrell et al. 2011, 245.)

Ethical leaders are role models for the organization’s values. Leaders always have great influence on employees’ ethical behavior, if leaders do not actively serve as a role model for the organization’s core values, then those values become nothing more than lip service. At the same time, ethical leaders are transparent and actively involved in organizational decision making. Being transparent fosters openness, freedom to express ideas, and the ability to question industry’s way of conduct, and it encourage stakeholders to learn about and comment on what a firm is doing. Strong ethical leaders are competent managers who take a holistic view of the firm’s ethical culture. (Ferrell et al. 2011, 245.)
3 DECISION MAKING IN GENERAL

Decision making is one of the most integral parts of leaders and the right decision should be made at the right time. Leadership and decision making might vary depending upon their philosophy and the industry they are involved in. This chapter brings up the principles of decision making. Similarly, this chapter explains what general-decision making is, and what is ethical decision making. On what criterion an ethical decision is made, and how an individual can influence an ethical decision making will be discussed in this chapter.

3.1 Leadership in Decision Making

It is inevitable that leaders, no matter what type, have to make different decision whether it is minor or complex that affect whole organization or stakeholders. Decision making is part of leader’s everyday business. Leaders have a responsibility to make good decisions for everyone involved, therefore, they should have some kind of framework within which they make those decision. Leadership and decision making might vary depending upon leader’s philosophy and the industry they are involved in as well as outside influence and subordinates. Leadership and decision making depends upon the situation as well. Sometime a leader might need to act very quickly to address the quick moving situations, in this situation leaders have no time to discuss with colleagues, hence this type of leaders is considered as command leaders. Whilst, sometimes you might require opinions and insights of your colleagues to make a decision, therefore, we consider this situation as collaborative decision making. Collaborative decision making has very little room for error because the managers have all the support and information to make the best decision fit for the situation. (Steiner)

Decision making is the foundation of every management and business activity and good decisions making starts with the purposeful, consecutive, and strategic thinking process by respective leaders. A good decision is always the result of high intention, sincere effort, intelligent direction, and of course skilful execution. Decision should be made in appropriate time, if you make the decision earlier, you might not have enough information needed. Some leaders tend to make decision earlier because they do not want to live in tension. Whereas, some leaders delay making decision because they fear making mistake or fear the changes that will result. Best decisions are well-timed, not too early neither too late. A significant
part of decision making skills is in knowing and practicing good decision-making techniques. Therefore, following are nine principles of decision making by Gigerenzer & Gaissmaier (2011, 454).

- Assigning priorities
- Setting period
- Gathering and renewing up-to-date facts
- Painting a scenario of the desired outcome
- Weighting the pluses against minuses
- Exploring the ramifications for all involved
- Using individual wisdom
- Having courage
- Going with individual gut instinct

(Emery 2016, 24.)

Ethics is an integral part to decision making for every type of leader no matter what industry you are involved in. In order to understand ethics in decision making, the values of the leader and the organization must be taken into careful consideration. Effective leaders have an understanding and an awareness of their own morals, values, and system of ethics. Leaders should know that transparent and consistent ethically based decisions will help build the team and gradually entire organization. The corner stones of good leadership are integrity, transparency, and solid character; therefore, the ethical leaders will consider following points to their methods of decision making. (Houser, Wilczenski & Ham 2006, 101.)

- Keeping promises
- Not being deceitful
- Treating others as they wish to be treated
- Not blaming others
- Making informed decisions without favouritism
- Working to make the work or organizational environment better
- Operating within law
- Minimizing hardships and helping others when possible

Managers or leaders can create ethical environment by taking above mentioned points into account and exercising them. During your career, you might cross the time where two values of equal importance
clash in the decision-making process and leads to ethical dilemma. In this situation, you need to carefully balance both values in order to make an ethical decision. Decision making is always difficult, especially for those in position of leadership, because making wrong decision can impact the bottom line of business. However, in this chapter I will focus on ethical and general decision making rather than right and wrong decision. (Houser et al 2006, 101.)

General decision making and ethical decision making both involve the same primary components including the capacity to interpret information, select a course of action, and execute a solution to a problem. Since both decision making is based on similar foundation, general decision making is sometime relevant to and offer strategies to improve potential ethical decision making. However, there are differences between general and ethical domain in terms of content, complexity, and emotionality of the decision-making process. Ethical decision making involves evaluative judgement factors that are more varied and complex and elicit stronger and more intense affective self-reaction than the general decision making. Ethical decision making in an organization also requires problem solving, because alternative courses of action that offer solution to ethical dilemma are usually under specified. (Roberts 2015, 22.)

3.2 General Decision Making

Business decisions are made because certain objectives and outcomes are desired. Even when these objectives or outcomes are not explicitly stated, the very decision statement itself suggests that there is an implicit objective or outcome. For example, when an entrepreneur ask himself, should I buy a new machine or not? In this statement, he is implying he wants to expand production and, therefore, wants to increase overall sales and profits. The way to both enlarges and limit the scope of the decision is to define and quantify the objectives and outcomes very well. The definition of the objective clarifies what exactly the decision maker wants to achieve. The quantification of the outcomes provides the level of effort and amount of resources necessary to attain the desired results. (Eduardo 2012, 32.)

Decision making, selecting an option from among various options. The decision will be right when leader have more than one criterion used in selecting it. Decision making always depends on the information you need. If the leader has newer and more updated information, the probability of making right decisions will increase. (Hejazi & Talaeizadeh, 2016, 11.)
Figure 1 shows the model of general decision-making process. As seen in the above picture most decisions of leaders or managers are influenced by various quantitative as well as qualitative factors and these factors are often in conflict with each other and they try to choose the best option among several options available.

However, development in the study of general decision making in recent years concerns the progression from rational to bounded rational framework of decision-making. Rational model of decision-making is built so that the decision-makers choose the particular course of action based on the set of assumptions that prescribe how a decision should be made. In terms of decision making, rationality assumes that the decision-maker will engage in a process that is logically expected to lead to the optimal result based on the information available and the decision-maker’s values and risk preferences. Whereas, in contrast bounded-rational framework of decision making is consistent with descriptive theories of decision-making. Bounded rational model of decision-making focus on how decisions are actually made as opposed to what decisions should be made. (Roberts 2015, 23.)
Rational model of general decision making emphasize the role of reasoning. Reasoning is the process which involves calculating which inferences or conclusions follow on from a given set of information, using probability, statistics or logic. Rational model generally prescribes a series of steps aimed to optimize the decision-making process and follow each step with perfect rationality. For example, a rational decision maker will perfectly define the problem; identify all criteria for making a choice between alternatives; accurately weight all criteria accordingly; know and create all relevant and imaginative alternatives; accurately assess each alternative based on each criterion; and accurately calculate, consider linked decision, and choose the best fitted alternative with the highest perceived value. (Roberts 2015, 24.)

All leaders try to be rational; they strive for accuracy in their judgement and search for optimal outcome of their decision, but are limited in their information, processing capacity, and the amount of knowledge to optimize the decision making. Perfect rationality in decision making is practically impossible. Therefore, in order to better understand the decision-making process, Simon proposed bounded rationality in decision making. Bounded rational decision makers were somehow capable of executing complex calculations and were able to use all the information available in order to choose the alternative with the highest expected value. Highest expected value refers to profitability return to shareholders, employee, customer as well as satisfaction of all stakeholders involved within an organization. The notion of bounded rationality has been applied to ethical domain of decision making, and ethical decision making in business is the vital factor to achieve highest perceived value. (Roberts 2015, 24.)

3.3 Ethical Decision Making

Decision making is a process of combining information about the various relevant alternatives and making the right choice. Decision making is very precise, and leader must have the ability to eliminate unnecessary steps, integrate knowledge, and simplify the decision-making process. Ethical decision tends to be a decision that is both legally and morally acceptable by the general public. Ethical decision making helps people make difficult choices when faced with ethical dilemma, a situation in which there is no clear right or wrong answer. For example, would it be right for a CEO to keep a contractual bonus when the business in making lower-paid employees are in redundant. Ethical decision making generally examines three perspective such as; the ethic of obedience; the ethic of care; and the ethic of reason. The ethic of obedience implies not only at the letter of the law, but also the spirit or moral values behind it. Secondly, the ethic of care engages our emotional intelligence and empathy in making a decision from another people’s perspective. For example, how would I feel if I was in their situation. Similarly, the
The primary components of general decision making are equally relevant to ethical decision making; they include the capacity to interpret or identify the problem or opportunity, formulate a strategy to solve a problem, figure out and select the course of action, execute the action, and finally evaluate the solution. However, there are differences in content, complexity, and emotionality between general and ethical decision making. During the ethical decision-making process, a specific nature of ethical dilemma may occur, that deal with moral values and convictions that are often in tension. To improve ethical decision making in business, one must first understand how individuals or leaders make ethical decision in an organization. A simple example can be; you are trying to download a song from internet, did you face ethical dilemma? Is this ethical to download? Perhaps this is normal practice for you and has no apparent moral dimension but at the meantime this could be totally different in uploader’s view because you are stealing copyright for free. Similarly, a leader may come across hundreds of ethical dilemmas, which he/she needs to take into account. (Crane & Matten 2016, 136.)

3.3.1 Framework for Ethical Decision Making

To improve ethical decision making in business, one must first understand how individuals make ethical decision in an organizational environment. Most often it is assumed that, leaders in an organization make ethical decision in the same way that they make decision at home or their community. However, few leaders tend to make ethical decision independently from organizational pressure. It is virtually impossible to figure out how individual or work group make ethical decision, therefore, this chapter offers generalizations about average or typical behavior pattern within organizations. This generalization is based on various studies that have been widely accepted by academics and practitioners. Based on this study, following picture shows the framework for ethical decision making in the context of business organizations.
Above mentioned figure 2 shows framework for ethical decision making by Ferrell et al. 2011. According to writers ethical decision-making process in business includes ethical issue intensity, individual factors, organizational factors such as corporate culture and opportunity. All of these factors are interrelated and of course influence the evaluation of intention behind the decision that produce ethical or unethical behavior. Ethical and unethical behavior will be discussed more in detail in the next sub-chapter.

The first step in ethical decision-making is to recognize that an ethical issue requires an individual or work group to choose among several actions that various stakeholders inside or outside the firm will ultimately evaluate as right or wrong. The intensity of an ethical issue relates to its perceived importance to the decision maker. Therefore, ethical issue intensity can be defined as the relevance or importance of an ethical issue in the eyes of an individual, work group or an organization. Top managers and those with administrative authority contribute significantly to intensity because in practice they are the ones who dictate an organization’s stance on ethical issues. Ethical issue intensity tends to reflect the ethical sensitivity of the individual or work group that faces the ethical decision-making process. Several researchers have found that individuals are subject to six spheres of influence; i.e. the workplace, family, religion, legal system, community, and profession. The level of importance of each of these influences will vary depending on how important the decision maker perceives the issue to be in their decision-making process. (Ferrell et al. 2011, 233.)
When people need to address ethical issues on their everyday lives, their decisions are usually based on their own values and principles of right or wrong. These people generally learn these values and principles through the socialization process with family members, social groups, religion, and in their formal education. In the work place, personal ethical issue generally involve honesty, conflicts of interest, discrimination, nepotism, and theft of organization’s resources. For example, many employees use workplace computer for several hours a day for their personal reason. Nepotism has been long practiced in South Asian Countries. The way public perceives individual ethics usually varies according to the profession they are involved in. For example, telemarketers, sales person, advertising practitioners, stockbrokers, and real estate brokers are often perceived as the one having lowest ethics. (Ferrell et al. 2011, 235.)

Although people can and do make individual ethical choices in everyday working life, but organization’s values often have greater influence on decision than person’s own value. Ethical decision in business are often made jointly in work group and committees, or in cooperation and discussion with co-workers. This way the decision maker in an organization can benefit not only from his/her knowledge and experience also from his/her colleagues who might be from different background. People outside the organization may have great influence on decision-making but an organization’s culture should be in top of that. Corporate culture is a set of values, norms, and artefacts, including ways of solving problems that members of an organization share. An important component of corporate culture in the organization’s ethical culture. Corporate culture involves values and norms that suggest the way of conduct within an organization. Whereas, ethical culture reflects whether the organization has an ethical conscience. (Ferrell et al. 2011, 236.)

Opportunity describes the conditions in an organization that limit or permit ethical or unethical behavior. The decision or result usually derive opportunity, and this could be internal or external reward. Internal rewards include feeling of goodness and personal worth generated by performing good work whereas, external reward refers to what an individual expects to receive from others. An example of a condition that fails to erect barriers against unethical behavior is a company policy that allows employees to accept large gifts from clients. The absence of punishment in this situation provides an opportunity for unethical behavior and therefore occurs favoritism. The absence of punishment allows its employees to engage in such behavior without fear of consequences. A reward for an unethical behavior can also create an opportunity for questionable decision. For example, a real estate broker or a sales person who is given public recognition and huge bonus for making a valuable sale could be motivated to practice unethical tactics. (Ferrell et al. 2011, 237.)
Ethical dilemmas involve problem-solving situations in which decision rules are often vague or in conflict. There is no magic formula to make an ethical decision, therefore, the results of an ethical decision are often uncertain. Even when you think well, you might still make ethical mistake, thus there is no substitute for critical thinking and the ability to take responsibility for our own decisions. An individual’s intention and the final decision regarding what action he/she will take are the last step in ethical decision-making process. If the individual’s intention and behaviors are inconsistent with his/her ethical judgement, they are more likely to feel guilty. (Ferrell et al. 2011, 240.)

3.3.2 Individual Influence on Ethical Decision Making

What is it about you and your colleague that makes you act differently in the similar situation? Individual influence in ethical decision making is related to these facets of individual who supposed to make the decisions. It is obvious that all employees bring their own traits and characteristics into the organization, that are likely to influence the way employee thinks and behave. Individual factors may help to explain why some people perceive particular action to be ethical while other people might perceive same action to be unethical. Hence, on this chapter the issues are not about being ethical or unethical, it is not about determining the reasons that makes you ethical, it is about the factors influencing us to think, act, feel, and perceive in certain ways that are relevant to ethical decision making. Over the years, researchers have found several individual influences on ethical decision making, which will be mentioned briefly. (Crane & Matten 2016, 142.)
Above mentioned figure 3 shows the individual factors that influence the ethical decision-making. A good place to start examining the individual influences on ethical decision-making is to consider the basic demographics such as age and gender. For example, a simple question would be who is more ethical among men and women? Several studies suggest that the result is mixed. According to Bampton and Maclagan, women tend to justify actions based on an ethics of compassion while men adhered more to proper procedure or law and rules. For example, women find it unacceptable for a company to manufacture equipment used by police and military to extract information from prisoners, while men did not object to the practice. Similarly, age did not have any significant influence on ethical decision making either. It would seem to be too generalized to categorize certain age groups are more ethical. However, when you are doing same thing for quite some time than experience might shape the way you recognize and respond to ethical dilemma. (Crane & Matten 2016, 143.)

Another basic demographic characteristic is nationality. When we meet people from different nationality and culture, it does not take so long to see certain differences in what they perceive as ethical and unethical. Again, we are not assuming that people from different country, religion or ethnic group can simply be deemed to be ethical or unethical in their decision making. However, many studies have suggested that nationality can have significant effect in ethical beliefs and the actions that are acceptable or not. It is obvious to have significant difference on managers from developed and least developed country,
but the differences have been noted from different countries within Europe, Europe and US, or even between different ethnic groups within the same country. To clearly understand this cultural difference, Geert Hofstede’s research has been extremely influential. According to him the differences can be explained in terms of six dimensions as follows. (Crane & Matten 2016, 144.)

Individualism/Collectivism implies to the degree to which one is autonomous and driven primarily to act for the benefit of one’s self, contrasted with the more social orientation that emphasize group working and community goals. Similarly, power distance represents the extent to which the unequal distribution of hierarchical power and status is accepted and respected. Uncertainty avoidance measure the extent to one’s preference for certainty, rules and absolute truths. Whereas, masculinity/femininity refers to the distribution of roles between men and women. Furthermore, long-term/short-term orientation implies the difference in attention to future rewards, long-term oriented culture value perseverance and thrift, whereas short-term emphasize fulfilment of social obligation. Indulgence implies to the degree to which societies permit of basic and natural human drives related to enjoy life and having fun. (Hofstede Insights)

The type and quality of education, professional training and education received by individual, might have greater influence on ethical decision making. Studies have found that the business students rank lower in moral development as well as they are more often engage in academic cheating as compared to the students from law. Similarly, another individual factor that influence ethical decision making is psychological factor. This factor deals with how people actually think. From an ethical decision-making point of view knowing about the difference in the cognitive process of individuals can clearly help us to improve our understanding of how people decide what is morally right or wrong course of action. Basically, our personal values determine our goals in life, the goals we choose are the outer expression of our values. Decision making is similarly based upon our core values. The values determine the outcome we set, and our decisions are made to achieve them. The decision making is organized to ensure the personal values are matched. (Crane & Matten 2016, 149.)

Integrity is one of the most important characteristics of an ethical person. The meaning of integrity is itself concerned with unity and wholeness, thus the leader having integrity maintains a consistency or unity in one’s beliefs and action, regardless of any inducement or temptation to deviate from them. Integrity usually plays a central role in the incident of whistleblowing. The final individual factor that has influence on ethical decision making is moral imagination. The moral imagination can be said as
creativity with which an individual is able to reflect about and ethical dilemma and this has been accorded increasing attention in business ethics over the past few years. Higher level of moral imagination can allow us to see beyond the rules of the game that seem to be operating in the workplace. The studies have found that individuals who exercised moral imagination were more likely to generate mutually beneficial outcomes for business and society than those who did not. (Crane & Matten 2016, 153.)

3.3.3 Situational Influence on Ethical Decision Making

Along with individual factors that influence ethical decision making, situational factors are also at least equally important, and probably even more in making ethical decision in an organization. There are number of important factors to consider regarding situational influence. The decision process we go through will vary depending on the issue we are dealing with. Some decisions are perceived as relatively important while some other decisions are unimportant, therefore we tend to make fairly limited ethical decision. There are two types of situational influence on ethical decision making, namely issue-related factor and context-related factor. For example, a bartender working in a bar rather think more deeply to take 20 euro out of the cash box than to pour unauthorized drinks to his friend’s glass, this is somewhat related to issue-related factor. Moreover, being a social animal, our beliefs and actions are largely shaped by what we see around us. The situational factor such as group norms, expectations, the role we face, the nature of climate we work, and rewards and punishment that we can expect as a consequence of our actions are called context-related factors. (Crane & Matten 2016, 156.)
TABLE 3. Situational influence on ethical decision making (adapted from Emaze)

The above mentioned table 3 depicts the situational factors for ethical decision making. As seen in the picture there are two major categories and their likely influence on ethical decision making. Issue-related factors have been missing on previously recognized model of ethical decision making, however, in the recent model significant importance is given. Our second group of situational influences are context-related factors, which mean organizational context in which an employee is working. More detail will be discussed in the following sections.

The concept of moral intensity was first purposed by Thomas Jones in 1991 as a way of expanding ethical decision model. When he proposed this concept, it was largely based on social psychology. However, we can see its relevance in real case. Moral intensity is the degree that people see an issue as an ethical one. Influence on moral intensity include magnitude of consequence, social consequence, concentration of effect, temporal immediacy, and proximity. Moral intensity is multi-dimensional, consisting of six components such as: magnitude of consequence, probability of effect, temporal immediacy, concentration of effect, proximity, and social consensus. (Goles, White, Beebe, Dorantes, & Hewitt 2006.)
It is logical that people in different context are likely to perceive moral intensity differently, similarly the same dilemma can be perceived very differently according to the way they are framed. For example, when a student talk about cutting and pasting some material from internet into his/her assignment, this may not sound that offensive but if the same student says, “I plagiarized something that I found on internet” or even “I stole someone’s idea and put it as my own.” This would definitely give very different impression and force us to think deeper about student’s morality. Therefore, the language used and the way it is framed has key influence on ethical decision-making. (Crane & Matten 2016, 162.)

Another factor for situational influence on decision-making is system of reward. Various evidence suggest that employee’s ethical decision making is influenced by reward system they see operating in their respective workplace. People tend to do what they are rewarded for. Many organizations offer commission and bonuses to their sales person to motivate them to achieve even greater number, therefore a salesperson might compromise ethical standard in their dealing in order to receive more commission. This would be the case if an organization fail to punish those employees who behave unethically towards their customers. Similarly, another situational factor that influence ethical decision-making is authority, which is an exercise of hierarchical power by managers. People do not just do what they are rewarded for, they do what they are told to do. As per my knowledge, in most of the organizations in South Asia, employees get direct instruction from their superior to do something and does not question because of their lower status in the hierarchy. Another case could be, manager may not force to practice unethical conduct, however, their instruction might appear to leave little option but to act in a questionable manner. (Crane & Matten 2016, 166.)

Underlying the influence of rewards, punishment, and authority is the degree of bureaucracy in business organization. In bureaucratic organization, there are policies and procedures for everything. There is control over day to day activities of the organization. Therefore, bureaucratic dimension appears to have number of negative effects on ethical decision making. As we all know bureaucratic organization assign their employees to specific task that represent work roles. In business ethics, assigned work roles and associated expectations placed on the person adopting the role would appear to have significant influence on ethical-decision making. Till date there has been very limited studies that address the impact of role on ethical decision making. Nonetheless, the important thing is that many of us adopt different roles based on the situation, we should reinforce multiple ethical shelves based on the situation we are. (Crane & Matten 2016, 171.)
Another set of potentially powerful influence on ethical-decision making are the group norms that describe acceptable standard of behavior within the work community. Organizational culture can be defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organization. Organizational culture has been widely accepted as a key influencer in shaping ethical tone. The organizational culture explanation of ethical-decision making implies as employees become socialized into particular ways of seeing, interpreting, and acting that are broadly shared in their organization, this will shape the decision they make when ethical problem arise. Finally, the last situational factor that might influence ethical decision making is national context. Just as the organizational culture influence ethical decision making, the county or the culture where organization located also affect the ethical-decision making. Previously, in individual influence on decision making I have written about nationality of an individual who tends to make a decision, now the same way I am considering a nation where a decision making is taking place. As I have mentioned several times, people from different nations have different views of what is right or wrong similarly, the nation or a place where decision making takes place has significant influence on ethical decision making. (Crane & Matten 2016, 172-173.)

3.4 Ethical and Unethical Behaviour

Simply, ethical behavior is behavior that is right and appropriate and based on morals. A behavior is considered as ethical when leader’s actions and words are following good moral principles. Ethical behavior refers to that conduct that is beyond reproach and is in accordance to the laid down standards of a society, organization or institution. Nowadays, most of the organizations have formulated the “code of conduct” that suggests the accepted behavior within the workplace. Whereas, unethical behavior is an action that is aimed to take advantage of another without their knowledge or consent. In an organization, acceptance of bribery in exchange of good service and engagement in corruption are considered to be unethical. Some employees may pass others’ work as their own, while some other may lie the working hours, some employees may copy business software so that they can use it at home, these are the basic examples of organizational unethical behavior. (Business Management Ideas)

For many business leaders, the best solution to an ethical dilemma is to have a predetermined role, objective principle, and principle reformulated as corporate policy. Drucker 1960 described ethical behavior as a reflection process and a communal exercise that concerns the moral behavior of individuals based on an established and expressed standard of individual values. Leaders of the organization have
the responsibility to uphold the highest standard of ethical behavior. Leaders should take responsibility for the same code of ethics as employees and should not reduce their unethical activity. One ethic should apply in all situations regardless of status. In an organization, one must expand the analysis of different types of responsibility such as legal, corporate, and managerial. While choosing corporate social responsibility (CSR) organization should choose the one that is most relevant to them. Similarly, social responsibility must be shared in order to get mutual good. It is obvious that business is meant to make profit, nevertheless the business must stay within the rules of the game, which is engaging in open and free competition without deception of fraud. (Emery 2017, 42.)
4 ORGANIZATIONAL PERFORMANCE

Simply, organizational performance is an analysis of a company's performance as compared to goals and objectives. This chapter elaborates on organizational performance, what it is all about. In other words, organizational performance is a comparison of real results or outputs and intended outputs. Moreover, this chapter explains how a leader can influence organizational performance. This chapter also deals with research methods used for this study, software used to analyze the data, validity and reliability of data, and outcome of the study. Stepwise mathematical representation of data analysis and results will also be discussed in this chapter.

The analysis focuses on three main outcomes: shareholder value; this looks how much an organization enriches its shareholders; financial performance; this refers to the measurement of organizations' operations and policies in monetary terms. We can also figure it out by looking at return on asset and return on investment; market performance; this is a measurement of industries' performance in the marketplace. Organization is an organized group of people with a specific purpose, whereas performance implies the process or action. By putting these two terms together, organizational performance deals with how successfully an organized group of people with a particular purpose perform a function. (James 2018.)

4.1 Leadership and Performance

The employees who influence the organizational performance, responsibly contribute to create the best possible working environment for themselves and as well as for leaders and they believe this influence is from leadership style. Several studies have confirmed that ethical leaders not only influence employees’ ethical behavior but also generate employees’ trust. In fact, the leaders provide a social exchange relationship among their subordinates. Ethical leaders tend to have very positive influence on their respective employees’ everyday work life. It is obvious that performance of the employees is a significant constituent of an organization and plays a critical role in the organization’s success. Since a few workers do not have enough capacity to change the course of an organization, the performance of an organization is the combined effort of its employees. (Khademfar 2013, 115.)
In the past, the organizational performance was classified into different subcategories. Etzioni first proposed the concept of organizational performance in which he believed that frequent assessment of organizations has been carried out in relation to the achievement or non-achievement of the set objectives and goals. However, Etzioni’s did not consider the resources that an organization need to achieve its objectives and aspirations. Researchers Chandler & Thompson nurtured the idea of organizational performance similar to that of Etzioni. They argue that the ultimate criterion of organizational performance is its growth and long-term survival. Performance is defined as the extent to which a company, as a social system with certain resources, is able to fulfil its goals without being obliged to incapacitate its resources and means or putting excessive strain on its employees. In short, effectiveness, efficiency, and relevancy are three major dimension of organizational performance that have been used as common elements in all definition. Organizational performance always had significant influence on the actions of companies. As a result of this influence, there is an increasing number and variety of the means and methods to measure the performance accurately and hence creating an important research field for both companies and academics. (Jenatabadi 2015, 2.)

Several studies have concluded that effective economic performance can be achieved with improvement of two separate aspects of organizational performance i.e. operational (producing stage-oriented) and commercial performance (market stage-oriented) At the first level of organizational performance, operational performance is considered to be a major indicator that incorporate components associated with the improvement of efficiency in procedures. Therefore, the operational performance implies the effectiveness of the operation system and production with regards to quality, speed, flexibility, costs and so on. At the second level, the organization need to embrace other indicators such as firm’s capacity to manage and improve its connections to suppliers, customers, local community, and society. Therefore, commercial performance is about firm’s ability to meet client’s demand and align its behavior and commercial offers with societal values in consideration. (Kim & Thapa 2018, 4.)

Performance also implies to the nature and the quality of an action taken in order to achieve the accomplishment of its primary function and tasks to generate some profit. Organizational performance is basically a result of employee performance; thus, employee performance should be taken into consideration at first. Employee performance is a significant constituent of an organization and plays a vital role in the organization’s success. “Performance is the key multi character factor intended to attain outcomes which have a major connection with planned objectives of the institute.” To accomplish the allocated task and achieve the desired goals, it is necessary that the managers and workers of the organization work on their full potential, regardless of their position and grade. An organization seeks and expects a lot from both
the manager and the worker in the ground level. However, in some situations, the workers are heavily relying on the appropriate guidelines from their superior or leader to meet the organization’s expectations. (Malik, Awais, Timsal & Quresh 2016, 3.)

Aguinis (2009) explained that “the definition of performance does not include the result of an employee’s behavior, but only the behaviors themselves. Performance is about behavior or what workers do, not about what workers produce or the outcomes of their work.” According to him, performance of the worker is minor image of the work-related behavior, procedural and motivational knowledge are the factors that make the performance of the worker better than the speed of the worker. The five dimensions of the human resource practices that enhance organizational performance are training and development, compensation level, maintaining morale, recruiting package, and performance appraisal. Recent studies have concluded that investigating in the development of human resources is beneficial to institutes to update the potential and proficiency of the employees to augment the performance and competence. (Malik et al. 2016, 4.)

Apart from some researches Waldman, Ramirez, House and Purannam (2001) found correlation between leadership behavior and organizational performance on their study “Does Leadership Matter? CEO Leadership Attributes and Profitability under Conditions of Perceived Environmental Uncertainty.” However, researchers including Fiedler (1996) and Hennessey (1998) opposed the argument that leadership is an important determinant of organizational performance, as they found no direct association between these two variables. Researchers Steyrer, Schiffiger, and Lang (2008) tried to investigate the effect of executive leadership behavior on the organizational commitment of subordinate managers and the influence of the latter on measures of company performance on their study “Organizational Commitment – A missing link between leadership behavior and organizational performance.” Khademfar and Amiri (2013) concluded that ethical leadership not only makes positive influence on employees’ attitudes and behaviors but also improves the organizational performance on their study “The Relationship between Ethical Leadership and Organizational Performance.” (Butt, Butt & Ayaz 2016, 27.)
4.2 Research Methodology

Quantitative methods emphasize objective measurement, statistical, mathematical or numerical analysis of data. Researches which are conducted using quantitative studies tend to explain phenomena by collecting numerical data and analyzing them using mathematically based method. Furthermore, quantitative research is considered to be a social research that includes empirical methods, statements, formal objectives, and a systematic process. Therefore, a quantitative method was suitable for this study because the study involved analyzing numerical data. For this particular research, quantitative research method may result in a clear awareness of the relationship between ethical leadership and organizational performance. In other words, this study will justify the dependency of organizational performance on ethical leadership in more clear way. (Hendriks 2011, 13.)

The research design is the framework that specifies the type of information to be collected, the source of data and the data collection procedure. The aim of this study is to investigate whether ethical leadership has a relationship with organizational performance. In other words, this study examines the influence of ethical leadership on organizational performance, either ethical leadership has positive influence on organizational performance or not, if the study finds significant influence on organizational performance, this study also measures the extent of influence. To check the relationship between ethical leadership and organizational performance, the correlation design was suitable for this study. In a correlation research design, researchers may correlate the variables to determine whether a relationship exists between them. There is one positive advantage in this kind of research as researchers can collect a lot of information from many subjects at one time and study a wide range of variables and their interrelations. (Emery 2016, 38.)

4.2.1 Participants and Procedure

The participant of this study included fifty-two workers, working in meat processing industry in Pietarsaari, Finland. Meat industry is one of several sister industries managed by its parent company. This meat industry alone employees approximately six hundred fifty full time employees. However, the target population for this particular research were three departments, where a total of about one hundred fifty full time employees are working. Data collection is done by paper and pen questionnaire in order to get high response rate. It has been accepted that the online data collection has relatively low response rate as compared to paper and pen questionnaire survey. Most of the employees working in these departments
are native Finnish, either Finnish or Swedish speaker and the research was conducted in English, thus, the response rate is relatively low as compared to entire population. In spite of the fact that the Finns nowadays can speak English quite well and they can communicate in English quite easily but in this case, most of the employees were bit hesitant to respond because this particular survey meant to be academic. In addition to this, some of the employees were unaware about the terms used in study.

A total of hundred questionnaire were distributed in the end of August 2018 along with the purpose of the study. Surveyor name, telephone number, mailing as well as e-mail address were mentioned accordingly. In order to maintain the data anonymity, all the responses were collected in a closed box. The anonymity of the data is very important to increase the reliability of the data and decrease the chance of social desirability, meaning; social desirability is a basic motivation where people are driven by what others think about us, it can also be said that social desirability is a tendency of survey respondents to answer the questions in a manner that will be viewed favorably by others. (Hendriks 2011, 13.) During the first survey, about hundred copies of questionnaire were kept in two of the canteens inside company premises, where respondents drop the answer in a closed box. Forty useable responses were collected, which is little too short from the minimum requirement for this research. Again, during 2nd week of September same procedure was repeated and hence collected 12 useable responses, which made fifty-two useable responses in total. In numbers, the response rate was approximately thirty-five percent of the total population in this study.

4.2.2 Measures

Researchers choose the data collection technique based on their purpose and the model of study. The most common means of data collection include survey, secondary data, sources or archival data, objectives measures or test, and interviews. For this particular research, a set of questionnaires was created concerning the variables ethical leadership and organizational performance, therefore the research was survey based on paper and pencil questionnaire. A survey implies to the means of gathering information about a particular population by sampling some of its members, usually through a system of standardized questions. Surveys can be either by mail, telephone, personal interview or the online method or sometime surveys can be conducted by using two or more than two means of it. In this study, primary data source was used. To test the proposed hypothesis ten questions on ethical leadership and 10 questions on organizational performance including some basic demographic such as age, gender, and department was created. (Emery 2016, 51-52.)
Ethical leadership was measured using Brown et al.’s (2005) ethical leadership scale in English, which contains ten items. Based on the 5-point Likert scale type i.e. (1=strongly disagree, 2=disagree, 3=neither agree not disagree, 4=agree, and 5=strongly agree) respondents answer the extent to which they agree with the statement about their leader. Some of the statements include; can be trusted, behaves in an ethical manner outside of work, gives a good example of ethical behavior at work, and makes honest and informed decision. Similarly, to measure the organizational performance, ten item organizational performance scale was used, similar as of ethical leadership. The scale was same from 1 to 5 (strongly disagree-strongly agree). To check the organizational performance, respondents were asked to indicate the extent to which they agree with the statement about their leader (supervisor, foreman) the questions include, my organization has made good use of my knowledge and skills in looking for ways to become more efficient, In the past two years, the productivity of my work unit has improved, my organization has conducted business relations with outside customers very promptly, and the customer satisfaction towards my organization is very high.

4.2.3 Validity and Reliability

Validity determines whether the research truly measures that which it is intended to measure or simply, how truthful the research results are. Validity is the extent to which the information collected by the researcher truly reflects the phenomenon being used. (Veal 2006,41.) Wainer and Braun (1998) describe the validity in quantitative research as “construct validity”. The construct is the initial concept, notion, question or hypothesis that determines which data is to be gathered and how it is to be gathered. For this particular research, in order to make the test valid, all the responses were collected in a closed box to maintain the data anonymity. This way there will be less or no room for social desirability. All the questions were specific and very objective. The researcher also makes the sample match the target group, meaning: this survey was carried out all day from the very beginning in the morning until the end of the shift. Most of the full-time workers are working in the day time, therefore it was very important to conduct this survey throughout the day. For example, if you are there in the evening, you might not get the clear picture you intended to get because many part-time employees are working in the evening shift.

Reliability can be explained to the extent to which research finding would be the same if the research were to be repeated at a later date or with the different sample of subject. (Veal 2006, 41) Nowadays people are dealing with constantly changing social environment, which definitely have significant effect
on peoples view on a later date. In future people’s opinions might be different as well depending on the work environment, the leader might discuss with respective employees before making decision or implementing some changes, this will certainly reduce or close the gap between worker-employer relation. Therefore, the research data are rarely reliable over time as the circumstances will change day by day. Humans are not the controlled sample so it’s impossible to get the identical results on the later date, especially on the field of business and leadership because the business environment is changing dramatically in recent days.

4.3 Data Analysis and Results

SPSS was used to analyze the data. Stepwise, several analyses were conducted to test the proposed hypothesis. The procedure and result will be discussed in detail in the following sub-chapters. Since the data was collected based on Likert scale, a new variable was computed with the help of SPSS to make one single variable for ethical leadership and one for organizational performance so that the correlation can be checked.

TABLE 4. Age of the participants and frequency distribution

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>3</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>22</td>
<td>3</td>
<td>5.8</td>
<td>11.5</td>
</tr>
<tr>
<td>23</td>
<td>1</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>25</td>
<td>2</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>26</td>
<td>5</td>
<td>9.6</td>
<td>9.6</td>
</tr>
<tr>
<td>27</td>
<td>4</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>28</td>
<td>1</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>29</td>
<td>4</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>30</td>
<td>7</td>
<td>13.5</td>
<td>13.5</td>
</tr>
<tr>
<td>31</td>
<td>2</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>32</td>
<td>2</td>
<td>3.8</td>
<td>6.5</td>
</tr>
<tr>
<td>33</td>
<td>4</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>34</td>
<td>2</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>35</td>
<td>3</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>36</td>
<td>3</td>
<td>5.8</td>
<td>8.5</td>
</tr>
</tbody>
</table>
Above mentioned table 3 shows the age of the participants. The youngest one is just 21 years old whereas the oldest is 40 years. As seen in the above-mentioned table three participants are at the age of 21, three at the age of 22, just one at the age of 23. Five of the total respondents are 26 years old similarly, four participants are 29 years old. There are seven respondents of 30 years. Four participants at the age of 33 and 38 years of age respectively. The total number of the participants were fifty-two. In table 3, it is clearly seen the percentage of the participants of the different age.

### TABLE 5. Gender of participants

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Male</td>
<td>43</td>
<td>82.7</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>9</td>
<td>17.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>52</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Among the total number of participants, which is fifty-two, the total number of male participants were forty-three making 82.7 percent of total participant whereas the number of female participants were just 9 making 17.3 percent of total participant. Most of the participants were male because most of the respondents were immigrants as the survey was conducted in English and there were limited number of female immigrants working in this organization as compared to male immigrants.

### TABLE 6. Department of participants
Above-mentioned table 5 shows the departments where respondents were working at the time of survey. In this organization, there are various departments, however this survey was carried out within three departments Slice packaging, Sausage packaging, and Mush. The reasons of choosing these departments are same as the survey was carried out in English and there are number of English-speaking respondents in these departments. Out of fifty-two respondents twenty-four were working in slice pack, eleven respondents were working in sausage pack whereas, seventeen were working in Mush. In percentage, 46.2 percent of total respondents are from slice pack, 21.2 percent from sausage pack and 32.7 percent of the total respondents were working at mush.

TABLE 7. Years of employment by participants

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>6</td>
<td>11.5</td>
<td>11.5</td>
<td>11.5</td>
</tr>
<tr>
<td>1.5</td>
<td>2</td>
<td>3.8</td>
<td>3.8</td>
<td>15.4</td>
</tr>
<tr>
<td>2.0</td>
<td>5</td>
<td>9.6</td>
<td>9.6</td>
<td>25.0</td>
</tr>
<tr>
<td>2.5</td>
<td>1</td>
<td>1.9</td>
<td>1.9</td>
<td>26.9</td>
</tr>
<tr>
<td>3.5</td>
<td>1</td>
<td>1.9</td>
<td>1.9</td>
<td>28.8</td>
</tr>
<tr>
<td>4.0</td>
<td>4</td>
<td>7.7</td>
<td>7.7</td>
<td>36.5</td>
</tr>
<tr>
<td>5.0</td>
<td>6</td>
<td>11.5</td>
<td>11.5</td>
<td>48.1</td>
</tr>
<tr>
<td>6.0</td>
<td>3</td>
<td>5.8</td>
<td>5.8</td>
<td>53.8</td>
</tr>
<tr>
<td>6.5</td>
<td>1</td>
<td>1.9</td>
<td>1.9</td>
<td>55.8</td>
</tr>
<tr>
<td>7.0</td>
<td>8</td>
<td>15.4</td>
<td>15.4</td>
<td>71.2</td>
</tr>
<tr>
<td>8.0</td>
<td>2</td>
<td>3.8</td>
<td>3.8</td>
<td>75.0</td>
</tr>
<tr>
<td>9.0</td>
<td>4</td>
<td>7.7</td>
<td>7.7</td>
<td>82.7</td>
</tr>
<tr>
<td>10.0</td>
<td>3</td>
<td>5.8</td>
<td>5.8</td>
<td>88.5</td>
</tr>
<tr>
<td>12.0</td>
<td>2</td>
<td>3.8</td>
<td>3.8</td>
<td>92.3</td>
</tr>
<tr>
<td>13.0</td>
<td>2</td>
<td>3.8</td>
<td>3.8</td>
<td>96.2</td>
</tr>
<tr>
<td>14.0</td>
<td>1</td>
<td>1.9</td>
<td>1.9</td>
<td>98.1</td>
</tr>
</tbody>
</table>
Table 6 shows the duration of employment in this organization at the time of research. Six respondents have just been working for about a year. Nineteen respondents have been working less than five years, twenty-seven respondents have been working here from 5-10 years whereas, there were only six employees among the participant who has been working here for ten years or more. Among the participants, there were only one person each working since fourteen and seventeen years. The participants’ average duration of employment in this organization is 6.04 years. In above-mentioned table 6 the duration of employment, frequency (the number of employees) as well as in percentage (the number of employees in percentage) are shown clearly.

4.3.1 Preliminary Analysis

As mentioned previously, the initial data was collected at the end of August 2018. However, the number of responses were little too short from the minimum required number for this research. Therefore, during the 2nd week of September 2018, the same questionnaire was distributed among the employees who did not take part in the first survey. Hence, altogether fifty-two responses were collected. All the responses were checked for missing values and errors, all the responses were useable as it was clear enough to read all the values and marks. After the preliminary analysis for the missing values and marks, the data was coded to SPSS for further analysis.

4.3.2 Correlation Analysis

TABLE 8. Correlation between Ethical Leadership and Organizational performance

<table>
<thead>
<tr>
<th>Ethical leadership</th>
<th>Pearson Correlation</th>
<th>Organizational Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical leadership</td>
<td>1</td>
<td>.298*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.032</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>52</td>
<td>52</td>
</tr>
</tbody>
</table>
A correlation analysis has been done to determine the relation between Ethical Leadership and Organizational Performance as presented in table 7. A correlation was conducted between dependent and independent variable in which dependent variable is organizational performance where as independent variable is ethical leadership, because its leadership style that influence the organizational performance. To be specific, Pearson’s correlation method was used to describe the relation between these two dependent (organizational performance) and independent (ethical leadership) variables. In above table 7 the value of r is 0.298 (r=0.298) and this value is positive as well, this depicts there is a moderate positive correlation between ethical leadership and organizational performance.

**FIGURE 4.** Scatter plot (Ethical Leadership Vs Organizational performance)

The above-mentioned figure shows the scatter plot of Ethical Leadership Vs Organizational performance. This simply shows, how one variable is affected by another variable, in this case, the picture 5 shows how dependent variable is affected by independent variable. As seen in the pictures most of the
data points are scattered in the middle and not far from each other that means, these two variables are moderately associated to each other. The closer the data points when plotted, making straight line, the higher the correlation between two variables. When the data points start from origin out to high on both x and y axis, then the variables tend to have positive relationship Here the plots are going slightly upward this means there is a positive correlation. In short, we can say that these two variables are positively and moderately associated. For example, when you examine the number of hours spent by the students to prepare for an exam Vs the grades received. There would be correlation but not perfect correlation because two students who study same amount hours to prepare for an exam might obtain different grades. However, in general the statement holds true because the increase in studying hour tend to increase the grade received.

4.3.3 Regression Analysis

A stepwise regression analysis has been conducted to test the proposed hypothesis mentioned in the theoretical framework. The hypothesis states that ethical leadership has positive influence on organizational performance. In the previous section, the correlation of two variables was tested and concluded that the variables are moderately associated, and it was positive as well. Now regression analysis will determine the degree to which the variables are associated to each other. In order to do the regression analysis, you need to define the dependent variable which is influenced by one or several independent variables. (Foley 2018.)

**TABLE 9. Regression Analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.589a</td>
<td>.347</td>
<td>.188</td>
<td>3.388</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Disciplines employees who violate ethical standard, Gives a good example of ethical behavior at work, Can be trusted, Ask employees what is the right way to do, Behaves in an ethical manner outside work, Define success not just by results but also the way they are obtained, Acts in the interest of his/her employees, Makes fair and balanced decisions, Listens to his/her employees, Makes honest and informed decisions
In table 8 the dependent variable is organizational performance as it is influenced by multiple predictors. The multiple predictors which are constant are disciplines that violate ethical standard, give a good example of ethical behavior at work, can be trusted, asks employees what is the right way to do and so on as mentioned in table 8. In regression analysis for above-mentioned hypothesis, the value of R-square is 0.347, this confirms that 34.7 percent variation in the dependent variable (Organizational Performance) is explained by independent variable. (Ethical Leadership) this means the presence of ethical leadership in an organization increase the organizational performance.

**TABLE 10. Anova Table (Analysis of Variance)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>250.580</td>
<td>10</td>
<td>25.058</td>
<td>2.183</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>470.728</td>
<td>41</td>
<td>11.481</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>721.308</td>
<td>51</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance  
b. Predictors: (Constant), Disciplines employees who violate ethical standard, Gives a good example of ethical behavior at work, Can be trusted, Ask employees what is the right way to do, Behaves in an ethical manner outside work, Define success not just by results but also the way they are obtained, Acts in the interest of his/her employees, Makes fair and balanced decisions, Listens to his/her employees, Makes honest and informed decisions

In above table 9, the total variance has N-1 degree of freedom denoted by df is 10 and the error degree of freedom is degree of freedom total (df total) minus degree of freedom (df) mathematically, DFtotal-DF, which is 51-10=41. The p value denoted by significance at the rightmost column is 0.39. As we all know null hypothesis is usually rejected when p value is less than .05. The above table shows p<.5, therefore, it confirms there is an association between ethical leadership and organizational performance.

Above mentioned tests and results are derived computing multiple independent variables (predictors) at once. Again, regression analysis was done by computing one variable at a time. For example, the sample was tested by computing organizational performance as dependent variable and Define success not just by results but also the way they are obtained was placed as a predictor. This process was repeated 10 times computing 10 different predictors one at a time. Following are the two predictors which have least and most influence on organizational performance.
TABLE 1: Least influence

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.043a</td>
<td>.002</td>
<td>-.018</td>
<td>3.795</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Define success not just by results but also the way they are obtained.

In above table 10, the value of R square is just .002. This means 0.2 percent variation in the dependent variable (organizational performance) is explained by independent variable which is Define success not just by numbers but also the way they are obtained.

TABLE 12: Highest influence

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.385a</td>
<td>.148</td>
<td>.131</td>
<td>3.505</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Disciplines employees who violate ethical standard.

In above table 11 the value of R square is .148. This means 14.8 percent variation in the dependent variable (organizational performance) is explained by independent variable which is Disciplines employees who violates ethical standard.

These are just a tiny component that has very small effects on organizational performance, nevertheless, these cannot be neglected if an organization has to succeed in a long run. These single predictors will make one bigger predictor that has huge influence on overall organizational performance.

4.4 Practical Implication

The outcome of this study has some practical implications. Ethical leadership is not the only tool that helps to achieve desired goals in any organization, but this is something that need to be considered. From marketing to warehouse management, production to delivery this all comes to the employee who is working in that organization. Therefore, leader is someone who can improve on these issues, so that the entire operation in an organization run smoothly. A leader being an ethical person can have even greater
impact on organizational performance because an ethical leader takes care of his/employees, listen to them, he/she treats employees with respect regardless of color, gender, and nationality, he/she ensures appreciation of good work. An ethical leader asks employees what is the right way to do and for the ethical leader success in not just in number and volume it is also the way they are obtained.

A leader should think, if their employees wake up in the morning raring to go to work and look forward for another inspiring day or they are just dragging themselves to the office dreading what is in the store for them. Organizational performance is the results for various components such as marketing, producing, and delivering of goods and human is the one involved in these things therefore a leader is the one dealing with these issues every day. This study concludes that a leader being an ethical leader has a greater impact on the optimal organizational performance.

4.5 Limitation and recommendations for further study

This study has been subject to several limitations which will be discussed in this chapter. Primarily, the organization selected was the one where the researcher has worked previously, therefore, many of the employees working in those departments were known. However, the questionnaire was left in the break room and collected in the closed box, so it is not known who has participated in the survey. In other words, data anonymity was ensured. Secondly, this company has several sister organizations under the same parent company and this company alone employees about six hundred fifty full time employees. In spite of the fact that, this company holds several departments, only three departments were chosen where a total of about hundred fifty full time employees are working. Therefore, it’s hard to say if this result is applicable to the whole company or rest of the companies operating in Finland. However, this can be a good example for rest of the departments and even for the rest of the organizations in Finland because the study concluded that the ethical leadership has vital role in organizational overall performance.

The other limitation subject to this study was language problem. As mentioned earlier this study is a part of master’s thesis which is of course very academic. The survey question was designed in English. Although, almost all Finns can speak and communicate in English, but they were bit hesitant to fill up this questionnaire because firstly this was academic and secondly there are several academic terms which were unfamiliar to them. This was the main reason why the surveyor was unable to conduct the survey in other departments. Therefore, the further study should be done in Finnish, Swedish, and English and
in all departments so that the future surveyor can get the clear picture about leadership trend that represent the whole organization.

This study was focused on some departments among meat processing industry and sample size was relatively small, therefore it will not be appropriate to generalize this finding to the other sectors in the country not even the whole organization. Therefore, further study should be done considering other field of business with larger sample size so that the findings can be generalize to all sectors of business. However, findings from this study can be good example and lesson for rest of the organizations. Nowadays, it’s very essential to become ethical organization to succeed in a long run and to become ethical organization, the organization need ethical leader. If the statement “ethical leadership has a positive influence on organizational performance” holds true for one organization it should hold more or less true for rest of the organizations as well, thus these findings can be a good start for an organization to consider ethical leadership.
5 DISCUSSION AND CONCLUSION

This study examined the relationship between ethical leadership and organizational performance. The samples were collected from one of the meat processing companies in Pietarsaari Finland. The sample size was relatively small, therefore it’s hard to generalize these findings to other industries in Finland or outside. Nevertheless, the business organizations should consider this as an example and start considering ethical factor while making any decision. Moreover, this study can be the guide for the leaders because this study has presented how ethical leader can influence decision making that is beneficial for the organization and also for greater good. Similarly, this thesis dealt with, what kind of leader should be considered as ethical, what does the ethical leader do, and also discussed about factors that influence decision making. In general, this thesis dealt with ethical leadership, decision making, and organizational performance and its components in brief. Today’s leader through their intentions, goals and actions influence the welfare of a number of people in the society. The ethical leaders are influencing future not only for the organization they are involved in but also for the customers, employees, suppliers, stakeholders, and community as a whole.

As per the findings based on this study, the correlation between ethical leadership and organizational performance appeared to be moderate as well as positive. This study found that the correlation coefficient between ethical leadership and organizational performance denoted by $r = 0.298$. This signifies that the two variables were moderately associated and are positive as well. Previous studies such as, “The Relationship Between Ethical Leadership and Organizational Performance by Khademfar and Amiri (2013) and Impacts of Ethical Leadership on Organizational performance by Mediating Role of Corporate Social Responsibility: Evidence from Banking Sector of Pakistan by Butt et al. (2016) have concluded more or less similar findings, therefore, this finding is parallel to previous findings.

Furthermore, based on regression analysis in above mentioned table 8, the value of R-square is 0.347. This signifies that the 34.7 percent variation on dependent variable (organizational performance) is determined by independent variables. This tells us that the presence of ethical leadership increases the chance of organizational performance by almost 35 percent. However, ethical leadership is not the only factor that influence organizational performance, there are other factors such as organizational objectives and inputs that also has an equal influence on overall organizational performance. In table 9, the p value denoted by significance is .039. We all know that null hypothesis is rejected when p value is less than .05 and on this study the p value is just .039 which is less than .05 therefore, the claim is accepted.
Based on the above-mentioned results, it is concluded that the ethical leadership and organizational performance is positively associated to each other. Therefore, based on the evidences mentioned above, hypothesis “ethical leadership has a positive influence on organizational performance” is accepted. This study also provides confirmatory finding to the previous studies which were parallel to this study.
REFERENCES


APPENDIX

Survey on Ethical Leadership and its impact on organizational performance.

This is a quantitative survey aimed to test the hypothesis, “Ethical Leadership has positive influence on organizational performance.

Ethical leadership is a leadership that is directed by respect for ethical beliefs and values and for the dignity and right of others. Therefore, it is related to trust, honesty, consideration, charisma and fairness. Ethics is always concerned with the kinds of values and morals an individual or society finds desirable or appropriate.

This questionnaire is part of a thesis conducted by Mek Thapa, a student of Centria University of Applied Sciences. All the information you have provided will be confidential and protected according to the data protection act. For further enquiries

Email- Mek.Thapa2@centria.fi
Phone no: 0443432311

Age…………………… Gender…………………… Department……………………

How long have you been working in this company……………………

Please give the scale 1-5 on the following titles based on your experience on your workplace. 1=strongly disagree, 2=disagree, 3=neither agree nor disagree, 4=Agree, 5=strongly agree

<table>
<thead>
<tr>
<th>Ethical Leadership (Your foreman/mentor)</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can be trusted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Behaves in an ethical manner outside of work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listens to his/her employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acts in the interest of his/her employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asks employees “what is the right way to do?” if a decision has to be made</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gives a good example of ethical behaviour at work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Makes honest and informed decisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Defines success not just by results but also the way they are obtained</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Makes fair and balanced decisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disciplines employees who violate ethical standards</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Organizational performance scale</strong></th>
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<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>My organization has made good use of my knowledge and skills in looking for ways to become more efficient</td>
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<tr>
<td>My organization is trying to reduce costs in managing organization and performing work</td>
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<tr>
<td>In the past two years, the productivity of my work unit has improved</td>
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<tr>
<td>Overall, the quality of work performed by my co-workers in my immediate work group is very high</td>
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<tr>
<td>My organization provides fair and equitable treatment of employees in all aspect of personal management without regard to their political affiliation, sex, hometown, marital status, age, and handicap condition</td>
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<tr>
<td>In general, all are treated with respect in my organization, with no regard to status or grade</td>
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<tr>
<td>My organization has conducted business relations with outside customers very promptly</td>
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<td>It is rare to make big mistakes in my organization while conducting work</td>
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<td>The occurrence of goal attainment is very high in my organization</td>
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<tr>
<td>The customer satisfaction towards my organization is very high</td>
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</tbody>
</table>

**Thank you for your cooperation.**