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## Article

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## BUSINESS ETHICS IN HUMAN RESOURCES MANAGEMENT PRACTICES AND ITS IMPACT ON THE ORGANIZATIONAL PERFORMANCE

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**Abstract.** There is a growing interest in BEs at present, because it has become an important necessity in all business functions in organizations, particularly HRM. Human resources function deals with one of the most important resources in the company to improve performance and gain competitive advantage. Therefore, HRM practices should be applied based on ethical principles such as fairness, transparency and equal opportunities. This study aimed to determine the extent of commitment to BEs within the HRM activities in the industrial companies listed on Amman Stock Exchange and its impact on the performance of those companies. The results of the study showed that there is a high degree of commitment to BEs in all HRM practices. The results of the study showed that there is a high degree of commitment to BEs in all HRM practices in terms of recruitment, selection, training, compensation, and appraisal employees' performance. The results also showed that there is an impact of practicing BEs in all activities of HRM except compensation on the OP. At the end of the study, the researcher developed a set of recommendations that he considered they are necessary to achieve a higher level of commitment to BEs in order to improve OP.

**Keywords:** business ethics, human resources management, organizational performance, industrial companies, human resources management practices, Jordan.

**JEL Classification:** M10, O21, F23.

### Introduction

The issue of Business ethics (BEs) has become a subject of increasing interest recently by public and private companies. It causes great controversy in universities and academia as well as managers of various local and international organizations, given the evolving role of business organizations to include; sustainability, environmental conservation, community participation, and compliance with legal requirements. It has become necessary to adhere to ethical behavior at the operational and managerial levels in all departments of the organization, which prevents the organization from seeing its interests from a materialistic perspective only in the achievement of profits. Therefore, companies began to promote the programs of BEs in different business functions, particularly human resources management (HRM).

BEs has become one of the most important challenges that require conscious and systematic handling by the organizations and not to deal seriously with these challenges may lead to the decline of the role of companies and perhaps their disappearance. Attiany and Abu Salma (2014)

argued that if companies want to enhance their image and reputation, they have to do all their actions in a manner that respects and satisfies all stakeholders. Organizations must adopt a social role and ethical behavior far beyond what is stated in their ethical code (Attiany, Al-hawajreh, & Abu-Hussain, 2016). This behavior embodied in all activities, including HRM activities. Organizations' management therefore does not allow violations of ethical aspects in all activities, which may negatively affect their performance and reputation.

Human resources, represented by intellectual capital, have become the basis of achieving competitive advantage. Therefore, organizations should give moral responsibility to this important resource through several means covering all practices of HRM (Gama et al., 2012). Moreover, improving the quality of the work environment through the application of standards integrity, transparency and equality, which in turn lead to the creation of an effective intellectual capital and a human resource committed and loyal to the company, this will positively affect the organizational performance (OP) and thus the welfare of society.

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## 1. Problem of the study

Bes have become increasingly concerned for many reasons, including the increasing issues and ethical problems in private and public sectors and the low performance of some companies due to the increasing number of administrative corruption cases. In addition, BEs have become a challenge for some companies seeking competencies to improve their financial performance without considering the solution of the unemployment problems of some segments of the society such as minorities, women and the disabled people, which clashes with the society's desire to equal opportunities and solve unemployment problems. The study problem is summarized as follows:

1: To what extent industrial companies in Jordan committed to BEs within the framework of HRM, which includes Staffing, selection and interview, training and development (T&D), compensation, and performance evaluation?

2: The view of modern perspective sees that the adherence to ethical standards enhances the reputation of the organization, which leads to a positive relationship with the long-term financial return. So the problem of this study lies in answering the following question: What is the impact of commitment to BEs in the framework of HRM on the OP?

## 2. Study questions

1. To what extent industrial companies are committed to the BEs in the framework of HRM activities represented by recruitment, interview and selection, training, compensation, and performance evaluation?

2. What is the impact of practicing BEs in the framework of HRM activities on the performance of Jordanian industrial companies listed on the Amman Stock Exchange (ASE)?

## 3. The importance of the study

This study derives its importance from the following aspects:

1. The study a gain a great importance by providing an explanation of the BEs because of the importance of this subject in recent years for several reasons, including increasing the phenomenon of administrative corruption and moral scandals.

2. This study has a crucial contribution to knowledge by linking the performance of organizations and their commitment to the application of ethical standards.

3. The study of BEs and its impact on OP is important for companies to improve their reputation and avoid many lawsuits related to administrative corruption and immoral behavior.

4. The results of this study are expected to help decision makers to apply ethical standards and to promote work based on integrity, justice and equality, which in turn will positively affect the OP.

## 4. Objectives of the study

This study aims and then to identify the impact of Bes on the performance of these companies. In light of this, a set of sub-objectives arise as follows:

To recognize the comprehensive concept of BEs and management's awareness to the importance of adopting and adhering to ethical standards,

To identify the extent of commitment of the industrial companies to the BEs in the framework of HRM activities,

Test the impact of BEs in the framework of HRM practices (recruitment, interviewing and selecting, T&D, compensating, assessing the performance of employees) on the performance of the companies surveyed.

## 5. Study hypotheses

The first main hypothesis Ho.1: There is no statistical indication of the application of BEs in the HRM activities in the industrial companies listed on the ASE.

The first main hypothesis is divided into five sub-hypothesis:

Ho. 1–1: There is no statistical significance at the level of ( $\alpha \leq 0.05$ ) for the application of BEs in the companies during the recruitment of employees.

Ho. 1–2: There is no statistical significance at the level of ( $\alpha \leq 0.05$ ) for the application of BEs in the companies while interviewing and selecting employees.

Ho. 1–3: There is no statistical significance at the level of ( $\alpha \leq 0.05$ ) for the application of BEs in the companies while T&D employees.

Ho. 1–4: There is no statistical significance at the level of ( $\alpha \leq 0.05$ ) for the application of BEs in the companies while compensating employees.

Ho. 1–5: There is no statistical significance at the level of ( $\alpha \leq 0.05$ ) for the application of BEs in the companies while appraising the employees' performance.

The second main hypothesis Ho. 2: There is no significant effect of BEs in the framework of HRM practices on the organizational performance in the industrial companies listed on the ASE at level ( $\alpha \leq 0.05$ ).

The second main hypothesis is divided into five sub-hypothesis:

Ho. 2–1: There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs during the recruitment practice on the OP.

Ho. 2–2: There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs while interviewing and selecting employees on the OP.

Ho. 2–3: There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs during the T&D of employees on the OP.

Ho. 2–4: There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs while compensating employees on the OP.

Ho. 2–5: There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs while appraising the employees' performance on the OP.

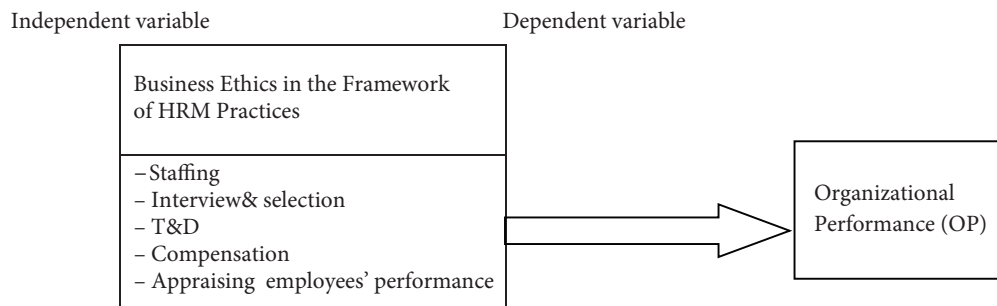


Figure 1. Model of the study

## 6. Study model

To achieve the objectives of the study, the researcher developed the following model as a structural detail of the variables of the study where it included the BEs within the framework of the HRM practices as an independent variable and the OP as a dependent variable (Figure 1). The model was derived based on the related literature review as mentioned in the following sections.

## 7. Theoretical framework and previous studies

### 7.1. Business Ethics (BEs)

BEs has become a cornerstone in the development of the organization reflected on its reputation in society and its ability to achieve goals. Ethics has become part of the organizational culture, reflecting the status and ambition of the individual, and his adaptation to society, leading to social cohesion (Al-Amoudi, 2015). BEs is the set of beliefs and principles that govern an individual's behavior and are reflected on his performance. Vazquez (2018) defined BEs as ethical issues about what should and should not be for accomplishing jobs. Ethics means the study of what is right and wrong, and BEs is the application of ethics in business (Wiley, 2000). Alzinati (2014) noted that the business ethics are the employee's commitment to his duties, respect for laws and regulations, respect for the values and customs of society, justice and non-impartiality, respect the time, keep of work secrets, adherence to the official's instructions, and work hard for the success of the OP. It can be seen that all definitions agree that BEs are principles and beliefs that determine the correct and incorrect behavior of individuals in the organization, which is reflected on the performance of the individual, represents a basis for decision-making and thus affects the performance of the organization as a whole.

Several factors that contribute to the formation of the ethical system in the organization such as: the organizational culture, the regulations and laws and the personal values of the individual (Nejem, 2006; Al Sakarneh 2009). Jawad (2011) pointed out that there are four sources of ethical conduct namely, human thought and its logic, idiom of humanity, the nature that embraces the individual and religious beliefs. This is consistent with AlGhalbi and Alameri (2010), who argued that the BEs are based on two

main pillars: the system of self-values associated with the personality of the individual and the experiences that are formed during the stages of age; and the system of social and moral values and traditions in society.

### 7.2. Human Resources Management (HRM)

HRM has become a key player in improving the organization's performance, enhancing its competitive position, and gaining a sustainable of competitive advantage. Dessler (2015) defined HRM as the process of recruiting, training, appraising, and compensating employees, an attending to their health and safety, justice concerns, and labor relation. Shawish (2005), defined HRM as the activity of identifying the needs of the organization with the appropriate numbers and competencies of the workforce and coordinates the utilization of this human resource as efficiently as possible. HRM is a set of activities that concern employees; starting from human resources planning, job analysis, preparation of selection and recruitment systems, performance evaluation and motivating employees to achieve organizational objectives (Loraibi, 2018). If companies want to gain a sustainable competitive advantage, they should focus on intellectual capital and implicit knowledge of the human resources, because it is hard to be imitated by competitors. The HR Department, like other business functions, designs and implements special strategies, which in turn, support the company's strategies to improve the organization's performance and competitive position (Dessler, 2015).

### 7.3. Organizational Performance (OP)

The organizational performance reflects the organizational ability to achieve objectives, especially long-term ones such as growth and survival. The performance reflects the extent to which the organization achieves high productivity, accompanied with employee and customer satisfaction and the acquisition of a high market share that can provide adequate financial return. OP reflects also to what extent a company is committed to ethical and social responsibility towards the society and the environment in which the organization operates (Alfaris, 2010; Chen, 2013).

To measure the OP, it is preferable to use measurement tools that are more precise and objective. Kaplan and Norton (2004) adopted the model of balanced relationship

cards for performance measurement. The components of this model were identified in four dimensions:

1. Financial dimension: Reflects financial objectives such as profitability.
2. The dimension of internal processes: Reflects the performance of operational activities.
3. Customer dimension: Reflects the needs and desires of customers.
4. The learning and growth dimension: Reflects the extent to which the organization is able to develop the intellectual capabilities and skills of employees, and the creation of organizational innovation through the development of organizational structure and culture.

#### 7.4. Business Ethics in HRM practices

HRM practices with positive behavior, fairness and justice will positively affect OP (Berenbeim, 2010). Ethical behaviors are embodied in the HRM practices covering the entire range of sub-activities of HRM that show their effects on the OP:

1. Recruitment: The process of attracting qualified individuals to fill available vacancies in the Organization (Dessler, 2015). If the process of recruitment is carried out properly, it reflects positively on the performance of the organization by attracting the qualified individuals' vacancies. Ethical behavior emerges through careful identification of needs, systematic planning, and avoid nepotism to provide equal opportunity and social justice to all members of society, and provides an obligation to appoint the best and most efficient person, that is, putting the right person in the right place Mihailović, Cvijanović, and Simonović (2015). As well as fairness and integrity in the internal recruitment of holding positions according to competence, and allowing the organization to benefit from capabilities and expertise (Dessler, 2015).

2. Interview and Selection: One aspect of ethics enhancement is that the interview is based on objective principles that are away from prejudice and favoritism and the procedures and methods of the interview are clear and transparent. If the organization seeks to select the most efficient, it must provide a suitable atmosphere, a good timing for the interview, and welcome the candidates well. The committee shall be composed of specialists and experts, and take into account the objectivity and non-exaggeration in suggesting subjects. Personal tests should be characterized by validity and reliability (Wendell, 2007). He added that organizations should take into account the legal considerations, employment policies and procedures prevailing in the country and that the company's policies are supposed to support moral and behavioral aspects.

3. Training and Development (T&D): HRM embodies its ethical commitment through employee T&D activities that positively reflect on the interests of individuals, organizations and society. The organization is engaged in T&D activities as one of the employees' rights in the organization. Therefore, it is not correct to exclude anyone of these programs for any reason, such as gender,

race, color, religion, nationality and others. AlGhalbi and Alameri (2010) pointed out that T&D programs are developing skills and building the future leadership needed by the organization. However, it is regrettable that some organizational managers do not like to train and develop future leaders, believing that this will contribute to their removal from their positions. T&D must be meaningful programs that enhance the organizational culture. Organization should not exploit T&D programs to waste resources or embezzlement and administrative corruption, as well as non-exclusion of employees who have thought and opinion.

4. Wages and Rewards: The organization is committed to many ethical aspects of this activity because it is related to the welfare of the society and the development of the employees and organizational performance. It is assumed that wages and rewards are fair and equal and that they can motivate employees and increases their loyalty to work and creativity (AlGhalbi & Alameri, 2010). The lack of commitment to the signed contract, inequality, bias and lack of transparency in the reward system will negatively affect the work environment and paralyze the organization's ability to develop and innovate. The organizations have taken a package of indirect compensation such as social security, retirement, life insurance, health care, disability, and unemployment without impartiality or favoritism. The organization's ethical commitment to these packages of compensation plays a crucial role in improving individual performance (Jawad, 2011).

5. Appraisal of the of employees' performance: There are several ethical behaviors adopted by the organization during the appraisal process, including the embodiment of the substantive and behavioral aspects during the development of standards to evaluate performance. The evaluation process is supposed to be fair and avoid favoritism, and the assessors should not be affected by kinship, friendship, sex, race, and religion (Dessler, 2015). Also, the assessment process should be done by experienced people who have the ability to deal with others. AlGhalbi and Alameri (2010) noted that the evaluation process must adhere to objectivity, avoid leniency and strict evaluation, and should not be evaluated on the most recent performance only, and represent a reliable criterion. Dessler (2015) added that HRM should use modern criteria and methods of assessment that are clear and understood by the employee to come up with results that reflect positively on the behavior of the individual and affect their performance and thus the performance of the organization.

#### 7.5. Previous studies

There are many studies about the business ethics and its importance to the organizations. The study of Attiany et al. (2016) entitled social responsibility and BEs within the operation management and their effect on the organizational performance. The study concluded that there is a high level of commitment among companies to the business ethics and social responsibility during the development



of new products, site selection, internal arrangement, and process design and maintenance management influencing business OP. The researchers have made recommendations and proposals that are necessary for companies to achieve the highest levels of commitment to social responsibility and BEs. The study Abu Odeh (2017) aimed to identify the relationship between BEs and job satisfaction among workers in Palestinian telecommunications companies. The study concluded that there is a positive relationship between BEs and job satisfaction among employees, and that there are differences between employees' estimations about the level of BEs.

The study of Pimenta (2015) explored the way ethical issues in HRM are perceived by HR managers. The existence of the ethical infrastructure is associated with the employees' ethical judgment. The study found out that the higher the relevance of ethical infrastructures, the less prone employees are to accept practices of discrimination and ethically questionable practices of Favoring of Power.

The study of Mathenge (2011) presents the concept of justice, rights and fairness in HRM practices. In its finding the study suggests that adopting these ethical considerations in HRM practices will improve employees' performance. The study of Arulrajah (2015) concludes that HRM practices can help to create and sustain ethics climate and ethical culture. The study argues that, in order to enhance ethical behavior, attention should be focused on changing the organization's ethical culture through recruitment, selection, performance appraisal, T&D, employee relation, and compensation and rewarding management.

The study of Loraibi (2018) aims to identify the role of HRM practices in establishing a system of BEs in the organization and their impact on the general behavior of the employee. The study found that some human resources managers are keen to deal with all transparency, impartiality and fairness with employees. The study of Attiany and Abu Salma (2014) aims to investigate the impact business ethics within the HRM practices on the employees' satisfaction in the Jordanian communications companies. The study found that HR departments' practice of ethical aspects based on justice, equity, transparency and integrity in their activities has a profound impact on raising morale, which in turn reflects on worker satisfaction.

## 8. Methodology of the study

### 8.1. The population and sample of the study

The study population consists of all the 48 companies listed on the Amman Stock Exchange (ASE). Since the study on BEs, two companies operating in the tobacco and cigarette industry have been excluded because their objectives are inconsistent with the objectives of the study. Therefore, the study was limited to only 46 companies from the study population. The entire population was chosen as a sample of the study. The researcher distributed (230)

questionnaires, (5) questionnaires for each company. The target group was to answer the questionnaire items in each company composed of: General Manager, Human Resources Manager, Quality Manager, and the Heads of the Human Resources Department. Total of (174) questionnaires were retrieved with the ratio of (76%).

### 8.2. Data analysis and hypothesis testing

The first main hypothesis Ho.1: There is no statistical indication of the application of BEs within the HRM activities in the industrial companies listed on the Amman Stock Exchange. This hypothesis was tested using one sample *t* test. In order to gain deeper analysis, several descriptive analysis are conducted alongside the one sample *t* test as illustrated in the below tables. It is clear that the BEs is evidently existed within the human resources department in the context of Jordanian manufacturing listed companies. ( $M = 3.4829$ ,  $SD = .02535$ ),  $t(125.583)$ ,  $P > .001$  as presented in Table 1. The mean score for the variables making up the business ethics are explained below in the same section.

Table 1. One sample *t* test and means score for variables making up BEs

One-Sample Test					
	Test Value = .3				
	T	DF	Sig. (2-tailed)	Mean	Standard deviation
The existence of business ethics	125.583	163	.000	3.4829	.02535

Based on the average score of population that is 3.00, it is evident that BEs is significantly existed ( $M = 3.6322$ ,  $SD = .72355$ ),  $t(11.525)$ ,  $P > .001$ , in the recruitment function within Jordanian manufacturing entities as shown in Table 2 below. The BEs within this recruitment function can be easily noticed in all aspects especially those pertaining to both Avoiding nepotism and favoritism or examining all the submitted applications.

Table 2. One sample *t* test and means score for components making up Recruitment

	Mean	N	Std. Deviation
Recruitment processes	3.2299	174	1.27403
Guarantee the accuracy of the information	3.4253	174	1.12904
Examine all the submitted applications	3.9483	174	1.01016
Submission of applications in strict confidence	3.3678	174	1.22701
Avoiding nepotism and favoritism	4.0000	174	1.03689
Recruitment	3.6322	174	.72355
One sample <i>t</i> test	t	Df	Sig. (2-tailed)
Recruitment	11.525	173	.000

Similar to recruitment function, the BEs was significantly existed in the function of the interview and selection ( $M = 3.6351$ ,  $SD = 0.57967$ ),  $t(14.451)$ ,  $P > 0.001$  as exhibited in Table 3. It is obvious that although the BEs was significantly existed in the function of the interview and selection particularly in the components of avoiding the underestimation the capabilities of the applicants and providing an appropriate atmosphere, it was in low existence in the component related to validity and reliability of the tests.

Table 3. One sample (t) test and means score for components making up interview and selection

	Mean	N	Std. Deviation
Opportunity to occupy higher positions	3.8218	174	1.01855
Objectivity, clarity and transparency	3.5632	174	1.09862
Providing sufficient time to interview	3.5920	174	1.10183
Avoiding the underestimation the capabilities of the applicants	4.1437	174	0.83079
Providing an appropriate atmosphere	4.1264	174	0.90986
Validity and reliability of the tests	2.7989	174	1.12245
Avoiding prejudice and reflect justice and credibility	3.5862	174	1.07576
Interview and selection	3.6351	174	0.57967
One sample <i>t</i> test	<i>t</i>	<i>df</i>	Sig. (2-tailed)
Interview and selection	14.451	173	0.000

Regarding the T&D function, the BEs is significant in its existence ( $M = 3.2904$ ,  $SD = .47840$ ),  $t(7.939)$ ,  $P > 0.001$  as presented in Table 4. However, the BEs was not essentially practiced in several components making up this function such as: creating training programs that help in developing employee's skills; organizing training programs for future leaders; and Avoiding favoritism and nepotism. However, it was highly appeared in the rest of components.

Table 5 demonstrated that the BEs is significantly practiced within the system of compensation ( $M = 3.4112$ ,  $SD = 0.44012$ ),  $t(12.073)$ ,  $P > 0.001$ . Only Appropriate methods for raising wages and bonuses and providing indirect compensation were in less than modest existence whereas the rest of components were highly existed.

With respect to appraising employees' performance function, the BEs is significantly existed ( $M = 3.4157$ ,  $SD = 0.45841$ ),  $t(11.823)$ ,  $P > 0.001$  as illustrated in Table 6. Only the component pertain to the evaluation process that is conducted by experienced people was moderately practiced compared to the rest of component especially that related to the influence of evaluator by factors of religion, friendship, and kinship.

Table 4. One Sample (t) test and means score for components making up T&D

	Mean	N	Std. Deviation
Creating training programs that help in developing employee's skills	2.7299	174	1.28644
Organizing training programs for future leaders	2.3448	174	1.09995
Ethical practices	3.9595	173	1.01934
Avoiding exploit the resources of training programs	4.0578	173	0.76789
Enhancing the career path	4.1337	172	0.76443
Avoiding favoritism and nepotism	2.5402	174	1.06770
T&D	3.2904	171	0.47840
One sample <i>t</i> test	<i>t</i>	<i>Df</i>	Sig. (2-tailed)
T&D	7.939	170	0.000

Table 5. One sample t test and means score for components making up compensation system

	Mean	N	Std. Deviation
Salaries and wages agreed upon contract	4.1250	168	0.83478
Wages and rewards characterized by justice	3.9080	174	0.92658
Appropriate methods for raising wages and bonuses	2.4335	173	1.23063
Providing indirect compensation	2.7457	173	1.25940
Avoiding discrimination in wages, salaries and benefits	3.3276	174	1.14379
Considering years of experience and qualifications	3.8671	173	0.79950
Compensation system	3.4112	167	0.44012
One sample <i>t</i> test	<i>t</i>	<i>DF</i>	Sig. (2-tailed)
Compensation system	12.073	166	0.000

Table 6. One sample t test and means score for components making up appraising employees' performance

	Mean	N	Std. Deviation
Precise performance standards	3.4943	174	1.26650
The evaluators and are not influenced by factors of religion, friendship, kinship	3.9310	174	0.97118
The evaluation process is conducted by experienced people	2.8266	173	1.15335
The company is ethically committed during the evaluation process	3.0698	172	1.23583
HR department uses both traditional and advanced methods	3.8621	174	0.82829

End of Table 6

	Mean	N	Std. Deviation
The evaluation criteria are characterized by transparency	3.2890	173	1.03303
Appraising employees' performance	3.4157	170	0.45841
One sample t test	t	DF	Sig. (2-tailed)
Appraising employees' performance	11.823	169	0.000

The Table 7 provide some descriptive analysis for the performance of the companies, it is clear that the performance of Jordanian manufacturing companies is significantly high ( $M = 3.9898$ ,  $SD = 0.72936$ ,  $t(17.901)$ ,  $P > 0.001$  based on the perceptions of respondent as a whole and as each individual component.

With respect to the impact of the BEs within the HRM functions on the OP of the companies, OLS regression model was used, which embody the relationships between the dependent (OP) and the independent (BEs within HRM functions), that was developed as follows:

First model: BEs and organizational performance

$$OP = \alpha_0 + \beta_1 \text{RECRUITMENT1} + \beta_2 \text{INTERVIEW AND SELECTION1} + \beta_3 \text{TRAINING AND DEVELOPMENT1} + \beta_4 \text{COMPENSATION1} + \beta_5 \text{APPRAISING OF EMPLOYEES1} + eI.$$

Whereas:  $\alpha_0$  = the constant of the models. I = the response. e = error term.

Regarding the assumption of the OLS regression that was ensured for Multicollinearity by relaying upon scores of both Tolerance as well as VIF obtained in Table 11.

Table 7. One sample t test and means score for the performance of entity

	Mean	N	Std. Deviation
High market competitiveness	4.1264	174	0.87091
The company's market share is increasing.	3.9310	174	0.94707
New opportunities for growth	3.7701	174	0.99363
Profitability	3.7644	174	0.97168
Customers are satisfied	4.1092	174	0.86327
The percentage of errors and complaints in the company is constantly decreasing	4.0862	174	0.94870
There is satisfaction among workers	3.8908	174	0.98815
The company has a good working environment	4.0402	174	0.90827
The company has a good reputation through its commitment to social responsibility	4.1897	174	0.93345
Performance	3.9898	174	0.72936
One sample t test	t	DF	Sig. (2-tailed)
Performance	17.901	173	0.000

The findings indicated that Tolerance scores for all variables were more than 0.1 and less than 10 for the VIF. Consequently, collinearity amongst independent variables was not shown. Therefore, Multicollinearity was not an issue for the conducting the regression (Pallant, 2011; Tabachnick & Fidell, 2007, Sekaran, 2006). Other assumptions were also ensured such as normality of distributions through Skew and Kurtosis as the P value exceeds 0.05.

Table 8. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.907a	0.823	0.816	0.31400	0.823	121.740	6	157	0.000

Notes: a. Predictors: (Constant), Evaluation of employees, Recruitment, T&D, Compensation system, The company's market share is increasing. Interview and selection. b. Dependent Variable: Performance.

Table 9. Reflecting the impacts of independents on dependent

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.079	0.306		-0.258	0.796		
	Recruitment	0.095	0.048	0.094	1.973	0.050	0.494	20.025
	Interview and selection	0.639	0.059	0.508	10.919	0.000	0.521	10.919
	Training and development	-0.148	0.060	-0.093	-2.484	0.014	0.806	10.241
	Compensation system	-0.040	0.067	-0.024	-0.595	0.552	0.717	10.394
	Evaluation of employees	0.199	0.065	0.125	3.052	0.003	0.676	10.479

Note: a. Dependent Variable: Performance.



Table 8 demonstrated the findings of the OLS regression regarding the impact of BEs within the HRM functions on the OP. The results presented that the model was statistically significant,  $F(6, 157) = 121.740$ ,  $P < 0.0001$ . Moreover, the model successfully explained 81.6% of the total variance in OP. Table 9 pointed out that only one function that is compensation system has no statistical impact on the organizational performance. While the rest of practices making up BEs in HRM, have significant impacts on the OP. Given that the nature of influence was positive for all functions except T&D function that influence the OP negatively.

The results regarding the influences of T&D on the OP as a negative influence, can be justified based on the fact that the nature of the work in the industrial companies as a population for the study, requires intensive training programs inside and outside the country or accreditation of trainers from abroad, and this is costly to the company and thus adversely affect the financial performance. As a result, some companies allocate large amounts of money for its training programs during the preparation of budgets. However, the impact of T&D on the OP can be manifest by dividing the performance into financial and non-financial performances as the regression model clarify that the T&D influences positively the non- financial

performance as illustrated in Table 10, while the impact of T&D on financial performance Table 11 found to be negative that in turn influence the impact of T&D on the overall all performance.

Based on the above analysis, the decision made regarding the developed hypotheses alongside the nature of effect that reflect the impact of BEs within HRM functions on the OP are presented in Table 12 below.

## Discussion and conclusions

This study aimed to identify the extent to which industrial companies comply with the BEs within the HRM activities such as recruitment, interviewing and selection, T&D, compensation and evaluation of employees, as well as measuring the impact of these ethical practices on the OP.

After analyzing the data and testing the hypothesis of the study, the following conclusions were drawn:

Based on the results of the statistical analysis, the assumptions that indicate the commitment of the industrial companies listed in the ASE to apply the BEs in all HRM activities (the first main hypothesis) were accepted. The average responses of the study sample ranged between (3.290–3.635), where the interview and selection items got the highest (3.635), and the least commitment to work

Table 10. T&D and organizational non-financial performance Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.383	0.388		8.711	0.000		
	T&D	0.195	0.117	0.127	1.668	0.097	1.000	1.000

Table 11. T&D and organizational financial performance Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	−0.741	0.517		−1.433	0.154		
	T&D	−0.231	0.101	−0.129	−2.299	0.023	0.819	01.222

Table 12. Results related to the second hypothesis

No	Hypotheses	Decision	Nature of influence
HO2	There is no significant effect of BEs in HRM practices on the OP in the industrial companies listed on the ASE at level ( $\alpha \leq 0.05$ ).	Rejected	Positive
HO2.1	There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs during the recruitment of employees on the OP.	Rejected	Positive
HO2.2	There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs while interviewing and selecting employees on the OP.	Rejected	Positive
HO2.3	There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs during the T&D of employees on the OP.	Rejected	Negative
HO2.4	There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs while compensating employees on the OP.	Accepted	Negative
HO2.5	There is no significant effect at level ( $\alpha \leq 0.05$ ) for the application of BEs while appraising the employees' performance on the OP.	Rejected	Positive

ethic was in T&D. The results were consistent with the study of (Attiany et al., 2016; Abu Odeh, 2017; Loraibi, 2018; Attiany & Abu Salma, 2014, Wiley, 2000). All of these studies concluded that BEs has become a major issue in the business environment. Moreover, they argued that all companies applied BEs within their business functions including HRM practices.

While the results of this study differed with the results of the Bodra' (2013) study, which pointed out that some companies, including banks have no ethical policies and that there is a lack of moral purpose compared to the goal of profit. This may be due to the absence of the role of management in raising awareness about the importance of the BEs.

The second main hypothesis and its sub-assumptions were developed to measure the impact of the BEs in the framework of HRM practices on the organizational performance in the industrial companies listed on the ASE. The result was the acceptance of hypotheses that indicate a statistically significant impact of BEs during the process of recruitment, interviewing and selection, T&D and the evaluation of employees' performance on OP. This finding was consistent with most of the studies undertaken in this area; this is an indication of the evolution of administrative thought in the consideration of the human resource as intellectual capital, which is the most important source for the company to obtain a sustainable competitive advantage. While the study pointed out that there is no significant impact of BEs during the process of the function of compensation on the OP. This differs from the results of the studies in this field; this difference is due to the fact that the workers in the industrial companies consider that the commitment to ethical aspects in terms of wages and bonuses is an application related to the laws and legislations issued by the government. In addition, In spite of fairness and integrity in wages, their salaries are considered low compared to employees in other sectors in Jordan, especially with the deteriorating economic conditions and the recent rise in prices in Jordan, which negatively affects the degree of satisfaction among workers.

### Contribution and recommendations

The contribution of the current study to the theoretical literature in the context of BEs and HRM can be summarized by three basic points. First, the independent variable BEs within HRM practices in the study was measured using all the practices of HRM separately, and this variable was rarely studied by previous Arab studies. Second, since organizations in many Arab countries, including Jordan, have not yet realized the important role of BEs, this study aimed clarify the concept of BEs and its importance to the organizations. Third, the study examined the impact of practicing BEs within the HRM practices on the OP. However, within the limits of the researcher's knowledge, none of the previous studies have dealt with the subject of BEs within these practices and their impact on the performance of the organizations in surveyed sector, which

is the sector of ASE. After the findings of the study, the researcher suggests some recommendations in order to raise the level of performance and competitive position of the companies at the regional and global levels:

Increase the attention to BEs in all business functions in general and the function of HRM in particular as a crucial resource of competitive advantage and the improvement of OP.

To make BEs part of the organizational culture and to develop ethical codes in order to encourage employees to adhere to the business morality.

Establish a specialized department in the company to monitor compliance of individuals with ethical standards and legal legislations that deal with the standards of ethical conduct.

Conduct more studies in the Arab world about the concept of BEs and the positive aspects of commitment to them, and the relationship with the phenomenon of administrative corruption.

Further studies that clarify the relationship between BEs and the productivity and competitive advantage of the company.

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