

## The Linkage Between Professional Ethics and Organizational Performance Iran Insurance Branches in Guilan Province

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**Abstract:** This study investigates the linkage between professional ethics and organizational performance (case study: Iran insurance agency in Guilan Province). The study population is consisted of all employees in 5 cities of selected Iran insurance agency that represents more branches than other cities in Guilan Province including 319. Total 240 employees out of 319 employees were randomly selected as sample of the study. Gregory C. Petty's standard moral questionnaire was used to gather data. To test these hypotheses, the results of questionnaires and data given out by the insurance company on behalf of institutional performance in the selected cities were analysed with Excel Software for descriptive statistics and SPSS-inferential statistical analysis software. One way ANOVA and Duncan specialized test result showed that there is a significant positive relationship between work ethic of the employees and organizational performance in Iran insurance branches in Guilan Province. The research also showed that there is a significant positive relationship between the three aspects of ethical perspectives out of four aspects defined by Gregory C. Petty's: Dependable, considerate, ambitious and cooperative and organizational performance in Iran insurance agency branches in Gilan Province.

**Key words:** Business ethics, organizational performance, Iran insurance agencies, Guilan Province, Iran

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### INTRODUCTION

Over the years, the term ethics in organizational performance has long been associated with management scholars and business leaders around the world. Despite significant contributions in the past, there is still a growing need for answers in the area of business ethics and social responsibility of the firm (Donalson, 2003; Harrison and Freeman, 1999; Walsh *et al.*, 2003). There is a broad agreement around the world that as a matter of corporate policy, every organization strives to be committed in a manner that is ethically transparent.

The terms moral and ethical are often used equivalent to good or bad and as opposed to immoral and unethical. Ethics is defined as a philosophy of human conduct, reflecting prevailing values especially that moral nature. According to Akinbayo ethics are moral principles that explain what is right or wrong, good or bad and what is appropriate or inappropriate in various setting. Bucholz (2003) in his research on business ethics, sees ethics as the guiding values, principles and standards that help people determine how things ought to be done. Ethics is a set of standard of right and wrong established by a particular group and imposed on members of that group as a means of regulating and setting limit on

behaviour. Ethics are defined as the system of rules that governs the ordering of values. This idea makes it possible to prescribe a code of behaviour for both research and one's personal life (Robbins, 2001).

The knowledge about the existing linkages between the ethical stance of firms and organizational dimensions remains limited at best. At least two reasons exist for this lack of answers. First, there are encountered theoretical positions on the effect of business ethics and good corporate behaviour on performance. While some researchers (Hosmer, 1994; Jones, 1995) argue that ethics are good business investment because it generates positive externalities like trust and commitment with relevant stakeholders which in turn assure long-term performance, others remain sceptical (Friedman, 1970; Jensen, 2001).

A common assumption in the structuring of organizational control systems is that individuals are opportunistic that is they focus on furthering their own interest over the organizations. Organizations support this orientation out of self-interest, it is easier to blame an employee for wrong doing than to identify problems within an organization and initiate appropriate adjustments (Jansen and Von Glinow, 1985). Within academic circles, this negative view of employees has been perpetuated by the dominance of agency theory,

particularly in the accounting and finance spheres. In contrast, the premise of this research is the majority of individuals are honest and moral while the control systems within organizations often encourage unethical behaviours and/or poor decisions. Thus, the focus shifts from individual motivation to pressures exerted on the individual through the formal and informal control systems. More specifically, it is assumed ethical situations involve a combination of individual and situational factors (Trevino, 1986).

It is often argued in many instances that it is in the interest of an organization to behave in a way that recognizes the need for moral and ethical content in managerial decision, as this will benefit the organization, especially in the long run.

Ethical behaviour is characterized by honesty, fairness and equity in interpersonal, professional and academic relationship and it respects the dignity, diversity and the right of individual and groups of people (Arlow and Ulrich, 1980). Therefore for an organization to move forward in the aspect of performance, it is however important for such an organization to have a good understanding of ethics and also take it seriously as this can undermine the competitive strength of the organization and the society at large.

Morals spring virtually from every decision, thus organization stability and survival depends on the consistency of quality of ethical decision made by managers. Managers are challenged and encouraged to have obligation on organization performance and society at large to support and the assist the society to imbibe the ethical culture in which there was the interest of is everyone.

In recent times, most organizations have come up with codes of ethics in dealing with ethical issues challenging them. Code of ethics as defined by the national institute of the management is a set of moral principle used by organization to steer conduct of the organization itself and the employee, in all their business activities, both internally and externally. According to Carroll (1998), he stated that codes are opposed to straightforward policy have advantage of providing explicit guidance on key moral issues that might arise during the course of organization activities.

Ethical behaviour is acting in ways that are consistent with one's personal values and the commonly held values of the organization and society (Nielsen, 1999). Unethical behaviour by employees can affect individuals, work teams and even the organization (Arlow and Ulrich, 1980). Organizations thus depend on individuals to act ethically. Several years ago, a company launched a program to integrate its ethical standards into

everyday business conduct (Vitell and Festervand, 1987). It developed a booklet of ethical standards, distributed it to all employees and undertook a massive training effort to express to all employees the importance of ethical behaviour. Interestingly today, it is worthy to note that high-intensity business environment makes it more important than ever to have a strong ethical program in place. In a survey of >4,000 employees conducted by the Washington, D.C. based ethics resource centre, one-third of the employees said that they had witnessed ethical misconduct in the past year.

Ethics and ethical behaviour go hand in hand. Formally defined, ethical behaviour refers to that which is morally accepted as good and right as opposed to bad and wrong in a particular situation. It is therefore, the principle relating to what is right and wrong. Scholars have enumerated some essential elements of ethical behaviour as regards organizational concerns. These essential elements according to Robbins (2001) and Bucholz (2003) amongst others, include: Integrity, accountability, code of ethics/ethical programmes, ethical decision making and ethical environment.

As regards ethical climate of an organization, it is the shared set of undertakings about what correct behaviour is and how ethical issues will be handled. This climate sets the tone for decision making at all levels and in all circumstances. Some of the factors that may be emphasized in different ethical climate of organizations according to Robbins (2001) are personal self-interest, company profit, operating efficiency, individual friendships, team interest, social responsibility, personal morality, rules and standard procedures, laws and professional codes, etc.

The ethical climate of different organizations can emphasize different things. When the ethical climate is not clear and positive, ethical dilemmas will often result in unethical behavior. In such instances, an organization's culture also can predispose its members to behave unethically. For example, recent research has found a relationship between organizations with a history of violating the law and continued illegal behavior (Baucus and Near, 1991). Thus, some organizations have a culture that reinforces illegal activity. In addition, some firms are known to selectively recruit and promote employees who have personal values consistent with illegal behavior, firms also may socialize employees to engage in illegal acts as a part of their normal. Job duties, pressure, opportunity and predisposition can all be due to unethical activities, however organizations must still take a proactive stance to promote ethical climate (Schneider and Reitsch, 1991).

Considering the importance of professional ethics and moral behaviour and their effect on organization, this

study was carried out in insurance organization to investigate the linkage between factors of professional ethics and performance of Iran insurance agency in Gilan Province, Iran.

**MATERIALS AND METHODS**

To do this study, the Occupational Work Ethic Inventory (OWEI) developed by Petty was used in this study. Gregory C. Petty’s standard moral questionnaire for this research included 23 descriptors made up for four aspects of ethical perspectives based on Gregory C. Petty’s: Dependable, considerate, ambitious and cooperative representing the subcomponents of occupational research ethic profile.

The study population is consisted of all employees in Iran insurance agencies in 5 big cities (Rasht, Bandar Anzali, Lahijan, Hashtpar, Soumea Sara) in Gilan Province, Iran which include 319 employees. Total 240 employees out 319 employees were randomly selected as sample of the study. The employees were kindly invited and asked to fill out the moral questionnaire which includes four aspects (i.e., dependable, considerate, ambitious and cooperative) with 23 questions. The questionnaire was based on a Likert-type scale for self-scoring with 5 scores from 1 as minimum value for the four aspects to 5 as maximum value for the four aspects.

For the purpose of this study, one null hypothesis was developed, as professional ethics of employees has no effect on organizational performance of the Iran insurance agencies in Guilan Province.

Also, there were four minor objectives in this research including:

- Is there any linkage between dependable and organizational performance of Iran insurance agency in Guilan Province?
- Is there any linkage between considerate and organizational performance of Iran insurance agency in Guilan Province?
- Is there any linkage between ambitious and organizational performance of Iran insurance agency in Guilan Province?
- Is there any linkage between cooperative and organizational performance of Iran insurance agency in Guilan Province?

The questionnaires were then gathered when completed by employees to compare the result with those of obtained for organizational performance from the center of Iran insurance office.

**Data analysis:** All the data gathered in this research were then statistically analysed through analysis of variance. All the statistical significances were judged at 5% significance level. Duncan test were used where the analysis was statistically significant.

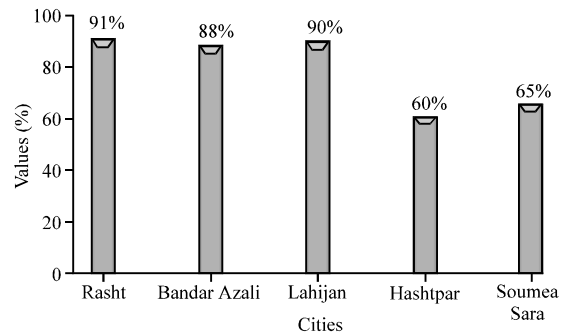
**RESULTS AND DISCUSSION**

The organizational performance of the 5 studied cities in Guilan is shown in Table 1 and Fig. 1. The responses to Gregory C. Petty’s moral questionnaire for the four aspects of ethical perspectives were analysed and a mean value for each one of them was obtained and shown in Fig. 2-5. Result of ANOVA and Duncan test of the data are shown in Table 2-6.

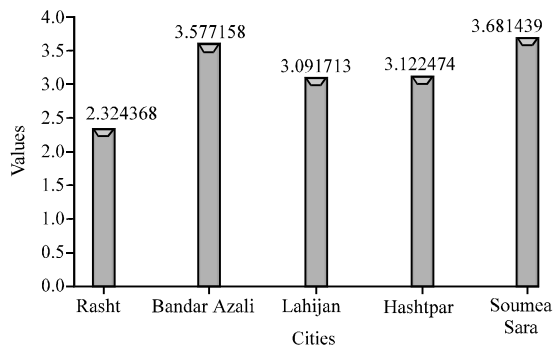
The result of this study showed that the City Rasht (91%) had the highest value of the organizational performance when compared to the other 4 big cities in

**Table 1: Organizational performance of the studied cities and their ranking**

Cities	Organizational performance (%)	Ranking
Rasht	91	1
Bandar Anzali	88	3
Lahijan	90	2
Hashtpar	60	5
Soumea Sara	65	4



**Fig. 1: Mean value of organizational performance of the studied cities**



**Fig. 2: The mean value of responses to the first aspect of professional ethic (dependable)**

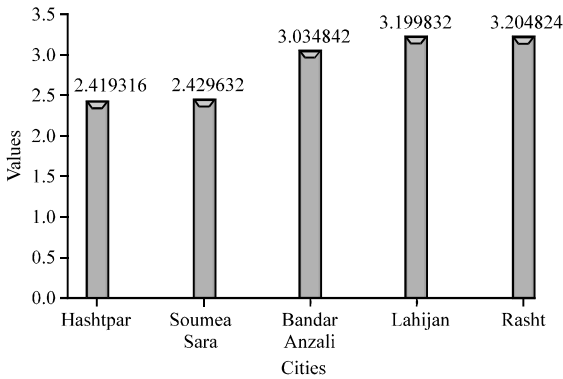


Fig. 3: The mean value of responses to the second aspect of professional ethic (considerate)

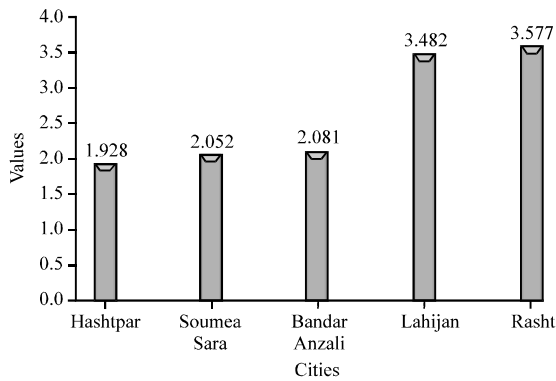


Fig. 4: The mean value of responses to the third aspect of professional ethic (ambitious)

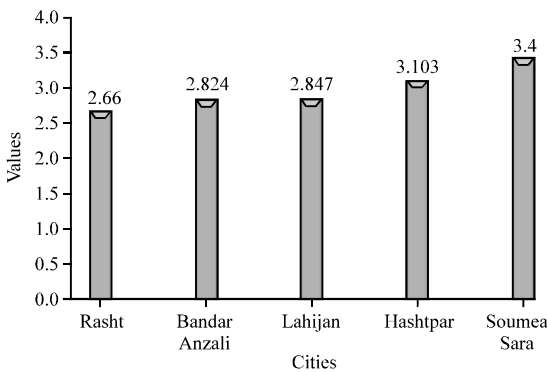


Fig. 5: The mean value of responses to the fourth aspect of professional ethic (cooperative)

Guilan Province (Table 1). However, the cities Lahijan (90%) and Bandar Anzali (88%) had almost the same value for their employees' organizational performance. The other cities Soumea Sara (65%) and Hashtpar (60%) had no good quality in their organizational performance (Table 1).

Table 2: ANOVA of the four aspects of professional ethics

Factors	F	ANOVA
Dependable	14.535	0.0
Considerate	5.745	0.0
Ambitious	25.250	0.0
Cooperative	3.547	0.0

Table 3: Result of Duncan test for the factor dependable in 5 studied cities

Cities	a	b	c
Soumea Sara	-	-	2.324368
Hashtpar	-	-	2.577158
Rasht	-	3.317190	-
Bandar Anzali	-	3.122474	-
Lahijan	3.681439	-	-

Table 4: Result of Duncan test for the factor considerate in 5 studied cities

Cities	a	b
Hashtpar	-	2.419316
Soumea Sara	-	2.429632
Bandar Anzali	3.034842	-
Lahijan	3.199832	-
Rasht	3.204824	-

Table 5: Result of Duncan test for the factor ambitious in 5 studied cities

Cities	a	b	c
Hashtpar	-	-	1.928179
Soumea Sara	-	-	2.052526
Bandar Anzali	-	2.815521	-
Lahijan	3.482077	-	-
Rasht	3.577233	-	-

Table 6: Result of Duncan test for the factor cooperative in 5 studied cities

Cities	a	b
Rasht	-	2.660441
Bandar Anzali	2.824211	2.824211
Lahijan	2.847875	2.847875
Hashtpar	3.103421	-
Soumea Sara	3.4000	-

$\alpha = 5\%$

As Fig. 2 shows the mean value of responses to the first aspect of professional ethic named dependable was 2.324 for Soumea Sara, 2.577 for Hashtpar, 3.091 for Rasht, 3.122 for Bandar Anzali and 3.681 for Lahijan.

Also, the mean value of responses to the second aspect of professional ethic named considerate was 2.429 for Soumea Sara, 2.419 for Hashtpar, 3.204 for Rasht, 3.034 for Bandar Anzali and 3.199 for Lahijan (Fig. 3).

The mean value of responses to the third aspect of professional ethic, ambitious was 2.052 for Soumea Sara, 1.928 for Hashtpar, 3.577 for Rasht, 2.081 for Bandar Anzali and 3.482 for Lahijan (Fig. 4).

Finally, the mean value of responses to the last aspect of professional ethic, cooperative was 2.660 for Rasht, 2.824 for Bandar Anzali, 2.847 for Lahijan, 3.103 for Hashtpar and 3.400 for Soumea Sara (Fig. 5).

The result of ANOVA used for the data showed that there has been a significant difference for the value of responses and organizational performances for the different cities.

The result of Duncan revealed that there is a significant relationship between professional ethics and organizational performance employees working in Iran insurance agencies in Guilan Province. According to the result there is a positively significant relationship between the aspect dependable and organizational performance. Similarly for the aspects, considerate and ambitious there have been a positive significant relationship with organizational performance of the agencies. However, result did not show a significant relationship between the fourth aspect, cooperative and organizational performance.

### CONCLUSION

In general, this study revealed that there has been a high value for the aspect of professional ethics for the cities Rasht, Lahijan and Bandar anzali which they had a high value of organizational performance which it shows the strongly positive relationship between the professional ethics and organizational performance. It is therefore it can be said the  $H_0$  hypothesis of this study is rejected and the  $H_1$  is approved.

Regarding the result of this study, both employees and managers are suggested to consider professional ethics in their professional jobs to make their organizational performance to the high rate.

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