# An Analysis of GLOBE's Organization Culture on Work Ethics: A Case Study of Iran

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## Abstract

The purpose of this research is to express the importance of ethics in business and also the expression of organizational culture dimensions (GLOBE) and the power of organizational culture in institutionalizing ethics in business as an efficient competitive advantage. This study seeks to find a relationship between organizational culture dimensions and implementation of business ethics and also the most important organizational culture dimension in improving ethics in business.

The research methodology is descriptive based on data collection method. For this purpose, the correlation method was used to describe the research variables and explain relationships. The research questionnaire was done in the temporal domain until winter 2014 in the spatial domain of Social Security Organization of Golpayegan (as the mother organization, Khansar and Daran, all of which located in Isfahan Province.

The Study reveals that the significance probability value of each regression independent variable shows that only variables "Power Distance, Gender Egalitarianism, Future Orientation, and Human Orientation", due to $P$-value$<\alpha=0.05$, are significant in regression whereas other variables are not. In addition, regression coefficient of determination level ($R^2=0.749$) and its slight difference with adjusted $R$ ($R^2_{adj}=0.723$) indicates significant variables highly effectively existing in regression.

Considering the results of the research, it's suggested that a senior manager intending to revive the business ethics in his organization by means of the powerful leverage of organizational culture, should invest on power distance, gender equality, foresight and altruism more.

## INTRODUCTION

In today's advanced world it was only in 1970s that business ethics emerged. However, some of the dimensions of business are dated back to the medieval times. Business ethics has also part of its roots in Greek civilization BC and the orient civilization. Jews living at the time of Moses blamed bribery because they believed it keeps blessing away from their aliment. In addition, they also considered interest loan as an unlawful act. Ancient Persians considered mediating and non-productive markets to be deceit. In ancient China it was necessary to respect the Rules of Confucius in market interactions. Socrates and Plato believed that actual blessing does not lie in wealth and they considered economy to be a part of morality (Dadgar, 2008). The explaining religion of Islam and verses of Quran contain a great deal of codes of conduct on honesty, loyalty, prohibition of treason, bribery and use of short weights, respect for justice, honesty, etc. Therefore, we, as Iranians and heirs of the ancient Iranian and Islamic civilizations, shall put more effort into revitalization of moral codes. Unfortunately, morality was forgotten and ignored for a long time but in 1980s it once again was recognized by institutionalization of business code of conduct. Therefore, religious and scientific communities once again put interest in revitalization of necessary codes of conduct. At the time, organizations were encouraged to

meet moral requirements and do not wait for legal codes. After a while business ethics were formulated as rules and official plans that could be officially pursued. Morality is the fruit of religion, culture, normative systems, social learning, faith, experiences and attitudes of people. Moral responsibilities of each organization are the collection of rights and commitments of the organization to the society. Code of conduct is the collection of formal policies and informal conventions. The code of conduct of an organization determines criteria that are used to assess behavior and decisions of the organization.

# 1. ETHICS MANAGEMENT

Since human is innately profit-seeking and is ready to violate collective rights to protect his interests. It is necessary to formulate a set of meta-formal rules to protect him against his passion and release him from doubt and dilemmas in facing ethical problems. Numerous problems that are currently challenging organizations can be resolved by code of ethics. Hence, organizations have shifted toward ethics management and have realized its undeniable necessity.Ethics management in an organization refers to formulation of code of ethics to cope with the ethical problems of managers and employees and institutionalize the rules in corporate culture over time (Soltani, 2003).Code of ethics plays a determining

role in organizations and influences the performance and decisions of managers and employees. The existing corporate culture is the platform for development of moral obligations. The more the platform is ready the more it is possible for code of ethics to emerge. Public service requires public trust, which is only obtained through organizations whose managers and employees commit to the constitution, codes of ethics and collective interests (Mitchel & Charles, 1999).

## 1.1 The Necessity and Significance of Organization Ethics

Today, organizations respect for corporate ethics is considered a competitive advantage because play a substantial role in reducing stresses, addressing ethical problems and achieving organization goals.Organizational ethics has been identified as an important elementin building a successful organization (Mohamed, Kader, & Anisa, 2012).

The necessity of ethics is so high that ethics-based organizations of today have replaced the term stockholders with stakeholders (including a wide range of owners, employees, customers and suppliers). Stakeholders are divided into two categories: internal and external. Internal stakeholders include owners, employees, customers and suppliers while external stakeholders are the government, competitors, customers and consumers' agents, environmentalists, and the media (Freeman, 1984).
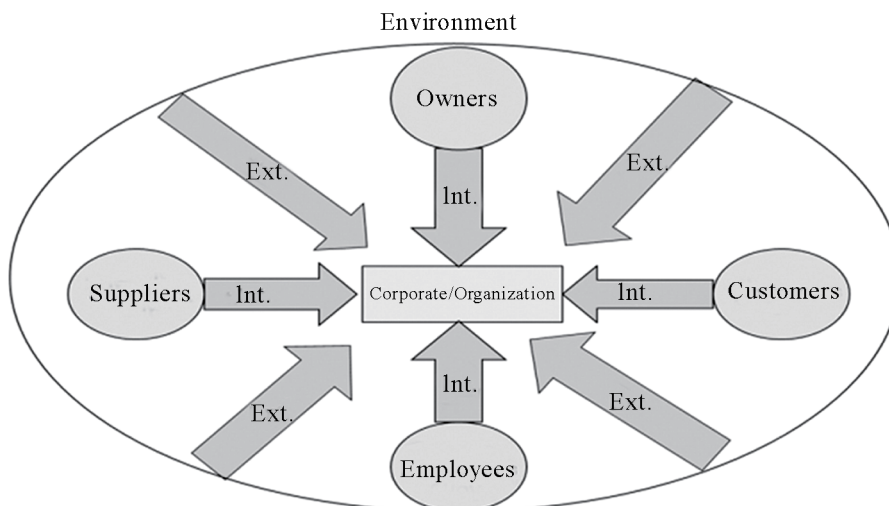


**Figure 1**
**Stakeholders Categories (Freeman, 1984)**

## 1.2 Factors of Formation of Organization Ethics

Three factors play the major role in the formation of organization ethics: personal factors, organizational factors, meta-organizational factors. The essence of management of corporate ethics is the personal behavior of employees and their self-awareness. The second factor is the entire organization which tries to institutionalized ethics by setting rules and code of ethics. The last key factor is meta-organizational entities

such as the government, economic conditions, workplace and society. These factors play a substantial role in directing ethics management. In fact, managers try to create corporate ethics by understanding these factors (Gharamaleki, 2013).

## 1.3 Ethical Theories

Ethical theories are subcategories of normative ethics. These theories are shows in Table 1:

**Table 1**
**Ethical Theories**

| | |
|---|---|
| Consequentialism | In result-oriented theories the consequence or outcome of an action matters not the path to it |
| Egoism | The bases of all acts and deeds are only personal interests and not collective interests |
| Utilitarian Theory | It holds that attempts shall be made to benefit as more people as possible to the possible extent with minimum losses |
| Deontology | This theory focuses on the intention and characteristics of the act regardless of its possible outcome |
| Virtuism | According to this theory practice of moral virtues leads to the growth and perfection of human. Virtues influence the personality of people and are beyond obedience to moral codes |
| Ethical Relativism | Relativists believe that judging the right or wrong action depends on time and place |

## 2. ORGANIZATIONAL CULTURE

As we know the different organizational culture prevails in service organizations (Kanter, 2009). Culture is the context in which an organization operates (Abhishek, 2013). Also one of important critical success factors for organization success is to have a favorable organization culture (Mathew, 2012).The start of research on the notion of corporate culture dates back to 1980s. Reasons of the stress on studies of corporate culture originate from various factors including the following factors: (1) the 1980s was the start of globalization of organizations and businesses. Hence, coordination between employees of such organizations was a hot topic; (2) in the 1980s it was found out that different levels of organizational performance can be attributed to corporate culture; (3) corporate culture can act as a source of inducing sustainable competitive advantage because some culture cannot be easily adopted.

### 2.1 Definition of Organizational Culture

Organizational Culture is an observable, powerful force in any organization. Made up of its members' shared values, beliefs, symbols, and behaviors, culture guides individual decisions and actions at the unconscious level. As a result, it can have a potent effect on a company's well being and success (House, Javidan, Hanges, & Dorfman, 2002).

### 2.2 Organizational Culture—GLOBE Model

House et al. carried out the GLOBE study to define culture as follows: The collection of common values, beliefs, identities and meanings in common situations, which is resulted from experiences of all members and is transferred from one generation to another. A total of 150 researches in the field of management and social sciences from 61 countries participated in this study. GLOBE enumerated the following 9 dimensions of culture: uncertainty avoidance, power distance, in-group collectivism, institutional collectivism, gender egalitarianism, assertiveness, future orientation, performance orientation, and human orientation. Globalization has brought all countries forfree and fair trade consequently it declined trade barriers andrapid increase in foreign direct investment (Gajendra, 2012).

GLOBE: "**G**lobal **L**eadership and **O**rganizational **B**ehavior **E**ffectiveness" is a research program focusing on culture and leadership in 61 nations (House, et al., 2002), shown in Table 2.

**Table 2**
**Project GLOBE Cultural Dimensions (House, et al., 2002)**

| | |
|---|---|
| Uncertainty Avoidance | The extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices |
| Power Distance | The degree to which members of an organization or society expect and agree that power should be stratified and concentrated at higher levels of an organization or government |
| Institutional Collectivism | The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action |
| In-group Collectivism | The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families |
| Gender Egalitarianism | The degree to which an organization or a society minimizes gender role differences while promoting gender equality |
| Assertiveness | The degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships |
| Future Orientation | The degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying individual or collective gratification |
| Performance Orientation | The degree to which an organization or society encourages and rewards group members for performance improvement and excellence |
| Humane Orientation | The degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring, and kind to others |

# 3. BUSINESS ETHICS AND ORGANIZATIONAL CULTURE

The late 2000s was the beginning of the establishment of a connection between business and ethics by scholars of the field of management. Ethics and culture are both integrated into the character of human and reflect their being. One of the major problems of organizations is ethical issues as the results of the interaction between economic and social functions. Societies have always condemned businesses that only focus on their own interests regardless of public interest. The reason is that organizations considerably affect the environment. In order to avoid pressures imposed by public opinions and similar entities, organizations have to go beyond their own interests. If all organizations value the importance of public interest ethical goals are attained in the society and all members of it will benefit from it. In this regard, Peter Drucker, the prominent scholar of the field of management, writes: "The legitimacy and life of private organizations depends on their acceptance of their social roles and tasks. Social responsibility is the fruit of a golden rule which says: whatever you like for yourself also like for others" (Kanter, 2009).

## 3.1 Viewpoint of Noble Quran on Business

The fundamentals, basics and rich culture of the school of Islam are based on God's words sent down through Quran. Since Islamic values have their roots in human nature, they are highly dignified and respected at all times. According to Islam, moral values are necessarily meant to protect public and individual interests along with whatever that brings about real peace and perfection. The value system of Islam is neither absolute and everlasting nor time and place dependent. In other words, the Islamic code of conduct is permanent but changeable at some occasions as shown in Table 3.

**Table 3**
**Surah: Verses**

| | |
|---|---|
| Justice | O you, who believe, you shall be absolutely equitable, and observe God, when you serve as witnesses, even against yourselves, or your parents, or your relatives. Whether the accused is rich or poor, God takes care of both |
| Honesty | O you, who believe, reverence God and utter only the correct utterances |
| Unlawful Business | O you, who believe, do not consume each others' properties illicitly - only mutually acceptable transactions are permitted. You shall not kill yourselves. God is Merciful towards you |
| Qualifying Conditions for Occupation | One of the two women said, "O my father, hire him. He is the best one to hire, for he is strong and knowledgeable |
| Meritocratic | God commands you to give back anything the people have entrusted to you… |
| Bribery | You shall not take each others' money illicitly, nor shall you bribe the officials to deprive others of some of their rights illicitly, while you know |
| Consultation | It was mercy from God that you became compassionate towards them. Had you been harsh and mean-hearted, they would have abandoned you. Therefore, you shall pardon them and ask forgiveness for them, and consult them. Once you make a decision, carry out your plan, and trust in God. God loves those who trust in Him |

The aforementioned verses, which were exactly quoted from Quran, indicate that it is not impossible to create a utopia and never lands by following God's orders.If managers and staff follow the rules mentioned in these verses they will be able to easily address moral issues with confidence.

## 3.2 Hypotheses

(1) There is a significant relationship between Uncertainty Avoidance and Business ethics.

(2) There is a significant relationship between Power Distance and Business ethics.

(3) There is a significant relationship between Institutional Collectivism and business ethics.

(4) There is a significant relationship between In-group Collectivism and business ethics.

(5) There is a significant relationship between Gender Egalitarianism and business ethics.

(6) There is a significant relationship between Assertiveness and business ethics.

(7) There is a significant relationship between Future Orientation and business ethics.

(8) There is a significant relationship between Performance Orientation and business ethics.

(9) There is a significant relationship between Humane Orientation and business ethics.

# 4. LITERATURE REVIEW

With the expansion of business ethics issue, researches have considered the relationship between business ethics and other organizational factors. Some of them are as following:

The impact of business ethics on social responsibility of organizations has been studied by another researcher. The study reveals that social personality is highly influenced by work ethics. Therefore, to improve the social personality, it's suggested that there should be an upturn in work ethics (Taqizade & Soltani, 2010). The relationship between business ethics and brand was surveyed by a researcher and his conclusion reveals that

ethics have noticeable impact on enhancing reputation of the organization (Brunk, 2009) . In other research, a model of social performance of organization has surveyed the social satisfaction and ethical covenant between society and institution (Teraji, 2009). Jeri in his research, which is about the perception of customer ethical behavior carried out among the employees of 20 manufacturing companies in America, states that codes of conduct are the standards predicting professional ethics, are supportive of customer services and guideline for personnel in the organization (Jeri, 2008). Hong &Kaurin his research, which is on the relationship between organizational climate, personality and the nurses' life expectancy in Malaysia, expressed that there is a negative relationship between the structure, premium and protecting organizational climate and nurses' life expectancy (Hong & Kaur, 2008). Shantini expresses that the colleagues' behavior, successful performances of managers and work experience are also influential in the employees' ethical behavior. These statements are resultant from the research on influential factors in employees' ethical behavior which was carried out among the 123 pharmacists in Malaysia. Gender, educational level and professional ethics has shown no positive impact on ethical behavior of employees (Shantini, 2008). Amany in his research, which is on work values differences in the workplace carried out among 429 nurses in 39 hospitals located in western state of the United States, says that there is a meaningful relationship between sincerity and protection of organizational climate dimensions and the nurses' life expectancy. Also, there is no sign of nurses' perception of general values (Amany, 2008). Augustus in his research, which studies the impact of profession, position and organizational climate on moral status among 267 employees of the private sector in Moscow, states that there is a meaningful relationship between the dimensions of honesty, contrast, responsibility, premium, organizational climate standard and the dimensions of rules and procedures, compassion, instrumentalism of ethical climate (Augustus, 2008). Based on the 4th chapter of the book discussing the role of ethics in IT. Ethics in technology is an interdisciplinary subject. Discussing the issue requires knowledge and expertise in two areas of ethics and IT .Today, ethics in IT, which is one of the applied ethics attitudes, has taken into a great consideration such as the Medical Ethics, Journalism Ethics, Environmental Ethics, and etc.

## 5. SAMPLING METHOD AND SAMPLE SIZE

Population Universe:A set of units that have at least one common trait is called a statistical population. The statistical population of this thesis is composed of all managers, employees and customers of the Social Security Organization in these three cities.

Sampling process: This formula was used to determine the sample size:

$$n = N.Z^2.\sigma^2/e^2(N-1) + Z^2.\sigma^2. \tag{1}$$

This formula is applicable when the goal is to estimate the success ratio. Considering that this study aims to estimate the organizational ethics rate. Therefore, the mentioned formula was used to determine the sample size. In this formula, N is the sample size (150) and Z is the standard distribution statistic at the 95% confidence level which is equal to 1.96. σ is standard deviation and e is standard error equal to 0.1.

The research questions have multiple values with distance scale. The score ranges from 1 to 5.

$$n = \frac{150+1.96^2+0.667^2}{0.1^2+149+1.96^2+0.667^2} \cong 81 \tag{2}$$

So according to the above formula, the required sample size is 81 questionnaires. Considering the possibility of a complete lack of responsiveness, 95 questionnaires were distributed among the three agencies.

### 5.1 Data Analysis and Interpretation

Data analysis is a multistage process in which the data obtained by the data collection, summarizing, coding,and classification and finally processed to establish the types of analysis and communication of these data to test the hypotheses obtained. This section presents tables and using inferential statistical tests by SPSS-19 research hypotheses.

### 5.2 The Regression Model Considering the Reseach Hypothesis

In this section, researher study the simultaneous effect of nine independent variables on the dependent variable (business ethics)-5 so that the results are used to test the hypotheses as shown in Table 4. Therefore, the multiple regressionsare used. To measure the simultaneous relationship among all 9 variables Uncertainty Avoidance, Power Distance, Institutional Collectivism, In-Group Collectivism, Gender Egalitarianism, Assertiveness, Performance Orientation, Future Orientation, and Human Orientation, a multiple regression model with 9 independent variables is fit on data. The above was done using statistical software and the results are shown in Table 5.However, before analyzing the results, it is worth noting that before fitting the regression model, the assumption of a linear relationship between 9 independent variables and a dependent variable was conducted by F-test. The results and *p*-value showed that the expected linear relationship exists. On the other hand, a multiple regression model fit on assumed variables is available (*F*=28.214, *P*-value=0.000).

**Table 4**
**Model Summary**

| Model | *R* | *R* Square | Adjusted *R* Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | 0.866[a] | 0.749 | 0.723 | 0.15503 | 2.147 |

**Table 5**
**The Results of Regression Model**

|  | β | Std.e | t | Sig. | Result |
|---|---|---|---|---|---|
| Const. | 2.846 | 0.300 | 9.486 | 0.000 | |
| Uncertainty. | 0.016 | 0.048 | 0.168 | 0.867 | H0: ACCEPT |
| Power Dis. | +0.555 | 0.035 | 0.695 | 0.000 | H0: REJECT |
| In-Group | 0.174 | 0.031 | 1.441 | 0.153 | H0: ACCEPT |
| Collect. | -0197 | 0.044 | -1.437 | 0.155 | H0: ACCEPT |
| Gender | 0.356 | 0.023 | 4.350 | 0.000 | H0: REJECT |
| Assert | 0.102 | 0.050 | 1.075 | 0285 | H0: ACCEPT |
| Future | -0.069 | 0.050 | -7.057 | 0.000 | H0: REJECT |
| Perform | 0.070 | 0.040 | 0.438 | 0.665 | H0: ACCEPT |
| Human | 0.288 | 0.176 | 2.689 | 0.009 | H0: REJECT |



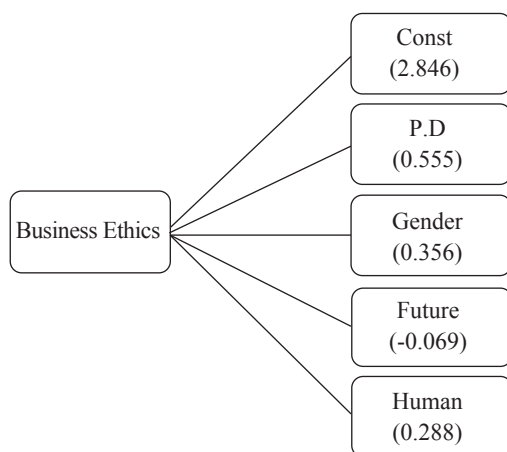**Figure 2**
**Business Ethics**

Business ethics that shown in Figure 2 are:

Business ethics = 2.846 + 0.555 (P.D) + 0.356 (Gender) + 0.288 (Human) – 0.069 (Future)

The significance probability value of each regression independent variable shows that only variables "Power Distance, Gender Egalitarianism, Future Orientation, and Human Orientation", due to $P-\text{value} < \alpha = 0.05$ $P-\text{value} < \alpha = 0.05$, are significant in regression whereas other variables are not. In addition, regression coefficient of determination level ($R^2$=0.749) and its slight difference with adjusted R ($R^2_{adj} = 0.723 R^2_{adj} = 0.723$) indicates significant variables highly effectively existing in regression.

## CONCLUSION

Considering the results of the research, it's suggested that a senior manager intending to revive the business ethics in his organization by means of the powerful leverage of organizational culture, should invest on power distance, gender equality, foresight and altruism more. With regard to the verses in the second chapter, managers and employees are suggested to facilitate solving an ethical dilemma of social work by following Quran. According to verses that recommend consultation, a manager who is willing to implement God's decrees had better avoid solitary work and egoism. Such a manager asks for the opinions of a group of experts and staff. This method encourages the staff to put more effort into their job and be responsible for their tasks. In addition, a good manager fights any deficit and shortage in his/her field of operation according to the rule on prohibition of cheating in trading. A manager who is bound with the decrees of Quran uses the criteria mentioned in Quran to recruit its staff. Hence, an employee recruited by such a manager shall be necessarily honest and efficient.

According to verses on disapproval of bribery, an employee who follows the behavior models of Quran never accepts bribes. He/she only accepts a position only if he/she deserves it. Such an employee works on the basis of honesty and justice. He/she does not work to meet his/her material needs because he/she works to obey God and His decrees.

Research limitations:Every research, apart from what it is about, faces some limitations in practice. Stating these limitations can help conducting further research. Major limitations of this research are:

- Despite the fact the researcher assured respondents (employees and division managers) of questioners' confidentiality, the questioners were overstated.
- Since this research was conducted on business ethics, organizations refrained being named in the research. Their reasoning was that if their organization was introduced as unethical, they would face some problems. However, this research was to investigate the relationship between dimensions of organizational culture and business ethics.
- Lack of similar research confined the researcher reaching internal authentic literature and drawing comparison.

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