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Employee Work Ethics and Organization Performance: Reviewing the Relationship in the Kenyan Insurance Industry

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Abstract

Faced with a highly competitive and highly volatile operating atmosphere, insurance companies are forced to seek means and ways to acquire and maintain a competitive advantage. This study considers the ethical values of employees as the important area of interest for insurance managers who are performance oriented. The researcher planned to establish how employees cope with the dynamics of the contemporary customer. More particularly, the study looked at how ethical practices affect employee and the insurance company performance. The study investigated ethical values, ethical guidance and ethical reporting as the major constructs for employee work ethics within the insurance sector in Kenya. The researcher used the employee risk triangle, social exchange and expectancy theories as the basis upon which the study model was founded. The researcher considered the insurance industry as the unit of analysis. The target population was established as the insurance companies and insurance intermediaries operating in the republic of Kenya at the time of the study. Study targeted all the 62 insurance companies in Kenya realizing 65% response rate with primary data being collected using a structured questionnaire in these companies. All the three employee work ethics constructs of ethical values, ethical guidance and ethical reporting were observed to affect the performance of insurance companies in Kenya. The study confirms that employee work ethics affects the performance of insurance companies, and therefore, employee work ethics should be an area of focus for the modern insurance companies, highlighting the value of work ethics in improving job performance, hence contributes to the literature and theoretical models related to ethics in the modern organization.

Keywords: *Employee Work Ethics, Ethical Values, Organization Performance, Insurance Sector*

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1.0 Introduction

1.1 Background of the Study

In the contemporary business environment, employees of insurance companies are required to continuously update their knowledge of the emerging ethical issues affecting their organizations. In the study the word ethics is defined in line with Tripathi (2017) which considers ethics as the rules or principles that define right and wrong conduct. These rules guide organizations and their employees during the decision making process. The end product of a decision process is to adopt decisions which deliver right outcomes and avoid the ones which negatively affect the organization and its employees.

The subject of work ethics has gained traction in today's business research following the many crises which have led to failure of many insurance companies in many parts of the world in the last decade. Studies linked the many insurance failures to the crises such as the Euro Crisis, several financial and economic scandals (Shaw, 2010; Cragg & Matten, 2011; Longstaff, 2010). Today, ethical issues are more complex and have embraced the mandatory aspects of fair competition, sensitivity to societal expectation, social responsibilities and legal protection. Employees must embrace good work ethics as an important factor in organizational growth.

Given the hypothesized value of ethical behaviour in boosting employee productivity and commitment, insurance companies can achieve higher performance if they embrace work ethics (Vieira, 2013). Organizations which embrace ethical practices also optimize employee work satisfaction and loyalty. Ethical working climate is a function of the employees' perceptions of how their organization deals with ethical conduct through organization's practices and procedures. Organizations create their own ethical codes and support their employees to exhibit certain ethical behaviours so as to accomplish organizational commitment and outcomes.

The benefits of an ethical climate was highlighted by Vig and Dumicic (2016) who established a high correlation between ethical values within an organization and clarity to the role ambiguities and providing a clear direction for ethical decision making in ethical situations. Employees' perception of a favourable ethical climate offer them incentives to have a higher level of job satisfaction and commitment in the organization, while lack of ethical consistency between organization and its employees can lead to stress and dissatisfaction.

Insurance employees operate within the environment provided by their companies. These employees derive values and norms from business environment they work in. Where the business environment accommodates unethical conduct, employees lose focus on ethical issues affecting their organizations. In a study by Sapovadia and Patel (2013), ethical climate in organizations was found to interact with several other factors to influence employees' decisions to act either ethically or unethically. In the study, ethical orientation was found to affect employees' attitude and more subsequently, their performance. Korsgaard *et al.,* (2010) was able to link success in a

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corporate culture to the selection and implementation of an organizational profile with core values, which ultimately become integral part of organizational mission.

While discussing the ethical dimensions of corporate values, Al Mahjob (2018) linked corporate culture to the aggregate ethical values of the individual managers and the existing formal and informal policies on ethics. It is the ethical values which guide all other values in an organization and as such are reflective of the products and service quality, advertising content, distribution channels selection, and how employees treat of customers. Ethical values support the establishment and maintenance of the standards describing the 'right' thing to do and things 'worth doing' (Valentine, *et al.,* 2011). Vig (2014) highlighted the many ways in which ethics affect organizations, in his study, unethical practice is seen to have negative effect on customer retention and hence the products and service uptake.

In the study by Valentine, *et al.* (2011), unethical practices and increases the burden of legal and economic risk expenses in organizations. On the employee side, unethical environment causes workplace stress, reduces employee job satisfaction and job performance and lowers the overall turnover of organizations (Al Mahjob, 2018). DeConinck (2010) opined that "people make the place", a view informed by the realization that organizational culture, climate and practices are driven by people in the organization, hence the employees are central to the organization, and hence any effects felt by employees affect the whole organization.

Work ethics encompass good conduct, equitable treatment and fair behaviour among employers and between their employees. Whenever employees practice ethical behaviour, the relationship between them also improves as employees encourage good work culture (Marta, *et al.*, 2013). It is likely that top managers reflect success in most organizations. This position is confirmed by Parrott (2014) who found out that a high correlation between management support for ethical behaviour and the satisfaction with existing conditions in the work place. In the study satisfaction and dissatisfaction is the result of bad employee attitude which comes from lack of appreciation form leaders.

Researchers have advanced divergent opinions on the close relationship between business ethics and organization performance. These differences are believed to have given rise to a more formal definition of business ethics. According to Trevino and Nelson (2011), business ethics is a set of moral rules and values directly influencing the behavior of individuals or groups in relation to something that is right or wrong. Among those who support the relationship between ethics and business is Peter Drucker, the founder of modern management considered business ethics and other kinds of ethics as one and the same thing? In his argument, morality is morality and that only one set of morality exists (Romar, 2014).

The other researchers approached the matter rather differently by considering the secondary effects of business ethics on performance. with arguments that work ethics affect employee productivity, satisfaction, commitment, which in turn affects the organization performance (Valentine & Fleischman, 2008; DeConinck, 2010; Valentine, *et al*., 2011; Sapovadia & Patel, 2013; Tripathi, 2014; Banks, 2014). Majority of these researchers dwelt on the effect of work ethics on employees rather than organization performance itself. It is the existence of these divergent opinions that informed the researcher's opinion to study the topic which is largely unstudied. The study targeted the effect in the insurance sector where ethics is considered critical. The present study therefore examines the ethical issues that arise in an insurance business environment while focusing on the influence of work ethics on organization performance. The study findings contribute to the understanding of the role of work ethics on organization performance.

1.2 Research Problem

In the last five years, Kenyan Insurance companies have performed either dismally. Most of them are experiencing huge losses which are threatening the shareholders' funds. In the year 2017, a number of insurance companies were forced to inject additional capital into their businesses to meet the cost of liabilities they continue to accumulate in the course of their businesses.

The work ethics among insurance professionals is worsening each day. The narrow focus on corporate business and the myopic view of the contribution of insurance to economic growth is creating unhealthy competition which is a threat to insurance business. Where bad work ethics exist, employees fail to provide fair value for the wages earned. Unfortunately, the Kenya Insurance Regulatory Authority with its much effort towards improving the legal environment for insurance has not been able to tame employees who continue to employ unethical tactics to acquire and retain business.

Insurance Boards and senior management often sign for the proper compliance with the corporate governance requirements. It is the responsibility of management to enforce ethics within their organizations, plan and implement the necessary formal training programs to impart the required knowledge and formal mechanisms essential in facilitating the reporting of any unethical behaviour of their organization members.

2.0 Literature Review

2.1 Theoretical Review

The study is underpinned by three important theories, Employee Risk Triangle, Social Exchange and Expectancy Theories. These theories provide a framework for understanding the impact of ethics on employees on performance of insurance companies in Kenya. The three theories focus on the critical issues that affect performance of organizations with keen interest on the role of employee's attitude on the outcomes of an organization. Ethics is closely related to attitude and the norm of reciprocity. In the study, the Social Exchange theory has been used to review extrinsic and intrinsic rewards and work values which are associated with a strong exchange ideology. It is believed that predisposition beliefs such as work norms and ethics are evidence weaker exchange ideologies. A weak exchange ideology exists when employees have a predisposition to perform regardless of whether they get anything from their organization in exchange. Positive work ethic orientation is embedded in employees' personal ethics and values. Finally, Expectancy Theory was used to explain how Exemplary companies and their employees blend the concept of mutual respect to achieve high ethical standards which improves company performance.

The Employee Risk Triangle Theory is driven by need, opportunity, and attitude. These forces have a significant effect on employee's propensity to engage in unethical conduct. As noted by Terris (1985), the Employee Risk Triangle Theory explains the relevance of common-sense and proper understanding of employee's divergent behaviour in the management of performance driven work ethics. The theory therefore provides a framework for the understanding of employees ethical conducts in organizations. However, the theory is seen to lay emphasis on the the components of attitude while failing to clarify how need and opportunity affect employee ethical conduct in organizations.

The social exchange theory postulated by Blau (1964) combined with the norm of reciprocity postulated theory by Gouldner, (1960) to provide the important guidelines in the discussion of the important topic of work ethics. Employees who believe that they are being treated fairly also develop positive commitment to the success of their organizations (Organ, 1988). This stance was supported by Cardona et al. (2004) who established that increased trust of employees by management increases the likelihood of them acting in ethical way. According to Eisenberger, *et al.* (2001), Social exchange ideology explains how employee's beliefs about work affects performance of their organization.

In the study, Expectancy Theory was used to explain how job characteristics affect employee performance. Every employee expects jobs with autonomy and job variety features that drive them towards performance orientation. Under these kinds of job conditions, employees fail to leave their jobs and organization because they are happy about the job conditions (Vroom, 1964). George and Jones (1996) linked favorable conditions at work to employee's personal values.

2.2 Empirical Review

Work ethics refers to a set of values based on hard work and diligence. It is a belief in the moral benefit of work and its ability to improve an employee's character. Companies with good work ethics have human resource capabilities which demonstrate high level reliability, high level of innovation and continuous pursuit for new skills (Marta *et al.*, 2013). On the contrary, workers with bad work ethic are regarded as failing to provide fair value for the wages earned. These employees often miss out on promotions or placement in positions demanding high levels of responsibility (Murtaza *et al.*, 2016).

A research done in Australia by Michael (2006) titled: developing ethical corporate culture in organizations, identified the role of management as those responsible for the ethicality of their organizations, the necessary formal training programs to impart the required knowledge and formal mechanisms essential in facilitating the reporting of any behaviour of organization members that is deemed wrong, unethical or illegal as the three conditions which are essential in the development of ethical corporate culture. In a study done by Banks (2014) titled 'reclaiming social work ethics' the relationship between work ethics and organizational outcomes was examined. The results of the study confirmed that practicing god work culture improved performance in organizations.

2.2.1 Ethical Guidance and Organization Performance

Organizations reinforce ethical behaviour by encouraging staff training, private events and interpersonal affairs. These activities reinforce learning to follow the ethical actions through communication, hence improves effective decision-making. Guidance plays an important role in organizational development. It is an ethical leadership function. Leaders require proper communication skills to persuasively guide and motivate their followers. The ethical guidance processes in an organization affects the formal mechanisms essential in communicating ethical behaviors.

H_1 There is no positive relationship between ethical guidance and organization performance in the Kenyan insurance sector.

2.2.2 Ethical Values and Organization Performance

Organization ethical values represent a multidirectional interchange among various official and unofficial systems of behavioral run to form an organization culture. Ethical values are the codes and terms that distinguish rights and wrongs in an organization. Studies confirm that a well-built corporate culture is an important resource for ethical and social duty an organization's employees. Work ethics can be cultivated through formal training programs that impart required knowledge to the work-force in the organization.

H_2 There is no relationship between ethical values and organization performance in the Kenyan insurance sector.

2.2.3 Reporting Mechanisms for Ethical Issues and Organization Performance

According to Appiagyei (2016), the demand for information is rising in both financial and non-financial sectors. The concept of internal reporting is attracting much attention from academics and practitioners (Velte & Stawinoga, 2016). The study reveals an ongoing discussion on the benefits and ability of internal reporting to meet the needs of stakeholders by improving company's return on equity. Robertson and Samy (2015), posits the need to equip organizations with internal reporting mechanisms that promote ethical behavior in organizations.

The importance of internal reporting has attracted the attention of many researchers (Robertson & Samy, 2015). Most of the studies focused on the specific countries where the researchers lived (Lee & Yeo, 2016; Serafeim, 2015; Robertson & Samy, 2015; Setia et al., 2015; Ahmed Haji &

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Anifowose, 2016; Higgins, Stubbs, & Love, 2014) or worldwide sample (see Jensen & Berg, 2012; García-Sánchez, Rodríguez-Ariza & FríasAceituno, 2013; Lai, Melloni & Stacchezzini, 2016; Frias- Aceituno, Rodríguez- Ariza & Garcia- Sánchez, 2014; Churet & Eccles, 2014; Maniora, 2015). These studies revealed that information reporting as a largely voluntary affair.

H_3. There is no relationship between reporting mechanisms for ethical issues and organization performance in the Kenyan insurance sector.

2.3 Organization Performance

The expectation of insurance companies for each of its employees is measured by the set performance targets. These expectations are used to predict the performance requirements necessary to advance its operations. According to Cragg and Matten (2011), integrity is required of every employee in a company if the organization to realize improvement in performance. The correlation between integrity and improvement in performance is an indication that ethical behaviour improves performance of organizations. Other than ethical behavior, organizations require a good blend of cultures such as unique organization values, beliefs and rules of behaviors and a set of beliefs and systems that deliver unique value propositions (Ross, 2011). These belief systems proffer a shared way of interpreting an organization's environment, its past and its future prospects (Mwaponda, 2009).

The interaction of societal expectations and the way that a corporate leadership interprets and reacts to these pressures produces outcomes. These outcomes manifest themselves in a number of ways, such as where the individual and organization goals match the organization is able to achieve more and the system is considered effective. Ethical workers accept orders from authority without questioning whether they understand the order, its consistency with purpose of organization, its compatibility with personal interest and mental and their physical ability to comply. Organization performance has a link to the work ethics.

When one considers these hypothesized relationships, the conceptual model realized can be presented diagrammatically as shown in Figure 1 below.

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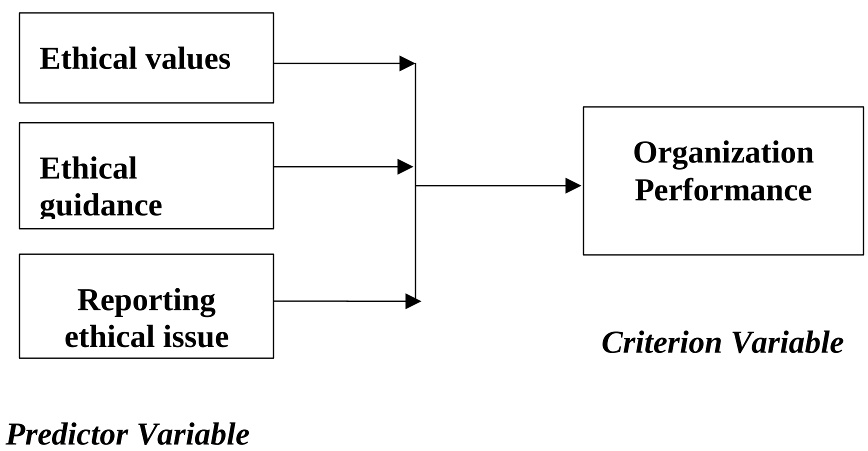

Figure 1: Conceptual Framework

3.0 Research Methodology

This study sought to assess the effects of work ethics on the performance of insurance companies in Kenya. To undertake this assessment, the study adopted a descriptive research design, which offers it enough room to fully explain the ethical working conditions within the insurance companies which would be assessed alongside the performance of the organization. The study target population comprised of all the insurance companies in Kenya. These insurance companies were targeted for the study with the plan of collecting both primary and secondary data able to inform the study variables. Primary data was collected by use of a structured questionnaire while secondary data was collected from the existing secondary materials such as financial reports and other policy documents from the target institutions.

The primary data collection tools measured the study constructs which informed the exogenous and endogenous variables on a five point Likert scale. The exogenous factors included ethical values, which was measured by 9 positively stated constructs and 6 negatively stated constructs (whose scale was reversed to indicate the level of ethical values experiences by the employees), ethical guidance, measured by 11 positively stated constructs assessing the level of ethical leadership reported by the employees of insurance companies, and ethical reporting which highlighted the level of reporting of ethical issues within the insurance companies – informed by 7 positively stated constructs, all measured on a five point Likert scale. The endogenous factor of the model was organization performance constructs such as efficiency, productivity, quality, and customer satisfaction, all measured on a five point Likert scale.

The reliability of all the items included in the primary data was confirmed by a Cronbach alpha of 0.9702, indicating a very high level of internal consistency in the data. Part of the data collected to inform the ethical values within the insurance firms was negatively stated, and all the

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six constructs were flagged down by Cronbach alpha test as having a reverse scale characteristic, an indication of consistency of the data collected. A look at the sampling adequacy of the study factors led to the realization of rotated outcomes for the three factors explaining employee work ethics (ethical values 0.9328, ethical guidance 0.8279 and ethical reporting 0.7962) and the four constructs of organization performance (efficiency 0.5380, productivity 0.4952, quality 0.5540, customer satisfaction 0.5468) which were observed to explain at least 50 per cent of the variance, as per the Kaiser–Meyer–Olkin measure of sampling adequacy with an overall power being 0.5148, all above the 0.5 threshold suggested by Hair *et al*., (2014).

The collected data was analyzed by use of descriptive and inferential statistics which allows for hypothesis testing and model specification. Descriptive statistics used includes mean, standard deviation and one sample t-test while inferential statistics includes correlation and regression analysis. The outcomes of this analysis were presented in tables and figures.

4.0 Findings and Discussions

The study applied both descriptive and inferential statistics to form inference on the impact employees work ethics have on the performance of insurance companies. The researcher considered ethical performance in the presence of ethical leadership and the level of information reporting within the company and how they affect individually or collectively the performance of the organization. The researcher measured the presence, sustenance and enforcement aspects of employee work ethics, leadership behavior and ethical guidance within the Insurance industry in Kenya. The performance aspect of the study was measured by the assessment of efficiency, productivity, quality, and customer satisfaction gains within the target insurance companies. The respondents of choice were the management teams within these firms whose demographics are presented in Figure A1 located within the study appendix 1.

The descriptive statistics presented in Tables A1, A2, A3, and A4, shows high levels of employee ethics within majority of the organizations and good performance as indicated by the resultant means shown in these tables presented in Appendix 1. Further assessment indicated the need to understand whether there is significant evidence of the insurance organizations having higher than average (mean of 3 in a 5 point Likert scale) levels of employee work ethics and performance. The outcomes of this inquest are as presented in Table 1 where it was observed that ethical reporting was observed to have the least mean (M 3.82) while ethical values indicated the highest mean (M 4.35).

From the one sample t-test, it was observed that the constructs had means greater than 3 (Ha: $M<3$, $P = 1.000$), the constructs were not rated at 3 on average (Ha: $M=3$, $P = 0.000$), and none was rated less than 3 (Ha: $M>3$) on a 5 point Likert scale. These outcomes indicate the high level of awareness of employee work ethics within the insurance industry in Kenya. Similar outcomes were reported for the performance constructs as presented in Table 1, an indication that the

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insurance firms' performance was rated above average, an indication of high performance within most of the insurance companies. These outcomes indicate that nearly all the employee work ethics constructs of ethical values, ethical guidance, and ethical reporting acquired higher than average rating from the respondents, and the organization performance constructs of efficiency, productivity, quality and customer satisfaction had ratings higher than the average rating in a five point Likert scale.

Table 1: Descriptive Statistics

Variable	**Mean**	**Std. Err.**	**Std. Dev.**	**One Sample t-Test**			
				T	**H_a: M < 3**	**H_a: M != 3**	**H_a: M > 3**
					Pr(T < t)	**Pr(|T| > |t|)**	**Pr(T > t)**
Ethical Values	4.3500	0.0827	0.5231	16.322	1.000	0.000	0.000
Ethical Guidance	4.0341	0.1210	0.7654	8.544	1.000	0.000	0.000
Ethical Reporting	3.8178	0.1559	0.9859	5.246	1.000	0.000	0.000
Work Ethics	**4.0673**	**0.0977**	**0.6179**	**10.924**	**1.000**	**0.000**	**0.000**
Efficiency	3.9679	0.1232	0.7794	7.854	1.000	0.000	0.000
Productivity	3.7333	0.1458	0.9220	5.030	1.000	0.000	0.000
Quality	3.9918	0.1332	0.8421	7.448	1.000	0.000	0.000
Customer Satisfaction	4.1188	0.1331	0.8416	8.407	1.000	0.000	0.000
Org. Performance	**3.9662**	**0.1161**	**0.7344**	**8.320**	**1.000**	**0.000**	**0.000**

While conducting a correlation assessment, the researcher established a low but statistically significant correlation between the various constructs of employee work ethics and the constructs informing organization performance. The outcomes of this assessment are presented in Table 2

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Table 2: Relationship between key constructs

	E_Values	E_Guid~e	E_Repo~g	Effici~y	Produc~y	Qualit y	C_Sati~n
E_Values	1						
E_Guidance	0.3016	1					
E_Reporting	0.3459	0.6662	1				
Efficiency	0.4367	0.6435	0.5001	1			
Productivity	0.3615	0.6362	0.3924	0.7014	1		
Quality	0.4413	0.8139	0.5406	0.7323	0.6649	1	
C_Satisfac~n	0.3982	0.7614	0.6480	0.6984	0.6284	0.749	1
Org. Performance	0.4676	0.7922	0.5895	0.9289	0.832	0.8716	0.8656

The relationship among the work ethics constructs presented in Table 2 was observed to be low where ethical values and ethical guidance was 0.302, ethical values and ethical reporting 0.346, and ethical reporting and ethical guidance was higher at 0.666. The higher relationship between ethical guidance and ethical reporting was explained by the fact that organizations with high ethical guidance mechanisms also instituted ethical reporting mechanisms to complement and strengthen the ethics within the firms.

In the study, ethical values construct was observed to have low correlation with ethical reporting and ethical guidance constructs in the same way, ethical values among employees also had low linkage with ethical guidance and reporting. When compared with performance, ethical values were observed to have the highest correlation with quality performance construct and the least correlation was observed in ethical values and productivity performance construct ($r = 0.3615$). On the other hand, ethical guidance was observed to have a high correlation with quality performance construct ($r = 0.8139$) while ethical reporting was observed to have a high correlation with customer satisfaction ($r = 0.648$). When considering this relationship with the overall organization performance, the study found that, ethical guidance indicated the highest relationship with organization performance ($r = 0.7922$), followed by ethical reporting ($r = 0.5895$), and ethical values ($r = 0.4676$). From the study, the researcher therefore established that ethical guidance construct had the highest relationship contribution to organization performance followed by ethical reporting and then ethical values.

Further assessment of the relationship between each of the employee work ethics constructs and organization performance was undertaken using PLS regression in STATA whose outcomes were observed as presented in Tables 3, 4, and 5 while Table 6 presents the combined effect model of this relationship.

Table 3: Regression between ethical values and insurance company performance

Source	SS	df	MS			
Model	4.5988	1	4.5988	F(1, 38) = 10.63		
Residual	16.4380	38	0.4326	Prob > F = 0.0024		
Total	21.0368	39	.5394			
R-squared = 0.2186		Adj R-squared = 0.198		Root MSE = 0.65771		
Org. Performance	Coef.	Std. Err.	T	P>t	[95% Conf. Interval]	
EthicalVal~s	0.656477	0.201339	3.26	0.002	0.248888	1.064067
_cons	1.110515	0.881972	1.26	0.066	-0.67494	2.895975

The regression analysis ANOVA revealed a statistically significant relationship between ethical values and organization performance ($P_{f(1,\ 38)} = 0.002$), which allowed the researcher to reject the null hypothesis stating that 'there is no positive relationship between ethical values and organization performance in the Kenyan insurance sector' (H_{o2}). This model was found to have a coefficient of determination (R^2) of 0.2186, indicating that the ethical values model could explain 21.86% of the variations in organization performance. However, though the regression coefficient for ethical values was positive and statistically significantly different from zero (0.656; $P_{t,3.26} = 0.002$) at 95% confidence level, the constant (1.110; $P_{t,1.26} = 0.066$) was observed to lack statistical significance at 95% confidence level hence the coefficient failed to be significantly different from zero at this level of confidence, though satisfy the hypothesis that the coefficient is significantly different from zero at the 90% confidence level. The study therefore confirmed that ethical values had a positive and statistically significant effect on the performance of Insurance Companies.

The study further assessed the effect of ethical guidance as a construct of employee work ethics on the performance of Insurance companies. This was done in a view of testing the null hypothesis (H_{o1}) stating that 'there is no positive relationship between ethical guidance and organization performance in the Kenyan insurance sector', achieved through a PLS regression analysis of data collected from 40 Insurance Companies in Kenya. The outcomes of this enquiry are as presented in Table 4.

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Table 4: Effect of ethical guidance on insurance company performance

Source	SS	df	MS			
Model	13.202800	1	13.202800	F(1, 38) = 64.04		
Residual	7.834044	38	0.206159	Prob > F = 0.000		
Total	21.03684	39	0.539406			
R-squared = 0.6276		Adj R-squared = 0.6178		Root MSE = 0.45405		
Org. Performance	**Coef.**	**Std. Err.**	**T**	**P>t**	**[95% Conf. Interval]**	
E_Guidance	0.760135	0.094986	8.000	0.000	0.567846	0.952423
_cons	0.899717	0.38985	2.310	0.027	0.110508	1.688926

The ANOVA outcomes within the PLS regression analysis revealed presence of a statistically significant relationship between the construct of ethical guidance and the performance of insurance companies ($P_{f(1,\ 38)} = 0.000$). Since the P value is less than 0.05, the decision is to reject the null hypothesis (H_1) that stated that 'there is no positive relationship between ethical guidance and organization performance in the Kenyan insurance sector'. The construct shows a high coefficient of determination ($R^2 = 0.6276$), indicating ethical guidance construct's ability to explain 62.76% of the variability in insurance performance. The study further observed high coefficients for the ethical guidance and model construct, with both being observed to be statistically significantly different from zero (coefficient 0.7601; $P_{t,8.00} = 0.000$; constant 0.8997; $P_{t,2.310} = 0.027$) at 95% confidence level. The regression model therefore confirms that ethical guidance as a construct of employee work ethics affects the performance of insurance companies.

In the study, the researcher used PLS regression analysis to test the hypothesis that 'there is no relationship between reporting mechanisms for ethical issues and organization performance in the Kenyan insurance sector' (H3). The outcomes of this enquiry are as presented in Table 5.

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Table 5: Effect of ethical reporting on insurance company performance

Source	**SS**	**df**	**MS**		
Model	7.311566	1	7.311566	F(1, 38) =	20.2400
Residual	13.725270	38	0.361191	Prob > F =	0.0001
Total	21.036840	39	0.539406		
R-squared = 0.3476		Adj R-squared = 0.3304		Root MSE =	0.6010

Org. Performance	**Coef.**	**Std. Err.**	**T**	**P>t**	**[95% Conf. Interval]**	
E_Reporting	0.439158	0.097608	4.500	0.000	0.241562	0.636755
_cons	2.289547	0.384574	5.950	0.000	1.511017	3.068076

Outcomes of the ANOVA of the PLS regression model indicated a p-value less than 0.05 ($P_{f(1, 38)} = 0.0001$) leading to the rejection of the null hypothesis (H3) which stated that the reporting mechanisms as employee work ethics construct have no relationship with organization performance in the Kenyan insurance sector'. Ethical reporting was therefore confirmed to affect the performance of insurance firms. The extent of this effect was indicated by the observed coefficient of determination ($R^2 = 0.347$) indicating the power of ethical reporting as a construct of employee work ethics to explain the variability in insurance company performance is 34.76%. Both the coefficient of ethical reporting (0.4392, $P_{t,\ 4.500} = 0.000$) and the constant (2.2895, $P_{t,\ 5.950} = 0.000$) were confirmed to be statistically significantly different from zero at 95% confidence level confirming a high impact of the independent variable on the dependent variable. This shows that ethical reporting as a construct significantly affected the performance of the Insurance Industry in Kenya.

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Table 6: Joint effect of employee ethics constructs on insurance company performance

Source	**SS**	**df**	**MS**			
Model	14.43736	3	4.812454	F(3, 36) =		26.25
Residual	6.599476	36	0.183319	Prob > F =		0.000
Total	21.03684	39	0.539406			
R-squared =	0.6863	Adj R-squared = 0.6601		Root MSE =		0.42816
Org. Performance	**Coef.**	**Std. Err.**	**T**	**P>t**	**[95% Conf. Interval]**	
E_Values	0.342460	0.140422	2.44	0.020	0.057671	0.627248
E_Guidance	0.659208	0.120733	5.46	0.000	0.414351	0.904065
E_Reporting	0.035348	0.095246	0.37	0.713	-0.15782	0.228515
_cons	-0.317780	0.611195	-0.52	0.606	-1.55734	0.92178

The study also observed the need to assess the joint effect of the three employee work ethics constructs on performance of insurance companies. A PLS regression model was applied to test this relationship in a bid to further inform the relationship between employee work ethics and organization performance. The outcomes of this enquiry are as presented in Table 6. The PLS regression undertaken in the study applied the ANOVA, coefficient of determination and the coefficients of the model. The ANOVA undertaken revealed that the regression model was statistically significant ($P_{f(1, 36)} = 0.000$), hence confirming presence of a statistically significant joint relationship between the three employee work ethics constructs of ethical values, ethical guidance and ethical reporting and organization performance in insurance companies.

As indicated by the coefficient of determination (R^2) the three constructs were found to have the ability to explain 68.63% of the variability in organization performance ($R^2 = 0.6863$). However, as presented in Table 6, the study also observed that only two of the three employee ethics constructs, ethical values (0.3424, $P_{t,\ 2.44} = 0.020$) and ethical guidance (0.659, $P_{t,\ 5.46} = 0.000$) are statistically significant at 95% confidence level; while the coefficient of the third construct, ethical reporting was observed to fail to be statistically significantly different from zero at 95% confidence level (0.035, $P_{t,\ 2.44} = 0.713$) meaning that at 95% confidence level, the coefficient is equal to zero. This confirms that at 95% confidence level, only two factors informing employees work ethics (ethical values and ethical guidance) are significant and affects organization performance, while ethical reporting when considered in a joint model was observed to lack significant effect on organization performance despite indicating a significant effect when

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considered as a single variable. Similarly, the model constant was observed not to be statistically significantly different from zero at 95% confidence level. Therefore, the coefficient for ethical reporting and the constant in the joint model are zero, hence the constant and the ethical reporting construct are removed from this model and have no effect on organization performance. The joint employee work ethics model can be presented as:

O.P = 0.3424 E.V + 0.6590 E.G + Ɛ

This model can be presented diagrammatically as shown in Figure 2.

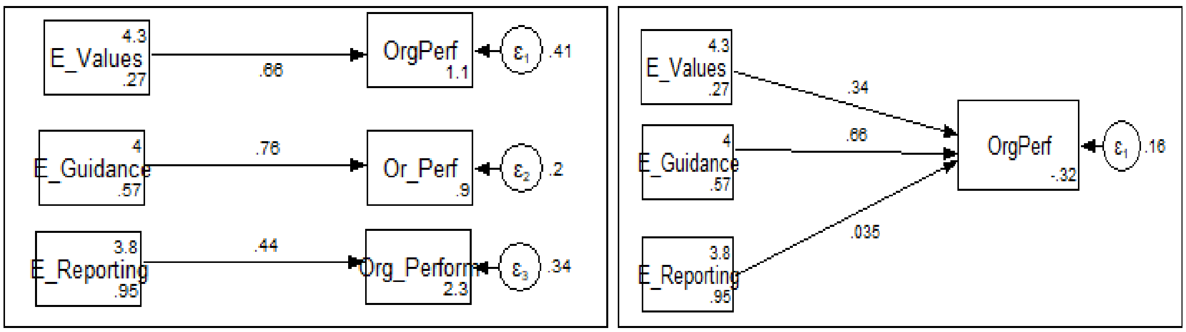

Figure 2: Diagrammatic representation of the regression models

Ethical guidance was observed to have the largest effect on organization performance while the least effect was observed to emanate from ethical reporting. A look at the error terms within the three models reveals that the joint model has the least value (Ɛ variance = 0.16) while the regression models for each of the constructs had relatively higher error (Ɛ $variance_1$ = 0.41; Ɛ $variance_2$ = 0.20; Ɛ $variance_3$ = 0.34), confirming that the joint model is the best and most efficient in informing the employee work ethics and organization performance relationship. Ethical values on the other hand give a relatively large effect on organization performance, while the least effect was observed to be realized from ethical reporting.

From these outcomes, the study observes that when presented in a multivariate regression model to test the joint effects of the three constructs informing employee work ethics effect on organization performance, only two of the constructs are observed to be sustained as the ethical reporting construct is dropped from the model and the ones left are ethical values and ethical guidance. This might be explained by the fact that ethical reporting was observed to be closely correlated with ethical guidance (r = 0.666), hence most of the aspects explained by this construct are bound to be explained by ethical guidance factor, therefore a statistically significant effect was observed when the factor was assessed on its own while the same factor was dropped in the joint effect model. Therefore, though ethical reporting is an important and critical factor in employee work ethics, it ought to be considered as part of the ethical guidance construct as the

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two factors are interrelated. The model is therefore able to express the relationship between employee work ethics and organization performance.

5.0 Conclusion

This study contributes to the understanding of the role played by employee work ethics on the performance of Insurance companies. There exists consensus among stakeholders in the insurance sector that good work ethics is important for the good performance of insurance companies. These findings adequately explain the gap in the relationship between work ethics and insurance company performance. The study has confirmed that the three constructs of ethical values, ethical guidance and ethical reporting affected performance of insurance companies in a quantifiable manner. From the analysis, the study observed that the various employee work ethics practices have been rated above average, indicating that there is high incidence of these practices in the insurance sector, most likely as a result of the high value linked to upholding ethics in the pursuit of optimal performance.

The level of competitiveness in the insurance sector means that every organization in the sector operates in such a way that any sensitive aspect of the organization structure is meticulously handled to ensure it contributes to the improvement of the insurance company performance, and a possible competitive advantage. Ensuring employee work ethics are maintained at a high level within the organizations, though the study observed that the incidence of ethical values is higher than that of ethical guidance and ethical reporting, despite the fact that high levels of ethical values incidence emanate from high incidence of ethical guidance and ethical reporting, both of which can be inculcated in the organization structures. The relationship analysis however found that ethical guidance has a higher effect on organization performance than ethical value and ethical reporting, with ethical reporting being observed to lose its effect when considered in a joint model. These outcomes are in line with previous literature which indicated the value of ethical guidance in offering direction to employee and organization ethics.

These outcomes were best captured by Butts (2010, Pg.119) who captured the words of a former U.S.A chief justice Edward Hennessey, who opined that: “ethics must begin at the top of an organization; it is a leadership issue and the chief executive must set the example.” These outcomes collaborate well with the former chief justice observations with the view that when ethics are based on the organization leadership, the employee ethics effect on the organization performance is larger than in instances where ethics are enforced without ethical guidance from the leadership. These views were also reported by Sapovadia and Patel (2013) who found that ethical leadership affects employee turnover explaining that the ethical climate within organizations require ethical leadership at every level since it is essential to inspire employees to internalize ethical decision making.

The key finding in this study is that employee work ethics as measured by the ethical values, ethical guidance and ethical reporting constructs affect the performance of insurance companies. This outcome is in line with findings observed by Vieira (2013), where in a comparative assessment observed that ethical companies have higher ROA than unethical companies. From our descriptive analysis, the study found that the insurance companies in Kenya have great levels of awareness of the employee work ethics and uphold majority of the ethical practices, hence the higher performance of the sector in the country as rated within the study findings, despite operating in a market segment which is highly competitive. The inferential findings link most of the observed performance ratings to employee work ethics within the insurance sector, therefore confirming that the insurance companies that upheld higher employee work ethics realized higher performance while those with low levels of employee work ethics reported lower performance ratings. The study therefore concludes that employee work ethics has a positive effect on the performance of insurance firms in Kenya.

6.0 Recommendations

This study found that employee work ethics has a positive effect on the performance of insurance companies. By cultivating the necessary ethical practices, insurance companies are able to optimize their quality of performance. For this purpose, staff training on work ethics is required periodically on their tasks and responsibilities. Moreover, enhancement of employee awareness of their social responsibility and ethical dimensions offers a positive impact on performance improvement. The study therefore recommends insurance companies to develop effective programs for enhancing employee work ethics within the sector.

The study also suggests a further study on the concept of employee work ethics by integrating the concept of multidimensional work ethics profile to further improve the comprehensive model of work ethics and fully bring out the relationship to organization performance. In addition, future studies should consider various dimensions of employee work ethics and relate them to various behavioral variables and within varying contexts to have improved results.

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Appendix I: Demographic and Descriptive Data

Figure A1: Study Demographic Information

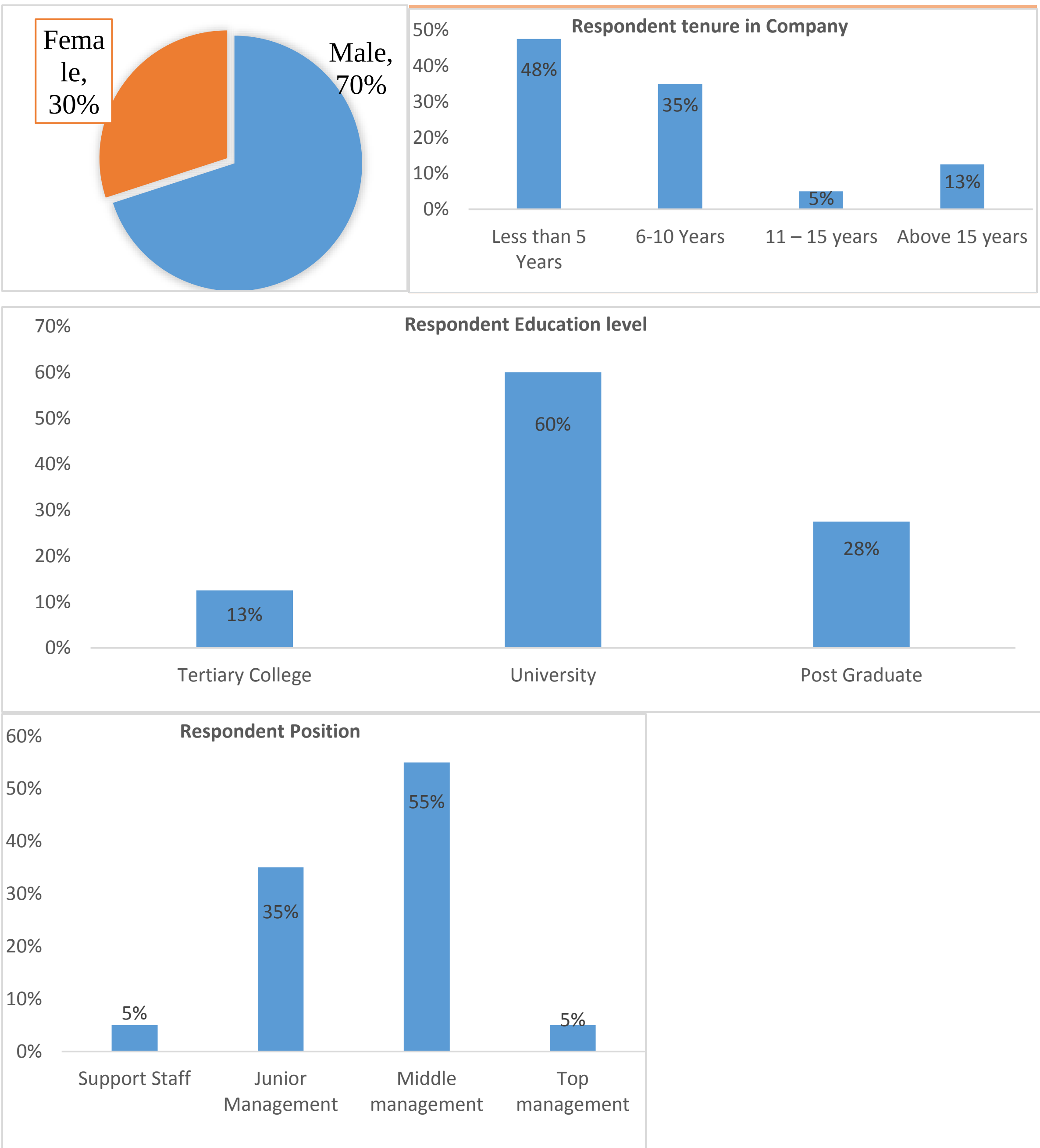

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Table A1: Ethical Values in Insurance Sector Descriptive Statistics

Ethical behaviours	**1**	**2**	**3**	**4**	**5**	**Mean**	**S.E**
Our employees operates in an atmosphere where they uphold high levels of integrity, good behaviours, and civility	3%		8%	38 %	53 %	4.375	0.1325
Every person in our organization is entitled to interesting and meaningful work		3%	18 %	38 %	43 %	4.200	0.1301
Individual contribution to the group is the most important thing about their work	3%	3%	10 %	53 %	33 %	4.100	0.1377
Our facility has commitments to the general appearance, behavior and ethics		5%	3%	48 %	45 %	4.325	0.1208
Our staff are committed to the rules and regulations and work instructions	3%	3%	13 %	43 %	40 %	4.150	0.1457
Staff are committed to come on time and as scheduled	3%		13 %	35 %	50 %	4.300	0.1396
Business insights are kept as secrets	3%	10 %	5%	15 %	68 %	4.350	0.1774
Employees take responsibility and show respect towards superiors and clients		3%	3%	28 %	68 %	4.600	0.1062
The staff shows loyalty to the organization	3%		13 %	40 %	45 %	4.250	0.1375
Unethical Behaviours	**1**	**2**	**3**	**4**	**5**	**Mean**	**S.E**
Employees exploit work time to do other things	58 %	23 %	13 %	5%	3%	1.725	0.1640
There is a lack of commitment of employees to perform work on time	68 %	25 %	3%	5%		1.450	0.1238
May be out of work without permission or excuse	80 %	13 %	3%	3%	3%	1.350	0.1366
In task allocation, compatibility is not taken into account between the nature of job and the employee's abilities	58 %	30 %	8%	3%	3%	1.625	0.1463
Employees care more of the amount of work	65	15	13	8%		1.625	0.1548

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done than its quality	%	%	%				
Development: staff cares only about their professional advancement and not the development of the company	60%	23%	13%	5%		1.625	0.1418

Table A2: Ethical Guidance in Insurance Sector Descriptive Statistics

Ethical Guidance	**1**	**2**	**3**	**4**	**5**	**Mean**	**S.E**
There is fairness and equal treatment of employees by leaders	5%	5%	18%	28%	45%	4.025	0.1808
There is justice in the distribution of work between employees	3%	3%	20%	38%	38%	4.050	0.1517
There is a mediation when assigning new employees	3%	8%	8%	50%	33%	4.025	0.1540
Employees take initiatives for established objectives	3%	3%	15%	45%	35%	4.075	0.1449
Employees listen to the opinions of leaders for development at work		3%	10%	58%	30%	4.150	0.1107
There are tradeoffs in delivering services from another agent	13%	10%	23%	33%	23%	3.425	0.2053
Employees take responsibility and show respect towards superiors and clients			8%	43%	50%	4.425	0.1006
Leaders uphold ethical measures and standards	3%	3%	13%	25%	58%	4.325	0.1535
Interpretation of ethical codes of conduct	3%	3%	10%	45%	40%	4.175	0.1427
The leaders are transparent and they engage the employees in all decisions	10%	10%	13%	48%	20%	3.575	0.1924
Leaders set good examples	3%	3%	18%	35%	43%	4.125	0.1527

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Table A3: Ethics Reporting Descriptive Statistics

Ethical Issues Reporting Mechanisms	**1**	**2**	**3**	**4**	**5**	**Mean**	**S.E**
Our organization has a policy guide describing how to report unethical behaviours	8 %	5 %	18 %	20 %	50 %	4.000	0.1994
The management in our organization encourages people to report unethical behaviours	5 %	5 %	13 %	33 %	45 %	4.075	0.1768
Our leaders are known to take action whenever an unethical occurrence has been reported to them	5 %		20 %	28 %	48 %	4.125	0.1687
The organization has set-up a specific person who handles unethical behaviours occurrence	8 %	15 %	25 %	20 %	33 %	3.550	0.2055
Our employees are fully motivated to report any unethical behaviours in our organization	5 %	15 %	25 %	33 %	23 %	3.525	0.1825
The organization has facilitated for suggestion boxes to anonymously offer information on unethical behaviours	10 %	20 %	15 %	23 %	33 %	3.475	0.2207
Our internal communication channels are well managed and responses from their usage are observable	5 %	3 %	23 %	30 %	40 %	3.975	0.1735

Table A4: Performance Descriptive Data

Efficiency Improvement	1	2	3	4	5	Mean	S.E
Reduced task completion time	8%	8%	28%	23%	35%	3.700	0.197
Reduced costs	8%	8%	13%	40%	33%	3.825	0.189
Increased predictability			30%	35%	35%	4.050	0.129
Improved profitability		8%	10%	40%	43%	4.175	0.143
Improved cooperation (both internal and external)		3%	18%	48%	33%	4.100	0.123
Enhanced learning	3%	5%	25%	38%	30%	3.875	0.157
Improved materials efficiency	3%	3%	20%	38%	38%	4.050	0.152
HR & Machines Productivity	**1**	**2**	**3**	**4**	**5**	**Mean**	**S.E**
Happier people at work		10%	20%	30%	40%	4.000	0.160
Reduced employee turnover	10%	10%	33%	28%	20%	3.375	0.192
Increased employee output per hour	5%	5%	23%	38%	30%	3.825	0.171
Quality Improvement	**1**	**2**	**3**	**4**	**5**	**Mean**	**S.E**
Reduced mistakes occurrences	5%	8%	25%	30%	33%	3.775	0.181
Higher quality inputs hence better output	3%		20%	45%	33%	4.050	0.138
Improved overall quality			20%	45%	35%	4.150	0.116
Customer satisfaction	**1**	**2**	**3**	**4**	**5**	**Mean**	**S.E**
Greater customer involvement	3%	5%	13%	38%	43%	4.125	0.157
More information available for them		5%	15%	35%	45%	4.200	0.140
Customer in a better position to offer inputs	10%		15%	35%	40%	3.950	0.193
Higher customer satisfaction		5%	13%	40%	43%	4.200	0.135