

The (ir)relevance of integrity in organizations

Abstract

The notion of integrity is often used by managers as a means to an end. Specifically, suggesting that a top manager or an organization is characterized by integrity functions as an insurance policy against potential risk. This study analyzes some definitions of integrity on both a personal and organizational level, then proceeds to distinguish between utilitarian and intrinsic perspectives of integrity, and how these perspectives influence the (ir)relevance for organizations. Organizations aligning economic objectives with ethical and environmental goals as part of an integrity strategy may be able to foster some kind of organizational integrity as a valuable end as well as of a beneficial means. Moreover, integrity pursuing non-financial objectives adds societal value to the institution, while increasing its overall standing within and thus relevance for society.

Introduction

In the wake of the numerous recent organizational scandals, politicians and the civil society are demanding more stringent reporting and controls to preserve the reputation of institutions. In the most notorious collapse, the Enron rhetoric trumpeted a culture guided by a comprehensive code of conduct to reinforce governance procedures. However, the reality saw Enron executives flagrantly flouting the spirit of the culture they had created to the extent they colluded with their external auditor, Arthur Andersen, to avoid warning either investors or regulators about systemic irregularities. The lack of integrity resulted directly in the subsequent demise of Enron. Poor governance helped to destroy the reputation of Enron and Andersen, in addition to the demolition of the personal reputations of board members and management. Similar examples

could apply to recent scandals in international public institutions such as the United Nations and the World Bank.

In this essay, the link between the relevance of personal and organizational integrity on the one hand and the reinforcing role of organizational integrity-based strategies on the other hand is emphasized. Changed expectations and the rising influence of internal and external stakeholders have highlighted the fact that integrity is at the forefront of successful organizational cultures, embodying a vision and strategy that takes ethical principles seriously.

The first section reflects on the notion of integrity, both on an individual and organizational level. A second section questions whether an integrity-based strategy is merely instrumental providing insurance against certain risks or whether integrity as good reputation coincides with intrinsic meaning beyond self-interest. It is concluded that reputable organizations embody integrity in their culture of interaction with stakeholders. Integrity is not longer some esoteric quality perceived as irrelevant for organizations.

The essay will analyze and criticize three possible definitions of personal integrity and conclude that a social element of institutionalized bonding needs to be entrenched in order to be considered relevant for organizations. The intention is to forge a plan where integrity is functional at a personal level, at the level of the organization, and, ultimately to create some relevance for society at large.

The Value of Integrity

Anti-corruption programs institutionalized by a culture of compliance are designed to reduce the opportunity for criminal activity and to detect unethical behavior in organizations (Arvis & Berenbeim, 2003). Compliance with such strict procedures, codes of conduct (Wallace & Zinkin, 2005) or implementation of rigorous governance regulations allow organizations to respond reactively to stakeholder expectations. However, more regulation does not of itself generate integrity. It may only be able to reduce some aberrant behavior out of fear of sanction or retaliation, but it will not motivate people to become better

employees. Indeed beyond a certain point, it may even become counter-productive. Besides the penalizing “stick” approach (i.e., compliance strategies), a rewarding “carrot” approach (i.e., integrity-based strategies) needs to be invoked. A culture of integrity will naturally foster individual private compliance as well as bolster a trusting environment within the organization and beyond. Executives can shape the organizational culture through emphasizing integrity-based management instead of mere compliance; that culture will then shape the behavior within the organization.

Personal integrity¹: standing for deeply held moral values

A first attempt to define integrity focuses on a unified “wholeness”: the root of the notion of integrity – the Latin *integer* - means wholeness as in a person of integrity who is a whole individual or a person somehow undivided. The word conveys not so much a single mindedness or fanaticism as a completeness. It refers to the serenity of a person who is confident in the knowledge that he or she is living, following ethical principles in spite of public opinion, official pressure, or personal temptation. Integrity then implies an uncompromising adherence to a code of moral, artistic and other values. This integrated-self picture of integrity, with its consistency and non-ambivalence about one’s values and principles, is often perceived as an essential condition of integrity. In other words, this wholeheartedness might be an ideal of a unified agency to make the individual a “whole” person. However, this picture reduces integrity to an assumed unity, obscuring conflicting commitments and the inherent ambiguity of life. To an extent, this image of integrity could ignore the concern for others (Calhoun, 1995). A more refined description of this unified perspective could be a person embodying high integrity who judges in a compassionate manner and with wholeness of purpose, demonstrating forgiveness and kindness (Koehn, 2005).

A second definition emphasizes the identity of the individual with integrity. A person of integrity reflects about and discerns what is right and wrong.

Furthermore, he acts openly on the understanding of what is perceived to be right and wrong and is unashamed of doing the “right thing” (Carter, 1996: 7). As such, integrity requires a degree of moral reflection, and identifies a person as steadfast who keeps commitments in the face of challenges. In other words, a person of integrity supposedly integrates a reasonably coherent and relatively stable set of cherished values and principles with a cognitive behavior. That individual expresses these values and principles while his conduct embodies his values and principles in a consistent way with what he says (Benjamin, 1990). The identity picture of integrity is a matter of having a virtuous character and sticking to those values underlying the moral character as in a person who is sincere, honest and candid.² Although integrity may require fidelity to core values (McFall, 1987), which implies a minimum coherence between words and deeds, one could argue it often goes beyond those identity-conferring commitments. Moreover, acting on those deeply held and highly endorsed commitments that define one’s sense of self does not necessarily constitute the “whole” of this self (Calhoun, 1995: 246).

Finally, a third description of integrity as steadfast standing on some moral principles implies some consistent “clean-hands” from any possible conscious wrongdoing. Being morally consistent in easy situations does not necessary imply that a person shows integrity. Only in difficult situations where the person needs to make clear and conscious choices, and display moral courage even at a cost, can integrity be achieved. Indeed, integrity is only really displayed in cases of adversity or under the temptation of malice. The test comes only when doing the right thing entails a significant cost (Hampshire, 1983), i.e., in cases of physical, financial or mental adversity. Nonetheless, having the strong will to stand by one’s own views may be praiseworthy, but unwise if those views are not necessarily right or correct. Ultimately, such an attitude of moral consistency may result in a rigid form of essentialism banning any form of ambivalence or compromise.

All these attempts to define integrity do not really say anything more than that integrity is a desirable virtue. However, the difficulty of being able to accurately attribute integrity to oneself or others reflects the elusiveness of the

notion. Moreover, the appearance of certainty throughout a person's moral life may indicate some lack of integrity because the inherent ambiguity of life is disregarded. Undue certainty and self-deception may show a lack of integrity as it involves reordering, reprioritizing one's moral commitments and sometimes even making compromises. Integrity displays a virtuous behavior within a complex reality that serves to link or dissolve disparate goals, values, emotions, aspects of self and periods in an individual's life. It is a virtue of balance that allows management of self-conflicts in a normative manner while taking into account that the self is dynamic and interdependent.

Integrity justifiably integrates an intelligible and defensible moral vision of one's character within a certain context, enabling a wise person to know how and when to adapt his moral principles and commitments when understanding a different reality asks him to do so. The "how" you do is sometimes more important than "what" you do, emphasizing an empathetic or virtuous attitude of integrity. One stands for certain values and principles which are reasonably worth defending because they also concern others who deserve moral attention; and who may even "call upon" us.

Integrity becomes a "social virtue" implicitly criticizing an allegedly autonomous person whose actions are presumably determined by the self. The commitments worth living for usually go beyond the self-identity but refer to others who may be quite different from the self whereby the assumed purity of those commitments may be submitted to the judgment of others. In this interaction with others, integrity is directly tied to mutual trust and thus less dependent on bureaucratic rules and authority-obedience relationships, dramatically increasing the synergies and ethical potential. Integrity carries a relational component that is too often ignored.

Personal integrity transcends the autonomous self and is expanded to viewing oneself as a member of an evaluating organization or caring community. In other words, personal integrity needs to be embedded in a social context to become relevant for an organization and society. Integrity intrinsically embodies a reference to others that involves a social component to be relevant for organizations.

Organizational integrity: embedded in an ethical culture of principles

Being a person of integrity does not guarantee that the same individual is automatically qualified to prove to be as ethical under pressure in organizations. Moreover, some would argue that integrity at a personal level – as a proxy for ethical behavior – needs to be distinguished from integrity at an organizational level (Hampshire, 1983). Although different in context, one could argue, however, that the meaning of integrity at a personal or organizational level is more a matter of emphasis and concrete implementation.

Quite often the failure of integrity in organizations is perceived as a character flaw of the responsible individual. However, it is as important to institutionalize a strong organizational culture that makes discussions of values permissible and actively encourage open discussions about ethical dilemmas and issues of integrity.

Although integrity could be considered an individual virtue, it only gains respect in concrete situations in relationship with others and within organizations. Integrity relates to the integration of moral values into proper behavior, and of integrating processes of transparency into accountability. Integrity, especially in institutions, is embodied in dialogical exchanges. Interestingly, it is not so much the content of the dialogue that is central but the experience of being taken seriously and being heard (Srivastva & Barrett, 1988). Integrity discerns what is morally appropriate and what is not, implicitly implying consideration of other with whom one lives in a community or works in an organization.

By expanding on the definition of personal integrity into the social domain, it becomes a basic element which can be perceived as “organizational” integrity (Trevinyo-Rodriguez, 2007: 82). Hence, organizational integrity becomes a social virtue which emphasizes a connectedness with a larger purpose. A person with high integrity must act according to morally justifiable and thus reasonable rational values which relate to other members of the organization (Becker, 1998). Organizational integrity is a social phenomenon which involves not simply consistency between action and principle, but also adherence to reasonably accepted principles. Those standards, which are socially derived, consensually

validated and reinforced, comply with a comprehension of what is fair and just (Habermas, 1998). In other words, organizational integrity is a standard of personal moral excellence but it is also a relational value in which its strength of character is cultivated through an interactive process of dialogue, debate and engagement with others (Adler & Bird, 1988). A possible internal conflict between personal integrity and organizational integrity cannot always be excluded since autonomous and deeply held convictions are not always completely aligned with organizational structures. Integrity is therefore not only a moral characteristic, but also an evolving transformative process that occurs in interactive events and often in exceptional “defining moments.”

Organizational integrity is expressed in normative statements found in mission and values statements (Paine, 1994). The fact that an organization is committed to ethical values and has developed codes does not guarantee that its agents or employees act accordingly. One needs an attitude of integrity which not only follows both the letter and the spirit of the rules, but adheres to deeply held and internalized ethical values. Executives bear responsibility for providing leadership in creating and maintaining an organizational ethos in relation to a collective mission, identity and long-term objectives.

Most difficult ethical challenges and dilemmas in organizations are those where managers and administrators face competing and ambiguous demands. In those situations, a person of integrity needs to make decisions about right versus right, inevitably leading to certain compromises which do not undermine his integrity (Badaracco, 2002). “Having integrity” is quite misleading as if integrity were a mere possession. Integrity is not so much a character trait as it is a sophisticated reflective constant state of awareness that results in an attitude that encompasses moral creativity. It refers to a reasonable and analytical decision making process based on those envisaged organizational values and principles which simultaneously function as an ideal and a constraint. Organizational integrity, as in a sense of stewardship, creates standards that can provide the cultural cohesion for continued organizational life. It reflects a certain professional responsibility and competence, emphasizing a right attitude to approaching a dilemma, rather than specific moral characteristics (Karssing,

2000: 30). Such an attitude may lead to behavior which complies with what one can expect of a virtuous and trustworthy administrator who is able to communicate and demonstrate these ethical values superbly.

Integrity-based management gives attention to the managerial decisions and actions which influences the process of integrating ethical judgments into particular decisions and actions through dialogue (Waters, 1988). An open constructive dialogue is often a very good method to reach overlapping consensus in negotiations, though some specific cultural features may complicate such presumed openness. Through constructive conversations and continuous interaction, ideas can be freely exchanged and different perspectives may deepen understanding, eventually allowing new ideas to create processes that enable occasions for new discoveries to re-create the organization. An attitude of integrity is like surrendering to ethical commitment, the “gateway to operating from one’s deepest purpose, in concert with a larger whole” (Senge, Scharmer, Jaworski & Flowers, 2004: 103). Dialogue keeps the creative process alive and fosters a culture and structure that nurtures human choice. To a certain extent, trust is generated when the dialogue continues to be successful (Srivastva & Barrett, 1988) and becomes the glue for any human interaction.

Failure to pay attention to integrity-based management cannot always be attributed to a lapse of personal integrity or to a lack of sensitivity to common or cross-cultural standards. It is rather due to abstract standards that appear to conflict in concrete situations or in legalistic compliance-driven organizations, causing moral stress (Waters, 1988) and even moral muteness (Trevino, Hartman & Brown, 2000 and Bird & Waters, 1989). Many managers are reluctant to talk about integrity with their colleagues because they are not familiar with moral issues, or are unable to articulate those values. They prefer to avoid conflicts or ambiguities which characterize dilemmas, and ethics often is considered as “soft” and not related to organizational issues. Moral stress is aggravated by a sense of isolation as result of absence of organizational structures. The ability of a management team or administrator to retain their integrity will depend on the way in which ethical principles are exercised in sustaining the organizational form of best ethical and good governance practices.

Especially in crises, the process of envisioning and communicating these principles is as important as the content of the principles themselves, as the Johnson & Johnson management during the Tylenol crisis in 1982 has proven³.

Conversely, the corruption of organizations is in part an effect of vices and the undermining of good governance rules.⁴ Without an overriding integrated conception of an ideal of a whole, without clear ethical objectives and clear vision on values, the conception of individual virtues remains partial, incomplete and even irrelevant. Despite the personal and organizational worth of emphasizing integrity-based strategies, many organizations are reluctant to adopt anti-corruption rules unilaterally as long as they believe their competitors continue to pay bribes. Efficient multinational organizations face a Prisoners' Dilemma when they deal with corrupt government officials. Each believes it needs to pay bribes in order to survive in the short term, but each knows that all of them would be better off if none of them paid (Rose-Ackerman, 1997). The reluctance of individual companies can be partially overcome by developing a broad consensus on an optimal solution through institutionalizing compliance strategies (Heimann, 1997).

In a study by Arvis & Berenbeim (2003), most reputable multinationals were found to be resistant to corruption in developing countries – emphasizing a relationship-based approach instead of a rules-based approach - when approached by unethical local government officials. They stuck to their internal rules and regulations and adhere to strict law enforcement. In addition, they showed a determination to implement certain values which could result in a respectful attitude of integrity. Those organizations showed enough enlightened self-interest to resist corruption. Moreover, endorsing sincerity and adherence to principles in a transparent manner reflects a certain intrinsic value of integrity. Implementing an integrity-based strategy could possibly lead to competitive advantage in a world where commitment to relevant stakeholders beyond mere shareholders and political correctness is becoming increasingly well appreciated (Jackson & Nelson, 2004).

Pursuing selfish greed, however, is self-destructive in the longer term. People need to show some indications of a trust-generating integrity to achieve

beneficial cooperation (Axelrod, 1984). In other words, the individual could gain the trust from other people by genuinely displaying an attitude of integrity – but trust does not necessarily imply integrity. Only when the individual shows commitment to values that are commonly accepted as worth pursuing, will this trustworthiness generate integrity.⁵

The limits of greed carry a socio-economic and moral dimension which may prevent corrupt behavior. Even in the biological world genes seem inherently to limit greed in order to survive (Dawkins, 1989). When researchers examined the phenomenon of taking advantage of the goodwill of the other(s) in an act of free-riding, the results suggested that greed overrules fear for the sanctions (Dawes & Thaler, 1988). Solutions against antisocial behavior (such as free-riding in the form of bribery and corruption) therefore will require more than strict and formal sanctioning. The danger looms that in the short-term people always can manipulate that trust, although Game Theory demonstrates that such actions in a longer time frame will cause acts of retaliation (Binmore, 1998). Only a fundamental change in individual attitude towards greed and taking advantage of the other's generosity or unconscious naivety may result in a reduction of asocial, immoral or illegal behavior.⁶

In summary, integrity at a personal level needs to emphasize the involvement of the well-being of the other at an organizational level, embedded in a culture of ethical principles. The beneficial effects of integrity on organizations notwithstanding, the question could be raised whether integrity perceived as an instrumental tool is ethically inferior to a notion of integrity interpreted as having genuine intrinsic worth. The next section attempts to clarify the assumed relevance of integrity in organizations by distinguishing a utilitarian from an intrinsic perspective.

Integrity beyond utilitarian rationality

A utilitarian perspective of integrity is the reasonable usefulness having a good reputation has for an individual or organization. It does this by focusing on

the usefulness of an individual's or organization's enlightened self-interest. An ethically intrinsic perspective, however, goes beyond mere profitability targets and provides the organization with a legitimate social contract⁷. Indeed, a deep understanding of what a good life in organizations can mean goes beyond a purely instrumental view of integrity.

This reflection leads to two perspectives:

- 1) the attitude of integrity can have a utilitarian value by focusing to the usefulness of an individual's or organization's enlightened self-interest; and
- 2) to be a person of integrity, or to be an organization with a reputation of high integrity, implies a moral intrinsic value which may be universalized across cultures beyond a purely utilitarian point of view.

The unfortunate dilemma is that instrumental ethics is often logically inadequate – since it may undermine its own purpose – but nevertheless is persuasive to many; in contrast, non-instrumental ethics is more coherent, but less persuasive and therefore often perceived as irrelevant for organizations.

The view that business can incorporate an instrumental view of ethics will be discussed in the next paragraph. Such a perspective will likely not be able to sustain integrity within organizations in the long term. An intrinsic perspective on ethics, however, allows integrity to establish genuine care for others in the organization.

A utilitarian perspective of integrity in organizations

Image management and crisis management provide a useful communication function, but should not be confused with integrity-based management. Eventually, such a strategy is doomed to fail in the long term. An instrumental perspective of integrity is oriented to possible beneficial reputation consequences of self(ish)-centered behavior, rooted in a presumed autonomous independent self. However, image management would not be able to cope with the raised expectations attributed to integrity. Ultimately, successful

organizations are based on nurturing good relationships with their shareholders and relevant stakeholders whose goals extend beyond pure profit maximization or technology-driven objectives.

The self-interest of a manager to make people believe that he acts as if he is honest is sufficient to ensure honest behavior or at least the appearance of honesty (Frank, 1990). The reputation of honesty, however, does not necessarily result in a genuine form of integrity. Indeed, honesty can ruthlessly exploit the principle of calculative reciprocity as long as participants perceive this behavior as fair, open and transparent. Being perceived as honest, generous and reliable may result in being trusted, but it does not necessarily denote an authentic integrity since people can manipulate and mislead others' perceptions. In such a case a person does not intend to follow a good life of integrity, he only pretends, hoping to reap the benefits attached to integrity. It is clear that a perceived attitude of integrity – despite the possible intended manipulation - may prompt a person to behave in ways that would benefit himself and his group in the long term (Hardin, 1993).

The utilitarian use of integrity to ensure reputation could serve a practical purpose, but is limited to individual or organizational self-interest. Integrity becomes a means to an end which may benefit the individual and the organization in the short term or with great luck even over a longer period. This approach, used as a form of rational instrumentality, becomes a tool to increase the sustainability of organizations and to reduce legal and reputational risk. It is like using integrity as good reputation to create organizational goodwill that functions as an insurance policy in times of crises.

However, a utilitarian strategy undermines the notion of integrity⁸ itself in the long term, unless one is extremely lucky. Paradoxically, too much focus on cynically using good reputation may destroy the objective itself over time.⁹ Rational egoism is the view that it is irrational to act contrary to one's self-interest and, thus rationality does not require one to refrain from harming others, especially when one would benefit from it. However, if such an act would harm one's own reputation, such an act becomes irrational (Gert, 1998). "Rational fools" who claim to pursue pure self-interest only are to be pitied compared with

executives who extend the rational concept of self-interest and recognize the importance of socio-moral goals that emerge as a superior alternative to the standard utilitarian view (Sen, 1976).

The limits of self-interested behavior could be a potent weapon for organizations. It is in the interest of the agent to be trusted and to be perceived as trustworthy. Such a strategy could turn the symbolic capital of perceived integrity as trustworthiness into a real economic profit (Bourdieu, 1972). However, the ethical insight of such a strategy remains within the realm of a “first person” perspective (Habermas, 2005: 228-232). In other words, this perspective remains individualized and does not likely extend beyond a utilitarian perspective. Indeed, the notion of integrity as good reputation does not present itself as a concept of justice that is true beyond individual and organizational self-interest (i.e., one that can serve as a universal basis for informed agreement between relevant participants or stakeholders).

International managers working in an international environment continually face culturally contingent situations of appropriate or inappropriate behavior. Although ethical behavior is context specific, on some level, the reference to ethical principles needs to be presented in a more generic manner to be relevant as guidelines for global organizations. In addition to organizational challenges across cultures, the danger of being perceived as too self-centered by local employees and community looms when dealing with moral questions. Moreover, whenever someone is motivated to act morally in order to gain or to maintain the approval of others, that person acts because of utilitarian reasons¹⁰ to maintain a sense of moral worth shored up by the judgment of others (Bird, 1996), not because of an intrinsic worth of the act.

Focusing on self-interest only is depriving individuals and organizations from more sustainable strategies. Using integrity in organizational mission statements, objectives and codes to shore up the weakness of a utilitarian view is not convincing. Misguided public relations statements raising the expectations by elevating the organization through the use of integrity may harm the organization when the real intentions have been revealed. Integrity in organizations which

extends the implementation of values vis-à-vis other stakeholders and society at large intuitively implies some intrinsic “*deon*” – i.e., ethical obligation.

An intrinsic perspective of integrity that is relevant for organizations

A policy of integrity serves the practical purpose of acknowledging good reputation as a legitimate license to operate in a certain socio-economic environment. But such a utilitarian policy does not validate universal principles across organizations, business communities or governmental standards or even across cultures¹¹. A self-interested strategy does not provide any epistemic reason to explain the potential universal obligatory force of binding norms and valid moral statements. In other words, an intrinsic moral value of integrity needs to be articulated to escape a mere utilitarian perspective. Integrity-based strategies are meant to be balanced and inclusive to resolve individual and or collective moral dilemmas.¹²

The essence of integrity consists of performing one’s duty – as in *deon* - out of a sense of inner dedication rather than for external rewarding. It does not mean that one is completely indifferent to the success or failure of one’s endeavor, rather that one is not attached to the outcome only. Indeed, the intrinsic value of integrity as described by “truthfulness” goes beyond its instrumental rationality. The main concern of integrity should be its truthfulness to deeply held commitments in relation to others. Truthfulness¹³ understood as reflecting intrinsic value (Williams, 2002) for instance might reach such a possible universal validity though not an absolute perspective (Stout, 2003). The purpose is to find the ability and justification to adhere to some universal principles (not rules) that provide guidelines or inspire people to behave in a certain manner.¹⁴

In keeping with an admonition that one should never treat employees, partners, suppliers and customers as mere means to an end, management realizes that those stakeholders are not simply instruments of the shareholders. In fact, humanity should never be abandoned under any circumstances (Habermas, 1998). At these moments, organizational integrity can unfold when

one is willing to have one's personal fantasies and objectives interrupted by the awareness of the "other" (Srivastva & Barrett, 1988: 318).

Participating in a process to achieve goals which transcend self-oriented objectives can be a beautiful experience. To that extent, acting with integrity is essential to the quality of the decision making process and should be part of organizational goals. Facing ethical dilemmas, organizations need to rely on their values and principles to provide a solution for such problems. Indeed, an integrity-based strategy implies a process-oriented approach in implementing ethical principles and tapping into a broader vision that can be revealed instead of a formalistic rule-based compliance approach. Most multinational organizations combine a compliance and integrity-based strategy to address the issue of (un)ethical behavior (Rose, 2007). However, there seems to be a consensus that integrity-based strategies may provide superior results in tackling moral dilemmas (Paine, 1994). Compliance with laws and regulations can never do what integrity can do. Law and its compliance is really a back-up system (Cloud, 2006). Individuals feel empowered and involved in integrity based strategies whereas they may feel like they are being watched in case of compliance strategies (Trevino & Weaver, 1999).

The intrinsic worth of organizational integrity can be fostered through true dialogues – as in Habermasian discourse ethics -, actively promoting diversity and acknowledging and supporting development of each individual (Srivastva & Barrett, 1988). Integrity-based strategies add real value in terms of an enhanced good reputation, increased loyalty, reliable products and services, trustworthy employer, credible leadership and taking account of the stakeholders' interests. Ethical considerations of being faithful to its Credo were critical in Johnson & Johnson's celebrated decision to remove Tylenol from the market in the 1982 crisis. It highlighted a "defining moment" for Johnson & Johnson who made a just ethical decision that reflected a high level of integrity¹⁵.

If it is considered proper and valuable to reveal the real truth of an organization to its stakeholders, then accurate and sincere reporting will be required to gain trust. Such "accurate" (i.e., objective) and "sincere" (Williams, 2002) (i.e., trust-worthy) reporting can be interpreted as accountable which is

usually the result of an attitude of integrity to do the right thing. Thus transparent reporting not only reflects a truthful attitude, but also will create and sustain trust among employees, customers, and other important stakeholders, including investors-shareholders. Transparency has shown to be effective as a motivating force among employees (Sisodia, Sheth & Wolfe, 2007). Moreover, such transparently signifying accountable reporting (of financial and non-financial performances) will likely comply with socially responsible investment (Vogel, 2005) as well as with criteria of the (IAS) international accounting standards (given some technical events-driven adaptations in the reporting methods and standards) and be in line with the 2002 American Sarbanes Oxley Act (new responsibilities for internal and external auditing that legalize some good governance practices; (Moeller, 2004)).

In an organization based on ethical consistency and transparency, a leader will be held accountable for his convictions and actions. An attitude of integrity can be viewed as an essential requirement to be a moral leader.¹⁶ In “defining moments” genuine commitments are revealed and the strength of the leader’s ideals and moral values are tested (Badaracco, 1997: 120). Integrity demands the capacity to work and live within the inescapable tension between the “virtue” of organizational integrity and a savvy *virtu* in an unforgiving economic-political world.¹⁷

Integrity is a basis for a process of continuing learning and maturing growth in which dialogue fosters “the sanctity of the potential, the yet unrealized but not impossible” (Srivastva, 2007: 295). Integrity becomes something one pursues, not something one has as an attribute or moral trait (Wolfe, 1988). In a spirit of shared commitments, an attitude of integrity can unfold a deeper sense which extends its focus of economic optimization. Organizational integrity expresses itself in an interdependent process of reasoning and respectful communication and synergistic problem solving. In this sense, integrity has left the shadows of irrelevance, and has become very relevant and even “useful” for organizations.

Eventually, the appeal of integrity used in public relations campaigns and other reputation beauty contests as “most admired companies” may become counter-productive and irrelevant if those expectations do not match deliverables.

Emphasizing the intrinsic value of integrity, however, allows organizations to develop a genuine environment that cares for all involved parties, not just the shareholders, but all potentially affected stakeholders.

Conclusion

Despite the overt and justifiable pressures for economic performance, ethical sensitivity cannot be ignored. Such concern often finds its expression in personal and organizational integrity. Although the precise content of integrity may be evasive, the search for developing integrity needs to be institutionalized through strategic dialogue among all functional departments and with all relevant stakeholders. Organizational integrity is embodied in a culture of open interaction that allows different perspectives within a common set of ethical principles. Its importance lies in its apparent capacity to stimulate dialogue and interaction that may evoke ultimate concerns vital for organizations in an increasingly complex and competitive world.

Having a good reputation is neither a necessary nor sufficient condition for possessing integrity. However, the perceived positive image of integrity as good reputation may have an empowering influence. The danger exists that integrity may become the latest business buzz word to justify some utilitarian and often fashionable ethical discourse – not necessarily real ethical behavior – in an organization.

Managers do not need ethics preached to them. Integrity is not just a self-contained trait of virtuous character, but rather an interactive attitude in relationship with others that increases self-understanding and awareness of one's ideals as well as the threats to those ideals. Furthermore, organizational integrity exists to the extent that managers pay attention to the values and principles with respect to relationships in the organization and with stakeholders outside the organization. Administrators with a reputation of strong integrity have a clear sense of purpose, grounded in consciously selected ethical priorities that allow them to face new challenges with creativity and initiative.

Integrity-based strategies do not result from mere compliance but could generate better compliance. In order to improve compliance, one needs not only to increase the deterrents for unethical behavior (i.e., sanctions) but also to change one's perception on moral principles and values. This article focused on the normative relevance of integrity for organizations and indicated its relationship with reputation. This argument is open to challenge, nonetheless, and more empirical research on the relationship between integrity and performance in organizations is suggested. Moreover, since the intrinsic perspective is normative, it would benefit from future work which analyzes the philosophical justifications of an integrity-based strategy in organizations across borders and cultures, testing its universal claim.

Ultimately, integrity is relevant for global organizations if it transcends its beneficial functionality and pursues non financial objectives that legitimize their operations within society at large. Integrity as good reputation proves to be "useful" for organizations as an insurance policy against reputational risk. Moreover, while integrity may also increase the intangible value of the organization in the process, it also incorporates some intrinsic value worth pursuing for its own sake. A trustworthy and truthful Chief Executive Officer could be considered a Chief Ethics Officer who leads his organization in a more appropriate and sustainable way, while enhancing its total value. More than ever, there is a need for integrity in organizations – consciously deliberating, pursuing and balancing economic goals with ethical principles – as living examples to restore confidence in organizations.

Notes

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¹ The Oxford dictionary defines integrity as the condition of being unified, unimpaired or sound in construction. The notion of integrity implies (1) an uncompromising adherence to a code of moral, artistic, or other values, (2) utter sincerity, honesty, and candour, and (3) avoidance of deception, expediency, artificiality, or shallowness of any kind.

² The notion of integrity is intrinsically interwoven with a theory of the good life (Cox & La Caze, 2003: XIX), referring to its Aristotelian origin in “our wanting to realize our conception of a good life” (Kekes, 1993: 96). A person of integrity is an individual who can be trusted to do right, play by the rules and keep commitments. Such an individual is virtuous, trustworthy and demonstrates good character. That does not mean he cannot make faults or commit sins; it means that there is a genuine attempt to live according to convictions and principles.

³ Tylenol was the most sold OTC product in the USA with over one hundred million users. Tylenol was responsible for 19% of Johnson & Johnson’s corporate profits during the first three quarters of 1982 and accounted for 33% of the company’s year-to-year profit growth, just before the crisis hit (Herald Tribune, 1982). During the fall of 1982, for reasons not known, Tylenol got contaminated by deadly poison cyanide, causing the death of seven persons in the Chicago vicinity. The Johnson & Johnson management made the responsible decision to set a moral instead of legal tone during the crisis, which allowed the company to create enormous reputational capital.

⁴ Shifting a culture away from corrupt behavior – corruption which (literally and etymologically) breaks down integrity – is critical for the organization’s and individual’s well-being. Integrity-based strategies mean shifting the underlying motives and “shift the values”. Because motives are what drive behavior, a shift in motives leads to a consequent shift in behavior. Doing the right thing rather

than the wrong is neither habit nor instinct; it is an act of will, and not just an act out of fear for sanctions. Cynicism, corrupt and hypocritical behavior illustrates the breakdown of wholeness, the antithesis of integrity.

⁵ It is this trustworthiness arising from an attitude reflecting integrity that partially constitutes moral capital in an organization. For more analysis on moral capital, see Lennick & Kiel (2005). They develop the notion of moral capital which consists of moral intelligence (i.e., knowing what to do and how to integrate values into coherent behavior) and moral competence (i.e., knowing how to act with integrity and doing the right thing). It is worth noting that the notion of moral capital finds its concrete behavioral expression in an attitude of integrity which can add enormous value to an organization. Moral capital can constitute an important intangible asset and be part of an overall “goodwill” of an organization. Maximizing the value of an organization requires a focus on both financial and non-financial targets, rather than the pure maximization of financial targets. Integrity is part of those valuable intellectual capital or intangible assets. These assets are significantly related to relationships with different stakeholders (i.e., the customers and suppliers, employees and partners) of the organization, based on a certain moral attitude and economic sense of those directing and sustaining the organization. Those relationships implicitly refer to and rely on trust between the interacting parties, and the trustworthiness of the individuals leading and managing the organization.

⁶ Complying with rules is a necessary but not sufficient reason to create trust. Instead, an attitude of integrity gets reflected in a trustworthy person (i.e., someone with a virtuous character who can really be trusted) who likely will be perceived as someone with a good reputation.

⁷ A legitimate organization emphasizes the intrinsic worth of its existence and purpose, appealing to both shareholders (expectedly receiving a return of their financial investment) and to other stakeholders. The importance of its ethical and environmental constituents to the society at large is thus acknowledged.

⁸ A utilitarian interpretation as a tool to improve the administrator’s reputation may undermine the inherent value of trustworthiness (see Verhezen, 2000).

Nevertheless, the aim to seduce management into a certain behavior that is as if it is virtuous and trustworthy may be interpreted as an event of rational self-interest. Faking virtues will either lead to their assimilation into genuinely virtuous behavior or they will eventually fail to uphold the pretended virtues.

⁹ A purely instrumental approach to reputation may undermine its own objectives: Paradoxically, directly focusing on good reputation only, without being sincere and accurate about one's intentions will likely undermine these beneficial objectives of integrity in the long term since they are perceived as purely utilitarian or instrumental as their purpose is to increase selfish profit maximization objectives which are usually not revealed. Nonetheless, the beneficial consequences of being a person or organization of high moral integrity are side-effects and not the main aim of integrity itself.

¹⁰ A utilitarian perspective refers to both an instrumental use of the persuasive power of the integrity concept as well as a focus on the beneficial consequences of any behavior presumably related to integrity.

¹¹ Although it is quite obvious that one can justify some enlightened self-interested behavior from a private perspective, it remains very contextual and its intent often hard to unravel. In other words, one easily could turn any presumed attitude of integrity into a self-interested often cynical propaganda stunt. The aim is to find a way to circumvent the potential criticism of utilitarian rationality of integrity as in public relations campaigns or crisis management.

¹² Inclusiveness not only focuses on embracing an orientation of the other in a philosophical meaning, it also emphasizes the importance of synthesizing ethics theories in a more philosophically pragmatic manner. Joseph Petrick (2003), for example, claims that moral complexity requires a cognitive and operational capability to act with integrity in the face of multiple, competing expectations with regard to results, rules, character, and context. An attitude of integrity and its subsequent action implies achieving good results (outcome-oriented or consequentialist ethics), by following the right rules (duty-oriented or deontological ethics), while being motivated by noble intentions and developing virtuous traits (character-oriented or virtue ethics), in an existing and general

context that is supportive of moral decision-making (process improvement-oriented system development ethics).

¹³ See Williams (2002: 45). The criterion of intrinsic moral worth or truthfulness of the notion integrity remains fallible and dependent on (1) an intentional sincerity and (2) professional accuracy of using a moral vocabulary. Truthful moral reasoning requires the “virtues” of (1) sincerity (i.e., what a person says reveals what he believes) – or trustworthiness – and (2) what Bernard Williams refers as accuracy (i.e., a person does his utmost best to acquire true beliefs) – or objectivity acquiring abilities. Sincerity involves a certain kind of spontaneity when one tries to tell the truth. The notion of accuracy, implicitly referring to a semantics explaining a conceptual content, includes resistance to self-deception and wishful thinking. A moral proposition should be sufficiently robust to prevail in the face of critical questioning, conjectures and refutation processes. Truth happen to an idea, it becomes true by events and processes.

¹⁴ Ethical Universalism as here is defended – and often defined as the opposite of ethical relativism - should be clearly distinguished from any form of absolutism that could be perceived as a form of “essentialism” or even fanatic adherence to certain (religious) principles which often discount other forms of thinking or life. A truthful approach beyond utilitarian usefulness as is argued for in this paper can be perceived as a form of philosophical pragmatic realism that does not necessarily need to be founded on metaphysical foundations since fallibility (to be falsifiable) is presupposed, in contrast to a more normative foundational approach (justifying the need and relevance for integrity in organizations as rooted in more absolute traditional religious thinking).

¹⁵ In response to the death of some customers as result of tampered Tylenol pain reliever capsules, the CEO James Burke immediately withdraw its entire inventory of Tylenol from the shelves around the globe. The decision of James Burke, the CEO of Johnson & Johnson during the Tylenol crisis in 1982 to withdraw all Tylenol from the market – although Johnson & Johnson was not responsible for the crisis – can be interpreted as an investment to create opportunities to expand and to grow in the future. This drastic decision to

withdraw the Tylenol initially cost Johnson & Johnson more than USD 100 million in foregone sales and profit in 1982. It is clear that withdrawing the Tylenol capsules, because it is morally the right thing to do, had a certain positive effect on its reputation.

¹⁶ See Paine (2003: 37-61). The most successful leaders in any organization are likely to be trustworthy individuals, who have a strong set of moral beliefs and the ability to put them in action. A moral compass, used by those individuals, is a set of deeply held beliefs and values which drive their personal and professional lives. An internal moral compass – i.e. internalized rules and regulations overviewed by one's personal conscience – constitutes moral understanding of what needs to be done. A moral compass can be interpreted as a specific guide for the executives of an organization. The compass directly affects the goals that drive behavior. As long as the goals are aligned with the moral compass, an individual can be called a person of high integrity, a whole person conforms with an individual's values, goals and behavior. Such an individual acts in alignment with what is known to be right. If the skill of forgiving compassion is added, it may provide the foundations for a great moral leader.

¹⁷ The Latin notion *virtu* – as it is interpreted by Machiavelli - is the combination of vigor, confidence, imagination, shrewdness, boldness, practical skill, personal force, determination, and self-discipline, and it to be distinguished from moral virtue (in Aristotelian sense). Machiavelli perceived *virtu* as the moral code of public life.

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About the author

Peter Verhezen is a Visiting Scholar and Fellow at the Department of Management & Marketing of the University of Melbourne (Australia). He is also a Founding Partner of Cimad Pacific Consultants, an ICT consulting company in the financial industry and Principal of Verhezen & Associates, a consulting company focusing on Reputation Risk & Good Governance services, both consulting companies are operational in the South East Asia Pacific region. He received his Master's in International Relations and Diplomacy from Antwerp University (Belgium), his MBA from Leuven Vlerick Business School, and his Master's and PhD in Philosophy from the University of Leuven (Belgium).