



The (Ir)relevance of Integrity in Organizations

PETER VERHEZEN

Abstract

Managers often use the notion of integrity 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 personal and organizational definitions of integrity, then proceeds to distinguish between utilitarian and intrinsic perspectives of institutions, and how they influence the organizational (ir)relevance of integrity. Organizations whose integrity strategy aligns economic objectives with ethical and environmental goals may be able to foster organizational integrity as a valuable end as well as a beneficial means. In the pursuit of nonfinancial objectives, integrity adds societal value to the institution, while increasing its overall standing within and thus relevance for society.

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

This essay emphasizes the link between personal and organizational integrity and the reinforcing role of organizational integrity-based strategies. Changed expectations and the rising influence of internal and external stakeholders have highlighted the fact that integrity is at the forefront of a successful organizational culture, embodying a vision and strategy that takes ethical principles seriously.

The essay begins with some reflections on individual and organizational notions of integrity. It then discusses the question of whether an integrity-based strategy is

merely instrumental, providing insurance against certain risks, or whether the definition of integrity as good reputation coincides with an intrinsic meaning beyond self-interest. It concludes that reputable organizations embody integrity in their culture of interaction with stakeholders. Integrity is no longer an esoteric quality perceived as irrelevant by organizations. The essay analyzes three possible definitions of personal integrity and finds that a social element of institutionalized bonding needs to be entrenched in order for integrity to be organizationally relevant. The intent of the essay is to forge a plan wherein integrity is functional at both the personal and the organizational level, so as to ultimately create 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 detect unethical behavior in organizations (Arvis and Berenbeim 2003). Compliance with strict procedures, codes of conduct (Wallace and Zinkin 2005), and implementation of rigorous governance regulations all enable organizations to respond reactively to stakeholder expectations (De George 1993). However, more regulation does not in itself generate integrity. It may be able to reduce certain kinds of 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 counterproductive. The penalizing “stick” approach (i.e., compliance strategies) is not enough; a rewarding “carrot” approach (i.e., integrity-based strategies) also needs to be invoked. A culture of integrity will naturally foster individual private compliance and will also bolster a trusting environment within the organization and beyond (Verhezen 2006). Executives can shape the organizational culture by emphasizing integrity-based management instead of mere compliance; the organizational culture, in turn, will then shape behavior within the organization.

Personal Integrity: Standing for Deeply Held Moral Values

Some definitions of integrity focus on it as a unified “wholeness.” This approach notes that the root of the word “integrity”—the Latin *integer*—conveys a sense of wholeness, as in a person of integrity who is a whole individual or a person who is somehow undivided.¹ From this perspective, integrity does not imply single-mindedness or fanaticism but completeness. It refers to the serenity of being confident in the knowledge that one is following ethical principles despite public opinion, official pressure, or personal temptation. Integrity, then, implies uncompromising adherence to a code of moral, artistic, and other values. This integrated-self picture of integrity, with its consistency and non-ambivalence about values and principles, is often perceived as an essential condition of integrity. In other words, wholeheartedness might be an ideal of a unified agency that makes the individual a “whole” person.

The author gratefully acknowledges the detailed comments of the editor as well as four anonymous reviewers. An earlier version was presented at the “World Ethics Forum, Leadership, Ethics, and Integrity,” Oxford, UK (April 2006).

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 may ignore a concern for others (Calhoun 1995). A more refined description of this unified perspective would be a person embodying high integrity who judges compassionately and with wholeness of purpose, demonstrating forgiveness and kindness (Koehn 2005).

A second approach to defining integrity emphasizes the identity of the individual who displays integrity. A person of integrity reflects about and discerns what is right and wrong. He or she acts openly on an understanding of what is perceived to be right and wrong and is not ashamed to do the “right thing” (Carter 1996, 7). As such, integrity requires a degree of moral reflection, and identifies as steadfast those who keep their commitments in the face of challenges. In other words, a person of integrity integrates a reasonably coherent, relatively stable set of cherished values and principles with a cognitive behavior. The individual’s conduct embodies these values and principles in a manner consistent with the way the individual expresses them (Benjamin 1990). The identity picture of integrity is a matter of having a virtuous character and sticking to the values underlying it, as in the case of a person who is sincere, honest, and candid.² Although integrity may require fidelity to core values (McFall 1987), thereby implying a minimum coherence between words and deeds, it often goes beyond these identity-conferring commitments. Moreover, acting on the 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 sees integrity as steadfastly standing on one’s moral principles, which implies that one consistently has “clean hands” in respect to any possible conscious wrongdoing. Being morally consistent in easy situations does not necessarily imply that one possesses integrity. It is only in difficult situations where it is necessary to make clear and conscious choices, and to display moral courage even at a cost, that integrity can 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), that is, in cases of physical, financial, or mental adversity. Having a strong will to stand by one’s own views may be praiseworthy, but it can be unwise if one’s views are not right or correct. Ultimately, such an attitude of moral consistency may result in a rigid essentialism banning any form of ambivalence or compromise.

None of the foregoing approaches to a definition of integrity really says 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 one’s moral life may indicate a lack of integrity due to a disregard of the inherent ambiguity of life. Undue certainty and self-deception may show a lack of integrity as it involves reprioritizing one’s moral commitments, and sometimes even making compromises. Integrity displays virtuous behavior within a complex reality that serves to link or dissolve disparate goals, values, emotions, aspects of self, and periods in one’s life. It is a virtue of balance that allows management of self-conflicts in a normative manner but takes 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 those who are wise to know how and when to adapt their moral principles and commitments when understanding a different

reality asks them to do so. “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 that are reasonably worth defending because they also concern others who deserve moral attention, and who may even “call upon” us.

Integrity thus becomes a social virtue implicitly criticizing the allegedly autonomous person whose actions are presumably determined by the self. Commitments

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worth living for usually go beyond one’s self-identity and refer to others who may be quite different from the self, whereby the assumed purity of the 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 a 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 entails a social component relevant for organizations.

Organizational Integrity: Embedded in an Ethical Culture of Principles

Being a person of integrity does not guarantee that one will automatically prove to be ethical under pressure in an organization. Moreover, some would maintain 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 the contexts differ, one could argue that the meaning of integrity at a personal or an organizational level is more a matter of emphasis and concrete implementation.

Quite often an integrity failure in an organization is perceived as due to a character flaw of the responsible individual. It is important to institutionalize a strong organizational culture that makes discussion of values permissible and actively encourages open discourse 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 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 and Barrett 1988). Integrity discerns what is morally appropriate and what is not, implicitly implying consideration of the others with whom one lives in a community or works in an organization.

By extending the definition of personal integrity into the social domain, it becomes a basic element that can be perceived as “organizational” integrity (Trevinyo-Rodriguez 2007, 82). Hence, organizational integrity becomes a social virtue that

emphasizes connectedness with a larger purpose. A person with high integrity must act according to morally justifiable and thus reasonable rational values that relate to other members of the organization (Becker 1998). Organizational integrity is a social phenomenon that involves not simply consistency between action and principle, but adherence to reasonably accepted principles. These 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 strength of character is cultivated through an interactive process of dialogue, debate, and engagement with others (Adler and Bird 1988). A possible internal conflict between personal integrity and organizational integrity cannot always be excluded, since an individual's autonomous and deeply held convictions are not always completely aligned with the 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.

Integrity is not so much a character trait as 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 envisaged organizational values and principles that simultaneously function as an ideal and a constraint.

Organizational integrity is expressed in normative statements included in the organization's mission and values statements (Paine 1994/2003). The fact that an organization is committed to ethical values and has developed a code does not guarantee that its agents or employees act accordingly. One needs an attitude of integrity that not only follows both the letter and the spirit of the rules, but also adheres to deeply held and internalized ethical values. Executives bear responsibility for providing leadership in creating and maintaining an organizational ethos in relation to collective mission, identity, and long-term objectives.

The most difficult ethical challenges and dilemmas in organizations occur when managers and administrators are confronted with competing and ambiguous demands. In such situations, a person of integrity needs to make decisions about right versus right, inevitably leading to certain compromises that do not undermine integrity (Badaracco 2002). The term "having integrity" is quite misleading, for it implies that integrity is a mere possession. Integrity is not so much a character trait as 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 envisaged organizational values and principles that simultaneously function as an ideal and a constraint. Organizational integrity, as in the 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 2000/2006). Such an attitude may lead to behavior that complies with what one can expect of a virtuous and trustworthy administrator able to communicate and demonstrate these ethical values superbly.

Integrity-based management gives attention to the managerial decisions and actions that influence the process of integrating ethical judgments into particular deci-

sions and actions through dialogue (Waters 1988). An open, constructive dialogue is often a very good method to reach overlapping consensus in negotiations, although some specific cultural features may complicate the 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 discoveries to recreate 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 et al. 2004, 103). Dialogue keeps the creative process alive and fosters a culture and structure that nurture human choice. To a certain extent, trust is generated when the dialogue continues to be successful (Srivastva and 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 may be due to abstract standards that seem to conflict in concrete situations or in legalistic compliance-driven organizations, causing moral stress (Waters 1988) and even moral muteness (Bird and Waters 1989; Trevino, Hartman, and Brown, 2000). Many managers are reluctant to engage in dialogue about integrity because they are not familiar with moral issues or are unable to articulate their values. They prefer to avoid the conflicts or ambiguities that characterize dilemmas, and therefore tend to dismiss ethics as “soft” and not related to organizational issues. Moral stress is aggravated by a sense of isolation as a result of the absence of organizational structures. An administrator’s ability to retain integrity will depend on the way principles are exercised in sustaining the organizational form of good governance practices. Especially in crises, the process of envisioning and communicating these principles is as important as the content of the principles, as shown by the way the management of Johnson & Johnson dealt with the Tylenol crisis in 1982.³

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 anticorruption rules unilaterally as long as they believe their competitors continue to pay bribes. Efficient multinational organizations face a prisoners’ dilemma when dealing with corrupt government officials. Each firm believes that it needs to pay bribes in order to survive in the short term, but also knows that all of the firms 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).

A study by Arvis and Berenbeim (2003) found that most reputable multinationals were resistant to corruption in developing countries—emphasizing a relationship-based approach instead of a rules-based approach—when approached by unethical local officials. They stuck to their internal rules and regulations and adhered to strict law enforcement. In addition, they showed a determination to implement certain values that could result in a respectful attitude of integrity. These organizations showed enough enlightened self-interest to resist corruption. Moreover, endorsing

sincerity and transparent adherence to principles 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 and Nelson 2004).

Pursuing selfish greed, however, is self-destructive in the longer term. People need to show some indications of trust-generating integrity to achieve beneficial cooperation (Axelrod 1984). In other words, the individual could gain the trust of 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 socioeconomic and moral dimension that 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 of sanctions (Dawes and Thaler 1988). Solutions against antisocial behavior (such as free-riding in the form of bribery and corruption), therefore, 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 in a longer time frame such actions will cause acts of retaliation (Binmore 1998). Only a fundamental change in the individual's attitude toward greed and taking advantage of the other's generosity or unconscious naïveté may result in a reduction of asocial, immoral, or illegal behavior.⁶

In summary, at the personal level, integrity needs to emphasize the involvement of the well-being of the other at the organizational level, embedded in a culture of ethical principles. The beneficial effects of integrity on organizations notwithstanding, one might ask whether integrity perceived as an instrumental tool is ethically inferior to integrity interpreted as having intrinsic worth. The discussion in the next section clarifies the assumed possible relevance of integrity in organizations by distinguishing the utilitarian and intrinsic perspectives.

Integrity Beyond Utilitarian Rationality

A utilitarian perspective on integrity sees having a good reputation as something useful for an individual or organization. It focuses on the usefulness of the 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 contract.⁷ Indeed, a deep understanding of what the good life in organizations can be means going beyond a purely instrumental view of integrity.

This reflection leads to two perspectives:

- Integrity can have a utilitarian value by focusing on the usefulness of an individual's or organization's enlightened self-interest.
- To be a person of integrity, or an organization with a reputation for integrity, implies an intrinsic moral value that 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, noninstrumental ethics is more coherent but less persuasive, and therefore is often perceived as irrelevant for organizations.

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

A Utilitarian Perspective of Integrity in Organizations

Image management and crisis management serve a useful communication function, but should not be confused with integrity-based management. A strategy based on image and crisis management is doomed to fail in the long term. An instrumental perspective

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of integrity is oriented to possible beneficial reputation consequences of self(ish)-centered behavior, rooted in a presumed autonomous independent self. However, image management is not able to cope with the raised expectations attributed to integrity. Ultimately, successful organizations are based on nurtur-

ing good relationships with their shareholders and relevant stakeholders whose goals extend beyond mere profit maximization or technology-driven objectives.

The self-interest of managers in making people believe that they are honest by acting as if they are honest is sufficient to ensure honest behavior or at least the appearance of honesty (Frank 1990). A reputation for honesty, however, does not necessarily result in genuine integrity. Indeed, honesty can ruthlessly exploit the principle of calculative reciprocity as long as the 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 authentic integrity, since people can manipulate and mislead others' perceptions of them. A person who acts in this way does not intend to follow a good life of integrity but 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 people to behave in ways that would benefit themselves and their group in the long term.

The utilitarian use of integrity to ensure reputation can serve a practical purpose, but is limited to individual or organizational self-interest (Badaracco 2003; Porter and Kramer 2006). Integrity becomes a means to an end that 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 crisis (Verhezen 2004).

In the long term, however, a utilitarian strategy undermines the very notion of integrity,⁸ 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 that 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, it becomes irrational (Gert 1998). "Rational fools," who claim to pursue pure

self-interest only, are to be pitied, in comparison with executives who extend the rational concept of self-interest and recognize the importance of socio-moral goals as a superior alternative to the standard utilitarian view (Sen 1976).

The limits of self-interested behavior can 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 1971/2000). However, the ethical insight of such a strategy remains within the realm of a first-person perspective (Habermas 2005, 228–232). In other words, the perspective remains individualized and is not likely to extend beyond a utilitarian perspective. 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).

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 a guideline for global organizations. In addition to organizational challenges across cultures, the danger of being perceived as too self-centered by local employees and communities looms when moral questions arise. Moreover, whenever one is motivated to act morally in order to gain or maintain the approval of others, that person acts because of utilitarian reasons to maintain a sense of moral worth shored up by the judgment of others (Bird 1996),¹⁰ not because of the intrinsic worth of the act.

Focusing on self-interest deprives individuals and organizations of more sustainable strategies. Using integrity in organizational mission statements, objectives, and codes to shore up the weakness of the utilitarian view is not convincing. Misguided public relations statements that raise expectations by elevating the organization through the use of integrity may harm the organization when its real intentions are revealed. Integrity in an institution that extends the implementation of values vis-à-vis other stakeholders and society at large intuitively implies some intrinsic *deon*—that is, 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 socioeconomic environment. But such a utilitarian policy does not validate universal principles across organizations, business communities, or governmental standards, or even across cultures.¹¹ A self-interested strategy does not provide any epistemic reason to explain the potentially universal obligatory force of binding norms and valid moral statements. In other words, the 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 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, but rather that one is not attached only to the outcome. 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. Truthfulness understood as reflecting intrinsic value (Williams 2002), for instance, might possibly reach universal validity but not an absolute perspective (Stout 2003).¹³ The purpose is to find the ability and justification to adhere to universal principles (not rules) that provide guidelines or inspire people to behave in a certain manner.¹⁴

In keeping with the admonition that one should never treat employees, partners, suppliers, and customers as mere means to an end, management realizes that these stakeholders are not simply instruments of the shareholders. In fact, one should never abandon one's humanity 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 an awareness of the other (Srivastva and Barrett, 1988, 318).

Participating in a process to achieve goals that 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 an organizational goal. Organizations facing ethical dilemmas need to rely on their values and principles to provide solutions. An integrity-based strategy implies a process-oriented approach that implements ethical principles and taps into a broader vision rather than a formalistic rule-based compliance approach. Most multinational organizations combine compliance and integrity-based strategies to address the issue of (un)ethical behavior (Rose 2007). However, there seems to be a consensus that integrity-based strategies provide superior results in tackling moral dilemmas (Paine 1994/2003). Compliance with laws and regulations can never do what integrity can do. Compliance with law is really a back-up system (Cloud 2006). Individuals feel empowered and involved in integrity-based strategies, whereas they may feel as if they are being watched under compliance strategies (Trevino et al. 1999).

The intrinsic worth of organizational integrity can be fostered through true dialogue, as in Habermasian discourse ethics, that actively promotes diversity, and acknowledges and supports the development of each individual (Srivastva and 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 stakeholders' interests. The ethical consideration of being faithful to its corporate credo was 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, which made a just, ethical decision that reflected a high level of integrity.¹⁵

If it is considered proper and valuable to reveal the truth about an organization to its stakeholders, then accurate and sincere reporting is required to gain trust. Such "accurate" (i.e., objective) and "sincere" (i.e., trustworthy) reporting (Williams 2002) can be interpreted as accountable, which is usually the result of an attitude of integrity to do the right thing. 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 been shown to be an effective motivating force for employees (Sisodia, Sheth, and Wolffe 2007). Moreover, transparently signifying accountable reporting (of financial and nonfinancial performance) will likely comply with socially responsible investment (Vogel 2005) as well as with the criteria of the International Accounting Standards

(IAS), given some events-driven technical adaptations in the reporting methods and standards, and will be in line with the 2002 Sarbanes-Oxley Act, which lays out new responsibilities for internal and external auditing that legalize some good governance practices (Moeller 2004).

In an organization based on ethical consistency and transparency, leaders will be held accountable for their convictions and actions. An attitude of integrity can be viewed as an essential requirement to be a moral leader.¹⁶ Genuine commitments are revealed in defining moments that test the strength of the leader's ideals and moral values (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

In a spirit of shared commitments, an attitude of integrity can unfold a deeper sense that extends its focus of economic optimization.

Integrity is the 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 and Barrett 1988). Integrity becomes something one pursues, not something one has as an attribute or moral trait (Wolffe 1988). In a spirit of shared commitments, an attitude of integrity can unfold a deeper sense that 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.

When an organization uses integrity primarily in public relations campaigns and other reputational beauty contests, building up public expectations that do not match its actual performance, integrity may lose its appeal. Emphasizing the intrinsic value of integrity, however, allows organizations to develop an environment that genuinely cares for all the involved parties, not just shareholders, but every potentially affected stakeholder.

Conclusion

Although there are many overt and justifiable pressures for economic performance, ethical sensitivity cannot be ignored. Ethical concerns often find expression in personal and organizational integrity. The precise content of integrity may be evasive, but the quest to develop 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 the organization in an increasingly complex and competitive world.

Having a good reputation is neither a necessary nor a sufficient condition for possessing integrity. Nonetheless, the positive image of integrity as good reputation may have an empowering influence. This leads to the danger that integrity may become the latest business buzz word, used to justify utilitarian, often fashionable ethical discourse that does not really foster a higher standard of organizational ethics.

Managers do not need to have ethics preached to them. Integrity is not just a self-contained trait of virtuous character; it is an interactive attitude in relationship with others that increases self-understanding and awareness of one's ideals as well as of the threats to those ideals. Organizational integrity exists to the extent that managers pay attention to values and principles with respect to relationships in the organization and with stakeholders outside the organization. Administrators with a reputation for 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 can generate better compliance. In order to improve compliance, one needs not only to increase the deterrents of unethical behavior (i.e., sanctions) but also to change perceptions of moral principles and values. This article has focused on the normative relevance of integrity for organizations and indicated its relationship with reputation. The argument it presents is open to challenge, 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 that 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 nonfinancial objectives that legitimize its operations within society at large. Integrity as good reputation is useful for organizations as an insurance policy against reputational risk. While integrity may increase the intangible value of the organization in the process, it also incorporates intrinsic value worth pursuing for its own sake. A trustworthy, truthful chief executive officer could be considered a chief ethics officer who leads the 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 the organization.

NOTES

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 candor, 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, and Levine 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 and, trustworthy and demonstrates good character. This does not mean that he cannot make faults or commit sins, but that there is a genuine attempt to live according to convictions and principles.

3. Tylenol was the best-selling over-the-counter product in the United States, with more than 100 million users. It was responsible for 19 percent of Johnson & Johnson's corporate profits during the first three quarters of 1982 and accounted for 33 percent of the company's year-to-year profit growth just before the crisis hit. During the fall of 1982, for reasons still unknown, Tylenol was contaminated by the deadly poison cyanide, causing the death of seven persons in the Chicago vicinity. Johnson & Johnson made the

decision to set a moral rather than 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 both organizational and individual well-being. Integrity-based strategies mean shifting the underlying motives and 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 of sanctions. Cynicism and corrupt, hypocritical behavior illustrate 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 of moral capital, see Lennick and Kiel (2005). They develop the notion of moral capital as consisting 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 be an important intangible asset and part of the overall goodwill of an organization. Maximizing the value of an organization requires a focus on both financial and nonfinancial targets, rather than the pure maximization of financial targets. Integrity is one of those valuable intellectual capital or intangible assets. These assets are significantly related to relationships with different stakeholders of the organization (i.e., customers and suppliers, employees and partners), based on a certain moral attitude and economic sense of those directing and sustaining the organization (Waddock and Bodwell 2004). These relationships implicitly refer to and rely on trust between the interacting parties, and the trustworthiness of the individuals leading and managing the organization. Moreover, a clear and simple organizational objective (i.e., seeking or creating organizational long-term value as found in reputation [Fombrun and Foss 2004]) is necessary in order to be operationally functional.

6. Complying with rules is a necessary but not sufficient reason to create trust. Instead, an attitude of integrity is 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 (expecting to receive a return on their financial investment) and 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 of seducing management into a certain behavior that looks as if it were virtuous and trustworthy may be interpreted as an act of rational self-interest. Faking virtues will either lead to their assimilation into genuinely virtuous behavior or will eventually fail to uphold the pretended virtues (Kennedy-Glans and Schulz 2005; MacIntyre 1981).

9. A purely instrumental approach to reputation, paradoxically, may undermine its own objectives. Directly focusing only on good reputation, 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 in that their purpose is to increase selfish profit-maximization objectives that 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.

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

11. Although it is obvious that enlightened self-interested behavior can be justified from a private perspective, it remains very contextual, and its intent is often hard to unravel. In other words, any presumed attitude of integrity can easily be turned into a self-interested,

cynical propaganda stunt. The aim is to find a way to circumvent the potential criticism of the utilitarian rationality of integrity, as in public relations campaigns or crisis management.

12. Inclusiveness focuses on embracing an orientation to the other in the philosophical sense, but 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) (Kapstein et al. 2005) 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 supportive of moral decision-making (process-improvement-oriented system-development ethics).

13. See Williams (2002, 45). The criterion of the intrinsic moral worth or truthfulness of the notion of integrity is fallible and dependent on (1) intentional sincerity and (2) the professional accuracy of using a moral vocabulary. Truthful moral reasoning requires the virtues of (1) sincerity (i.e., what one says reveals what one believes) or trustworthiness, and (2) what Bernard Williams refers to as accuracy (i.e., one does one's utmost 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 happens to an idea, it becomes true by events and processes.

14. A weak ethical universalism as here defended—and often defined as the opposite of ethical relativism—should be clearly distinguished from any form of absolutism that can be perceived as a form of essentialism or even fanatical adherence to certain (religious) principles that discount other ways 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 (i.e., being falsifiable) is presupposed, in contrast to a more normative foundational approach (justifying the need for and relevance of integrity in organizations as rooted in more absolute traditional religious thinking).

15. In response to the death of customers as result of tampered Tylenol pain reliever capsules, CEO James Burke immediately withdrew the company's entire inventory of Tylenol from shelves around the globe. Although Johnson & Johnson was not responsible for the crisis, his decision can be interpreted as an investment to create opportunities to expand and grow in the future. This drastic decision cost Johnson & Johnson more than \$100 million in forgone sales and profit in 1982. Withdrawing the Tylenol capsules, because it was morally the right thing to do, clearly had a positive effect on the company's 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 act on them. The moral compass used by such individuals is a set of deeply held beliefs and values that drive their personal and professional lives. An internal moral compass (i.e., internalized rules and regulations overviewed by one's personal conscience) constitutes a 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 his or her own values, goals, and behavior. Such a person 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 of *virtu*, as interpreted by Machiavelli, is a combination of vigor, confidence, imagination, shrewdness, boldness, practical skill, personal force,

determination, and self-discipline. It is not the same as moral virtue in the 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 Senior Fellow in 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 the principal of Verhezen & Associates, a consulting firm focusing on reputation risk and good governance services. Both consulting companies are operational in the South East Asia Pacific region. He received his master's degree in international relations and diplomacy from Antwerp University, his M.B.A. from Leuven Vlerick Business School, and his master's and Ph.D. in philosophy from the University of Leuven, all in Belgium.

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