

## SPECIAL ISSUE

# The conception of organizational integrity: A derivation from the individual level using a virtue-based approach

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## Abstract

This paper extends previous attempts at understanding the nature of organizational integrity and its increasingly important role for companies which, after all, bear a moral and societal responsibility. Interpretations of organizational integrity in business ethics literature incorporate aspects ranging from the behavior of managers and employees to corporate structures and incentive systems. We argue that virtue ethics builds an indispensable framework for understanding the origin of the concept of integrity and transfer these findings to an organizational level. Hence, we first define organizational integrity, and second operationalize it in a closed three-step process, consisting of morally sound corporate commitments, their transparent institutionalization within the company, and their implementation into actions. We consider the main goal of organizational integrity to be of a preventative investment nature. Organizational integrity is a company investment that translates into avoiding fines for potential violations of the law or ethical missteps, as well as an investment in the company's reputation. In turn, organizational integrity can protect a company from disruptions that can threaten its existence. Defining and operationalizing the concept of organizational integrity provides the foundation for future scientific research and the basis for developing practical guidance for organizations and managers.

## 1 | INTRODUCTION

There can be few issues in the 2000s that have been the subject of so much discussion at major companies as that of organizational integrity.<sup>1</sup> It is a theme that arises with conspicuous regularity, and it draws the most attention when a company is facing obvious difficulties after having experienced vast disruptions. Many such examples can be found on an international level, one of the best-known ones in recent history being that of the Volkswagen Group's so-called *Dieseltgate*: In September 2015, the company experienced an existence-threatening disruption when it was discovered that it had been using an illegal defeat device in the engine control units of its diesel vehicles. This resulted in several years of U.S.

monitorship,<sup>2</sup> coupled with a strict demand for organizational integrity. *Dieseltgate* prompted the Volkswagen Group to create a new *Integrity and Legal Affairs* position on its board of management and to establish an internal *Integrity Management* department. In 2018, it launched one of the largest international integrity programs<sup>3</sup> that a company of this size had ever implemented. In an interview with the *Financial Times* in 2018, Hiltrud D. Werner, a member of the Volkswagen Group's Board of Management and holder of the aforementioned *Integrity and Legal Affairs* position, said that "this will be the most difficult year [2019] to manage" (McGee, 2018, p. 1). This gives rise to the question of whether organizational integrity is prevention management against (existence-threatening) disruptions.

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As often as companies use the term organizational integrity in practice, almost every company interprets it in its own way. “Mission statements become a venue to incorporate these values [organizational integrity]” (Dodd & Dodd, 2014, p. 9). It should also be noted that this subjective diversity of interpretation is reflected when the concept is viewed from a theoretical, conceptual point of view: The interpretations and their focus range from the behavior of managers and employees to corporate structures and incentive systems for acting with integrity (e.g. Becker, 1998; Brown, 2006; Collier, 1995; Maak, 2008; Moore, 2015; Paine, 1994, 2014; Palanski et al., 2011; Solomon, 1992a, 1992b; Tullberg, 2012). Indeed, the “term ‘integrity’ is bandied around but never defined” Koehn (2005, p. 125). However, this diversity of interpretation does not prevent the term integrity from appearing more and more frequently in theoretical discussions of business phenomena and challenges (e.g. Calderón et al., 2018; Cowton, 2008; Verissimo & Lacerda, 2015).

If organizational integrity turns out to become an important element for companies in terms of prevention management against (existence-threatening) disruptions, then management should be able to, first, comprehend organizational integrity, and second, actively shape it with an emphasis on risk management. In the latter case, a common definition is needed as a basis of operationalization. As for a possible quantification, this would have to be done with greatest “sensitivity to [its] consequences and without slavish adherence to performance measures which serve the audit process and little else” (Power, 2000, p. 117). The focus should therefore be on the impeding and facilitating factors, such as those of the corporate culture, reward structures, and leadership (role model) principles, rather than on *box ticking*.<sup>4</sup>

Our aim with this paper is to respond to two guiding questions. By so doing, we seek to make a key contribution to both scientific literature (with a focus on business ethics, but also on other disciplines such as positive organizational scholarship) and business practice by establishing a solid foundation for a common understanding and tangibility of the concept, which in turn can enable the development of practical guidance and recommendations for organizations and managers. The first guiding question is this: What is the nature of organizational integrity and how can we make the concept tangible? Secondly, we address this guiding question: What is the role of organizational integrity in companies?

We argue that virtue ethics builds an indispensable framework for understanding, firstly, the concept of integrity in its origin<sup>5</sup> (on an individual level) and, secondly, organizational integrity<sup>6</sup> (on an organizational level) itself. To paraphrase this, we cannot render organizational integrity tangible and clarify its role and purpose without going back to the roots in virtue ethics. This requires four steps, and it is these that give this paper its structure. The first section justifies the relevance of the research and guiding questions with the theory of group agency, then briefly presents the main features of virtue ethics as a theoretical foundation. The second section takes this theoretical foundation and uses it to understand the origin of the concept of integrity. The third section outlines the application from the individual level to the organizational level. The fourth section

elaborates on and provides answers to our two guiding questions. We conclude the paper by summarizing the important role of organizational integrity for companies of both today and tomorrow.

## 2 | RELEVANCE OF THE TOPIC AND THEORETICAL FOUNDATION

We begin by considering the provocative question of the relevance of our research and guiding questions, arguing that there is a moral and societal responsibility that companies bear. We then introduce virtue ethics as the theoretical foundation of this paper.

### 2.1 | The group agency theory gives relevance to the topic

Can we ascribe moral and societal responsibility to organizations? The answer is yes, and here is why. If we ask who bears responsibility for contemporary ethical and societal challenges (e.g. climate change) on an individual level, the answer presents a dilemma. A dilemma between the *control principle* that must be fulfilled when ascribing responsibility and a *responsibility void* that must be prevented (Mukerji & Luetge, 2014). According to the control principle, no one may be held responsible for something that they themselves cannot control. However, this would mean that no one can be held responsible in the majority of cases of contemporary ethical and societal challenges, which, in turn, leads to a responsibility void. The latter would make the concept of responsibility worthless.<sup>7</sup>

To resolve this dilemma, the discourse on responsibility challenges needs to be elevated to a group level, according to Mukerji and Luetge (2014). They draw on the theory of group agency by List and Pettit (2011), which states that certain *groups of individuals* can be viewed as *single agents*. They possess this very ability, agency, that is generally attributed to physical persons only. Group agents bear responsibility not only over its members but also beyond. They bear moral and social responsibility for contemporary ethical and societal challenges. Hence, with the theory of group agency we can overcome the *responsibility void*. As for the precise relevance of our research and guiding questions, organizational integrity is a key concept with and through which a company can assume this very responsibility.

### 2.2 | The virtue ethics approach as a theoretical foundation

Although the “diversity of moral values exhibited around the globe poses substantial challenges for transnational actors like multinational companies” (Luetge & Uhl, 2021, p. 13), virtue ethics is increasingly being used as a philosophical rationale for elaborating on business phenomena (e.g. Beabout, 2012; Bull & Adam, 2011; Dawson & Bartholomew, 2003; Ferrero & Sison, 2014; Koehn, 1995; Moore, 2015,

2017; Moore & Beadle, 2006; Robson, 2015; Solomon, 1992a).<sup>8</sup> Not least because its focus lies on the agent itself and is relatively detached from principles of evaluation. According to the virtue ethics approach, all human action occurs in a structure of striving and is aimed at the ultimate goal of man (*telos teleiōtaton*) to lead a good life, in other words, to engage in the pursuit of happiness (*eudaimonia*).

In literature, the terms *virtue* and *character* are often used synonymously (e.g. Hillman, 1996; Murphy, 1999). Kupperman (1991) provides one possible explanation for this. He sees virtue ethics as falling short when talking about virtues: “we need something which is more than the sum of virtues – and that is good character” (Kupperman, 1991, p. 152). The question that arises at the outset, however, is: what is a virtue? A virtue is “an acquired human quality the possession and exercise of which tends to enable us to achieve those goods which are internal to practices [good ends]” (MacIntyre, 1984, p. 191). In other words, a virtue is a characteristic, a character trait, the exercise of which leads to achieving excellence and the highest purpose (*telos*).<sup>9</sup> A good character, however, is something beyond the sum of virtues. A good character embraces proper commitments that are distinct from any set of abilities and any grouping of habits and cognitive skills linked to morality (Kupperman, 1991).

Virtue ethics with its idea of virtue as the basis for excellence in human experience has also emerged as an attractive theoretical foundation for positive social science (positive organizational scholarship of particular importance for our scope). Positive social science studies virtue with an empirical approach emphasizing virtuous behavior, thus, calls for a holistic understanding of virtue that considers both character and behavior (Bright et al., 2014). This leads to the question as to when an action is considered a virtuous action. According to Aristotle (NE, 2004) a virtuous action is an action performed by a virtuous person. However, he also considers it possible that people who are not themselves virtuous perform virtuous actions. Slote (2001) is more precise and sees two criteria for attributing virtuousness to an action. First, the motives of the person need to be virtuous, second, these motives must be evident in the person's actual actions.<sup>10</sup>

In short: Virtues are individual good characteristics, character traits of physical persons, the exercise of which leads to achieving the ultimate goal of man. They consider both character and behavior. Virtues are habits of the correct choice of means. They attempt to prepare man for certain decision-making situations, the correct weighing of which cannot be predicted, because situations are different and not comparable.

### 3 | THE CONCEPT OF INTEGRITY IN ITS ORIGIN

The concept of integrity has its origins at the individual level, just like virtue. Many scholars involved in the study of integrity claim that an elaborated definition of the concept has been absent to this day (see also Cox et al., 2017; Dodd & Dodd, 2014; Koehn, 2005; Paine, 2014).

#### 3.1 | Main characteristics of integrity

The literature presents varying concepts of the characteristics and prerequisite criteria of integrity. We will cover the key concepts in the following, but we do not claim this to be an exhaustive review.<sup>11</sup> Integrity, literally translated as wholeness, completeness, and transferred to the agent, brings us to Frankfurt (1971, 1987), who deals with the concept of the *integrated self*. An individual of integrity manages to integrate all the various fragments of personality, consisting of desires, appraisals, commitments, etc., into a balanced whole. Halfon (1989) emphasizes *strength of will* as an important property in the context of integrity. Furthermore, he considers the concept of integrity to be similar to the character of intellectual virtues; thus, it lies in the intellectual responsibility of a person who possesses integrity to grasp the requirements of the common good and the good life, first, by engaging in the pursuit of happiness and second, by implementing these requirements. Calhoun (1995) points out the *social character* of integrity. Integrity cannot be understood unless embedded in a social context, similar to the Aristotelian virtues that cannot be considered separately from a community. It is about the fact that a person with integrity understands their role in the community when it comes to the question of *what is worth doing*, and does not look away.

Undoubtedly, all these concepts are vulnerable. However, we consider each of these thoughts as valuable impulses that help to come closer to defining the concept of organizational integrity. What is clear at this point is that whatever definition one adopts, it should not be a rigid one. The definition should leave sufficient latitude for situational specification of action and might not follow pre-determined principles – complementary to the virtue ethics approach.

#### 3.2 | Etymological roots of integrity and conception

The word *integrity* is derived from the Latin term *integritas*, which can be translated as wholeness, completeness. “The [corresponding] Latin adjective *in-teger* is correctly [...] translated as *in-corruptible*, and namely in the original physical sense of intact”<sup>12</sup> (Pollmann, 2018, p. 123). In his etymological tracking, Pollmann (2018) establishes that the concept of integrity is linked to four dimensions of meaning; self-fidelity, righteousness, integration, and wholeness. Solomon (1992b) continues that the idea of integrity must not be confused with a one-dimensional and uncompromising sense of self-righteousness. Rather, we need to understand integrity as a unity of character – as a unity of *good* character. It seems that integrity is an essential component of good character, completing it without being a virtue itself in the Aristotelian sense. “Integrity is not so much a virtue itself [<sup>13</sup>] as it is a complex of virtues, the virtues working together to form a coherent character, an identifiable and trustworthy personality” (Solomon, 1992b, p. 168). More specifically, integrity is the essential factor of a good life. “It is, in the recent vernacular, “getting it all together,” not being torn by conflicts and doubts such that one

cannot enjoy the fruits of what for most of us is an enviable life.” (Solomon, 1992b, p. 174). In fact, we are now able to grasp why every attempt at defining the concept of integrity without a virtue ethics approach was bound to remain a mere descriptive attempt.

### 3.3 | Integrity and the role of morals

The role of morals in the context of integrity is highly controversial in philosophical literature. One side argues that the concept of integrity is implicitly moral; a common example of this is that integrity cannot be attributed to a Nazi, who disdains humanity (e.g. McFall, 1987). The other side contends the opposite and claims that integrity is a secondary moral concept, and as a result, first comes into play along with ethical principles or a moral theory (e.g. Rawls, 1971).

“[T]he virtues of integrity are virtues, and among the excellences of free persons. Yet while necessary, they are not sufficient; for their definition allows for most any content [...]. It is impossible to construct a moral view from these virtues alone; being virtues of form they are in a sense secondary” (Rawls, 1971, p. 519f).

Now, we share McFall's (1987) view. Of course, there are further interpretations of the role of morality, however, we merely want to address the two opposing poles and not go into depth on existing positions between these poles.<sup>14</sup> McFall (1987) further states that the most important decision-making criteria for attributing integrity are a person's commitments. And these cannot be easy-going commitments; they must be demanding. She makes the example of pleasure seekers. “A person whose only principle is ‘Seek my own pleasure’ is not a candidate for integrity because there is no possibility of conflict – between pleasure and principle – in which integrity could be lost” (McFall, 1987, p. 9). She further states that people evaluate the commitments of other people according to whether the latter's commitments fall in line with their own ideas and values. Because most of our notions and values, she says, are morally shaped, we expect that a person to whom we attribute integrity has morally sound commitments and acts accordingly.

### 3.4 | Integrity from a psychological perspective

Although the primary perspective of this paper is a philosophical one, the integral concept of integrity should also be approached from a psychological perspective, some key lines of which we set out in brief as it provides further impetus. In life-span theory, ego integrity is the final stage of personality development (Erikson, 1950). People who succeed in developing ego integrity see themselves as leading a good life, they perceive their lives as having meaning and purpose. Ego integrity, therefore, includes “a kind of self-acceptance that is notably richer than standard views of self-esteem. It is a kind of self-evaluation that is long-term and involves awareness, and acceptance

of, both personal strengths and weaknesses” (Ryff & Singer, 2008, p. 20f).<sup>15</sup> In humanistic psychology, Rogers (1961) characterizes integrity as occurring when a person feels their feelings, when the feelings are available to their awareness, and thus, the person is able to live those feelings. According to Rogers (1961), this also includes being able to communicate the feelings appropriately. Finally, in positive psychology, the focus of which is on personal well-being and *positive deviance* (Spreitzer & Sonenshein, 2004) of behavior – the striving of excellence so to speak – integrity is correlated with personality traits, such as courage, care, and authenticity (Peterson & Seligman, 2004).

Before we go on to consider how we can project the thoughts outlined above to the organizational level, let us briefly summarize what we have said so far: Integrity is closely linked to the moral individuality of physical persons. A person of integrity forms all parts of their personality into a balanced whole. Integrity is the unity of good character, a complex of virtues working together, which supports making the correct choice of means in decision-making situations. This integral complex of virtues forms the disposition necessary for the pursuit of happiness and enables to perceive meaning and purpose in life. Two characteristics classify a person of integrity. Firstly, the person has morally sound commitments. Secondly, there is consistency between these commitments and the person's actions.

## 4 | TRANSFERRING THE CONCEPT TO AN ORGANIZATIONAL LEVEL

Virtue and, consequently, the concept of integrity are only conceivable at the organizational level if organizations can have agency in a non-metaphorical manner, be autonomous, and have responsibility. It is to this what we turn next.<sup>16</sup>

### 4.1 | The organization as moral agent – more than a legal entity

*That company is unscrupulous or that company is trustworthy* – does that sound odd? Somehow it does not. Because in common speech we are used to refer to organizations as moral agents. Moreover, an organization is treated as a person before the law (Schudt, 2000). French (1998) refers to an organization as an international actor which is held morally responsible for its actions and inadequate actions, like a moral agent. Corporate moral agency includes the idea of organizations as moral persons, thus, they are more than simply a legal entity. But how is that possible? It is possible as soon as it succeeds to show that organizations are “capable of genuine rational intentional (or voluntary) actions” (French, 1998, p. 149). In other words, it is possible as soon as the organization's actions are rationally<sup>17</sup> intended by the organization itself, and its motives reflect its interests, goals, desires, and so on.

According to French (1998) corporate internal decision structures (CID structures) provide the ground for moral agency and are inherent in any organization. CID structures consist of two

elements: Firstly, an *organizational flow chart*<sup>18</sup> that constitute positions, and for example (oversight) responsibilities. Secondly, *policies and procedure rules*<sup>19</sup> by which a corporate decision can be differentiated from a member of the organization's mere personal decision. If a decision, and subsequently an action, is made based on the corporate policies and procedure rules, it is to be a corporate decision – having been made for corporate reasons in a predefined way, thus, forming a functioning intentional organization (French, 1998). Ultimately, “corporate moral agency theory uses the CID structure idea as a way of justifying redescriptions of events [e.g. actions] from the individual human to the corporate intentional type” (French, 1998, p. 150). Organizations, therefore, have the status of fully-fledged moral persons. Thus, organizations have both legal and personal status.

## 4.2 | Applying virtue at the organizational level

So, how to apply individual level virtuous constructs to an organizational level? We share the view of Palanski et al. (2011, p. 202) who assume – based on empirical evidence<sup>20</sup> – that “virtues are fundamentally isomorphic – that is, they have the same basic structure and function across levels of analysis”. Meaning that virtue at the individual level has the same nature as applied at the organizational level. Thus, virtues are features of an organization, as they are of physical persons. As stated above, a holistic understanding of virtue refers to considering character *and* behavior. The latter implies a causal effect of moral agency, meaning that a virtue (or vice) leads to actions that are morally praiseworthy (or the opposite) (Moore, 2017). At the organizational level, the CID structures (especially reward and recognition structures) have a causal effect on management and employees. It causes them to decide, thus act, in a way which corresponds with the interests of the organization, consequently, making their individual actions organizational ones.

Yet, organizational virtue also implies that the organization itself *processes* virtue (or vice). By referring to a company as being virtuous we suggest that “regardless of what the [...] members bring as far as their individual virtue, an organization may [...] augment (or diminish) virtuousness beyond what we might expect from its members individually” (Bright et al., 2014, p. 455). Organizational virtuousness is not the sum of its individual members' virtuousness, but rather intrinsic to the organization unto itself. This intrinsic virtuousness is possible through the organization's own deliberative system, CID structures, and corporate culture, and is evident in the dynamic relationship between the organization and the individual.<sup>21</sup> Corporate culture, in particular, plays a major role in forming the organization's character. The *tone* of the corporate culture, in turn, is predominantly set by management. And this *tone*, in turn, also influences employee behavior. The investigation of the role of corporate culture in the context of organizational integrity, and how they influence each other, is a promising subject with an expectedly strong practical implication. However, this is beyond the scope of this paper and would blur our two guiding questions.

## 4.3 | Group responsibility includes management responsibility as well

If organizations and their organizational context shape individual behavior (Brink, 2017), how is it to be explained that (top) managers can also be held personally responsible, with fines or even jail for financial impropriety, occupational health and safety violations, and various other issues? A prominent example, to stay with Volkswagen's *Dieselgate*, is the former Group CEO Martin Winterkorn (as well as some other top managers) who must personally pay fines in the millions because of violation of due diligence obligations under stock corporation law. There is even a tendency to tighten legislation so that managers are increasingly held personally responsible. The answer is that we face a multi-level responsibility complex.<sup>22</sup> “[T]he group agent is fit to be held responsible for ensuring that one or more of its members perform in the relevant manner [while] the enacting members of the group are not absolved of their own responsibility” (List & Pettit, 2011, p. 163). Even if there is, in fact, a division between group and individual responsibility, the concept of group agency does not come without rational agents that retain certain *spheres of control* (List & Pettit, 2011).

Therefore, it is of utmost importance, that we get the *right* people into (top) management positions. Because management is the most important player in the company – shareholders and the supervisory Board aside – holding a role model function, personalizing the corporate culture while setting the tone, ultimately, influencing employees' action. However, we argue that a modern company must be able to deal with *difficult* personality types at management level and, in the best case, let them become productive. To put it in extreme terms: a modern company needs to manage and succeed in minimizing the damage caused by *difficult* managers. Sound and effective CID structures – in particular the selection, maintenance, and reward structures – form the basis and the valid instrument for this. “Structurally, the absence of institutionalised rules or formal limits on leader prerogatives [...], the strict control that leaders have on the circulation of information, and reward systems that value lifting profits and stock prices above all else enables [and] fosters the deviant [leadership] behaviour” (Gudmundsson & Southey, 2011, p. 23).

In terms of our object of interest, this means: Integrity in its origin, on an individual level, is visible in or through a physical person's action. Considering companies as autonomous agents, the visibility of organizational integrity is two-fold: Firstly, it is visible in or through the decisions, thus actions, of its members (individual actions). Secondly, and no less importantly, it is visible in or through the action of the organization itself (organizational actions).

## 5 | THE NATURE OF ORGANIZATIONAL INTEGRITY

In section three of this paper, we have elaborated on the original meaning of the concept of integrity. We have then developed the application to the organizational level by showing that organizations are moral agents in a non-metaphorical manner, thus, the concept of



integrity, can be applied at that level. In the following, we will provide concrete answers to our two guiding questions. Firstly, what is the nature of organizational integrity and how can we render the concept tangible? To answer this question, we will attempt to formulate a definition and break it down to an operationalizable process. Secondly, what is the role of organizational integrity in companies? Here, we will elaborate on the concept's purpose and goal.

## 5.1 | An attempt at a definition and operationalization

Based on the outlined above, we define organizational integrity as the following:

Organizational integrity is the integral ability of a company to practice self-fidelity in the sense that its activities are based upon an internally consistent framework of principles and reflects to which extent self-legislated norms and legal standards in force are implemented into organizational actions. A certain maturity is required regarding the company's infrastructure, its CID structures. Organizational integrity includes the ability to self-evaluate and incorporates awareness of both its own organizational strengths and weaknesses, resulting in the ability to further mature (in the sense of further develop). Finally, organizational integrity is in need of desirable moral principles like legal compliance, honesty, and respect.

This definition can be operationalized as a closed three-step process. It is this operationalization that we will use to provide more in-depth explanations in the following. Operationalized, organizational integrity means that a company (1) actively commits itself to self-imposed norms and principles, (2) transparently institutionalizes these commitments in its CID structures, and (3) assures that these commitments are implemented into actions.

1. Commitments and positioning: The first step in the process relates to the company's commitments as well as its positioning within its own sphere of influence regarding societal and ethical issues. Therefore, it is less important what the exact self-imposed norms and principles are that a company chooses, more important is that they are rendered transparent in the form of commitments. Moreover, there are fundamental moral principles inherent to the concept of organizational integrity, without which it would be impossible for a company to have integrity. These moral principles include, for example, legal compliance, honesty, and respect. With regard to the moral principles, we may also speak of the implicit form of organizational integrity, since they do not require explicit commitment or positioning.
2. Transparent institutionalization: The second step is about being able to achieve, and subsequently comply, with self-imposed

norms and principles. It is about taking measures to set up or adapt the CID structures in a way that enables compliance with own commitments. Here, it is important that the new measures are in line and harmony with existing framework conditions of the company so that no contradictions arise; based on the concept of the *integrated self* (Frankfurt, 1971, 1987), as elaborated above. In this context, transparency is key. We can observe this in relevant initiatives, the number and scope of which are increasing, see for example the Global Reporting Initiative (GRI, 2021). Likewise, most listed companies have CSR reports by now that inform stakeholders not only about the economic but also about the environmental and social aspects of the company. Because CID structures develop and improve over time, there is a tendency to expect a higher level of organizational integrity in companies which have more mature CID structures.

3. Coherence between commitments and actions: The third and final step is about matching words with actions; it is about the dimension of *wholeness* (Pollmann, 2018), as elaborated above. In this respect, assuming responsibility and reflecting on self-imposed norms and principles in the form of corporate actions is of central importance.

We argue that organizational integrity is not a one-time effort, but a continuous one. Long-term organizational integrity can only be achieved through a *discursive infrastructure* that "allows for ethical reflection in decision-making processes and for incentives and leadership systems based on ethical criteria" (Hajduk & Schank, 2017, p. 993). Therefore, organizational integrity requires a constant striving towards a specific goal, namely, to adapt as a company in a constantly evolving environment.

## 5.2 | Purpose and goal

The second guiding question enquires about the role of organizational integrity in companies. Before we consider this, however, we should address whether the concept of organizational integrity may have any added value for companies, since we know that in Aristotelian practice, the goal lies in the activity itself. The view that organizational integrity may not have a superordinate goal (e.g. market worth) is held by Koehn (2005), who says that organizational integrity possesses an intrinsic value, and we should not value it as a business asset because it has market worth. Yet, Luetge (2019) opposes by stating that companies cannot afford to forego profits permanently and systematically. "Morals *can be* worthwhile for companies. In the long run, it even *must be* worthwhile, otherwise it [the company] won't survive in the market" (Luetge, 2019, p. 25). Likewise, when it comes to organizational integrity. At the end of the day, (listed) companies are concerned about the bottom line and market share, ultimately, about being profitable and healthy. Because this is their responsibility to the shareholders, and only if the companies do perform well financially, they can take on their moral and social responsibility in accordance with the principle of group agency.

Returning to the core of the guiding question, however, we consider the main goal of organizational integrity to be of a proactive and preventative investment nature. Organizational integrity is a company *investment* that translates into avoiding fines for potential violations of the law or ethical missteps, as well as an *investment* in the company's reputation. Organizational integrity represents the basis for sustainable success, in contrast to short-term success; not least because we can see developments on increased public interest in entrepreneurial (trans)actions. Consequently, there is an incentive for organizational integrity in the market economy sense. Cameron et al. (2004) even find organizational integrity to improve organizational performance such as profitability, quality, and customer retention. In recent years it has become a key concept for companies: "It is the starting place for business ethics, trust, reputation, and related concepts" (Dodd & Dodd, 2014, p. 3). Trust and reputation are critical success factors in a volatile corporate world which is dominated by uncertainty and information asymmetry.<sup>23</sup> In the short-term, organizational integrity can reduce uncertainties, thus, create a certain level of predictability. Predictability, in turn, can reduce transaction costs and foster trust between an organization and its stakeholders. Further investigations into the practical impact on company performance and corporate climate based on a unified definition of the concept are to be conducted.

## 6 | CONCLUSION

We return to our introductory example of the Volkswagen Group and its focus on organizational integrity after *Dieselsgate*. Unquestionably, the introduction and maintenance of an integrity department initially creates both monetary and non-monetary costs for Volkswagen. However, over time, these costs will prove to be an *investment* that has the potential to secure the company's existence and demonstrate its worth in both monetary and non-monetary ways. It would be a vague speculation to consider whether and to what extent a higher level of organizational integrity could have prevented *Dieselsgate* entirely, so we will not make any such conjectures here. What is certain, however, is that a higher level of organizational integrity could have reduced the magnitude of this vast disruption to the company.

In this paper, we have defined organizational integrity and operationalized it in a closed three-step process, consisting of morally sound corporate commitments, their transparent institutionalization within the company, and their implementation into actions. We consider the main goal of organizational integrity to be of a preventative investment nature, a company investment that translates into avoiding fines for potential violations of the law or ethical missteps, as well as an investment in the company's reputation. By so doing, we make a key contribution to both scientific literature and business practice by establishing a solid foundation for a common understanding and tangibility of the concept, which in turn provides the foundation for future scientific research and the basis for developing practical guidance for organizations and managers.

## 7 | IMPLICATIONS FOR FURTHER RESEARCH

The concept of organizational integrity would benefit from further theoretical, but, more importantly, empirical research. For example, further research should be conducted on how a high (or low) level of organizational integrity affects different dimensions of business performance. Another promising area of research with strong practical implications would be to examine the relationship between organizational integrity and corporate culture, and how they influence each other. In addition, exploring the potential benefits of an integrity-based governance structure versus a compliance-based one could be of practical relevance. Finally, exploring how to improve organizational integrity would be of great interest to practitioners and business leaders. In this context, quantification or measurement would have a key role. Positive organizational scholarship could help bridge the gap between theoretical and empirical research.

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### ENDNOTES

- <sup>1</sup> In the literature, the terms *organizational integrity* and *corporate integrity* are used synonymously. For the sake of consistency, we will make sole use of the term *organizational integrity*.
- <sup>2</sup> Mandatory compliance monitoring ordered by the U.S. authorities.
- <sup>3</sup> Called *Together4Integrity*.
- <sup>4</sup> For a detailed elaboration and critique of the *audit society*, see, for example, Power (1997, 1999).
- <sup>5</sup> Although our focus is on virtue ethics, we also take a brief look at the psychological side (life-span theory, positive psychology).
- <sup>6</sup> Regarding the precise use of the terms *integrity* and *organizational integrity*, we always use *integrity* to refer to a personal level (the individual) and *organizational integrity* to refer to an organizational level (the company). We have taken the liberty of adding any relevant quotations, marked accordingly.
- <sup>7</sup> For a detailed elaboration of the dilemma, see Mukerji and Luetge (2014).
- <sup>8</sup> However, to this day, significant voices remain skeptical and opposed to applying virtue ethics in a business context (e.g. MacIntyre 1984, 1988).

- <sup>9</sup> It is about the golden mean (*mesotês*) of the two opposite vices: excess and defect. To determine the golden mean, man uses a rational principle, his practical wisdom (*phronêsis*) (NE, 2004, 1106b36-1107a8).
- <sup>10</sup> Sison and Ferrero (2015) elaborate on differences between neo-Aristotelian *virtue* and positive organizational *virtuousness* (from a virtue ethics perspective), however, for simplicity we use the terms interchangeably.
- <sup>11</sup> Cox et al. (2017) provide a well-structured summary of the different perspectives and interpretations of integrity.
- <sup>12</sup> Verbatim quote from the original German, translated by the authors.
- <sup>13</sup> Even if Solomon (1992b) does not consider integrity to be a virtue, he refers to it elsewhere in the same work as a *supervirtue*. Yet again, this demonstrates how difficult it seems to be to grasp the concept of integrity.
- <sup>14</sup> Ashford (2000), for example, speaks of *objective integrity*, according to which integrity is intrinsically an objective concept.
- <sup>15</sup> Ardel and Jeste (2018), for example, show that wisdom is positively related to subjective well-being in old age.
- <sup>16</sup> We are aware of the controversial debate around corporate moral agency, but we will not go into this debate for two reasons: first, it is not relevant for our objective (answering the two defined guiding questions). Second, it is a theoretically unsolvable debate. For a rough overview and further references on the different positions, see, for example, Moore (2017).
- <sup>17</sup> Rational in the sense that an organization “seeks to maximize its satisfaction of its interests at minimal cost” (French 1998, p. 149).
- <sup>18</sup> French (1998) also refers to it as the *grammar* of the organization.
- <sup>19</sup> French (1998) also refers to these as the *logic* of the organization.
- <sup>20</sup> The study by Palanski et al. (2011) empirically develops and validates virtues at the mezzo level (teams).
- <sup>21</sup> Bright et al. (2014) claim that organizational level virtue has not been adequately vetted and elaborate three alternative perspectives on organizational virtue in the form of hypotheses: container hypothesis, synergy hypothesis, intrinsic hypothesis. However, we consider that the synergy hypothesis and the intrinsic hypothesis are mutually dependent and need to be considered holistically.
- <sup>22</sup> This does not contradict the group agency theory introduced at the outset; on the contrary, group agency theory explicitly states that group agency does not come without rational agents that retain certain spheres of control (List and Pettit 2011).
- <sup>23</sup> In this context, Luetge et al. (2016) even regard ethics as a production factor.

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