

The keys to fostering a positive business culture of integrity

What companies can do to foster organizational environments in which people behave with integrity together.



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From high finance to the automotive sector, nowadays we don't have to look far to find some

business making headlines for ethically questionable behavior. Unethical behavior has far-reaching consequences, dragging everyone down together: employees, customers, suppliers, investors and stakeholders alike.

In this article, we consider integrity at the individual level but also in terms of what companies can do to foster organizational environments in which people behave with integrity together. We argue that the best way of avoiding unethical behavior is not just to define what *not* to do, in a strictly legalistic sense, but rather to encourage the desired *positive* behavior that leads to greater integrity for all.

What is integrity?

A person is said to have integrity when his or her behavior is consistently guided by a set of moral values and principles, even in adverse circumstances.

Integrity is put to the test when it seems easier to give in to other motivations, such as:

- falsifying data because “no one will notice.”
- offering a sum of money to gain an advantage because “everyone does it.”
- taking advantage of one’s position for personal benefit because “I deserve it.”

Not taking the easy route may come at a cost, as the NASA engineer [Roger Boisjoly](#) knew all too well. Managers dismissed his concerns to delay the 1986 Challenger launch — much to their horror, when the shuttle later exploded. There was no glory in being proven right, which is sometimes the case when choosing to live with integrity.

This is not to imply that a person of integrity does everything right: nobody’s perfect. However, a person of integrity will at least admit his or her mistakes, make amends where possible, and try not to repeat them. This person will possess commendable qualities such as honesty, loyalty and sincerity, living a life consistent with them.

In addition to individual integrity, companies of integrity would similarly be expected to act in accordance with a set of guiding principles and values shared by all employees, which collectively shapes the organizational identity.

At this meta-level, we are referring not so much to individual qualities like honesty, loyalty or sincerity, but more to the sum of all these qualities realized together as a whole.

Consistency: the foundation for integrity

Integrity is inextricably linked to consistency. A person's words and actions reveal what he or she believes. When a person has integrity, there is coherence between what that person **thinks, says** and **does**.

1. Integrity of thought

Integrity begins with well-defined values. When a person's actions are motivated by the advantages each occasion offers, without reference to an overarching set of values, that person is called an opportunist.

Adherence to a set of values should not be confused with rigidity or intolerance, which can lead to fundamentalism. Values should be seen as set principles for action, not as principles for set action.

The fact that two people have the same principle for action does not mean they should act in the same way in a given situation. Imagine two people share the same principle of helping those in need. If one is a doctor, that principle may lead her to stop and help administer first aid if she sees an accident. The other person may get queasy at the sight of blood, so his way of helping may be to stand back and not complicate the situation, and perhaps make a phone call.

Likewise, the fact that someone may live according to a certain principle does not mean that principle should always lead them to act in the exact same way in all situations. For example, a person can live by the principle of "love thy neighbor" but reflect it one way at work and another way at home.

Living out principles appropriate to each particular context is not the same as changing principles depending on the circumstances. When these get confused, it can give rise to intolerance — restricting other people's freedom and imposing uniformity — or relativistic stances, whereby the only "truth" is that there can be no "truth," only interpretations.

When properly understood, moral values and principles, far from restricting freedom, can serve as liberating forces:

- On an individual level, they keep you from losing sight of what's really important.
- From a social perspective, they free you from the arbitrariness of whoever happens

to hold power at the time. When people are not guided by the force of reason, they are subject to the reason of force.

Are all sets of values equal? Experience says no. The Mafia acts in accordance with a strict code of honor but nobody would say they have true integrity. Indeed, it would be a mistake to assign moral value based on how strongly you hold a conviction.

To avoid this, we suggest pausing to reflect — with a humble heart, open to correction — on the principles you hold in relation to the moral reality of human beings and your moral obligation to them. This requires:

- **A comprehensive understanding of human beings.** By viewing human beings as free, open to transcendence and possessing an unlimited capacity for development in nonmaterial aspects, [the dignity of the individual](#) becomes apparent, which is the ultimate key for interpreting moral values and principles.
- **A relationship of integrity with the physical and social environment.** To realize their full potential, human beings need to live in community and in society. Caring for the physical and social environment, then, must be governed by moral values and principles of social justice and solidarity.

2. Integrity of word

Truth is a necessary condition of integrity. If someone lies — that is, if he does not tell things as they actually are, or if what she says is not consistent with what she actually believes — that person would not be called a person of integrity. A lack of truthfulness greatly undermines trust — something that companies should bear in mind in their internal and external communications.

That said, truthfulness does not mean that everyone must always know everything. For example, shareholders, employees and customers are not all entitled to the exact same information. And there are occasions when integrity demands keeping quiet, such as when there are non-disclosure agreements or the binding promise of confidentiality that pertains to legal, medical, clinical, counselling and journalism professions.

3. Integrity of deed

When people say one thing but do another, or make promises they have no intention of

keeping, they will frequently resort to different tactics to try to justify their hypocrisy.

- They might downplay the magnitude of what they did: “It was only a little mistake. No big deal.”
- Or they might say it was no worse than what so-and-so did.
- Or they might blame it on outside forces beyond their control.
- Or they might even attempt to give it a noble spin: “It would have been a lot worse *not* to do it.”

But the third key aspect of integrity is to always act in accordance with what you believe. This consistency of action must extend to all realms of life, both public and private spheres, so that you develop a unified personality.

People who are guided by their convictions and who are consistent see an increase in their legitimacy and authority. This [builds trust](#), which in turn enhances social relationships and, as economists would say, reduces transaction costs.

Again, this integrity carries a cost:

- It means not taking shortcuts.
- It may mean challenging immoral behavior or taking a stand on principle.
- It means not looking the other way when it would be much easier to do so.

In his book [How will you measure your life? Clayton Christensen](#) writes about a time when he had to make a decision that would have compromised his entire belief system (even though the stakes were seemingly trivial, with just a college basketball game on the line). “Resisting the temptation of ‘in this one extenuating circumstance, just this once, it’s okay’ has proved to be one of the most important decisions of my life. Why? Because life is just one unending stream of extenuating circumstances. Had I crossed the line that one time, I would have done it over and over and over in the years that followed. If you give in to ‘just this once,’ based on a marginal-cost analysis, you’ll regret where you end up. It’s easier to hold to your principles 100% of the time than it is to hold to them 98% of the time. That boundary — your personal moral line — is powerful. Decide what you stand for. And then stand for it all the time.”

The keys to an organization of integrity

It is possible to preserve your integrity even in the most complicated of environments. However, organizations would do better not to gamble on the laudable fortitude of their

employees, but instead create environments that are genuinely conducive to ethical behavior.

The integrity of an organization is more than just the sum of the integrity of its individual members. While good individual behavior is a necessary condition, two other ingredients are needed to ensure behavioral integrity in the company:

- values shared by all that are geared toward a common goal.
- appropriate interactions between organizational members and other stakeholders.

Human organizations are not ethically neutral environments. The actions of those working in a company will be directly or indirectly shaped or influenced by the explicit or implicit values expressed through the established management systems, styles, structures, strategies and practices.

Take a financial institution. Imagine someone at the headquarters decides to design a new financial product, tying employees' annual bonus to sales of this new product. Now, looking out for the best interests of customers becomes less important than achieving the company's sales targets and yearend bonus. Nobody thought (or wanted to think) about the impact that would have on the employees who were tasked with selling that product or on the customers who would buy it.

Senior executives cannot shirk their responsibilities when it comes to how their decisions, like the one just described, will affect employees, customers, suppliers and other stakeholders.

For a company to function better, three issues need to be considered:

- how to create an environment that fosters integrity.
- how to curb the unethical behavior of employees before it's too late.
- how to repair the damage caused by a lack of integrity.

Develop an environment that promotes integrity

How can integrity be instilled in an organization? There has to be consistency across the various elements that guide the company's activities: its philosophy, policies, action plans and objectives, all underpinned by deeply rooted values that promote the moral development of the organizational members.

These values inform the business philosophy and are made tangible through the setting of policies on staffing, purchasing, sales and so forth.

Coherence between the stated values and the set policies fosters appropriate behavior, whereas a lack of coherence generates cynicism.

Action plans. These establish the responsibilities and functions of each member of the organization, facilitating the necessary coordination and communication between them. Besides drawing the red lines never to be crossed, the action plans should also include an aspirational element, encouraging all individuals to improve personally as well as professionally.

Objectives. These express what the company would like to achieve and provide a means of measuring the results. They must be consistent with the other dimensions, so that progress is measured in more than just economic terms. If the bottom line is the only objective, then the commitment to values is less credible. Rather than perceiving their intrinsic value, they become little more than window dressing.

Proactive support. A further way of fostering an organizational environment that promotes integrity is to proactively support people in behaving ethically:

- employees should be given decision-making frameworks.
- they should know whom to turn to for advice.
- there should be protocols in place for anticipating, detecting and dealing with ethical dilemmas in a timely, transparent manner.

Tone from the top. The senior management team has to set the [tone from the top](#): first, by articulating the values and ethical conduct it expects from organizational members; and second, by setting the example.

Sincere communications, responsible behavior and fulfillment of their commitments will send strong signals to others at every level of the organization who will be keeping a watchful eye on management for norm cues.

Codes of conduct. In relation to action plans and decision-making processes, senior managers should formulate a code of conduct, which gives clear guidelines for respecting and upholding the company's stated values.

Training. This needs to be offered, not just on the subject of ethics specifically, but to make

sure that all [company training programs](#) on any business topic contain an ethical piece. All members of the organization, especially those with management responsibilities, need to be provided with practical help and advice for the real-life, day-to-day issues they face.

Incentives. To promote ethical conduct, management systems and incentives must be carefully conceived so as to avoid potential conflicts of interest, perverse incentives and unintended consequences. The criteria by which employees' performance is measured should not create double binds, as in the earlier financial example, where the employee has to choose between meeting a sales target and being completely open and honest with trusting customers.

Controls. There should be adequate monitoring and control mechanisms in place to take the pulse of interpersonal relationships and other dynamics that could affect performance. These would include [complaint procedures](#) that are accessible to all and that ensure confidentiality and timely responsiveness.

When disciplinary action is necessary, the procedures and consequences should be familiar to everyone, so no one can say they didn't know.

Most important, when there has been an ethical breach, justice must not only be done but *be seen* to be done, so that any damage to the organization and its members can be repaired.

Culture. Finally, the corporate culture needs to be ethical, both inside and outside the organization. This entails explicit communication so everyone is fully informed. It also involves rethinking people's work habits and office spaces to maximize personal responsibility and collective development.

Detecting a lack of integrity

Informal signals. Equally important is taking preventive action, paying close attention to informal signals, everyday activities and other telling behavior that could be red flags, such as overspending on expense claims or using company resources for personal use.

Management behavior. Managers may overstep their authority, misusing or abusing their power or exercising it at inappropriate times. They may show favoritism, [make decisions with no transparency or accountability](#), or fail to declare conflicts of interest. They may treat others improperly — from being so self-serving that they simply ignore others' needs, to outright degrading those in their path.

Disconnection. Inconsistency between different levels of the organization needs to be monitored, too. We have already discussed the pressure to meet objectives, but the opposite — of there being too much distance or a disconnect between management and staff — has equally adverse effects. Remote managers who convey a minimal sense of belonging to a common project, or who fail to communicate, will provide fertile ground for ethically questionable conduct.

The same applies to company policies. Being overly restrictive can bring about noncompliance, but so, too, can being too weak or vague, due to the lack of direction. As such, managers need to strike the right balance between the company's desire to regulate behavior and the respect for individual initiative.

Repairing the damage

Even though there seems to be a conspicuous lack of ethics today, there are things that companies can do to repair the damage.

Siemens, which got caught in a bribery scandal to secure contracts abroad, is a case in point. Its response provides some useful tips for restoring integrity.

- **Respond immediately.** Admit the wrongdoing and express willingness to repair the damage.
- **Launch an investigation.** Take statements from those responsible and/or witnesses. Invite the participation of those affected by the incident and other stakeholders.
- **Make a full analysis.** Examine and communicate — systematically, accurately and transparently — what people did and why they did it, and accept full responsibility.
- **Implement reforms.** Alter the internal factors that led to the misconduct: management systems, styles, structures, strategies and practices.
- **Remove guilty parties.** Those managers directly or indirectly involved need to be replaced for the sake of change and renewal.
- **Promote a new culture.** To make sure the same thing doesn't happen again, uphold a new corporate identity that prioritizes business ethics and virtuous behavior.
- **Keep evaluating.** Once the new measures are in place, keep track of them to make sure they are having their desired effect.

Siemens took all these steps, even when [they proved costly](#). It serves not only as a

cautionary tale but as a case study on how to come back on better terms.

Between compliance and integrity

When discussing ethics in business, there is a tendency to present two opposing sides: **compliance**, on the one hand, involving regulations and procedures; and the development of people's **moral competence** on the other.

The latter side argues that compliance reduces ethics to mere box-ticking, while the former dismisses ethics as too idealistic and impractical.

In reality, both sides are complementary and mutually reinforcing:

- **Compliance** ensures minimum standards, establishing legal liabilities and the protection of the rights of those involved in the business. Certainly, it is good to know the parameters; what action is appropriate and when; what is and isn't permitted; what should and shouldn't be done.
- **The moral or ethical view** expands the discussion beyond what's legally permissible to encompass free will and choice, and offers some means to resolve the dilemmas that arise and for which there may be no clear rules as yet. It is aspirational in its vision, focused not so much on exercising corporate control as on creating a better corporate culture in which people are able to make sense of complexity.

The first step toward doing good is avoiding evil. That is why compliance policies are the first building block of a culture of ethics in an organization.

But more is needed, because it is also true that the best way to avoid evil is by doing good. And there is much good to be done.

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