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Excerpt

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The context for corporate integrity

The scandals of Enron, World-Com, Arthur Andersen, and others in the past few years have once again destroyed the naiveté of those who trusted corporations and confirmed the suspicions of those who did not. This is not the first time that corporate behavior has confirmed the opinions of its critics and shattered the opinions of its supporters. The difference today is that corporate conduct, whether good or bad, makes a much greater footprint than ever before, not only on human communities, but also on the natural environment. Furthermore, as corporations have become more powerful, the civic institutions that have saved them in the past have become weaker. The overall direction of global corporations today gives us some notion of what it must have been like traveling on the *Titanic*: to be slowly moving in the wrong direction, but too big and powerful to change course.

There is another side of the story, of course. It is the story of the increased involvement of corporations in ethics, social responsibility, and corporate citizenship. It will be told in the chapters ahead. Both stories are important. Taken together they create the context for rethinking organizational ethics and leadership. In contrast to the narratives that make prime-time viewing and TV entertainment/news, these stories are not focused primarily on individuals. They are mostly about designing and redesigning the ongoing conversational patterns that constitute corporations as human organizations. These stories are also multidimensional. For the stories to be told well, and for the telling to show what can and needs to be done, these different dimensions must become available for analysis, evaluation, and change. The five dimensions of corporate stories include the cultural, the interpersonal, the organizational, the civic, and environmental. All five dimensions must be taken into account, because any one can hold back the other four, and any one can also improve the whole. At the same time, not one of the five can become an adequate substitute for

any of the other four. Exploring these five dimensions represents the core of this book.

On each of these dimensions of corporate life there is always more than one way of getting things done. The cultural dimension, for example, can prevent or promote the introduction of new ideas. The environmental dimension can hide or reveal knowledge about the sustainability of consumer products. The same is true for the other three dimensions as well. Not every accomplishment, however, can be justified. How can we tell which ones are justified? Not how can *I* tell, but how can *we* tell? I can tell because I know what is right and wrong. The problem is you also know, and you and I may disagree. What can we do then? *We* need a shared standard that we can use to make good judgments. I think that integrity can serve as such a standard.

Integrity could become *our* standard for corporate conduct because it is closely tied to the implicit issue raised by both the critic's disdain for corporations and the supporter's disappointment in corporate scandals: the issue of trust. If people have integrity, then we can usually trust them. If we could design corporations with integrity, people could trust them too. They could work in them and with them to develop a viable future for us and for our children.

So what would that design look like? It could involve the arrangement of physical things, of course, such as the design of interior office space. Interior design certainly reveals a corporation's view of how people should relate to each other at work, but that is only a small portion of the life of a corporation. We need to examine how the whole corporation is designed, and we can if we look at the design of the ongoing verbal and nonverbal communication patterns that constitute a corporation as a social system. It is the quality of the communication patterns, in other words, that will give us the data to evaluate a corporation's integrity.

Much of the information about communicative patterns is very accessible. We just need to listen and reflect on what is being said (and not said), who is speaking (and not speaking), what is talked about (and not talked about), and so on. After listening, we can learn how the conversations create the conditions and the expectations for how people should act towards each other, toward the organization, and toward nature.

This exploration of corporate integrity rests on a series of assumptions about corporations and about integrity. Perhaps the most important

assumptions are definitions. Corporations can be defined in several ways, but a definition that is especially relevant for corporate integrity is to see them as human systems designed to achieve some purpose. Systems are sets of interactive parts that constitute a whole. Integrity is also about parts and whole. To integrate is to make whole. So the initial connection between systems and integrity is that while a systems approach examines how parts and wholes are related to each other, an integrity approach investigates how they *should* be related. Some human systems, such as individual persons, are both biological and linguistic systems. Corporations, of course, are not biological. They are, however, constituted by language, or, we could say, by ongoing communication patterns. These patterns include both verbal and non-verbal communications. The verbal communication includes mission and policy statements as well as daily conversations. The nonverbal includes work design, daily schedules, and practical skills. If we look at corporate systems as ongoing communications, then corporate integrity will depend on the character of these communications.

Corporations are not only systems themselves; they also belong to larger social and natural systems. To investigate their integrity in these larger systems, it is necessary to find the best angle from which to examine how corporations should relate to the other parts of these systems. I think the best angle is from a civic perspective. Instead of putting corporations in a separate sphere of economics, for example, the civic perspective places them in the context of civic life, and in relationship with other civic agents, such as nonprofits and government agencies. Exploring and evaluating the types of conversations in which these different agencies participate will give us a picture of the requirements of corporate integrity in terms of society and the environment.

Chapters 2–6 examine and evaluate internal and external corporate relationships. The final chapter explores the leader’s role in designing corporate integrity. This chapter clarifies three key ideas: the meanings of integrity, the rationale for a civic perspective, and the idea of corporations as ongoing communication patterns.

The meanings of integrity

Sometimes integrity is simply used as a substitute for the good or the right. Richard DeGeorge uses the term in this way: “Acting with integrity

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is the same as acting ethically or morally.”¹ There is certainly something right about this definition; integrity does have a normative meaning. In fact it has several meanings, and each one can help us understand its significance, not as a substitute for ethics, but as a significant addition to other ethical standards. To understand these various meanings, we need to begin with its original meaning, which comes from the notion of “integral.” An integral represents a whole.² Wholeness, of course, always implies the presence of parts, so integrity requires not only wholeness, but also the right relationships among the parts of a whole. To create integrity, therefore, is to integrate the parts into a whole. The relationships between the parts and the whole offer various meanings of integrity, including integrity as consistency, as relational awareness, as inclusion, and as pursuing a worthwhile purpose.

Integrity as consistency

Perhaps the most common meaning of integrity is consistency. Integrity here refers to the alignment between what one does and what one says. Doing and saying should belong to the same whole. This is the way Charles Watson uses integrity in his book *Managing with Integrity*:

There is wholeness in what the person with integrity says and does. There is consistency between his actions and what he purports to honor. He pursues his aims along the high road and is uninterrupted and undiminished by temptations for quick or easy personal gain. He seems undisturbed by the opinions others hold or express about him and what he honors. His upright conduct is made possible through steadfast adherence to unbending principles and standards, and his character is marked by an undaunted quest for important ends far larger than his own needs, comfort, and interests.³

This understanding of personal integrity is certainly praiseworthy in some cases. Taken as the complete definition of integrity, however, it leaves us with a potentially dangerous use of the term. Imagine for a

¹ Richard T. DeGeorge, *Competing with Integrity in International Business* (New York and Oxford: Oxford University Press, 1993), p. 5.

² *The American Heritage Dictionary of The English Language*, third edition (Boston: Houghton Mifflin, 1992), p. 937.

³ Charles E. Watson, *Managing with Integrity: Insights from America's CEOs* (New York: Praeger, 1991), p. 171.

moment that this person with integrity is a totally unconscious individual, who is unaware of his privileges, but believes that everyone has had similar opportunities as he has had. Does his integrity here – being undisturbed by the opinions of others and practicing steadfast adherence to unbending principles and standards – help or prevent him from becoming conscious of his relationships with others in larger social and economic systems? If integrity means wholeness, and if a particular consistency prevents one from an awareness of one's whole situation, then consistency would actually prevent the creation of integrity. To be fair to Watson, his book argues elsewhere that managers have a "duty to think" and to consider different points of view.⁴ Still, his description of managerial integrity expresses a common attitude about the self: at its best the self is isolated from others, true to its own principles, and is a complete "whole."

As most of us know from our own experience, this notion of the isolated self is less than a half-truth. We are born to live in relationships with others. The relational self exists prior to, and serves as the foundation for, expressions of the individual self. So integrity as wholeness must be defined not only by consistency but also by relational awareness.

Integrity as relational awareness

In a book on executive integrity, Suresh Srivastva and Frank Barrett write that: "The 'wholeness' that the word integrity refers to is the wholeness of the relationship, the wholeness of the interaction."⁵ Robert Solomon also defines integrity as relational: "'Wholeness' means that one's identity is not that of an isolated atom but rather the product of a larger social molecule, and that wholeness includes – rather than excludes – other people and one's social role."⁶ For individuals to have real integrity, they must be conscious of the relationships in

⁴ Ibid., p. 57.

⁵ Suresh Srivastva and Frank J. Barrett, "Foundations for Executive Integrity: Dialogue, Diversity, Development," in *Executive Integrity: The Search for High Human Values in Organizational Life*, ed. Suresh Srivastva and Associates (San Francisco, CA: Jossey-Bass, 1989), p. 291.

⁶ Robert C. Solomon, *A Better Way to Think About Business: How Personal Integrity Leads to Corporate Success* (New York: Oxford University Press, 1999), p. 40.

which they live. Does that mean that we should throw out the notion of consistency? Not completely, because the self has two quite different ways of beings.

In my business ethics classes, I ask students to write out a description of who they are. They usually write down specific characteristics, such as honest, caring, hard working, and so on. I take these to refer to how they think they will respond or act in specific circumstances. They can be understood as virtues or dispositions to act in certain ways rather than others.⁷ Sometimes the students write out a very different set of terms. They use such terms as sons, daughters, students, parents, and so on. These are all relational terms. Instead of identifying dispositions toward action, like the first set of terms, this set identifies persons in terms of their involvements and memberships, as related persons. Integrity applies to both aspects of the self. As a relational self, integrity requires a relational awareness, a consciousness of the relations in which one participates.⁸ In terms of human action, integrity requires consistency in action; a consistency between what one says and what one does. So both aspects of integrity are necessary because the self is both relational and an agent. This is also true of corporations. Corporate designers also have to answer questions of identity (the who-are-we? question) and questions of action (the what-should-we-do? question). Chapter 3, on interpersonal relationships, focuses more on the corporation as a relational entity, and chapter 4, on organizational purpose, focuses more on the corporation as an agent. Relational awareness, of course, does not necessarily determine the type of relationship one should strive for. One can be aware of relationships of inclusion or exclusion. To affirm wholeness, however, requires inclusion, which is the third meaning of integrity.

⁷ I take this to be Aristotle's understanding of the virtues. They were dispositions or habitual ways of responding to situations. The virtues, in other words, are related to actions.

⁸ A similar notion of the individual-in-relationships or in-community can be found in several business ethics books, such as Michael Rion, *The Responsible Manager: Practical Strategies for Ethical Decision Making* (Amherst, MA: Human Resource Development Press, 1996), as well as the writings of Robert Solomon, *Ethics and Excellence: Cooperation and Integrity in Business* (New York and Oxford: Oxford University Press, 1993), and Edwin Hartman, *Organizational Ethics and the Good Life* (Oxford: Oxford University Press, 1996).

Integrity as inclusion

In groups and teams, inclusion requires an openness to differences and disagreements, which is the topic of chapter 2. On the organizational level, it can also refer to listening to different voices, even disagreeable ones. The idea of integrity as inclusion has also been used to talk about including ethics and compliance programs in everyday business practices. Lynn Sharp Paine, for example, has suggested that instead of imposing compliance programs to constrain corporate behavior, managers should integrate compliance programs into their daily operations. In this way, ethics becomes included in the business.⁹

Kaptein and Wempe have developed a theory of corporate integrity that relies on all three meanings of integrity reviewed so far: integrity as consistency, as relational, and as inclusion.¹⁰ The consistency aspect of integrity refers to the union of words and deeds. The relational aspect refers to the multiple relationships with various stakeholders. The inclusion meaning refers to the integration of the ethical theories of virtue ethics, deontology and utilitarianism in guiding corporate decisions. When they put these three meanings of integrity together, they see corporate integrity as balancing the different claims and obligations that arise from both inside and outside the corporation.

The balancing metaphor certainly expresses the process of trying to include different interests and ethical standards, but it does not indicate the reason for the balancing act. In other words, what is the corporation pursuing that gives its whole process integrity? Kaptein and Wempe's answer is that people create businesses to be more efficient than they could be alone.¹¹ Efficiency, however, is not the kind of

⁹ Lynn Sharp Paine, "Managing for Organizational Integrity," *Harvard Business Review* (March/April, 1994), pp. 106–17. Other authors also have used corporate integrity as an integration of ethical theory or as an integration of ethics and corporate practices. See Debbie Thorne LeClair, O. C. Ferrell, and John P. Fraedrich, *Integrity Management: A Guide to Managing Legal and Ethical Issues in the Workplace* (Tampa, FL: University of Tampa Press, 1998), and Joseph A. Petrick and John F. Quinn's *Management Ethics: Integrity at Work* (Thousand Oaks, CA: Sage, 1997).

¹⁰ Muel Kaptein and Johan Wempe, *The Balanced Company: A Theory of Corporate Integrity* (Oxford: Oxford University Press, 2002).

¹¹ *Ibid.*, p. 165.

purpose that elicits integrity. Drug dealers may be efficient, but that does not mean they should be praised for having integrity. What is missing in Kaptein and Wempe's theory is the notion of a good corporate purpose. A complete understanding of integrity must include this fourth meaning – integrity as pursuing a worthwhile purpose.

Integrity as pursuing a worthwhile purpose

When we say that someone or something has integrity, it is a way of praising them. Integrity, in other words, is a virtue, not a vice. To use integrity only as a means of integrating ethical principles into business practices, or even as a balancing of different claims, largely overlooks the fact that integrity itself is an ethical principle. Integrity, in other words, has a normative connotation that provides a guideline for right action.

The goodness implicit in the notion of integrity comes from its place in the larger language system to which it belongs. In this system, it has a positive meaning. We do not blame people for having integrity. We praise them. And we praise them not only because they are consistent, aware of relationships, and able to include different theories and claims, but also because they are pursuing something that is worthwhile.

These various meanings of integrity are not really opposed to each other, but rather together give us a strong notion of what integrity means. Since the corporation consists of multiple relationships, the relational meaning dominates. The other meanings – consistency, inclusion, and pursuing a worthwhile purpose – are not far behind. The most significant relationships occur in five dimensions of corporate life: the cultural, interpersonal, organizational, civic, and natural. Each of these dimensions can either block or enable corporate integrity.

The five dimensions of corporate integrity

Of the five dimensions, the cultural dimension is perhaps the most fundamental, because culture is what holds things together. Its language, rituals, and patterns of communication provide a rich context in which we discover how to relate to persons, experiences, and things. The second dimension, the interpersonal, focuses on the relationships that define the self. The third dimension, the organizational, refers to

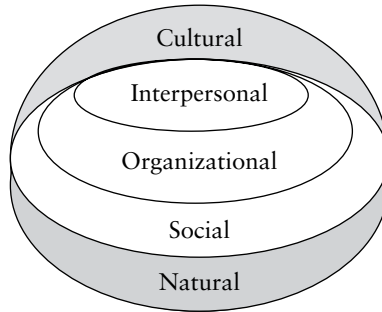


Figure 1.1. Five dimensions of corporate integrity

corporations as agents. Agents have integrity when their actions are in alignment with their purposes, assuming these purposes are worthwhile. At this level, integrity as consistency is important, but so is the inclusive meaning of integrity, in the sense that corporations are included in their social and natural environments. Corporate relationships to society and to nature constitute the fourth and fifth dimensions of corporate integrity.

In light of the growing environmental crisis, designing relationships of integrity between corporations and nature may seem to deserve first place among the five dimensions. However, only by creating integrity in the cultural dimension, which requires the openness necessary to explore the environmental question, can we critically examine the relationship between corporations and nature. Actually, all five dimensions need to be integrated to achieve a high degree of corporate integrity. Figure 1.1 illustrates the contextual relationships among the five dimensions. As the figure illustrates, the cultural and the natural provide the context or contain the other three: the interpersonal, organizational, and social. Furthermore, the social contains the organizational, and the organizational contains the interpersonal. All five dimensions are interrelated and interdependent, but each one presents its own challenge.

Five challenges of corporate integrity

Each of the five dimensions presents its own particular challenge to corporate integrity. The challenge on the cultural level is to be open to differences and disagreements. In a sense, every culture is already