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Toward Strategically Managing for Organizational Integrity

A Research Field in Transition from Theory to Empiricism

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ABSTRACT

As companies grow larger, more complex, and extensively international, the drivers of misconduct and ethical missteps become harder to control, highlighting the limitations of compliance-driven governance models. However, companies have a pervasive impact on the stability of society at large and the global economic system. Recent research suggests that integrity-driven governance models can more effectively address these complexities and enhance the effectiveness of corporate governance. To date, organizational integrity research faces several challenges. Three main gaps include (1) a lack of consensus on the definition and consistent use of the concept, (2) an indefinite state of the research field, and (3) severe limitations of existing management approaches that impede a holistic, integrity-based approach to corporate governance. This cumulative doctoral thesis addresses these gaps with both theoretical and empirical studies. It proposes a robust definition of organizational integrity from its conceptual origins. It develops a theoretical model for organizational integrity – an applied business case of the theoretical model of organizational integrity is also presented as a practical excursus. It examines the relationship between organizational integrity and business success. Finally, it provides a systematic literature review of the status and maturity of the organizational integrity research field between 1994 and 2023. The results of the systematic literature review show high potential for the next maturity level of the organizational integrity research field when strengthening interdisciplinary research. This cumulative doctoral thesis seeks to bridge the most pressing challenges in organizational integrity research. The implications do not stop at the academic discourse. It provides practitioners with a strategic framework for navigating business ethics and encourages companies and their Boards of Management to adopt a holistic view of corporate governance.

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INTRODUCTION

The scale and influence of companies continuously increase as they become larger, more complex, and extensively international. The pressure on them to deliver ever higher returns intensifies (Clarke, 2021; Paine, 2024). As a result, the drivers of misconduct and ethical missteps have become more complex, diffuse, and difficult to control. At the same time, the role and power of global organizations have evolved into that of leading players, as shown by the development figures of the globally listed companies. In 1975, there were approximately 14,500 listed companies worldwide. By 2022, this figure had grown to approximately 48,000, representing a 230% increase (World Bank Group, 2024). The number is growing steadily. As a result, the actions of an increasing number of leading players have a significant impact not only on the companies themselves but also on a broader scale. They exert a pervasive influence on society at large and the global economic system. The responsibility of corporate governance by the Board of Management, which steers and oversees corporate action, has become a monumental challenge – and the complexity is likely to increase further.

> *The conditions in which* […] *boards must make decisions have become more complicated*, requiring them to take more time to think through the implications of their decisions; time they may not have, with tools they may not possess, to deal with the increased complexity they face. (Zinkin, 2020, p. 20)

The ownership of corporations, the purposes they serve, and how they are managed and controlled determine the prospects for social and economic stability (Clarke, 2019). Driven by a growing awareness of the damaging economic and social consequences of corporate governance failures, effective corporate governance has become more critical than ever.

As corporate governance demands grow, compliance-driven governance models are reaching their limits. This is evidenced by massive corporate scandals in recent decades. In fact, we can assume that the actual number of corporate scandals is much higher than what is reported by the media (Paine, 2024). Table 1 presents two exemplary high-profile cases of corporate governance failures: BP in 2010 and Volkswagen Group in 2015.

Table 1 Two high-profile cases of corporate governance failures (based on the report by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (2011) and US Environmental Protection Agency (2023, 2024))

	BP, 2010	Volkswagen Group, 2015
Case description	Use of low-cost working methods against expert advice, resulting in the explosion of the *Deepwater Horizon* oil rig and led to a vast oil spill in the Gulf of Mexico and several deaths	Use of illegal defeat devices in diesel vehicles to reduce emissions during the inspection phase (also known as the *Dieselgate* scandal)
Compliance violations (selected)	• Non-compliance with safety regulations • Failure to maintain and inspect critical equipment • Non-compliance with regulatory authorities	• Intentional and willful deception of regulators • Non-compliance with emission standards • Violation of the law
Organizational integrity failures (selected)	• Culture of risk and profit orientation • Irresponsible management and leadership • Suppression of speak-up culture • Incomplete and misleading communication	• Culture of cover-up and silence • Abuse of public trust • Irresponsible management and leadership • Obstruction of case processing

In both cases, there were compliance violations and a lack of organizational integrity. Corresponding compliance-based governance systems and tools failed. In the case of BP, these failures led to the explosion and sinking of the oil platform – 11 workers died (National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, 2011). In the case of the Volkswagen Group, it resulted in 11 million diesel vehicles emitting more carbon dioxide than allowed (US Environmental Protection Agency, 2023). In short, the consequences for human life, the environment, and customers were far-reaching. Both cases could have been prevented by the existence of robust organizational integrity, according to the report of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling (2011) and the US Environmental Protection Agency (2023, 2024). It can be argued that an exclusive focus on the compliance-based governance approach creates risks. In addition to those outlined above, these include increased business costs, the promotion of a culture of dependency, and the potential for legal absolutism (Arjoon, 2006).

Integrity-based corporate governance approaches may be the essential part of the solution. Recent research shows the potential of integrity-driven governance models to reduce the new complexity of corporate risks and challenges and to increase the effectiveness of corporate governance (Arjoon, 2006, 2017; Cameron et al., 2004; Hajduk & Schank, 2017; Laufer, 2006; Menzel, 2005). "The way forward for effective corporate governance is to strike an optimal balance between rules-based and principles-based approaches" (Arjoon, 2006, p. 53). This does not imply that compliance-based approaches are becoming obsolete. Instead, they are no longer sufficient to meet the required standards of quality and protection. They lack the ethical perspective.

> It points in the direction of having an ethical conception based on economic theory, and of abandoning completely the idea – held by quite a number of philosophers from John Rawls to Ju[e]rgen Habermas – of a fundamental contradiction between ethics and economics. (Luetge, 2005, p. 109)

However, where are the much-needed integrity-driven approaches, systems, and tools as an extension? In fact, to date, "[r]esearch on organisational integrity introduces more problems than answers, problems that need to be addressed before the variables can be defined and a methodology established" (Jurkiewicz, 2024, p. 32). My study of organizational integrity[1] reveals and addresses three main gaps that this research is still contending with today:

> Gap 1: Missing consensus and consistent use of the concept of organizational integrity in scientific research, consequently, practice.
>
> Gap 2: A vague and challenging to comprehend picture of where the research field stands.
>
> Gap 3: Limitations of existing management approaches in scope and methodology that impede a holistic integrity-based approach to corporate governance.

It is only when, among others, these gaps are addressed and subject to rigorous scientific study that it will be possible to create effective and holistic governance systems that can meet the complex requirements of today's corporate governance era.

With this cumulative doctoral thesis, I offer an enhanced understanding of the outlined subject matter by attempting to bridge these gaps with theoretical and empirical research. I do so with five elements that constitute the core contributions of this cumulative doctoral thesis: First, a journal article publication on developing a robust definition of organizational integrity derived from the conceptual origins. Second, a journal article publication on the development of a theoretical model of organizational integrity that can serve as a basis for measuring organizational integrity. Third, a chapter contribution to a seminal research handbook on organizational integrity focusing on the relationship between organizational integrity and business success. Fourth, a systematic literature review[2] of the status and maturity of the organizational integrity research field. Finally, a practical business

[1] Regarding the precise use of the terms *organizational integrity* versus *integrity*, I use the former to refer to an organizational level of analysis (the company) and the latter to refer to a personal level of analysis (the individual). The term *(organizational) integrity* is used when referring to both levels of analysis.

[2] This systematic literature review is an original study and was designed and conducted for this thesis framework. It has not yet been published. Future publication in a scientific journal may be possible after this cumulative doctoral thesis has been completed.

case in which a multidisciplinary project group[3] applied the theoretical model of organizational integrity and piloted the so-called *Organizational Integrity Index* in one of the leading automotive players, the Volkswagen Group. By addressing all three gaps, these five elements contribute to the theoretical development of the organizational integrity research field and the enhancement of applied corporate governance effectiveness in practice.

This thesis framework is structured as follows. In Chapter 2, I establish the foundation for organizational integrity by defining it, distinguishing it from related concepts, embedding it in the context of corporate governance, and sizing the potential of integrity-based corporate governance. In Chapter 3, I outline the current state of organizational integrity research by presenting an original systematic literature review study. In Chapter 4, I provide the extended abstracts of the three publications forming this cumulative doctoral thesis. In Chapter 5, I introduce the Organizational Integrity Index business case. I close this thesis framework with concluding remarks.

[3] Consisting of Professor Dr. Christoph Lütge, Dr. Raphael Max, Dr. Alexander Kriebitz, and myself.

2

ORGANIZATIONAL INTEGRITY GROUNDWORK: FROM CONCEPT DEFINITION TO INTEGRITY-BASED CORPORATE GOVERNANCE

Chapter 2 establishes a foundation for the concept of organizational integrity. In addition to providing a sound definition (2.1), I discuss the distinction between organizational integrity and five closely related concepts (2.2). By describing what it is and is not, it becomes possible to create an understanding that is as precise as possible. Finally, I situate the concept within the context of corporate governance (2.3) and size the potential of the integrity-based corporate governance approach in addition to the merely compliance-based corporate governance approach (2.4).

2.1 Defining Organizational Integrity

The term integrity comes from the Latin noun *integritas*, which means wholeness or completeness. The Latin adjective *in-teger* is accurately translated as in-corruptible, specifically in its original physical sense of being intact (Pollmann, 2018). In the organizational context, this implies an intact organization that cannot be corrupted. Furthermore, the concept is characterized by a strength of will (Halfon, 1989) and a social character (Calhoun, 1995). A company with integrity is aware of its role within the community in which it operates. It can distinguish between what is and is not worth doing. Consequently, organizational integrity is a desirable and ambitious concept that should benefit all stakeholders. It is important to note that organizational integrity is not a static entity but a dynamic process of continuously striving for the highest possible level of organizational integrity (Fuerst & Luetge, 2023).

Although one of the most contentious aspects of the concept, an inherent moral dimension cannot be dismissed if one considers organizational integrity from its origins in virtue ethics (Fuerst & Luetge, 2023). McFall (1987) argues with an example at the individual level: integrity cannot be attributed to a Nazi who despises humanity; hence, integrity must be an implicitly moral concept. In contrast to the moral charge of the concept, Rawls (1971) notes that integrity is merely a neutral shell and its morality depends on the issues it contains or affects. He characterizes integrity as a secondary moral concept. Given the multiple ways the concept can be interpreted, scientific research must provide a clear definition. Along these lines and in light of the considerations above, an operational definition of organizational integrity can be as follows:

> 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 [corporate internal decision 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. (Fuerst & Luetge, 2023, p. 30)

Broken down to a closed three-step process, this means a company with organizational integrity (1) actively commits itself to self-imposed norms and principles, (2) transparently institutionalizes these commitments in its corporate internal decision structures and processes, and (3) assures that these commitments are implemented into actions.[4] Fuerst et al. (2023) refer to this closed three-step process as the *organizational integrity triad*; the three manifestation degrees are interrelated, but only in their collective form do they comprise organizational integrity.

As developing a well-founded definition and operationalizing the concept based on its etymological roots constitutes a stand-alone research project, I have devoted myself to this groundwork with the first publication of this cumulative doctoral thesis (see Chapter 4.1). This groundwork is a prerequisite for bringing the organizational integrity research field to the next level of maturity. The current state of literature indicates that no uniform understanding or definition has achieved a consensus on the concept's core.

2.2 Closely Related Concepts

Some concepts are closely related to organizational integrity. Distinguishing them helps to contextualize and better understand organizational integrity. Key related concepts include business ethics (2.2.1), compliance (2.2.2), corporate citizenship (2.2.3), corporate social responsibility (2.2.4), and honesty (2.2.5).[5]

2.2.1 Business ethics

Business ethics pertains to the moral obligations of companies and their managers in practice (Windsor, 2024). It is a discipline of practical philosophy that studies the necessary norms to be established in modern society (Luetge & Uhl, 2021). According to Luetge and Uhl (2021), business ethics issues involve interactions between individuals or groups, thus, are interaction issues. Solomon (1992) sees acting ethically as the same thing as embracing

[4] For a detailed elaboration of the closed three-step process, see Fuerst and Luetge (2023), p. 30.
[5] Listed alphabetically, not by relevance.

organizational integrity, as long as there is room for differences of opinion about what is ethical and what is not. The critical and challenging thing about embracing organizational integrity is interpreting wholeness as being true to the company's self, values, and commitments. Therefore, organizational integrity is more precise than business ethics regarding the consistency of a company's values, commitments, and corresponding actions. It is a quality of corporate behavior that implies acting according to the norms, principles, and values accepted by the members of the company and the wider society (Kolthoff et al., 2010). Accordingly, violations of these norms, principles, and values can be termed as violations of organizational integrity.

2.2.2 Compliance

Paine (1994) was the first scholar in the business ethics literature to understand compliance and organizational integrity as separate, albeit interdependent, concepts. Table 2 shows the main differences between the concepts based on predefined categories.

Table 2 Direct comparison of compliance and organizational integrity (based on Coglianese & Nash, 2021; Driscoll et al., 1998; Fuerst & Luetge, 2023; Paine, 1994; Treviño et al., 1999; Windsor, 2024)

	Compliance	Organizational integrity
Basic principle	Reactive behavior	Active behavior
Developing institution	(Primarily) third parties, e.g., legislative bodies, multi-stakeholder initiatives, and other external institutions	The company itself
Main goal	Detect and prevent (criminal) misconduct from existing laws and regulations before harm occurs	Prevent ethical missteps and (criminal) violations of existing laws and regulations
Matter of subject	Meeting the demands of existing laws and regulations, either soft or hard	Meeting the demands of self-imposed norms, principles, and values
Measures (exemplary)	• Code of conduct • Compliance officer • Whistleblower system • Training program	• Integrity management system • Integrity officer/representative • Topic anchoring on board level • Awareness training
Orientation	Externally orientated	Internally oriented

While compliance refers to the adherence to legal standards and the company's self-defined norms and principles, organizational integrity goes beyond doing what normative rules, laws, and codes of conduct tell the company to do. Compliance is a prerequisite for organizational integrity, a minimum standard that must be met unconditionally. Organizational integrity is more than avoiding illegal practices; it is striving to do good because it is good.

2.2.3 Corporate citizenship

Corporate citizenship refers to the role of companies as political actors in societal rule-setting processes (Pies, 2011). According to Pies et al. (2009), companies act as corporate citizens by participating in political rule-setting and public rule-finding processes. The aim is to improve the (not sufficient) political rules of the economy.[6] In recent years, there has been a growing expectation that multinational companies – the leading players – will assume greater social responsibility concerning several moral issues. These include, for example, the fight against corruption, the protection of the environment, the mitigation of climate change, the establishment of labor standards, the elimination of child labor and poverty, and the provision of amenities for disadvantaged local communities (Pies, 2011). Corporate citizenship goes hand in hand with political corporate social responsibility. It considers the expanding role of corporations in two areas: First, companies provide public goods and services when the government is unable to do so. Second, companies promote democracy not only within the organization but also within society (Windsor, 2024; Scherer et al., 2016). Organizational integrity is a crucial asset for companies to embrace their role as political actors and provides the foundation for good corporate citizenship. Expressing the

[6] This view is based on the traditional perspective that the state acts as a *rule-giver* and *rule-enforcer*, and companies as *rule-takers* to compete as economically and profitably as possible in this defined playground (Pies, 2011).

ideal moral and political unity of character is contingent upon successfully implementing value-based, and thus integrity-based, corporate governance. (Rendtorff, 2011).

2.2.4 Corporate social responsibility

Corporate social responsibility (CSR) focuses on the business-society relationship and the company's responsibility for its impact on society (European Commission, 2011). CSR plays a leading role in securing natural and social resources and thus actively assumes responsibility for human rights and environmental protection. It is an umbrella term used to describe many of the ethics-related activities carried out by companies. However, it is a *tortured concept* (Godfrey & Hatch, 2007). Maak (2008), for example, identifies three reasons why the concept is problematic: First, the term CSR has historical connotations that may not contribute to clarifying the concept. Second, it is increasingly being used for ethical instrumentalism. Third, companies face multiple ethical challenges, not just social ones. Instead, he suggests moving towards the concept of organizational integrity. Organizational integrity extends the concept of CSR to a broader scope.

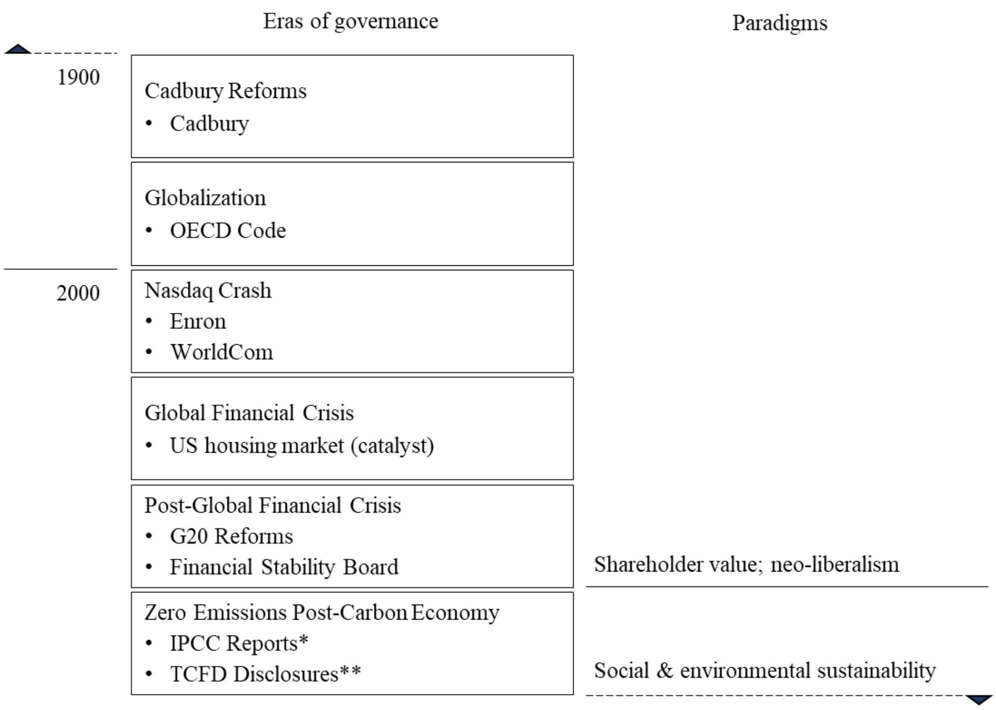
2.2.5 Honesty

Honesty is a clear and straightforward concept. Honesty is acknowledging that one cannot falsify existence and rejecting the pretense that the facts of reality are anything other than what they are (Becker, 1998). It is universally and cross-culturally recognized as a positive trait, while its absence is viewed negatively. Although often equated with organizational integrity (e.g., McFall, 1987), the two concepts differ. While Becker (1998) sees honesty as a required but insufficient requirement for organizational integrity, Solomon (1992) goes further. He sees honesty as too limiting for organizational integrity because there may be times when organizational integrity requires being less than honest, even lying. Honesty fails to consider situational specifics, which are essential to organizational integrity. Organizational integrity cannot be embraced without context and motives.

2.3 Embedment in the Context of Corporate Governance

In 1992, Cadbury was the first to apply the concept of corporate governance to companies.[7] As a result, the *Cadbury Report* by the Committee on the Financial Aspects of Corporate Governance (1992, p. 15) introduces corporate governance as "the system by which companies are directed and controlled". The Board of Management is in charge of this system. The report outlines recommendations for forming Boards of Management and accounting systems to mitigate risks and failures in corporate governance. It has subsequently been incorporated into various codes, such as the OECD[8] Principles of Corporate Governance. Since its inception, the corporate governance paradigm has constantly evolved (Clarke, 2021).

Figure 1 Eras of governance and the evolution of corporate governance paradigms (adapted from Clarke, 2021)



*Intergovernmental Panel on Climate Change Reports. **Task Force on Climate-Related Financial Disclosures.

[7] Although the term *corporate governance* has emerged in the 1990s, the need for governance of trading ventures is ancient. For a detailed elaboration on the evolution of corporate governance, see, e.g., Tricker (2020).
[8] Organization for Economic Co-operation and Development.

Figure 1 shows the eras of governance after the Cadbury Reforms and the dominant paradigms at each time. In the era of globalization, the OECD is broadening the perspective and scope of corporate governance, emphasizing the responsible role of companies and, consequently, corporate governance for society:

> Good corporate governance helps […] to ensure that corporations take into account the interests of a wide range of constituencies, as well as of the communities within which they operate, and that their boards are accountable to the company and the shareholders. This, in turn, helps to ensure that corporations operate for the benefit of society as a whole. (OECD, 1999, p. 5)[9]

Crises such as the Nasdaq crash or the Global Financial Crisis acted as the evolution engine. The neo-liberal paradigm then changed to social and environmental sustainability (Clarke, 2021). The Business Roundtable, an association of CEOs of America's leading companies, marks a milestone in 2019. It has restarted the discussion about the purpose of a company, shifting from the primacy of shareholders to the benefit of all stakeholders. This approach is known as the stakeholder theory, proposed by Freeman and Reed (1983). As a result, social and environmental factors have become increasingly important to investors, regulators, and other stakeholders in assessing a company's viability. In order to adequately address social and environmental sustainability, it is critical to continually challenge and evolve the purpose of a company and, consequently, good corporate governance (Clarke, 2019).

However, four weaknesses are evident in academic research and even more so in practice (Aguilera & Jackson, 2010; Clarke, 2014, 2021; Ireland, 2005): First, corporate

[9] The OECD has released this definition when publishing the original version of the OECD Principles of Corporate Governance in 1999.

governance research is distorted by the intellectual constraints of agency theory. Second, corporate governance practice is often reduced to compliance and regulatory templates. Third, corporate governance practice can contribute to intensifying inequality in both the company and society. Finally, corporate governance practice is ill-equipped to address the need for climate change action and promote sustainable business practices. These inherent weaknesses are severe as globalization challenges national states to provide a viable and reliable institutional framework for competing in global markets and effectively preventing failure (Clarke, 2021). As a result, gaps in these frameworks are common, creating multidimensional challenges for companies and society.

Pies (2011) calls for a *new governance* approach in this context. Accordingly, the focus should be on the participatory role of companies in multisectoral alliances aimed at supporting and improving the institutional framework for global market competition. The growing awareness of the harmful economic and social consequences of corporate governance failures is a driving force in this regard; and this is where the concept of organizational integrity can be a key part of the solution. With a high level of organizational integrity, a company can take on this very active role.

2.4 Sizing the Potential of Integrity-based Corporate Governance

Organizational integrity is a proactive concept. While established, primarily compliance-based governance tools and systems are reactive and focus on compliance with existing laws and regulations (either soft or hard), integrity-based governance tools and systems are proactive, guided by self-imposed norms and principles. This change in perspective and approach to corporate governance has the potential to effectively address the (new) challenges of today’s corporate governance era.

The question thus arises as to whether the solution lies in a compliance-based *versus* integrity-based approach or a compliance-based *and* integrity-based approach. The answer is that it needs to be the latter, a synthesis of both approaches (Arjoon, 2006). The way forward for effective corporate governance leverages both approaches and their strengths. The compliance-based approach is no longer sufficient on its own to meet the required standards of quality and protection. Additionally, the integrity-based approach may not stand alone since compliance is the minimum requirement for integrity. Although it could be argued that a holistic and comprehensive integrity-based approach includes a minimum of the compliance-based approach, Arjoon (2006) calls for an optimal balance between both approaches and names this synthesis the risk-based approach.

To size the potential of integrity-based corporate governance, one possible approach is to analyze past high-profile cases to identify commonalities and determine whether and how integrity-based systems and tools could have been employed to prevent or mitigate the impact of such incidents. A review of exemplary high-profile cases such as Enron, WorldCom, Sanlu, BP, Volkswagen Group, or Wirecard reveals that each involves a unique mix of individual, organizational, and external circumstances and its own set of ethical issues. The analysis also notes that corporate misconduct is often rooted in organizational and management decisions rather than intentional wrongdoing by malicious individuals (Paine, 2024). The latter also exists but rarely results in high-profile cases with significant scope and impact for stakeholders. In the case of the former – misguided organizational and management decisions – it is essential to understand that this corporate misconduct is usually not due to malicious managers. Instead, it is likely the result of a lack of knowledge and awareness of the ethical issues and risks associated with wrong decisions. “If you dig into these cases, you will find organisational features and management behaviours […] such as managers flying ethically blind and making decisions without any thought for the ethical issues involved" (Paine, 2024, p. 10). Managers must consider many different factors when making decisions, including which opportunities to pursue, which goals to set, how to measure performance, how to reward employees, how much to invest in training and technology, and many other aspects (Paine, 2024). These decisions collectively shape how individuals – managers and employees – fulfill their roles and influence the company's ethical conduct.

If we now think about how decision-making comes about in the first place and what shapes management and employee decisions in the second place, we come to the concept of corporate internal decision structures (CID structures) by French (1998). Accordingly, CID structures provide the basis for moral agency and are inherent in every organization. They consist of two parts: first, an organizational flow chart that defines positions and (supervisory) responsibilities, and second, policies and procedural rules (French, 1998). Suitable incentive structures, coupled with appropriate corporate culture, clearly defined values, and guiding principles for management and employees, determine the CID structures and, thus, how decisions are made. "Instead of insisting on the ideal of the honorable merchant, companies should change structural incentives and conditions […]" (Luetge, 2019, p. 19).

Because organizational integrity addresses all these aspects, the potential of integrity-based corporate governance models, systems, and instruments can be rated high. Organizational integrity addresses issues that can be identified and named as standard in the exemplary high-profile cases of Enron, WorldCom, Sanlu, BP, Volkswagen Group, and Wirecard.

3

STATE OF ORGANIZATIONAL INTEGRITY RESEARCH: A SYSTEMATIC LITERATURE RESEARCH YIELDS HIGH POTENTIAL FOR THE NEXT MATURITY LEVEL WHEN STRENGTHENING INTERDISCIPLINARITY

Thirty years ago, Paine (1994)[10] was the first scholar to introduce the concept of organizational integrity as distinct from corporate compliance. She outlined two separate approaches to managing business ethics and corporate governance within a company: the compliance-oriented approach and the organizational integrity-oriented approach. Organizational integrity research has matured over the past 30 years, yet its current state remains unsatisfactory for several reasons. One of these reasons is the lack of a comprehensive overview of the organizational integrity research field, which is this chapter's subject.

In Chapter 3, I present an original systematic literature review[11] designed to provide an overview of current organizational integrity research in a structured and transparent manner. I introduce the review method and process (3.1), outline the findings (3.2), and discuss the results (3.3). The objective is to provide an evidence-based description of the research field and to identify key research themes. The intention is not to conduct a comprehensive content analysis. This, in fact, could be a subsequent research project. The following four review questions (RQ) guide this systematic literature review:

RQ 1: What research disciplines address the concept of organizational integrity?

[10] This *Harvard Business Review* article titled "Managing for Organizational Integrity" is considered the seminal academic work on the concept of organizational integrity.
[11] Not yet published.

RQ 2: How is organizational integrity examined (e.g., research methodology)?

RQ 3: In what contexts is organizational integrity empirically investigated?

RQ 4: What research themes can be identified?

3.1 Review Method

The systematic literature review is a well-established methodology that originated in medical science. Its purpose is to facilitate evidence-based decision-making (Moher et al., 2009; Page et al., 2021; Tranfield et al., 2003). Since the beginning of the 2000s, it has also been widely adopted in organizational and management research (e.g., Hiebl, 2023; Tranfield et al., 2003), where it is gradually replacing the previously dominant technique of traditional literature review as the new standard (e.g., Briner & Denyer, 2012; Hiebl, 2023; Jesson et al., 2011).[12] The systematic literature review fulfills three desired and high-quality criteria of literature reviews: structure, transparency, and comprehensiveness. "A comprehensive, unbiased search is one of the fundamental differences between a traditional narrative review and a systematic review" (Tranfield et al., 2003, p. 215). They enable the reader to comprehend and track the review outcomes (Jesson et al., 2011; Tranfield et al., 2003).

Following the standard process for planning and conducting a systematic literature review by Tranfield et al. (2003), my review consists of four sequential steps: First, the definition of inclusion and exclusion criteria. Second, the definition of keywords as search

[12] Hiebl (2023) provides a comprehensive review of systematic literature reviews that were published in the *Academy of Management Annals (AMA)* and the *International Journal of Management Reviews (IJMR)* from 2004 to 2018, emphasizing the sample selection process as a critical and validating part of a literature review.

terms based on literature and pre-studies. Third, the definition of the search strategy. And fourth, the conduction of the data selection process.

3.1.1 Inclusion and exclusion criteria

The inclusion criteria of the systematic literature review are shown in Table 3. Included are all primary and secondary English language literature with their primary focus at an organizational level of analysis. Literature exclusively focusing on individual-level analysis, such as examining employee, managerial, and leadership integrity, is excluded. Cases in which the relationship between individual-level and organizational-level integrity is examined fall within the scope. The period examined is January 1994 through September 2023.

Table 3 Inclusion criteria of the systematic literature review

Criteria	Inclusion
Language	English
Level of analysis	Organizational level
Sector	Private sector
Time period	01 January 1994 to 30 September 2023
Type of literature	Primary literature; secondary literature
Type of publication	Book (chapter); conference proceeding; journal article (original and review)

In addition to academic journal articles (original and review), books, and book chapters, I also consider conference proceedings to ensure that the most recent publications are included. As the scope of this doctoral thesis is limited to private sector organizations (for-profit organizations), I only consider publications that focus on these. This excludes public sector and civil society organizations, such as government and religious organizations, which operate with different requirements and (partly) different purposes. Once an organization must be profitable in order to survive, it is a different context. In cases where organizational integrity was one of several concepts examined, the publication was only included in scope if organizational integrity was the focus.

3.1.2 Keywords

The review uses the keywords *business integrity*, *corporate integrity*, and *organizational integrity* (*organisational integrity*). Integrity, ethics, and morals are sometimes used interchangeably (Ianinska & Garcia-Zamor, 2006). However, for the sake of clarity and precision, they were not chosen. This approach ensures a reliable and objective analysis of the topic at hand.[13]

3.1.3 Search strategy

I follow a database-driven approach (e.g., Hiebl, 2023; Webster & Watson, 2002)[14] as it allows for the structured identification and inclusion of different research domains. It also encourages the inclusion of previously unknown research, such as those from unfamiliar journals (Hiebl, 2023). Three databases serve as sources of information: (1) EBSCOhost, (2) PhilPapers, and (3) ProQuest. Additionally, a forward-backward search was utilized. The forward search was conducted using Google Scholar.

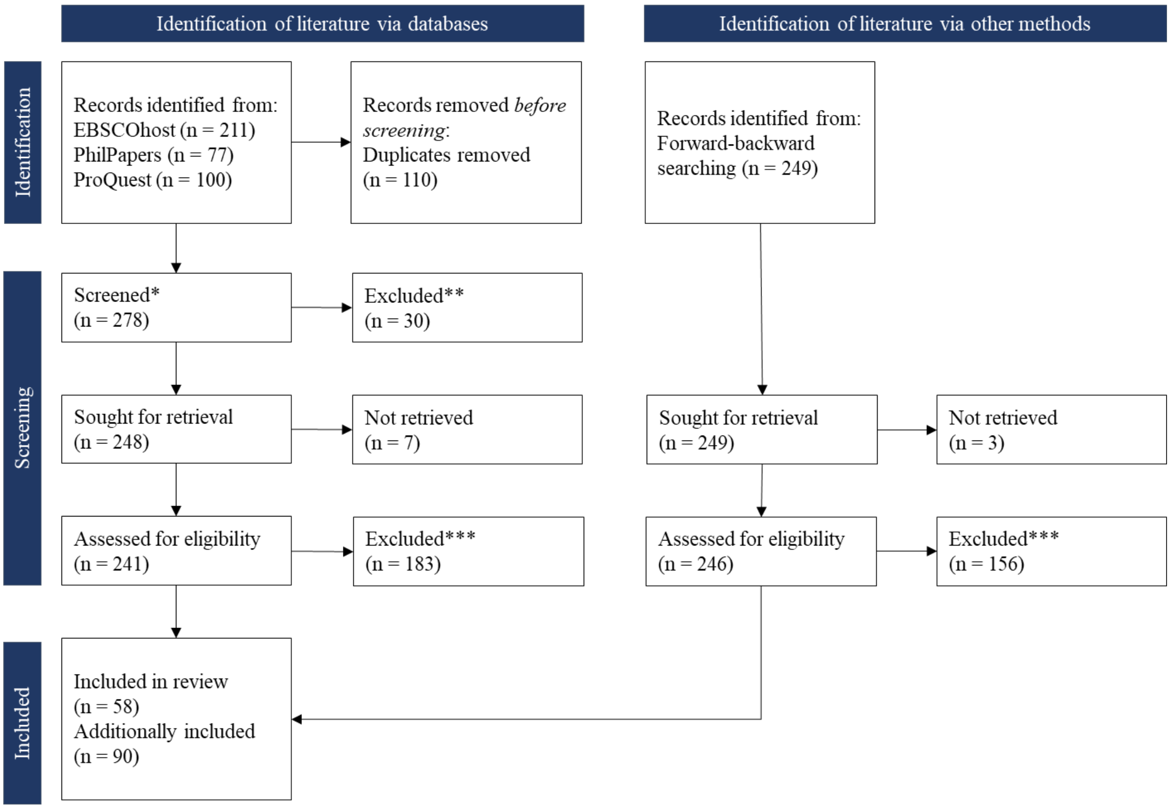
3.1.4 Data selection process

The data selection process was conducted through a multi-staged approach, illustrated and documented in Figure 2. To ensure maximum structure, transparency, and comprehensiveness, I utilized the PRISMA 2020 Model by Page et al. (2021)[15] as a

[13] Scholarly work may also use the (stand-alone) term *integrity* in the context of business. However, the keyword *integrity* alone would have yielded too many results. To compensate for this, forward and backward searching was done.
[14] Hiebl (2023) outlines four search strategies for systematic literature reviews: the journal-driven approach, the database-driven approach, the seminal-work-driven approach, and the combined approach. For a comprehensive overview, see, Hiebl (2023) p. 241.
[15] PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) 2020 by Page et al. (2021) is the extension of the established reporting guideline PRISMA 2009 by Moher et al. (2009).

foundation. This model is widely recognized as the standard in systematic reviews (both with and without synthesis) and defines a minimum set of reporting items.

Figure 2 Data selection process and search funnel of the systematic literature review based on the PRISMA 2020 Model (adapted from Page et al., 2021)



*Titel and abstract screening. **Language other than English; keyword not included in title or abstract; report or doctoral thesis. ***Public sector focus; (primary) individual-level focus; no business reference; broader focus.

In the first step, I utilized the three databases, followed by a complete forward-backward search. Each abstract was reviewed, and where necessary, the full text was examined to determine whether the publications fall within the defined scope and to perform an iterative inductive clustering process of the publications' research themes.[16] The process yielded 148 journal articles (original and review), books, book chapters, and conference proceedings.

[16] No predetermined research themes were implied, rather they were developed bottom up.

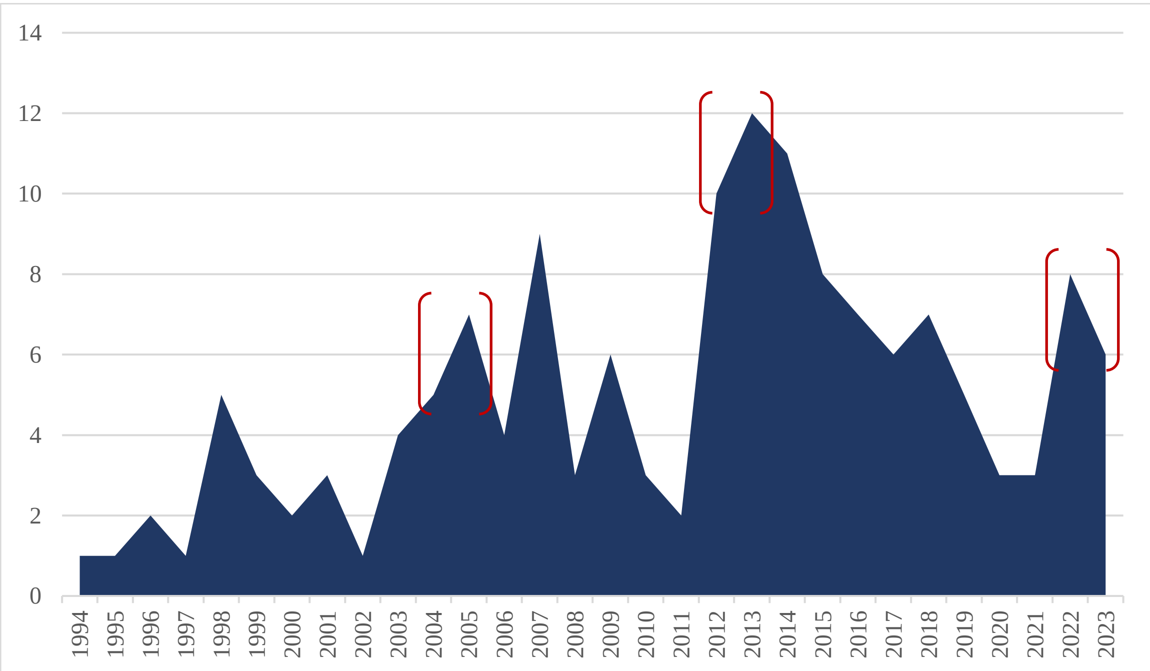
3.2 Findings

The findings section gives general information about the research field (3.2.1) and provides answers to the four review questions: RQ1, what research disciplines address the concept of organizational integrity (3.2.2); RQ2, how the concept is examined (3.2.3); RQ3, in what contexts the concept is empirically investigated (3.2.4); and RQ4, what research themes can be identified (3.2.5).

3.2.1 General

The general age profile of the organizational integrity research field between January 1994 and September 2023 shows a volatile course with an upward trend in publications until 2013 (Figure 3). Notable peaks[17] occurred in 2004/2005, 2012/2013, and 2022/2023 and are marked with a red bracket each.

Figure 3 Number of publications (absolute numbers) published on organizational integrity between January 1994 and September 2023



[17] All deviations with relatively high values for at least two years are considered peaks.

3.2.2 Research disciplines (RQ1)

Regarding which research disciplines explore the concept of organizational integrity, two disciplines were identified, accounting for about half: economic science with 51.4% and philosophy science with a share of 48.6% of the publications (Table 4). At a more granular level, three research domains can be formed: corporate governance & risk management (17.6%), general management & leadership (33.8%), and business ethics (48.6%).

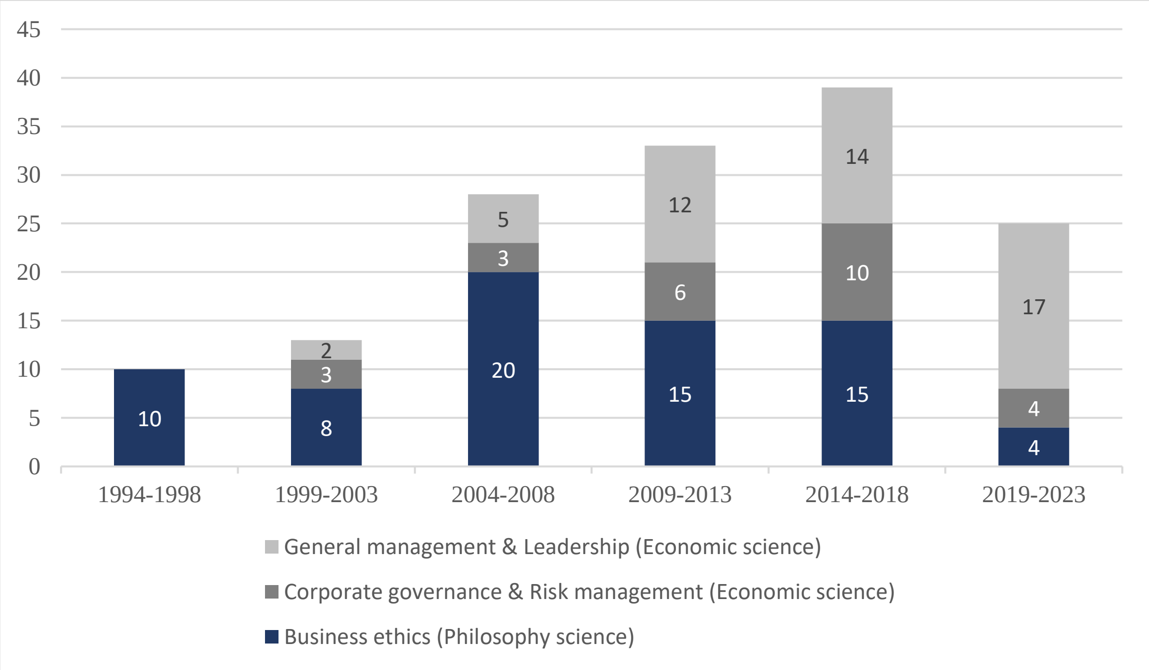
Table 4 Research disciplines and subordinate research domains

Research discipline	Research domain	Number of publications	Share of total publications (%)
Economic science	Corporate governance & Risk management	26	17.6
	General management & Leadership	50	33.8
		76	51.4
Philosophy science	Business ethics	72	48.6

Note. The classification of publications to one distinct research domain is not always straightforward. Therefore, each publication is classified to the research domain to which it primarily belongs.

Figure 4 shows the development of publications by research domains and related disciplines in 5-year intervals. The percentage development of organizational integrity research by discipline (philosophy and economic science) is remarkable. Whereas in the 1994-1998 period, 100% of publications came from philosophy science, in the most recent period (2019-2023), this figure fell to 16%. The opposite trend can be seen in economic science. The percentage has risen steadily from 0% (1994-1998) to 84% (2019-2023). Of these 84% of the most recent period, 68% makes the general management & leadership domain, and 16% the corporate governance & risk management domain.

Figure 4 Organizational integrity publications (absolute numbers) by research domain and related discipline and over time (January 1994-September 2023)



3.2.3 Research methodologies (RQ2)

Regarding how organizational integrity has been studied in terms of research methodology, 68.2% of the publications to date have been non-empirical, and 31.8% have been empirical (Table 5).

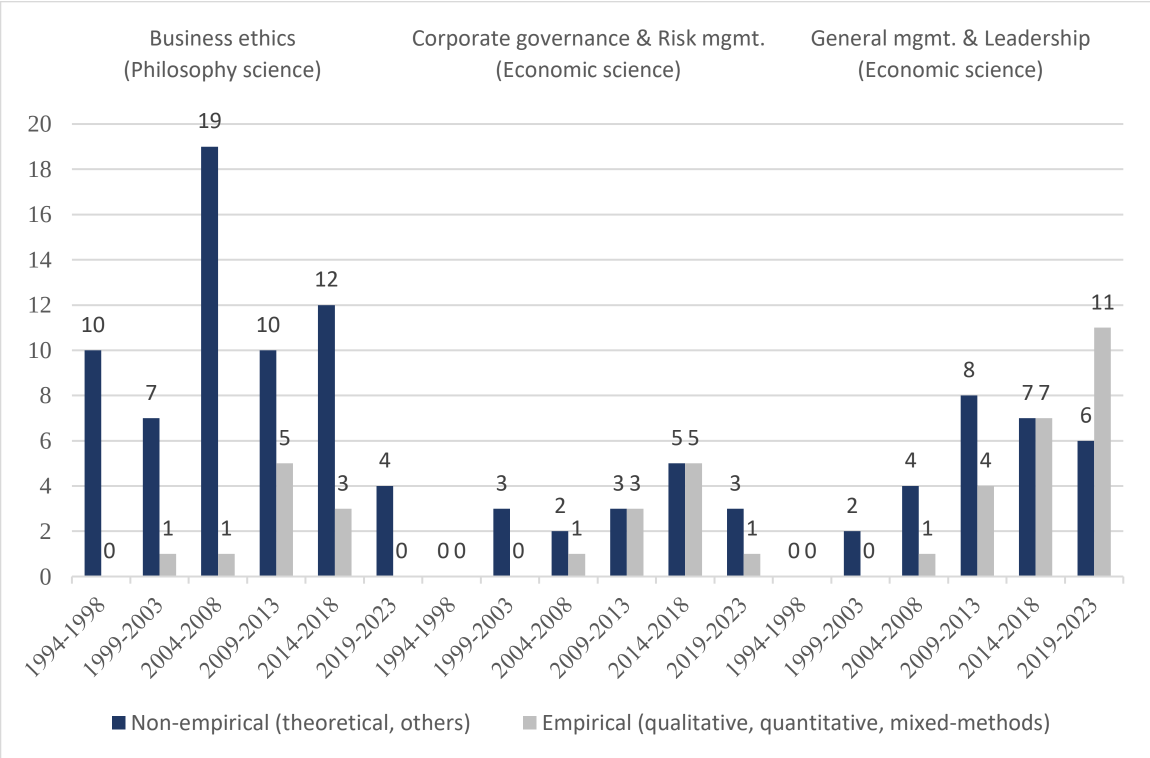
Table 5 Applied research methodology

	Number of publications	Share of total publications (%)
Qualitative	16	10.8
Quantitative	27	18.2
Multi-method (quant. & qual.)	4	2.7
Total empirical	47	31.8
Theoretical	97	65.5
Review/discussion	4	2.7
Total non-empirical	101	68.2
Total	148	100

Note. Categories based on the American Psychological Association (APA) 7th edition (2020). There is no distinction between theoretical and conceptual.

Figure 5 shows the methodology applied by the research domain over time. The empirical study of organizational integrity began in the 2004-2008 period. While the empirical research methodology is relatively dominant in economic science (corporate governance & risk management, general management & leadership), non-empirical research is still the dominant methodology in philosophy science. Overall, empirical research is increasing, and non-empirical research is declining.

Figure 5 Applied research methodology by research domain and over time (January 1994-September 2023)



3.2.4 Empirical research contexts (RQ3)

In a total of 47 publications, organizational integrity was empirically investigated. I analyzed these concerning two dimensions: first, the companies' industries (being studied), and second, the countries in which the studied companies operate (Table 6).

Table 6 Country and industry of the empirically studied company

Country	Number of studies	Share of total studies (%)	Industry	Number of studies	Share of total studies (%)
Australia	1	2.1	Banking	4	8.5
China (PRC)	8	17.0	Government-linked Companies	2	4.2
Egypt	1	2.1	Industrial & Construction	2	4.2
Germany	2	4.2	Oil	2	4.2
Ghana	1	2.1	Pharmaceutical & Healthcare	2	4.2
India	1	2.1	Technology Industries	1	2.1
Iran	1	2.1	Travel & Tourism	1	2.1
Iraq	1	2.1	cross-industry	19	40.4
Italy	2	4.2	n.n.	14	29.8
Malaysia	2	4.2	Total	47	100
Netherlands	2	4.2			
Nigeria	3	6.3			
Pakistan	1	2.1			
Taiwan (CHN)	1	2.1			
Turkey	1	2.1			
USA	8	17.0			
Zambia	1	2.1			
multi-country	10	21.1			
Total	47	100			

Regarding the industry, 40.4% of the studies are cross-industry as they involve more than one company in their research design. Most of these studies used stock market listing as a selection criterion rather than the industry. Another 29.8% of the studies do not explicitly mention the industry. The most frequently researched industry is banking, with 8.5%. The remaining studies are relatively evenly split between the oil industry (4.2%), pharmaceutical

& healthcare (4.2%), travel & tourism (4.2%), industrial & construction (4.2%), technology industries (2.1%), and government-linked companies (2.1%).

The picture is more diffuse regarding the countries where the studied companies operate. With a share of 21.1%, most companies studied are active in more than one country, or the studies are not country-specific (multi-country). This is followed by an equal number of companies operating in China (PRC) and the USA, each with a share of 17%. On the one hand, this may be because China (PRC) and the USA are the two largest economies globally in terms of their gross domestic product. On the other hand, the first high-profile cases were revealed there in the 2000s, such as Enron (USA, 2001), WorldCom (USA, 2002), Lehman Brothers (USA, 2008), and Sanlu (China (PRC), 2008). The remaining studies are relatively evenly balanced among the remaining countries.

3.2.5 Research themes (RQ4)

The range of themes examined in the entirety of the publications is diverse. Table 7 shows 15 main research themes identified and clustered into five topic groups.

The culture & readiness topic group (10.8%) focuses on the conditions and basis for a company to embrace organizational integrity. These include *integrity capacity* and *integrity culture*[18]. For example, Petrick and Quinn (2001a) discuss the concept of integrity capacity as a strategic asset in achieving organizational excellence. Verhezen (2010) examines how to move from a compliance-focused to an integrity-focused culture.

The governance & risk topic group (14.2%) includes publications on *anti-corruption*, *integrity risk management*, and *principle/value-based governance*. For example, Arjoon (2017) theoretically discusses the two concepts of compliance and

[18] Of course, culture can also be seen as a means by which organizational integrity can be embraced – a classic chicken-and-egg principle. However, because integrity measures fail without the appropriate culture, I consider it part of an organization’s integrity readiness.

integrity and their potential from a corporate governance perspective. Calderón et al. (2018) examine the relationship between organizational integrity and compliance and argue for a harmonized governance approach. Goodstein (2004) examines the integrity-based governance approach and calls for corporate governance reform.

Table 7 15 main research themes and five topic groups

Topic group	Research theme	Number of publications		Share of total publications (%)	
Culture & Readiness	Integrity capacity	4		2.7	
	Integrity culture	12		8.1	
	Total		16		10.8
Governance & Risk	Anti-corruption	7		4.7	
	Principle/value-based governance	9		6.0	
	Integrity risk management	5		3.4	
	Total		21		14.2
Management & Strategy	Code of integrity	2		1.4	
	Integrity measurement	2		1.4	
	Integrity program/system	12		8.1	
	Integrity strategy	10		6.8	
	Total		26		17.6
Relationship & Impact	Integrity issue/failure investigation	3		2.0	
	Multi-level analysis research	8		5.4	
	Relationship studies (diverse topics)	10		6.8	
	Total		21		14.2
Theory & Conception	Model/framework development	17		11.5	
	Nature of concept	39		26.4	
	Theorizing/theory development	4		2.7	
	Total		60		40.5
Others			4		2.7

Note. The categorization of publications into distinct themes is not always straightforward. Therefore, each publication is assigned to the primary research theme it contributes to.

The topic group management & strategy, with 17.6%, is relatively straightforward. It contains the various elements necessary for effective integrity management within a company. It includes publications on *integrity strategy*, *code of integrity*, *integrity program/system*, and *integrity measurement*. Exemplary publications in this context are Kennedy-Glans and Schulz (2005), who compile a corporate integrity toolkit and Kaptein and Avelino (2005), who develop a measuring system to measure corporate integrity with a survey-based approach.

The relationship & impact topic group (14.2%) includes three topics that address the concept's impact and its relationship to other concepts or levels of analysis. First, publications on *integrity issue/failure investigation* discuss and analyze the impact and consequences of potential or actual organizational integrity failures. For example, Ferrell and Ferrell (2014) explore past high-impact organizational integrity failures. Second, publications on the interrelationship of different levels of analysis, such as the organizational, team, and individual levels (*multi-level analysis research*). Third, the research theme *relationship study (diverse topics)* includes publications examining the relationship between organizational integrity and other constructs, such as accrual earnings management (e.g., Lee et al., 2022).

Finally, the topic group theory & conception is the largest group, with a total share of 40.5% of the publications. It includes publications on theory development (*theorizing/theory development*), such as the corporate integrity theory by Kaptein and Wempe (2002). Furthermore, it includes publications on theoretical models and framework development (*model/framework development*). An important model, for example, is the framework of the 7-Cs of Corporate Integrity by Maak (2008). The theoretical model of organizational integrity by Fuerst et al. (2023) also falls under this research theme. Finally, this topic group includes publications that discuss the purpose and nature of the concept (*nature of concept*). Publications such as Audi and Murphy (2006), Brown (2006, 2014), Vandekerckhove (2010), and Verhezen (2008, 2010) are exemplary.

To conclude the findings, Table 8 shows the ten most cited publications in organizational integrity research. Paine (1994), with her seminal academic work on organizational integrity, leads by far with 2089 total citations and approximately 70 citations per year.

Table 8 10 most cited publications

Cites total	Cites per year	Reference
2089	70	Paine, L. S. (1994). Managing for Organizational Integrity. *Harvard Business Review*, *72*, 106–117.
591	27	Kaptein, M., & Wempe, J. (2002). *The Balanced Company: A theory of corporate integrity*. Oxford University Press.
555	33	Palanski, M. E., & Yammarino, F. J. (2007). Integrity and Leadership: Clearing the Conceptual Confusion. *European Management Journal*, *25*(3), 171–184.
486	32	Palanski, M. E., & Yammarino, F. J. (2009). Integrity and Leadership: A Multi-level Conceptual Framework. *The Leadership Quarterly*, *20*(3), 405–420.
318	18	Audi, R., & Murphy, P. E. (2006). The Many Faces of Integrity. *Business Ethics Quarterly*, *16*(1), 3–21.
290	21	Verhezen, P. (2010). Giving Voice in a Culture of Silence: From a Culture of Compliance to a Culture of Integrity. *Journal of Business Ethics*, *96*(2), 187–206.
275	46	Huberts, L. W. J. C. (2018). Integrity: What it is and Why it is Important. *Public Integrity*, *20*, 18–32.
261	16	Maak, T. (2008). Undivided Corporate Responsibility: Towards a Theory of Corporate Integrity. *Journal of Business Ethics*, *82*(2), 353–368.
229	12	Koehn, D. (2005). Integrity as a Business Asset. *Journal of Business Ethics*, *58*, 125–136.
214	9	Petrick, J. A., & Quinn, J. F. (2001b). The Challenge of Leadership Accountability for Integrity Capacity as a Strategic Asset. *Journal of Business Ethics*, *34*, 331–343.

Note. Numbers according to Google Scholar as of 16 May 2024.

3.3 Discussion

This section discusses general patterns (3.3.1), the maturity and interdisciplinarity (3.3.2), and future research agendas (3.3.3) of the research field. It concludes with critical remarks on the systematic literature review (3.3.4).

3.3.1 General

The field of organizational integrity research has a modest publication record compared to other research fields over the past 30 years. This is surprising given the concept's long history, rooted in ancient times and virtue ethics. Virtue ethics has been increasingly used as a philosophical rationale for researching and explaining business phenomena, as the virtue ethics approach focuses on the agent itself rather than on the principles of evaluation (Luetge & Uhl, 2021). It leaves room for situational specification of action. It is reasonable to assume that this research perspective, and consequently virtue ethics concepts such as organizational integrity, are gaining momentum and are likely to continue to do so.

With regards to the volatile course of the research field's age profile (see Figure 3), a pattern may emerge when the chronicle of global financial and economic crises is added to the chart. Approximately two to three years after a major event, such as the Nasdaq crash of 2001/2002 (triggered by a complex interplay of factors including the collapse of Enron and WorldCom), the global financial crisis of 2008/2009, and the economic crisis caused by the COVID-19 pandemic in 2019/2020, published research output increases and peaks. This phenomenon may be explained by the inherent governance function of organizational integrity, which has received attention from researchers in the wake of various crises. For instance, the well-known G20 Financial Regulatory Reforms[19] emerged after the global financial crisis of 2008/2009.

[19] For further information on the implementation and effects of the G20 Financial Regulatory Reforms, see, e.g., Financial Stability Board (2020).

3.3.2 Maturity level and interdisciplinarity

Organizational integrity research is undergoing a transition from theoretical dominance to methodological balance. In other words, it is moving from theorizing to empiricism. However, this transition has just begun. Non-empirical research has a two-thirds dominance over a one-third portion of empirical research (see Table 5). This is a missed opportunity, as it is also empiricism from which insights and implications for theory and practice can be derived. These insights and implications may then be used to create effective and holistic governance systems capable of meeting the complex requirements of today's corporate governance era.

Philosophy science, more precisely business ethics, "should cooperate more intensely with other disciplines, and not merely regard itself as a theoretical enterprise mainly concerned with language philosophy, linguistics or deontic logic" (Luetge, 2014, p. 11). Several areas of analytic ethics can benefit from enriched perspectives on social and economic phenomena (Luetge, 2014). Moreover, economic science, with its strong focus on empirical studies, continues to make little use of the theoretical foundations established by philosophy science. It is this interdisciplinary research, which draws on the existing theoretical foundations of philosophy science and the methodological knowledge of empirical research designs from economic science, among others, that enables the next level of maturity in the organizational integrity research field. The findings of this systematic literature review yield high potential for the next maturity level when strengthening this interdisciplinary focus.

The inverse development of research intensity in the two disciplines – economic science and philosophy science – indicates that research from economic science has not yet peaked, while research from philosophy science is declining (see Figure 4). One possible explanation could be that the concept is rooted in philosophy and is increasingly understood as a long-term investment strategy for sustainable corporate governance, thus gaining economic relevance.

The research domain of corporate governance & risk management is currently the smallest of all three domains identified (business ethics, corporate governance & risk management, general management & leadership). It is reasonable to expect that research and publications in this area will continue to grow in the coming years. It is also likely that, in addition to the three research domains currently identified, other research domains will begin to incorporate the concept of organizational integrity as a research subject. Such developments can already be seen in the psychological research domain of positive organizational scholarship. In this domain, some research that involves the concept of organizational integrity already exists, but it does not yet have it as a specific research focus. Instead, positive organizational scholarship currently focuses on the concept of organizational virtuousness, of which the virtue of organizational integrity is only one aspect (Fuerst & Luetge, 2024).[20] Examples are the Perceived Organizational Virtuousness Scale by Cameron et al. (2004) and the Virtue Ethical Character Scale (VECS) for organizations by Chun (2005).[21]

3.3.3 Future research agendas

The systematic literature review offers an overview of the current state of the organizational integrity research field, delineating its main areas of investigation and making charts for future research agendas. The following is an outline of three different directions.

The first and arguably most apparent future research direction is advancing this systematic literature review in depth and scope. For example, a comprehensive content

[20] For further elaboration on the difference and also tension between neo-Aristotelian *virtue* and positive organizational *virtuousness*, see, e.g., Sison and Ferrero (2015).
[21] Given that one of the defined inclusion criteria of this systematic literature review is that the research focus must be on the concept of organizational integrity, but not on other or multiple concepts, these publications do not fall within the scope.

analysis can deepen this initial investigation. The scope can be expanded by including and examining the public sector. What is the state of research on organizational integrity in the public sector? What are the differences between private and public sector organizational integrity? In addition, a meta-analysis has not yet been conducted in organizational integrity research and may provide new insights.

A second direction for future research is to further investigate the impact of organizational integrity and the impact on organizational integrity. Interesting research questions arise in both directions. Regarding the impact of organizational integrity, for example: What is the impact of organizational integrity on different corporate performance indicators? Also, the question of what return on investment organizational integrity can bring to the organization may be an interesting medium-term research agenda. With regard to the impact on organizational integrity, an exemplary research agenda might be as follows: What factors promote or inhibit high levels of organizational integrity?

A third future research direction is one level higher, at the level of corporate governance. Here, the findings show a relatively thin baseline. At the same time, this area will determine how holistic, effective, and robust tomorrow's corporate governance systems can and will be. Therefore, the expansion of integrity-based corporate governance research is an important research direction at both the theoretical and empirical levels. Following Arjoon's (2006) call, potential research questions include: What is the optimal balance between compliance-based (rules-based) and integrity-based (principles-based) corporate governance approaches? To what extent do established corporate governance approaches need to be broadened to address new types of risks? In addition, for which types of risks is an integrity-based approach particularly effective, and for which is the compliance-based approach?

Finally, it is important to reiterate that one of the most challenging tasks will be to apply a common understanding and operationalization of the concept of organizational integrity across different research disciplines and domains. Otherwise, empirical studies will continue to encounter the challenge of difficult comparability of results.

3.3.4 Critical remarks

This systematic literature review faced challenges and limitations. The two most dominant challenges were first, the interchangeable use of the terms *(organizational) integrity* and *ethics* and second, the universality of the concept itself. Integrity is a broad concept used in many different contexts and meanings, such as territorial, system, public, and academic integrity, to name a few. As a result, the decision to include or exclude a publication was not always straightforward. The most prevalent limitation of this systematic literature review, however, is that a single researcher conducted it. A multi-researcher approach is considered best practice to ensure the reliability and robustness of the findings and minimize individual bias. Nevertheless, by adhering to the PRISMA 2020 Model checklist (Page et al., 2021), I sought to ensure the greatest possible reliability and robustness of the findings while utilizing a single-researcher approach.[22]

[22] In order to comply with the requirements of the *TUM Regulations for the Awarding of Doctoral Degrees*, and to write this thesis framework independently and without outside help, I employed a single-researcher approach.

4

THREE PUBLICATIONS:
PERSONAL CONTRIBUTION TOWARD STRATEGICALLY MANAGING FOR ORGANIZATIONAL INTEGRITY

Chapter 4 presents three published theoretical contributions that constitute this cumulative doctoral thesis. Two open access articles were published in international peer-reviewed journals renowned in business ethics (4.1, 4.2). Additionally, one chapter contribution was made to a pioneering research handbook on organizational integrity published by Edward Elgar Publishing (4.3). In the following, I provide the corresponding extended abstracts. The full-text journal articles and handbook chapter can be found in the appendix (Appendix A), with additional information such as individual contributions to publications (Appendix B).

4.1 The Conception of Organizational Integrity: A Derivation from the Individual Level Using a Virtue-based Approach

The first journal article, published in *Business Ethics, the Environment & Responsibility* (Fuerst & Luetge, 2023[23]; DOI: 10.1111/beer.12401), discusses the importance of organizational integrity for companies, which are increasingly faced with moral and social responsibilities. It proposes a comprehensive approach to organizational integrity beyond the descriptive level. It is concerned with and answers two guiding questions: (1) *What is the nature of organizational integrity, and how can we make the concept tangible?* (2) *What is the role of organizational integrity in companies?* (Fuerst & Luetge, 2023).

[23] The article was published as an advance online publication in 2021 and as part of a special issue of the journal in 2023.

There is a wide range of interpretations of organizational integrity in academic literature and practice. However, attempts to define the concept have remained at the description level. Descriptions range from individual behaviors, such as those of managers or 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; Palanski et al., 2011; Solomon, 1992; Tullberg, 2012). Virtue ethics is the theoretical framework that lays the groundwork for this research. Virtue ethics focuses on character and behavior, making it a suitable lens for understanding integrity, including its main characteristics, etymological roots, and the role of morals in this context. Group agency theory by List and Pettit (2011) is utilized to apply these findings at an organizational level. The developed definition of organizational integrity is operationalized through a three-step process. This three-step process involves (1) making corporate commitments and taking positions, (2) transparent institutionalization, and (3) ensuring coherence between the company's commitments and actions. In summary, the work aims to establish a unified understanding of the concept of organizational integrity that provides the foundation for future (empirical) research.

4.2 Toward Organizational Integrity Measurement: Developing a Theoretical Model of Organizational Integrity

The second journal article, published in *Business and Society Review* (Fuerst et al., 2023; DOI: 10.1111/basr.12329), focuses on developing a theoretical model of organizational integrity as a prerequisite for measuring the concept. It is concerned with and answers two guiding questions: (1) *What would a theoretical model of organizational integrity look like?* (2) *Can organizational integrity be measured (at all)?* (Fuerst et al., 2023).

Research in the field of corporate governance suggests that integrity-based corporate governance models can significantly reduce corporate risks and improve business performance (see, e.g., Arjoon, 2017; Calderón et al., 2018; Cameron et al., 2004; Hajduk & Schank, 2017; Laufer, 2006; Shu et al., 2018). However, what cannot be measured cannot be managed. To date, companies and business leaders do not have a systematic, profound, and sound way to assess or evaluate their level of organizational integrity. This work develops a theoretical model of organizational integrity by conceptualizing the concept and defining the scope of the theoretical model. The proposed approach is holistic, consisting of three dimensions: prerequisite, dependent, and independent dimensions. The prerequisite dimension pertains to legal compliance. The dependent dimensions consider all stakeholders equally important, meaning the model considers each company-stakeholder relationship. The independent dimensions pertain to a corporate infrastructure that defines internal decision structures, suitable incentive and management systems, and maintains a positive corporate culture and climate. It is essential to focus on situational conditions, structural incentives, and structural conditions rather than the individual behavioral perspective (Luetge, 2019). The work concludes by discussing the ethical implications of measurement in social and human sciences, demonstrating how measurement can be beneficial. It advocates for a cautious and humble approach to measurement and quantification.

4.3 Organizational Integrity and Success

The third contribution is a chapter contribution in the *Research Handbook on Organisational Integrity*, edited by Muel Kaptein and published by Edward Elgar Publishing in 2024 (Fuerst & Luetge, 2024; DOI: 10.4337/9781803927930.00041). The research handbook is a pioneering work that compiles contributions from international researchers in organizational integrity research and charts new directions for future research. The chapter contribution provides context and insight into how organizational integrity and business success are related.

In summary, the field of organizational integrity impact research is still at a low level of maturity. Four challenges are identified for lacking more robust empirical evidence. Challenge one is the diverse interpretation and usage of organizational integrity, which leads to incomparable study results due to various concept definitions. Challenge two is weak interdisciplinary research, particularly between philosophy and positive social science. Challenge three describes the tension between virtue and virtuousness. Challenge four refers to a lack of empirical research focused on the very concept of organizational integrity. Despite these challenges, existing findings suggest that organizational integrity positively affects various dimensions of business performance, leading to sustainable business success. It is closely interrelated with (at least) three concepts: transparency, trust, and corporate reputation. Organizational integrity leads to higher levels of transparency (Schnackenberg & Tomlinson, 2016), higher levels of transparency lead to higher levels of trust (Lins et al., 2017; Mayer et al., 1995), and higher levels of trust lead to better reputation (Lange et al., 2011; Zhao et al., 2021). In addition, companies that exhibit a high level of organizational integrity demonstrate improved risk management (see, e.g., Calderón et al., 2018; Hajduk & Schank, 2017; Laufer, 2006; Menzel, 2005; Shu et al., 2018). The work concludes with an approach to strengthening organizational integrity in corporate practice.

5

ORGANIZATIONAL INTEGRITY INDEX BUSINESS CASE: APPLYING THE THEORETICAL MODEL OF ORGANIZATIONAL INTEGRITY IN PRACTICE

Chapter 5 is a practical excursus and presents an applied business case of the developed theoretical model of organizational integrity. Based on this model, the multidisciplinary project group consisting of Professor Dr. Christoph Lütge, Dr. Raphael Max, Dr. Alexander Kriebitz, and myself developed the Organizational Integrity Index, a measurement instrument for organizational integrity. The Organizational Integrity Index was piloted at several brands of the Volkswagen Group, including Volkswagen Passenger Cars and Audi. Since 2015, the Volkswagen Group has been dealing with the *Dieselgate* scandal. The scandal is one of the most prominent high-profile cases of organizational integrity failure in recent history. In the following, I provide more background on the case (5.1) and introduce the Organizational Integrity Index instrument developed by the project group (5.2).[24]

5.1 Case Background

The Volkswagen Group *Dieselgate* scandal was a large-scale emission cheating scandal. In 2015, it was revealed that the company had installed software in some of their diesel vehicle models to manipulate emissions tests, making the cars appear to meet environmental standards when emitting harmful pollutants at much higher levels. This defeat device software enabled the company to pass laboratory emissions tests while emitting up to 40 times more nitrogen oxide on the road (US Environmental Protection Agency, 2023). The

[24] This project received funding by the Volkswagen Group.

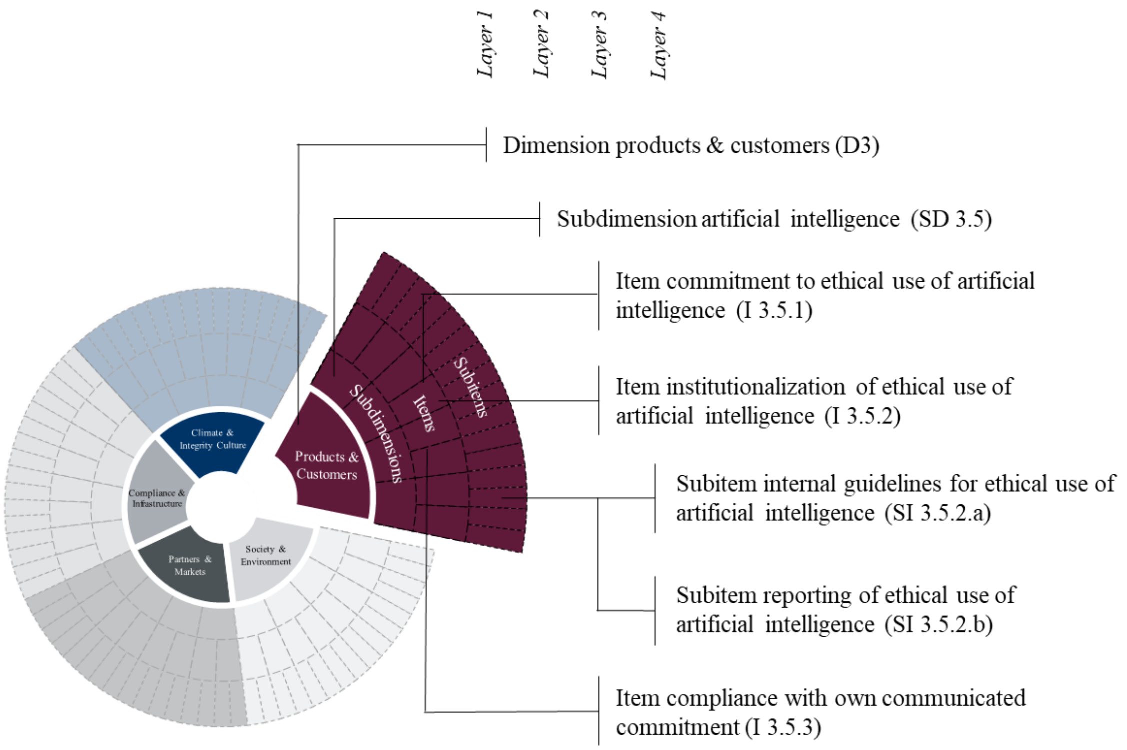
scandal resulted in billions of dollars in fines, settlements, recalls, legal consequences for several executives involved, and several years of US integrity and compliance monitorship ordered by the US Department of Justice (DoJ). In the following years, the Volkswagen Group established an internal Integrity Management department and created a new position on its Board of Management for Integrity and Legal Affairs. In 2018, the company launched one of the most extensive international integrity programs ever implemented. The central questions in these efforts have been two: (1) How can the level of organizational integrity be measured? (2) How can progress and improvements in the integrity management area be made visible and verifiable? This was not least because a comprehensive integrity, compliance, and risk audit was due at the end of the US DoJ integrity and compliance monitorship.

5.2 The Organizational Integrity Index Instrument

The project group addressed these two questions and developed the Organizational Integrity Index, one of the first holistic instruments for measuring organizational integrity in practice. The Organizational Integrity Index is structured into four layers: dimensions (layer 1), subdimensions (layer 2), items (layer 3), and subitems (layer 4). The dimensions, layer 1, reflect the interaction between a company and its stakeholder groups (inter-perspective) and company-internal topics (intra-perspective). There are five dimensions: compliance & infrastructure (D1), climate & integrity culture (D2), products & customers (D3), society & environment (D4), and partners & markets (D5). In most dimensions, the subdimensions cover normative issues in which stakeholders expect companies to position themselves. For example, the topic of child labor concerns, first and foremost, society, while product quality matters to the company’s customers. Following the approach of the *organizational integrity triad* by Fuerst et al. (2023), each subdimension is divided into three items by default: (1)

the commitment item, (2) the institutionalization item, and (3) the compliance with the communicated commitment item (see Chapter 2.1 for the definition and operationalization of organizational integrity). Finally, the subitems represent the most detailed assessment level of the Organizational Integrity Index. Figure 6 displays the general structure of the Organizational Integrity Index with the exemplary subdimension artificial intelligence (SD 3.5) from the dimension products & customers (D3).[25]

Figure 6 General structure of the Organizational Integrity Index, including its layers, dimensions, and the exemplary subdimension artificial intelligence (SD 3.5) from the dimension products & customers (D3)



Remark. Adapted version of the instrument's theoretical foundation.

In 2019, the pilot assessments were conducted at two Volkswagen Group brands – Volkswagen Passenger Cars and Audi – to initially assess the organizations' integrity level

[25] For more information on the Organizational Integrity Index, please contact Madeleine J. Fürst (madeleine.fuerst@tum.de) or other members of the project group.

and identify risk areas. At the same time, a group-wide integrity program with a series of measures to improve organizational integrity and compliance was rolled out globally. In 2021, Organizational Integrity Index follow-up assessments were conducted to evaluate the progress and effectiveness of the improvement measures implemented. Both brands have considerably increased their level of organizational integrity.

6

CONCLUDING REMARKS

The drivers of corporate misconduct and ethical missteps have become more complex, diffuse, and difficult to control as the scale and influence of companies continuously increase. As more companies have become leading players in the global economy, their governance has become critical, affecting not only their own success but also broader social and economic stability. The core argument presented is that an exclusive focus on compliance-based governance is insufficient – as evidenced by high-profile cases such as BP and Volkswagen, where a mix of compliance failures and a lack of organizational integrity led to serious negative consequences. Instead, there is an urgent need for integrity-based governance models to more effectively address the new complexity of corporate risks, challenges, and requirements of today's corporate governance era. Integrity-based governance goes beyond mere compliance by embedding ethical standards and principles into the core operational framework of a company. This approach aligns with growing stakeholder expectations for transparency, accountability, and ethical behavior.

With this cumulative doctoral thesis, I have sought to bridge three main gaps in current research on organizational integrity. These include the lack of consensus on the concept's definition and consistent use, the research field's indefinite state, and the limitations of existing management approaches that impede a holistic, integrity-based approach to corporate governance. The implications of this research do not stop at the academic discourse. For practitioners, it provides a strategic framework for navigating the ethical complexities of the business world. It encourages companies and their Boards of

Management to adopt a more holistic view of corporate governance that integrates ethical considerations into all aspects of corporate life.

Future research should strengthen interdisciplinarity and explore, for example, the optimal balance between compliance-based and integrity-based governance approaches, the impact of organizational integrity on various performance indicators, and the factors that promote or inhibit high levels of organizational integrity. Addressing these questions will provide deeper insights into how organizational integrity can be strategically managed and systematically integrated into corporate governance practices, driving sustainable business practices, risk management, and success.

> But there is more to the risk management of a responsible businessman than avoiding harmful externalities. Especially in our modern economy, in a world where positive-sum games are played, it positively becomes a moral obligation for a businessman to take entrepreneurial risks. Making business essentially consists of risk taking. Without it, no company can flourish or even survive in the long run. (Luetge & Jauernig, 2014, p. vii)

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APPENDIX

A. Original Publications (A.1-A.3)

B. Addition Information Systematic Literature Review

A. Original Publications (A.1-A.3)

A.1

Article title	The Conception of Organizational Integrity: A Derivation from the Individual Level Using a Virtue-based Approach
Authors	Madeleine J. Fuerst, Christoph Luetge
Journal	Business Ethics, the Environment & Responsibility
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SPECIAL ISSUE

Business Ethics, the Environment & Responsibility

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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.[1] 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 *Dieselgate*: 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,[2] coupled with a strict demand for organizational integrity. *Dieselgate* 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[3] 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.

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; Veríssimo & 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*.[4]

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[5] (on an individual level) and, secondly, organizational integrity[6] (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.[7]

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).[8] 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 teleiotaton*) 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*).[9] 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.[10]

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.[11] 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”[12] (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 [[13]] 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.[14] 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).[15] 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.[16]

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[17] 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*[18] that constitute positions, and for example (oversight) responsibilities. Secondly, *policies and procedure rules*[19] 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[20] – 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.[21] 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.[22] "[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.[23] 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 *Dieselgate*. 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 *Dieselgate* 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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CONFLICT OF INTEREST

The authors declare that they have no conflict of interest.

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ENDNOTES

[1] 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*.

[2] Mandatory compliance monitoring ordered by the U.S. authorities.

[3] Called *Together4Integrity*.

[4] For a detailed elaboration and critique of the *audit society*, see, for example, Power (1997, 1999).

[5] Although our focus is on virtue ethics, we also take a brief look at the psychological side (life-span theory, positive psychology).

[6] 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.

[7] For a detailed elaboration of the dilemma, see Mukerji and Luetge (2014).

[8] However, to this day, significant voices remain skeptical and opposed to applying virtue ethics in a business context (e.g. MacIntyre 1984, 1988).

[9] 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).

[10] 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.

[11] Cox et al. (2017) provide a well-structured summary of the different perspectives and interpretations of integrity.

[12] Verbatim quote from the original German, translated by the authors.

[13] 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.

[14] Ashford (2000), for example, speaks of *objective integrity*, according to which integrity is intrinsically an objective concept.

[15] Ardelt and Jeste (2018), for example, show that wisdom is positively related to subjective well-being in old age.

[16] 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).

[17] Rational in the sense that an organization "seeks to maximize its satisfaction of its interests at minimal cost" (French 1998, p. 149).

[18] French (1998) also refers to it as the *grammar* of the organization.

[19] French (1998) also refers to these as the *logic* of the organization.

[20] The study by Palanski et al. (2011) empirically develops and validates virtues at the mezzo level (teams).

[21] 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.

[22] 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).

[23] In this context, Luetge et al. (2016) even regard ethics as a production factor.

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A.2

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Toward organizational integrity measurement: Developing a theoretical model of organizational integrity

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Abstract

Organizational integrity is a key concept with and through which a company can assume its responsibility for ethical and societal issues. It is a basic premise for sustainable corporate success, as ethical risks ultimately become economic risks for a company. Recent research shows the potential of integrity-based governance models to reduce corporate risks and to improve business performance. However, companies are not yet able to assess nor evaluate their level of organizational integrity in a sound and systematic way. We aim to develop a theoretical model as a basis for the measurement of organizational integrity by conceptualizing the construct and sizing the theoretical model's scope. We suggest that the theoretical model follows a holistic approach and involves three types of dimensions: prerequisite dimensions, independent dimensions, and dependent dimensions. The organizational integrity triad—consisting of active commitments to self-imposed norms and principles, their transparent institutionalization into corporate processes and structures, and their implementation into action—plays a key role in this context.

KEYWORDS
business ethics, measurement, organizational integrity, theoretical model

1 | INTRODUCTION

The board of management oversight role has advanced in recent decades because companies are becoming more complex; thus, company failures have more extensive impact and consequences on multiple stakeholder groups. Amid the growing power of companies in society, corporate governance has become an object of broad public interest (Paine & Srinivasan, 2019). According to group agent theory (List & Pettit, 2011), a company bears responsibility not only over its members but also beyond.[1] In fact, companies bear responsibility for ethical and societal issues, such as human rights, climate change, and poverty—just to name a few. The organizational integrity construct is a key concept with and through which a company can assume this very responsibility.[2]

Moreover, Fuerst and Luetge (2021) argued that organizational integrity is a basic premise for corporate success. Integrity-based actions result (among others) in fundamental trust that is essential for a healthy and sustainably profitable company in the long run. Ethical risks ultimately become economic ones (Fuerst & Luetge, 2021). An obvious question that arises—at least from a board of management perspective in its oversight role—is how organizational integrity can become an integral part of corporate governance. Recent research approaches show the potential of integrity-based governance models to reduce corporate risks and to improve business performance (Arjoon, 2017; Cameron et al., 2004; Fuerst & Luetge, 2021; Hajduk & Schank, 2017; Laufer, 2006; Menzel, 2005). Indeed, developments in practice indicate that integrity-based governance models are becoming a vital part of corporate risk management as related research gains attention (e.g., Arjoon, 2017; Brink, 2017; Calderón et al., 2018). Simultaneously, practice also shows that merely compliance-based governance models are reaching their limits: In 2008, the subprime mortgage crisis, for example, caused Lehman Brothers to apply for insolvency. In 2015, the Diesel emission scandal severely disrupted the entire Volkswagen Group; courts are still handling compensation cases to this day. Many such examples of varying magnitude can be found at the international level. What they have in common is the aftermath: Integrity-based governance models are needed in a more substantiated concreteness than has been to date (e.g., Arjoon, 2017; Brink, 2017).

How does a company manage organizational integrity? While integrity-based corporate governance is gaining attention, companies are not yet able to assess nor evaluate their level of organizational integrity in a sound and systematic way as a conceptualization of the construct and a holistic theoretical model are lacking. By calling for a holistic theoretical model, we refer to a holism understanding coined by Smuts (1926). Accordingly, a holistic approach refers to the whole of something or to the overall system rather than just its parts. It is characterized by interconnected parts that can only be explained in relation to the whole. A holistic theoretical model, in fact, could help companies take on responsibility as group agent by serving as a new, complementary approach in corporate governance. In addition, effectiveness assessments of respective activities and benchmarking could become possible in tandem.

The aim of this article is to develop a theoretical model as a basis for the measurement of organizational integrity by conceptualizing the ethical construct and sizing the scope of the corresponding theoretical model. The aim of this article is not to develop a ready-to-implement measurement approach with scale items. Accordingly, we aim to respond to two guiding questions: First, what would a theoretical model of organizational integrity look like? Second, can organizational integrity be measured (at all)? We start this article with a brief literature review of existing measurement approaches in the organizational context of integrity—from a positive organizational scholarship perspective and virtue ethical perspective. We then lay the theoretical foundation consisting of a construct definition and three theories that build the groundwork for construct conceptualization. Hereafter, we elaborate on our first guiding question of what a theoretical model of organizational integrity can look like. Finally, with regard to our second guiding question and considering the controversial debate on measurement in general, we provide fundamental considerations for when measurement—in general and in specific ethical concepts—might be legitimate. We conclude this article with practical implications and implications for future research.

2 | LITERATURE REVIEW

Our literature review considers the positive organizational scholarship perspective as well as the virtue ethical perspective as these are the two main research domains that study and examine the organizational integrity construct. Positive organizational scholarship studies the construct with an (mostly) empirical methodology. Virtue ethics examines the construct with a (mostly) conceptual approach and involves the roots and origin of the construct because integrity is a virtue.[3] Both research domains are relevant and necessary when developing a theoretical model as the basis for construct measurement.

When it comes to the measurement of integrity in a business context, we see two different levels of analysis: the organizational level and the individual (mainly managerial) level.[4] Although the scope of this article is located at the organizational level, we also give a brief overview of the major measurement scale streams at the individual level because these account for most existing measurement approaches. We also consider measurement scales that aim to measure organizational virtuousness or managerial virtues[5] and that include integrity as one scale item.

2.1 | Organizational level of analysis

At an organizational level of analysis, a sound measurement instrument is rare. Kaptein and Avelino (2005) presented the first study regarding organizational integrity in the workplace of the US workforce. The study illustrates how the construct can be measured via a primarily survey-based approach and presents relevant dimensions. Key dimensions for analysis are as follows: (1) the presence of codes (e.g., code of conduct), (2) the presence and quality of compliance programs, (3) the way codes and programs are embedded in and reinforced by corporate culture and structures, (4) the occurrence of unethical conduct, and (5) the impact of unethical conduct on the company itself and its stakeholders (Kaptein & Avelino, 2005). Although this study considers the organizational context like structures, policies, processes, and culture, primarily individual behavior within the organization is measured rather than organizational behavior. Yet, the latter is our intention.

Besides, various measurement systems concerning positive organizational virtuousness exist where integrity is one dimension or scale item among multiple ones (see, e.g., Bright et al., 2006; Cameron et al., 2004; Chun, 2005). For example, the *virtue ethical character scale for organizations* by Chun (2005) identified six dimensions of organizational virtues or the organization's character. One of these dimensions is the integrity dimension. It consists of four items that are assessed using a 5-point Likert scale: (1) honest, (2) sincere, (3) socially responsible, and (4) trustworthy. When answering the questionnaire, the respondents were asked to imagine the company as a person with character traits (items). Then, they were asked to rate these items on a 5-point Likert scale from (1) *strongly disagree* to (5) *strongly agree*. Cameron et al. (2004) developed a scale to measure organizational virtuousness from a positive psychology perspective. The scale consists of five factors, one of which is the integrity factor and assessed using three associated items. The respondents were members of the company evaluating its characteristics. The three integrity items are as follows: (1) "Honesty and trustworthiness are hallmarks of this organization," (2) "This organization demonstrates the highest level of integrity," and (3) "This organization would be described as virtuous and honorable" (Cameron et al., 2004, p. 778).

2.2 | Individual level of analysis

At a personal level of analysis, leaders' integrity and leadership integrity are the main subjects of existing literature (see, e.g., Craig & Gustafson, 1998; Davis & Rothstein, 2006; McCann & Holt, 2009, 2013; Prottas, 2008; Simons, 2002; Thoms, 2008). Craig and Gustafson (1998) developed and initially validated an instrument for assessing employee perceptions of leaders' integrity—the *Perceived Leader Integrity Scale*. It consists of 31 items.[6] Respondents were asked to indicate how well each item describes their immediate supervisor on a 4-point scale. Simons (2002, p. 19) developed a conceptual model of behavioral integrity which is "the perceived pattern of alignment between an actor's words and deeds." Here also, different measurement systems concerning managerial virtues exist where integrity is one scale item among multiple (see, e.g., Riggio et al., 2010; Shanahan & Hyman, 2003; Whetstone, 2003).

To summarize, we have identified two major levels of analysis—the individual level and the organizational level. Our work is to be located at the latter, thus attempting to focus on organizational behavior. Here, existing measurement approaches face three main challenges: First, although considering the organizational context like structures, policies, processes, and culture, it is mostly individual behavior within an organization that is measured. Second, underlying theoretical models focus not precisely on the organizational integrity construct but on organizational virtue or managerial virtues (both are broader concepts). Third, when survey methodology is used, it is not assured that the respondents among each other have the same understanding of the construct when answering the questionnaires.

3 | THEORETICAL FOUNDATION

A premise for developing a theoretical model for organizational integrity as the basis for construct measurement is a profound construct definition. Second, we introduce three theories—theory of incomplete contracts, stakeholder theory, and the pyramid of corporate social responsibility (CSR)—that build the groundwork for construct conceptualization.

3.1 | A definition of organizational integrity

The organizational integrity construct comes with a broad range of interpretations in literature and practice. While some interpretations refer to an individual level and, for example, concentrate on the behavior of managers and employees, other interpretations refer to an organizational level and emphasize corporate structures and compliance systems (see, e.g., Becker, 1998; Brown, 2006; Collier, 1995; Maak, 2008; Moore, 2015; Paine, 1994, 2014; Palanski et al., 2011; Solomon, 1992a, 1992b; Tullberg, 2012). Furthermore, while some references state that organizational integrity manifests itself in organizational behavior, others say that organizational integrity is something that a company possesses (see, e.g., Solomon, 1992a, 1992b). Fuerst and Luetge (2021) defined the organizational integrity construct and go beyond the descriptive level. First, they elaborated on the construct's origin, which is found at an individual level, using an Aristotelean approach. Second, they elaborated on the application to the organizational level using agency theory and arguing that companies are moral agents[7]; thus, the personal integrity construct can be applied at the organizational level as well. This definition provides the basis for our attempt to design the theoretical model.

> 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 [corporate internal decision] 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.
>
> (Fuerst & Luetge, 2021, p. 6)

Accordingly, organizational integrity is not so much a corporate character trait but rather manifests in corporate behavior and actions. To simplify and operationalize this definition, Fuerst and Luetge (2021) delineated three (closed) stages, which we call the *organizational integrity triad*[8] in the following. Figure 1 shows the organizational integrity triad consisting of (1) the active commitments to self-imposed norms and principles, (2) the transparent institutionalization of these commitments into corporate internal processes and structures, and (3) the assurance of commitment implementation into actions. The organizational integrity triad assists in a holistic construct definition as the three manifestation degrees of organizational integrity are interrelated, but only as a whole do they constitute organizational integrity.

Three questions might arise in the context of the organizational integrity triad: First, when is a commitment a commitment? Second, when is a commitment transparently institutionalized? Third, do all commitments have to be transparently institutionalized?

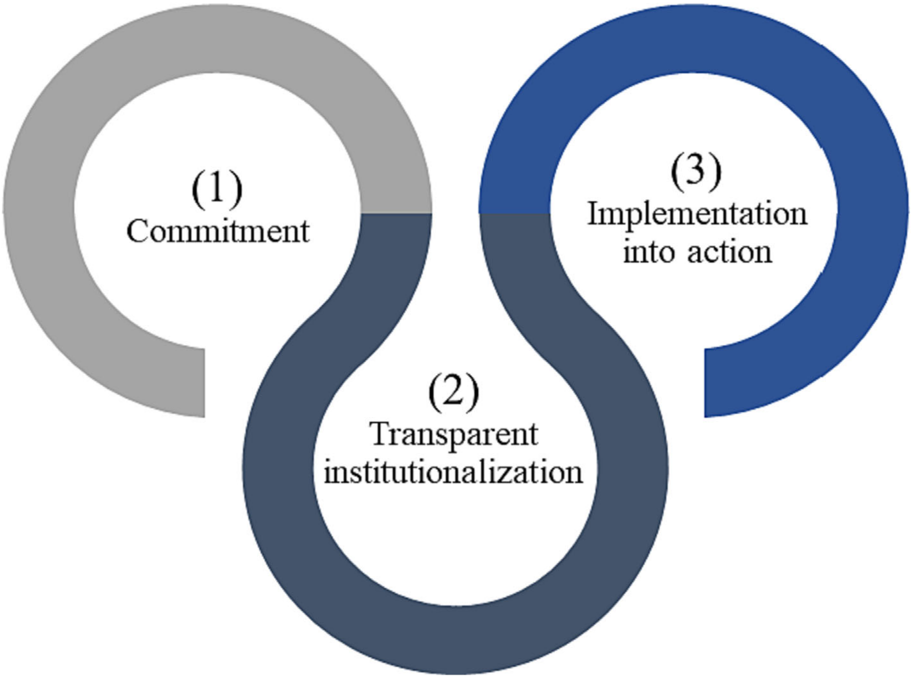

FIGURE 1 The organizational integrity triad with its three manifestation degrees.

Regarding the first question, we argue that a commitment publicly expresses and records a corporate position or self-legislated norm on a certain topic that is in the interest of the company's stakeholders and on which no positioning is obligatory from a legal point of view (e.g., a company in the cosmetics industry expresses its opposition to animal testing and publishes its position on the corporate website). Furthermore, ideally, a commitment is demanding rather than lapidary (McFall, 1987).

As for the second question of when a commitment counts as transparently institutionalized, we argue that the institutionalization refers to the implementation of the position or self-legislated norm into corporate internal decision structures (e.g., in the form of policies or guidelines). Furthermore, transparent, in this context, refers to reasonable and requires qualitative or quantitative reporting on the committed conduct. The Global Reporting Initiative (GRI) Standard,[9] for example, provides global best practices for impact reporting on the economy, environment, and people.

To the third question, whether all commitments must be transparently institutionalized to be valid, we respond by saying no. Besides the explicit form of organizational integrity, there is an implicit form. As the definition above indicates, there are fundamental moral principles inherent in the organizational integrity construct, without which organizational integrity can hardly unfold. These moral principles include, for example, legal compliance. It does not require active commitment to comply with the law, meaning legal compliance is implicitly inherent in the construct. Merely the explicit form of organizational integrity requires a transparent institutionalization of the commitment. Besides a profound definition, we demand the theoretical model of the organizational integrity construct be based on solid theoretical grounds. In the following, we introduce three theories that, we suggest, build the groundwork for construct conceptualization.

3.2 | Three theories that build the groundwork for conceptualizing organizational integrity

3.2.1 | Theory of incomplete contracts

The theory of incomplete contracts (Grossman & Hart, 1986; Hart, 1995; Hart & Moore, 1990) posits that interactions are not completely determined by rules and contracts (Hart & Holmstrom, 2010). Consequently, a certain level of predictability is required among the actors involved. While institutional arrangements are intended to allocate power among agents, morality reduces the cost of searching, negotiating, and implementing agreements (Hart, 1995). Morality is an important precondition for economic health and growth. In this sense, organizational integrity—particularly the explicit form that comes with commitments and their transparent institutionalization—helps increase the predictability of the involved actors and can compensate for incomplete contracts (Luetge et al., 2016).

3.2.2 | Stakeholder theory

The stakeholder theory (Freeman, 1984) suggests that managers have a duty to formulate and implement processes, which align and satisfy all stakeholders' needs and ensure the long-term success of a company. Furthermore, stakeholder theory provides the opportunity to redefine the way of thinking about value creation and trade (Freeman, 2010). "If we can make the twenty-first century the century of value creation for stakeholders [...], then the sheer audacity of our fellow humans will lead to prosperity and freedom for more and more people" (Freeman, 2010, p. 9). Besides, "firms that contract (through their managers) with their stakeholders on the basis of mutual trust and cooperation will have a competitive advantage over firms that do not" (Jones, 1995, p. 422). As organizational integrity functions as a binding element between the company and its stakeholders (and among the stakeholders themselves) and a lack of organizational integrity is likely to have consequences for several stakeholders of a company, we suggest considering a stakeholder approach in terms of scope and structure in the theoretical model of the organizational integrity construct.

3.2.3 | Pyramid of corporate social responsibility (CSR)

The pyramid of corporate social responsibility (CSR; Carroll, 1991) suggests that a company must fulfill responsibility at four levels: economic, legal, ethical, and philanthropic. All four levels build on each other. The lowest level, thus the foundation on which everything stands, is economic responsibility. "[B]usiness organizations were created as economic entities designed to provide goods and services to societal members" (Carroll, 1991, p. 40). They may and should make acceptable profit because without a sustainable and profitable business model, all other three responsibilities become impossible to fulfill. The second level is legal responsibility. Within the framework of the social contract between business and society, companies are expected to operate legally. They are expected to comply with laws and regulations enacted by federal, state, and local governments as basic rules for doing business. Although economic and legal responsibilities involve ethical norms about fairness and justice, they cannot codify all activities and actions in law. The third level is ethical responsibility, which goes beyond the law and embodies those standards and norms that protect the moral rights of stakeholders. Furthermore, "ethical responsibilities may be seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect a higher standard of performance than that currently required by law" (Carroll, 1991, p. 41). For the theoretical model of the organizational integrity construct, we propose it to be forward-looking and develop over time. At the top of the CSR pyramid is philanthropic responsibility. This stage is about embracing corporate citizenship and contributing resources to communities, thus improving the quality of life in the community. Considering that corporate social responsibility is only one out of several corporate responsibilities, Maak (2008) argued for a broader and more inclusive notion in place of CSR, namely, that of organizational integrity.

In summary, organizational integrity manifests in corporate behavior and actions. These behaviors and actions group into three (closed) stages, the organizational integrity triad. The organizational integrity triad represents a central element in our theoretical model. Additionally, we have introduced three theories from which we derive three implications for the theoretical model's scope and structure. First, the theoretical model ought to help improve the predictability of the actors involved and compensate for incomplete contracts. Consequently, transparency plays a key role. Second, the theoretical model design should consider all stakeholder relationships of the company in a balanced way. Third, the theoretical model ought to take into account all four levels of the corporate social responsibility (CSR) pyramid, but it should also go beyond these.

4 | DEVELOPING A THEORETICAL MODEL OF THE ORGANIZATIONAL INTEGRITY CONSTRUCT

Based on the theoretical foundation, we answer our first guiding question of what a theoretical model of organizational integrity can look like. We propose a theoretical model of the organizational integrity construct that takes a holistic approach and derive three types of dimensions that form the model's structure: prerequisite, dependent, and independent. Table 1 shows these different types and their associated dimensions. In total, we suggest 16 dimensions for the theoretical model.

TABLE 1 Sixteen dimensions of the theoretical model of organizational integrity, categorized into three types of dimensions.

Prerequisite dimension	Independent dimensions	Dependent dimensions
1. Legal compliance	1. Communications	1. Competitors
	2. Corporate culture and climate	2. Customers and clients
	3. Corporate policies	3. Employees
	4. Human resources instruments	4. Politics
	5. Incentive and reward structures	5. Shareholders
	6. Reporting and decision structures	6. Society
	7. Resources	7. Suppliers and business providers
	8. Whistleblower system	

Note: Dimensions are listed alphabetically not by relevance.

The prerequisite dimension refers to the implicit form of organizational integrity. It builds the basis without which it is hard for a company to act with integrity. The independent dimensions enable organizational integrity. They form the infrastructure for (corporate) actions. Finally, the dependent dimensions refer to the behavioral part of organizational integrity. They characterize corporate behavior and, more precisely, the company's interaction with its different stakeholders. Each of the 16 dimensions assist to identify the company's most important (direct and indirect) integrity-relevant touchpoints.

4.1 | The prerequisite dimension

As elaborated above, the implicit form of organizational integrity does not require an active commitment—and this is the case with legal compliance. Based on the CSR pyramid (Carroll, 1991), compliance with legal norms is the company's most important responsibility. It forms a mandatory part of organizational integrity as it is the minimum requirement when conducting business. Legal compliance is a company's core obligation (see, e.g., Cosans, 2009) and includes civil and criminal law standards in the company's home country and abroad where it is doing business.

4.2 | The independent dimensions

The independent dimensions represent corporate properties and artifacts. They enable not only economic responsibility (Carroll, 1991) but also organizational integrity. We suppose that long-term, organizational integrity requires a corporate infrastructure that defines corporate internal decision structures, has appropriate incentive and management systems in place, and among others, includes a healthy corporate culture and climate (see, e.g., French, 1998; Hajduk & Schank, 2017). Corporate culture and ethical climate are, according to Kaptein and Avelino (2005, p. 46), the "breeding ground for unethical conduct." Furthermore, corporate values and standards need to be communicated effectively through different channels within the company to create and sustain organizational integrity. Clear communication plays a key role here. Expected behavior—at a corporate and individual level—ought to be comprehensive in language and should reach and address management and employees in a specific manner based on the target group. However, misconduct is ubiquitous and part of human nature. Therefore, companies (because ultimately this is where humans are involved) should control and mitigate unethical behavior by putting systems in place to detect and prevent misconduct, for example, a whistleblower system. Organizations that encourage whistleblowers can quickly uncover and respond to internal misconduct, which, in turn, promotes organizational integrity (Luetge & Uhl, 2021).[10] In total, we propose eight independent dimensions that build the corporate infrastructure ground of the theoretical model (see also Table 1): communications, corporate culture and climate, corporate policies, human resources instruments, incentive and reward structures, reporting and decision structures, resources, and a whistleblower system.

4.3 | The dependent dimensions

Organizational integrity is visible in and through corporate actions (see also Fuerst & Luetge, 2021). Consequently, in a narrow sense, merely dependent dimensions constitute organizational integrity as it manifests in behavior. Following the stakeholder theory (Freeman, 1984, 2010), our theoretical model's dependent dimensions are equivalent to the company's stakeholders. By considering its responsibilities toward stakeholders, a company can succeed in bringing back together business and society and creating shared value (Porter & Kramer, 2006, 2011). Table 2 shows the seven dependent dimensions with their supposed subdimensions. The topics (subdimensions) derive from the different corporate responsibilities toward different stakeholder groups. It shows a first overview of topics. We suggest that each company creates its own stakeholder map to best consider their individual relationships.

Each subdimension is based on the organizational integrity triad (see Figure 1). This means that regardless of the topic (subdimension), it is always about (1) the active commitment and positioning on the topic, (2) the transparent institutionalization of the commitment(s) into corporate internal processes and structures, and (3) the assurance of commitment implementation into action(s). The exemplary subdimension *6.4 Environment protection* demonstrates this

1. Manifestation of commitment: Adherence to the United Nations Sustainable Development Goals[11] and other international treaties relating to environmental protection is a clear sign of joining efforts to protect the environment. A proactive commitment to sustainability and environmental protection as a corporate goal could be made, for example, in the company's annual or sustainability report.
2. Manifestation of transparent institutionalization: The transparent institutionalization can, for example, find its form in corporate policies, internal guidelines, and processes. The eighth principle of the United Nations Global Compact[12] states that companies should take initiatives to promote greater environmental responsibility. The existence of internal guidelines and processes is an important tool for assessing a company's readiness and efforts to avoid violations of environmental legislation and is a prerequisite for a standardized approach to environmental issues. However, as we advocate transparent institutionalization, reporting according to the Global Reporting Initiative (GRI)[13] guidelines No. 301–308, which relate to the topic of environmental protection, can fulfill this part of the organizational integrity triad.
3. Manifestation of implementation: Finally, implementation or, more precisely, compliance with the company's commitment is examined. Structural cases of noncompliance with environmental legislation as well as self-imposed guidelines can, thus, be analyzed.

4.4 | Two principles for acceptance and added value of future organizational integrity measurement based on the proposed theoretical model

Besides the need to empirically substantiate the proposed theoretical model (e.g., verifying the dimensionality of the approach), we see two principles for acceptance and added value of future organizational integrity measurement: first, data and method triangulation and, second, state-of-the-art level.

TABLE 2 The seven dependent dimensions and their subdimensions.

1. Competitors	2. Customers and clients	3. Employees	4. Politics	5. Shareholders	6. Society	7. Suppliers and business partners
1.1 Market behavior	2.1 Artificial intelligence 2.2 Customer protection 2.3 Data privacy 2.4 Product/service safety 2.5 Product/service development	3.1 Collective bargaining 3.2 Diversity and inclusion	4.1 Political engagement	5.1 Shareholder relations	6.1 Animal protection 6.2 Child labor 6.3 Corruption and money laundering 6.4 Environment protection 6.5 Human rights	7.1 Partner relations 7.2 Supply chain management

Note: Subdimensions are listed alphabetically not by relevance.

4.4.1 | Data and method triangulation

"[T]riangulation strengthens a study by combining methods. This can mean using several kinds of methods or data, including using both quantitative and qualitative approaches" (Patton, 2001, p. 247). As the dependent dimensions suggest, measuring the three triad levels requires different types of data, which, in turn, require different methods of data collection. Content analyses as well as qualitative (expert) interviews could be plausible here. In addition, the prerequisite and independent dimensions also ask for tailored data collection methods. To give examples, corporate culture is likely to be assessed via a survey; corporate communications and corporate policies are likely to be assessed via content analysis.

4.4.2 | State-of-the-art level

Developing a theoretical model as a basis for the organizational integrity measurement is not a one-time effort as new societal values and norms emerge, new socio-economic trends progress, and environmental demands reveal new normative questions that go hand in hand with ethical responsibility according to the CSR pyramid. Consequently, new fields and topics will emerge over time that require clear and transparent commitments from companies. A recent example is the topic of artificial intelligence (AI). As AI has become ubiquitous in a business context, its management requires an approach that also considers and prevents potential negative side effects for different stakeholders (e.g., consumers and employees). The OECD Principles on Artificial Intelligence[14] was one of the first frameworks on AI. However, these initially developed general principles have quickly become unsatisfactory; in fact, they had to become more specific—sector-specific. A multistakeholder forum called AI4People[15] launched at the European Parliament to bring together actors to shape the social impact of new applications of AI. Actors include the European Parliament, civil society organizations, industry, and media. Additionally, a high-level expert group on AI was established. In 2020, seven sector-specific AI4People committees—consisting of Automotive, Banking and Finance, Energy, Healthcare, Insurance, Legal Services Industry, and Media and Technology—led to AI4People's Seven AI Global Frameworks.[16] These frameworks could form the basis for the topic of AI within the respective dimension(s) of the theoretical model. In summary, AI is a good example of how quickly a field can evolve, and rapid further development seems certain. Maintaining state-of-the-art relevance will be crucial to the acceptance and value of any future organizational integrity measurement.

5 | FUNDAMENTAL CONSIDERATIONS ABOUT MEASUREMENT

Above, we outlined a first theoretical model as the basis for organizational integrity measurement by conceptualizing the construct and sizing the theoretical model's scope. However, concerns to the ethicality of measurement in social and human science exist (see, e.g., Boje et al., 2006; Mau, 2019; Power, 1997, 2010). For this reason, in our final section, we answer our second guiding question if organizational integrity can be measured (at all) and aim to critically evaluate the measurement as such and show how and why measurement can be an asset.

5.1 | Can we measure ethical concepts at all?

In the last decades, the pace and scope of measurement as a critical feature of modern societies have significantly expanded (see, e.g., Kroeger & Weber, 2014; Mennicken & Espeland, 2019; Zyphur & Pierides, 2017); Mau (2019) even called it the *metric society*. Yet, how about the measurement of ethical concepts, like organizational integrity? Distinguishing actions as morally valuable or ethically correct depends on the ethical justification of norms. Hence, it depends on the observer's moral framework, the ethical norm assessment, and the action's circumstances. There are three[17] main theories of the ethical justification of norms: deontological ethics, utilitarianism, and virtue ethics. According to deontological ethics, acting morally correct means acting out of duty. According to utilitarianism, acting morally correct means acting with the best possible utility. And finally, according to virtue ethics, acting morally correct means acting virtuously. Thus, existing pluralism of values, norms, and principles makes it difficult to establish consensus on moral and socioeconomic issues (Luetge & Uhl, 2021). However, "the goal of ethics has always been to conclusively and convincingly answer the questions of the just social order and to generate binding norms of actions in order to finally resolve moral problems" (Luetge & Uhl, 2021, p. 81). Tools exist to establish norms as a society in the context of moral dissent. Examples range from social contract theory and the democratic process to discourse theory (Luetge & Uhl, 2021).[18]

5.2 | Two sets of ethical stakes in terms of measurement and quantification

According to Islam (2021), ethical stakes in scientific measurement and quantification discussions across diverse research areas (e.g., sociology, anthropology, accounting, public administration, and data studies) are characterized by two wide-ranging sets of concerns.[19] The first set refers to an epistemic nature, more precisely, "numbers and their relation to social reality, representation, and the consequences of articulating complex qualitative experience as quantitative data" (Islam, 2021, p. 2). Thus, in focus is the interplay between the representativity and the performativity of numbers. The first signifies the power to illustrate and render social phenomena tangible. The latter embodies the power to form and constitute social phenomena (Desrosières, 2016; Islam, 2021; Mennicken & Espeland, 2019). The second set of concern refers to the issue of social control. Accordingly, measurement and quantification are linked through a social control mechanism by government and corporate actors (Islam, 2021). Both are being empowered by numbers and (big) data, which lead to control and surveillance instruments on the government side and to capitalization and diverse advantages (e.g., increased economic value) on the market side (see, e.g., Beverungen et al., 2015; Power, 1997, 2004).[20]

5.3 | Toward a sensitive and modest use of measurement and quantification

However, we argue for a higher awareness of the power of measurement and quantification for social reality, for their careful weighing of the risks and benefits, and to not demonize measurement and quantification per se. At the same time, this also means that it is the responsibility of an ethics of quantification to build a framework and agenda around each set of concerns—today and tomorrow. Research like that of Islam (2021), who designed a working model of ethical considerations around quantification, becomes more important and relevant than ever. We share his view and "do not argue for the rejection of [measurement and] quantification as such but rather for its modest use within a pluralistic epistemic toolbox that is tailored to the requirements of specific action situations" (Islam, 2021, p. 2). By managing to control and actively minimize risks, the benefits of measurement and quantification enrich development in various areas because "these operations confer commensurability onto the variety of social experience, making life manageable in ways that support the functioning of organizations, markets, and governments" (Islam, 2021, p. 15).

Therefore, our proposed theoretical model as the basis for organizational integrity measurement focuses on inhibiting and facilitating factors rather than on judging certain subjects. Additionally, with regard to a future organizational integrity measurement instrument, we argue for sensitive data sourcing. The key question regarding data sourcing should be as follows: How can existing data be processed in the best possible way while collecting as little new data as possible? The use of preexisting data may include content analysis of, for example, a sustainability report, an annual report, or diverse databases.

6 | CONCLUSIONS AND IMPLICATIONS

With this work, we have sought to create beginnings rather than endings and groundwork rather than scale development. With our theoretical model, we have prepared the ground and modeled the first scope and content of an organizational integrity measurement instrument based on a solid theoretical foundation. Further, we have outlined two principles for acceptance and added value and have entered the conversation as to when measurement of ethical concepts should be legitimate. By applying a new paradigm using a holistic approach, the first steps of future research directions have been taken.

6.1 | Practical implications

We see strong practical implications in this research. The proposed theoretical model can build a sound basis for a future organizational integrity measurement instrument. Organizational integrity measurement, in turn, enables identifying potential corporate risks by knowing and examining integrity-relevant touch points that a merely compliance-based corporate governance model might not be able to detect. It will help practitioners and corporate governance experts reduce the complexity of information and will make the construct comparable over time and, thus, progress (or regress) visible. At the end of the day, the intention is not so much a control instrument but rather a working tool that helps companies fulfill their corporate responsibilities. Therefore, it renders the path to corporate citizenship tangible and, thus, manageable and can help prevent scandals that threaten the existence of companies, such as the subprime mortgage crisis that caused Lehman Brothers to apply for insolvency or the Diesel emission scandal that severely disrupted the Volkswagen Group.[21]

6.2 | Implications for future research

The proposed theoretical model would benefit from both further theoretical and empirical research. At the theoretical level, the dimensions could be challenged, expanded, and specified. In addition, it could be explored which existing standards (e.g., GRI, United Nations Sustainable Development Goals, Bribery Act, and Ethics & Compliance Initiative or ECI) could be used to operationalize and assess the organizational integrity triad dimensions (dependent dimensions). At the empirical level, future research can substantiate the theoretical model by validating its dimensionality. When it comes to the development of a measurement instrument, determining which method best suits the different types of information and data would be important. Finally, exploring statistical correlations between the dimensions and its topics would be interesting. Actual scale development and, if appropriate, testing for reliability and validity[22] also remain open for future research.

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CONFLICT OF INTEREST STATEMENT

The authors declare that they have no conflict of interest.

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ENDNOTES

[1] Certain groups of individuals can be viewed as single agents. They possess the ability of agency which is generally attributed to physical persons only. For a more detailed elaboration, see List and Pettit (2011).

[2] Rossouw (2008) even found (organizational) integrity to be the construct through which business ethics—as one form of applied ethics—can be practiced.

[3] Solomon (1992b) even referred to integrity as a supervirtue.

[4] Few research projects focus on the team-level unit of analysis, for example, Palanski et al. (2011). However, we do not go into more detail as the literature review is intended to give a general overview.

[5] Most studies use virtuousness and virtues interchangeably. For a precise distinction of the two concepts, see Sison and Ferrero (2015).

[6] For the 31 items, see Craig and Gustafson (1998, p. 143f).

[7] In a nonmetaphorical manner. In this context, see, for example, French (1998) and List and Pettit (2011).

[8] We propose that the *integrity triad* term is also valid in the context of personal integrity. However, certain factors, such as transparent institutionalization, will manifest themselves differently.

[9] https://www.globalreporting.org/

[10] In 2002, the Sarbanes–Oxley Act introduced the concept of whistleblowing for private companies in the United States. The US federal law was a reaction to corporate reporting scandals, such as Enron and WorldCom. Since then, all publicly traded companies (in the United States) have been required to establish a whistleblowing function. In December 2019, a European Commission regulation on the protection of whistleblowers went into effect.

[11] https://www.undp.org/content/dam/undp/library/corporate/brochure/SDGs_Booklet_Web_En.pdf

[12] https://www.globalcompact.de/fileadmin/user_upload/Dokumente_PDFs/2021_New_VP_Brochure_20211012_FINAL.pdf

[13] https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/

[14] https://www.oecd-ilibrary.org/science-and-technology/artificial-intelligence-in-society_eedfee77-en

[15] https://www.eismd.eu/ai4people/

[16] https://ai4people.eu/wp-content/pdf/AI4People7AIGlobalFrameworks.pdf

[17] In large parts of the literature, only two main ethical theories are referred to deontological ethics and utilitarianism. Adherents of these two theories claim that "their views already incorporate many of the theses allegedly peculiar to virtue ethics" (Crisp, 2005, p. 1043). Yet, virtue ethics has experienced a renaissance in recent decades and is increasingly used as a philosophical foundation for addressing business phenomena (e.g., Koehn, 1995; Moore, 2015; Robson, 2015; Solomon, 1992a). Therefore, we refer to three main theories.

[18] For a structured presentation of the three central conceptions of justification of norms under dissent, see Luetge and Uhl (2021, p. 88ff).

[19] Mennicken and Espeland (2019) showed four domains where measurement and quantification scholarship has particularly flourished: administration, democratic rule, economics, and personal life.

[20] For a more detailed summary of the two sets of ethical stakes, see Islam (2021).

[21] In 2019 and 2021, a pilot measurement instrument based on our proposed theoretical model has been developed and explored in a practical pilot case and recurring assessment at one of the world's largest automotive manufacturers, which also experienced challenging times after the Diesel emission scandal in 2015.

[22] We are aware of the controversial debate about validity and reliability in multimethod approaches, especially in qualitative research. For a good summary, see, for example, Golafshani (2003).

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A.3

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33. Organisational integrity and success

Madeleine J. Fuerst and Christoph Luetge

How is organisational integrity (OI)[1] related to business success? And what influence does OI have on different dimensions of business performance? We could summarise studies or surveys by research institutes that subsume the term (organisational) integrity under the umbrella of *ethics* or straightforwardly refer to *ethics and compliance programmes* and their effectiveness (e.g., Ethics & Compliance Initiative, 2018; Ethisphere, 2022). Yet, this would fall short of one critical point: precision – as (organisational) integrity is something more precise than ethics and something beyond compliance. Referring to the first, ethics is a subdivision of philosophy dealing with evaluating human actions in a broad sense; it is the scientific theory of morals (Luetge & Uhl, 2021). (Organisational) integrity can be similar to ethical behaviour when leaving room for different opinions on what is ethically proper and what is not. What completely distinguishes the two concepts, however, is the interpretation of wholeness and self-fidelity attributed to (organisational) integrity (Solomon, 1992). Referring to the latter, OI is more than avoiding illegal practices. In fact, companies need a comprehensive approach beyond legal compliance, addressing the problems of underlying unlawful conduct (Paine, 1994), and taking their moral and societal responsibility. For this reason, we rather provide context, including contextual studies, and give insight into current challenges of the OI impact research field. Furthermore, we outline why this is unsatisfactory for both academia and practice, yet simultaneously offers great potential for future approaches and crucial empirical studies.

This chapter is organised as follows. In the first section, we provide groundwork including our definition of OI, elaborate on when a company is considered successful, and explore whether a virtue ethical concept, like OI, can have strategic business relevance at all. In the second section, we give an overview of four challenges in the research field of OI impact research, hence indicate its maturity level. The third section presents influential discussions and results on how OI impacts different aspects of business performance. With the fourth section we go one step further and introduce an approach on how to strengthen OI within the company. Finally, we close this chapter with a brief conclusion.

GROUNDWORK

A prerequisite for concluding generalisable results on the relationship between OI and business success is, firstly, a common understanding (and stringent usage) of the concept of OI and, secondly, a uniform perception of when to consider a company successful. It is to this that we turn in this section.

Towards a Unified Understanding of OI

The concept of integrity is a virtue ethical concept and has its origins at the individual level of analysis. Using a virtue ethics approach in conjunction with the study of the etymological roots and its application to the organisational level of analysis, we have recently developed a theoretically grounded definition of OI (see Fuerst & Luetge, 2021). With this definition, we aim to reduce the prevailing patchwork of ad hoc operationalisations that persists in academic research.

> 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 [corporate internal decision[2]] 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. (Fuerst & Luetge, 2021, p. 6)

To break this definition down to an operational process, or, in other words, to assure that the *theoretical* definition qualifies as a *working* definition, we have also developed a three-step process model. "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 [corporate internal decision] structures, and (3) assures that these commitments are implemented into actions" (Fuerst & Luetge, 2021, p. 6).[3] We call this three-step process the *organisational integrity triad* consisting of manifestation degree 1: commitment; manifestation degree 2: transparent institutionalisation; and manifestation degree 3: coherence between commitments and actions. When it comes to the quality of these commitments, we follow McFall (1987), who says that commitments for attributing integrity cannot be easy-going commitments, rather, they must be demanding. She gives an example of the individual level of analysis: "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). Applied to the organisational level of analysis, this means that companies as well should set themselves demanding commitments that may not always go together with maximising profits.

When is a Company Called a *Successful* Company?

When is a company successful? What numbers or characteristics make successful companies? To answer these questions, we must ask one question first: in fact, what is a company's purpose? According to the Friedman (1970, p. 32) doctrine, "the social responsibility of business is to increase its profits". Friedman assumes shareholder primacy and that companies have a (sole) profit orientation, thus purpose. With an updated statement in 2019, the Business Roundtable, an association of chief executive officers of America's leading companies, has reignited the discussion about the company's purpose. As a result, an updated statement by the Business Roundtable commits to promote a prosperous U.S. economy and expanded opportunity for all Americans – meaning all companies' stakeholders – through sound public policy (Business Roundtable, 2019). For the first time since 1997, no principles of shareholder primacy have been included, implying that companies exist first and foremost to serve shareholders. Instead, the CEOs commit to leading their companies for the benefit of *all* stakeholders, just like Freeman and Reed (1983) introduced with their well-cited stakeholder theory approach.

We support this view and consider a company successful if it creates the greatest possible value for all stakeholder groups in a balanced way. Because a contemporary understanding of business success goes beyond the bottom line. Possible concepts to meet this ambition are, for example, the commitment to the United Nations Sustainable Development Goals, implementation of an Environmental Social Governance (ESG) programme, or the triple bottom line concept by Elkington (1997), which basically was the forerunner of the ESG movement. Accordingly, a company can be called *successful* when succeeding in considering societal, environmental, and governance issues on equal footing with their economic dimension, in particular profits. The concept of OI builds the basis for *sustainable* business success, as opposed to short-term business success (Fuerst & Luetge, 2021).

Can a Virtue Ethical Concept Like OI Have Strategic Business Relevance?

Virtue ethics and its application to economic phenomena gains in frequency and relevance. In the business context, it looks for motivating values and corporate purpose (Chun, 2005). The latter seems to be more present than ever, looking into practice where mission statements become the flagship of many companies. As a result, virtue ethics is also ascribed an increasingly strategic role. It can assume this strategic role when establishing a link among corporate character, corporate behaviour, and business outcome (Chun, 2005). Business outcome includes not only financial results, but also non-financial results that lead to financial results in the long run, such as organisational reputation, trust, high-quality products and services, employee satisfaction and thus employee retention, customer satisfaction and thus customer retention.

If virtues or virtuousness at the organisational level have an (positive) impact on any form of business outcome or performance, they gain strategic importance. Cameron et al. (2004) find that virtues are mostly ignored when analysing matters that have impact on business performance. However, there is reason to "expect that virtuousness may have a positive association with organizational performance" (Cameron et al., 2004, p. 768). The strategic role of virtue recognises the differences between individual- and organisational-level virtues. Unlike normative individual virtues which can be universally defined as *good*, the concept of strategic organisational virtue is relative – it depends on, for example, industry affiliation or is specific to certain stakeholder groups (Chun, 2005). To bridge the gap between organisational-level virtue and business success, particularly empirical research – in addition to theoretical contributions – contributes and supports the translation process into practice.

FOUR CURRENT CHALLENGES IN THE FIELD OF OI IMPACT RESEARCH

There are several challenges in the OI impact research context that make a clear answer to the question of what influence OI has on different dimensions of business performance, and finally business success, rather difficult. In this section, we introduce four fundamental challenges we see as responsible for why the current state of research is somewhat unsatisfactory to date.

Challenge 1: Diverse Interpretation and Usage of the Concept OI

The first challenge is the lack of a theoretically grounded consensus on and usage of the OI concept. This shortage manifests in a patchwork of ad hoc operationalisations across areas of academic inquiry and practice. Although efforts towards a uniform understanding of OI are being made in academic research, a consistent use of the term has not yet become generally established. In practice, corporate values and mission statements incorporate the (organisational) integrity concept exponentially. Among the 2022 top ten most valuable companies in the world,[4] six companies have explicitly defined integrity as one of their core values (as of December 2022). At the same time, almost every of these company interprets it in its own way, even on different levels: the individual level and/or the organisational level. In academia, interpretations stretch from managerial and employee behaviour to respective corporate structures or incentive systems that enable (corporate) actions with integrity (Becker, 1998; Brown, 2006; Maak, 2008; Moore, 2015; Paine, 1994; Solomon, 1992; Tullberg, 2012). Yet the diversity of interpretation has not prevented the concept of (organisational) integrity from being widely used in theoretical discussions of business phenomena. With our work from 2021 (see section "Towards a Unified Understanding of OI"), we aim to combat this patchwork of ad hoc operationalisations by offering one grounded definition of OI based on the original meaning of the integrity concept, found in virtue ethics.

Challenge 2: (Still) Weak Cross-Disciplinary Research

The second challenge is that OI is examined and approached from two different research domains. On the one hand, the philosophical domain, virtue ethics to be precise (see, e.g., Fuerst & Luetge, 2021; Koehn, 2005; Moore, 2015; Sison et al., 2017; Solomon, 1992). On the other hand, the positive social science domain, such as Positive Organisational Scholarship (see, e.g., Bright et al., 2006; Cameron et al., 2004; Rego et al., 2010; Shanahan & Hyman, 2003). These domains are all as different as their research methods. Virtue ethics explores the concept of OI with a primarily conceptual approach. Positive Organisational Scholarship studies the concept with an empirical approach – a long uncomfortable idea in theses circles as "[e]mpiricism and virtuousness have usually not been located in the same domain" (Cameron et al., 2004, p. 766). However, since the 2000s, empirical and quantitative studies on virtue ethical concepts, like OI, have become a prominent research theme (Ferrero & Sison, 2014) as these studies "seek to objectify, measure, and analyze virtues and virtuousness in individuals and organizations" (Sison & Ferrero, 2015, p. 1). The separate research domains have begun to break down their silos and interact in a more cross-disciplinary way (see, e.g., Bright et al., 2014; Constantinescu & Kaptein, 2021; Sison & Ferrero, 2015); however, there is still some way to go; future research should enhance these developments.

Challenge 3: Tension between Virtue and Virtuousness

The third challenge we face is that Positive Organisational Scholarship, the empirical dominated domain, focuses on the notion of *positive organisational virtuousness*, rather than *neo-Aristotelian virtue*; although closely related, the two notions are not identical. According to Sison and Ferrero (2015), a fourfold tension between virtue and virtuousness exists.[5] The first tension is the *locus of residence*, the locus where the two notions unfold. While virtue lies and unfolds in internal character, virtuousness lies and unfolds in external behaviour. The second tension is the *level of degree*. Virtue lies in a golden mean, meaning the right mean between two opposing vices of excess and defect. For virtuousness, however, more is always better. The third tension refers to the *level of analysis*. While virtue is on an individual level of analysis, virtuousness is to be found on an organisational level of analysis. Yet, this point is a controversial one as there is "the orientation in POS [Positive Organisational Scholarship] toward exploring virtue as an organization-level concept, when virtue has historically been regarded as solely an individual-level function of personal character" (Bright et al., 2014, p. 450). Palanski et al. (2011) even focus with their research on a team level of analysis. The final and fourth tension, according to Sison and Ferrero (2015), is the *context*. Virtue is contextual and leaves latitude for situational specification, virtuousness is universal. The vulnerability that explicitly appears in the third tension can be transferred to all four tensions. All four are in some way vulnerable which shows how controversial the debates are and how high the overall tension between the two notions is.

So, how is OI to be positioned within these two similar but different concepts? Solomon (1992) considers (organisational) integrity as a *super-virtue*. It is "not so much a virtue itself as it is a complex of virtues, the virtues working together to form a coherent [corporate] character" (Solomon, 1992, p. 168). He, among other business ethicists, perceives (organisational) integrity as something a person (or company) *has* or *lacks*, rather than a particular *(corporate) act* or *activity*. Positive social science goes one step further and studies virtue emphasising virtuous *behaviour*, thus calls for a holistic understanding of virtue that considers both *character* and *behaviour* (Bright et al., 2014). Consequently, OI is something a company can achieve by not merely being, but also (and primarily) by its activities, hence behaviour. This requires a constant striving to adapt as a company in a constantly evolving environment (Fuerst & Luetge, 2021).

Challenge 4: Blurry Empirical Research Focus

The fourth and final challenge is that there is little empirical work with a *specific* focus on OI. Positive Organisational Scholarship has a clear focus on the concept of organisational virtuousness, of which OI is merely one dimension. While empirical research in the context of organisational virtuousness is growing (see, e.g., Cameron et al., 2004; Chun, 2005), it is still of limited significance concerning the very concept of OI, simply because respective studies investigate organisational virtuousness as a complex of various dimensions. The findings (e.g., the positive effect of organisational virtuousness on overall business performance) can merely show tendencies for the concept of OI. In addition, the different studies operationalise and assess OI differently, which also makes direct comparability impossible. This diverse interpretation and assessment of the concept closes the circle to the first challenge we introduced at the beginning, calling for a uniform understanding and *usage* of the concept.

OI AND ITS IMPACT ON BUSINESS SUCCESS

From a theoretical perspective, ethics can be considered as complementing the classical production factors like labour or capital (Luetge et al., 2016; Luetge & Uhl, 2021). This means that OI is an intangible good necessary to produce other goods or services; in other words, for doing business. Based on the stakeholder theory (Freeman & Reed, 1983), we consider business success to have manifold manifestations. To think solely of the bottom line would fall short of the mark, as noted at the beginning. In this section, we address the question of how OI is related to business success by focusing on different dimensions of business success manifestation on which the current state of research allows us to draw conclusions.

Improved Overall Business Performance

There are two directional empirical studies that include OI when investigating the implications of organisational virtuousness on business performance from a Positive Organisational Scholarship perspective: Cameron et al. (2004) and Chun (2005). We outline their key findings focusing on the concept of OI and respective assessment scales. The results indicate OI to have a positive effect on different dimensions of business performance; they form a first baseline.

Organisational virtuousness

Cameron et al. (2004) are pioneers in bringing together organisational virtuousness and an empirical research design. They aim to join these domains by defining and measuring the concept of organisational virtuousness – of which OI is one factor – and exploring its relationship to the performance of organisations. The empirical study forms a milestone in investigating the positive relationship between organisational virtuousness and both perceived and objective measures of business performance. “A general definition of organizational virtuousness, then, includes individuals’ actions, collective activities, cultural attributes, or processes that enable dissemination and perpetuation of virtuousness in an organization” (Cameron et al., 2004, p. 768). Virtuousness cannot be measured with a single indicator, but there are key attributes of virtuousness that help explain its relevance in organisational studies: moral goodness, human impact, and social betterment. Table 33.1 shows the five factors used to assess perceived organisational virtuousness.

Table 33.1 Statistically viable measure of the concept of organisational virtuousness with its five factors and three related items each, according to Cameron et al. (2004)[6]

Factor	Items
Organisational optimism	● A sense of profound purpose is associated with what we do here.
	● In this organisation we are dedicated to doing good in addition to doing well.
	● We are optimistic that we will succeed, even when faced with major challenges.
Organisational trust	● Employees trust one another in this organisation.
	● People are treated with courtesy, consideration, and respect in this organisation.
	● People trust the leadership of this organisation.
Organisational compassion	● Acts of compassion are common here.
	● This organisation is characterised by many acts of concern and caring for other people.
	● Many stories of compassion and concern circulate among organisation members.

Factor	Items
Organisational integrity	● **Honesty and trustworthiness are hallmarks of this organisation.**
	● **This organisation demonstrates the highest levels of integrity.**
	● **This organisation would be described as virtuous and honourable.**
Organisational forgiveness	● We try to learn from our mistakes here, consequently missteps are quickly forgiven.
	● This is a forgiving, compassionate organisation in which to work.
	● We have very high standards of performance, yet we forgive mistakes when they are acknowledged and corrected.

The results show significant relationships between perceived virtuousness and perceived organisational performance. As organisational performance indicators, Cameron et al. (2004) use five outcome measures: innovation, quality, customer retention, employee turnover, and profit margin. Organisational virtuousness, and OI as a single factor, is positively related to all five outcome measures. Particularly noteworthy is the fact that this positive relationship occurs in organisations that have recently experienced downsizing. This finding is due to two qualities of virtuousness: the *amplifying* quality, which "can foster escalating positive consequences" and the *buffering* quality, which "can protect against negative encroachments" (Cameron et al., 2004, p. 770).

Virtue Ethical Character Scale (VECS) for organisations

Chun (2005) prepares the ground for showing the connection between OI and successful business performance. She develops the Virtue Ethical Character Scale (VECS) for organisations consisting of six dimensions – of which OI is one dimension – and 24 associated items (see Table 33.2) using a mixed-methods approach that includes content analysis of ethical value statements of the Fortune Global 500 companies[7] and a survey of around 2,500 customers and employees. The VECS allows us to assess the relationship between organisational-level virtue and (financial or non-financial) organisational performance.

Table 33.2 The Virtue Ethical Character Scale (VECS) for organisations with its six dimensions and 24 associated items, according to Chun (2005)[8]

Dimension	Items
Organisational integrity	**Honest, Sincere, Socially responsible, Trustworthy**
Organisational empathy	Concerned, Reassuring, Supportive, Sympathetic
Organisational courage	Ambitious, Achievement-orientated, Leading, Competent
Organisational warmth	Friendly, Open, Pleasant, Straightforward
Organisational zeal	Exciting, Innovative, Imaginative, Spirited
Organisational conscientiousness	Reliable, Hardworking, Proud, Secure

The results show that the dimension with the greatest influence on the overall performance, according to the Fortune Global 500 list, is OI with its four items of honest, sincere, socially responsible, and trustworthy (Chun, 2005).[9] Considering our OI working definition presented at the beginning (see section "Towards a Unified Understanding of OI"), it becomes clear that the study does not analyse integrity-based actions or the institutionalisation of, for example, corporate guidelines or reporting (manifestation degree 2 and 3 according to the *organisational integrity triad*: transparent institutionalisation, and coherence between commitments and actions) but merely the declaration of intent to actions with integrity (manifestation degree 1 according to the *organisational integrity triad*: commitment). Still, we can assume that ethical value statements, meaning commitments, experience a form of internal institutionalisation to serve as behavioural anchors or guidelines, resulting in guiding corporate actions. OI is one of six organisational virtues that has a positive influence on business performance.

Both studies, Cameron et al. (2004) and Chun (2005), rely on different conceptions of OI, and even virtuousness. Among other challenges, this is one reason why it is so hard to show the (empirical) impact OI has on business success and dimensions of business performance to this day.

Higher Levels of Transparency and Trust and Greater Reputation

OI, organisational reputation, trust, and transparency are closely interrelated. If we had to put these in sequence, everything starts with OI and leads to transparency.

OI leads to higher levels of transparency

"Transparency is the perceived quality of intentionally shared information from a sender" (Schnackenberg & Tomlinson, 2016, p. 1788), and a function of information disclosure, clarity, and accuracy. OI means to actively commit to self-imposed norms and principles, to transparently institutionalise these commitments internally, and to assure that these commitments are implemented into actions. In fact, OI significantly contributes to establishing and enhancing transparency and reducing information asymmetries between the organisation and its stakeholders (and among the stakeholders themselves). It contributes to information disclosure, clarity, and accuracy; it increases stakeholder sovereignty.

Higher levels of transparency lead to higher levels of trust

The trust theory by Mayer et al. (1995) suggests that trust relates to the willingness of stakeholders to be vulnerable to an organisation's actions. It is "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer et al., 1995, p. 712). A main research stream calls upon transparency to have an important role in creating, maintaining, or repairing organisational trust – explicitly and implicitly – within the organisation–stakeholder relationships (see, e.g., Pirson & Malhotra, 2011; Rawlins, 2008; Schnackenberg & Tomlinson, 2016). Thereby the key determinant of trust is the perceived organisational trustworthiness, which is estimated according to three dimensions: ability, benevolence, and OI. "The effect of stakeholder perceptions of an organization's transparency on trust in the organization is mediated by stakeholder perceptions of the organization's ability, benevolence, and [organisational] integrity" (Schnackenberg & Tomlinson, 2016, p. 1798). Organisations that enhance and allow for public participation, that share comprehensive information for an informed decision-making process, that provide balanced reports with accountability, and that are open to public scrutiny are more likely to be trusted (Rawlins, 2008). A good overview of the trust level ascribed to companies and other institutions like NGOs, governments, and media is given by the annual Edelman Trust Barometer,[10] a global survey of more than 36,000 respondents in 28 countries on the topics of trust, important societal indicators, and credibility. Although the 2022 results show that companies outscore government by 26 points on ethics, respondents believe that companies are not doing enough to address societal problems, including climate change, economic inequality, workforce reskilling, and trustworthy information (Edelman Trust Barometer, 2022). The role and expectations towards companies have never been clearer and neither has the possibility to see and seize this as an opportunity for strengthening the organisation–stakeholder relationship. Because this is where OI, as per definition, comes in. Finally, Lins et al. (2017) suggest that the trust between a company and all its stakeholders is built through investments in social capital and pays off when the overall level of trust in companies and markets suffers negative disruptions, like (severe) organisational reputation damage.

Higher levels of trust lead to greater reputation

Organisational reputation is a critical success factor in a volatile business world which is characterised by uncertainty and information asymmetry. As today's society is increasingly sensitive to moral corporate behaviour, a healthy organisational reputation becomes more and more important for stakeholder engagement and consumer decisions. In fact, organisational reputation is something extremely vulnerable. "It takes twenty years to build a reputation and five minutes to ruin it", Warren Buffett (1995, p. 109) famously said. Lange et al. (2011) see three dimensions of organisational reputation based on a holistic literature review: "*being known* (generalized awareness or visibility of the firm; prominence of the firm in the collective perception), *being known for something* (perceived predictability of organizational outcomes and behavior relevant to specific audience interests), and *generalized favorability* (perceptions or judgments of the overall organization as good, attractive, and appropriate)" (Lange et al., 2011, p. 155). Based on empirical findings, Zhao et al. (2021) show that trust is an important factor that enhances organisational reputation. As organisational reputational damage can occur even when a company acts within legal frameworks, the deliberation of ethical risks concerns every company regardless of the prevailing situation and health. In this context, OI is of fundamental importance as it provides guidance on relevant societal topics and issues, including climate change, economic inequality, and trustworthy information. It reflects the extent to which self-imposed norms towards certain topics and legal standards are translated into corporate action. OI is the baseline for organisational transparency, trust, reputation, and related concepts. This directly leads to the next section: OI and its (positive) relation to risk management.

Improved Risk Management

We consider the main goal of OI, its purpose so to speak, to be of a proactive and preventative investment nature. OI is "a company *investment* that translates into avoiding fines for potential violations of the law or ethical missteps" (Fuerst & Luetge, 2021, p. 7). It can protect a company from existence-threatening disruptions. We attribute OI to have a risk-minimising effect as it can prevent ethical missteps and helps avoid fines for potential violations of the law. As a new and broader breed of risk management issues stretch conventional internal control instruments and challenge executive management to provide proper oversight and steering (Menzel, 2005; Paine & Srinivasan, 2019), OI provides an essential asset. Compliance-based governance models have become the minimum standard and, in fact, are reaching their limits. Six well-known scandals across industries evidence how closely interconnected ethical and economic issues are (see Table 33.3).

Table 33.3 Six exemplary OI failures of the 21st century (enhanced version based on Ferrell and Ferrell, 2014)

Company	Year	Incident	(Major) Consequences
Enron	2001	Various methods of continued balance sheet fraud	● Company insolvency ● Civil lawsuits ● Cause of the Sarbanes-Oxley Act
WorldCom	2002	Profit manipulations to maintain stock price	● Company insolvency ● Legal proceedings against top managers ● Reinforcing cause for the Sarbanes-Oxley Act
Sanlu	2008	Use of melamine in milk and infant formula to simulate a higher protein level (known as the Chinese milk scandal)	● Company insolvency ● Legal proceedings against top managers, politicians, and suppliers; incl. death penalty
BP	2010	The use of a low-cost working method against expert advice caused the explosion of the Deepwater Horizon oil rig and led to a vast oil spill in the Gulf of Mexico	● High company penalties ● Legal proceedings ● Civil lawsuits ● 6-month moratorium on deep-sea drilling (U.S.)
Volkswagen Group	2015	Use of illegal defeat devices in diesel vehicles to reduce emissions during inspection phase (known as the Dieselgate scandal)	● High company penalties ● Legal proceedings against top managers ● 3-year U.S. monitorship
Wirecard	2020	Misappropriation of trust funds and manipulated financial reporting	● Company insolvency ● Legal proceedings against top managers

While four of the reviewed companies went bankrupt (Enron, WorldCom, Sanlu, Wirecard), two of them survived with high company penalties and severe organisational reputation damage (BP, Volkswagen Group). Let’s examine Volkswagen Group’s approach in dealing with the Dieselgate[11] scandal in 2015. What has the company done? In the rehabilitation process, the company started to (among other things) heavily increase its OI through internal integrity and compliance measures. Figure 33.1 shows a schematic timeline of the internal integrity developments at the Volkswagen Group after the unveiling.

What we see are enormous infrastructural efforts being made by the company to prevent a second scandal of this scale and magnitude through OI prevention management. In an interview with the Handelsblatt in 2019, Hiltrud D. Werner, former member of the Volkswagen Group’s Board of Management and from 2017 to 2022 holder of the Integrity and Legal Affairs position, said that the company would not survive a second scandal like Dieselgate.[12]

The Volkswagen Group case supports developments from business practice showing integrity-based governance models to become a crucial part of the corporate risk management system. Corporate governance research supports the assumption that OI is a key factor in reducing risks and improving business performance (see, e.g., Arjoon, 2017; Calderón et al., 2018; Hajduk & Schank, 2017; Laufer, 2006; Menzel, 2005). Shiu and Yang (2017) argue OI and CSR to have preventative effects on companies’ stock and bond prices; they have buffering effects when stock and bond prices collapse. Shu et al. (2018) find that an OI-orientated culture determines key elements of internal control and has a significant positive impact on internal control systems. Corporate culture plays an important role in the context of risk mitigation (see, e.g., Cabana & Kaptein, 2021; Ferrell & Ferrell, 2014). If companies intend to be

Figure 33.1 *Schematic timeline of the internal integrity infrastructure developments at the Volkswagen Group after the Dieselgate scandal in 2015*

successful in addressing today's broader and new breed of risk management issues, there is no way around including OI into corporate governance instruments which, in turn, includes corporate culture. This brings us to the next and final section, focusing on how to strengthen OI.

HOW TO STRENGTHEN OI

Despite thin empirical evidence, there are clear indicators that OI has a positive impact on business performance and the company's overall success. This raises the question, particularly in practice, of how to strengthen OI. Even though this question belongs to a still marginal research area to this day, we want to outline some forward-looking thoughts in this regard by introducing a threefold dimensional structure of OI and an *organisational integrity triad* concept.

Knowing the Dimensional Structure of OI

As one cannot manage what one does not comprehend, we need to start with the question of how to make OI holistically tangible. This starts with knowing how to operationalise the concept on the one hand and knowing the OI relevant touchpoints in companies on the other hand. The former becomes possible with the *organisational integrity triad*; considering companies as autonomous agents, OI is revealed at two levels, the individual level (in and through the decisions, thus actions, of its members) and the organisational level (in and through the decisions, thus actions, of the organisation itself) (Fuerst & Luetge, 2021). The latter requires further elaboration; a new approach by Fuerst et al. (2023) sees three different types of OI dimensions: the prerequisite dimension, the independent dimension, and the dependent dimension.

Prerequisite dimension of OI

The prerequisite dimension of OI refers to the company's legal compliance towards civil and criminal law standards. Compliance with legal norms is the company's most important responsibility (Carroll, 1991); in fact, it is its core obligation (Cosans, 2009). Without legal compliance, corporate actions with integrity become impossible as it forms a mandatory part of the OI concept and constitutes the minimum requirement when conducting business (see, e.g., Fuerst & Luetge, 2021; Paine, 1994).

Independent dimension of OI

The independent dimension of OI is an enabling dimension (Fuerst et al., 2023). It enables individual but more importantly organisational actions with integrity. It sets the infrastructural and procedural (pre)conditions for OI; it refers to corporate property and artifacts (Fuerst et al., 2023). In other words, the independent dimension forms the preconditions for (individual and organisational) integrity-based behaviour and decisions. Because it is something that can be actively influenced and steered, this dimension is of particular importance for companies' executive management. Based on Fuerst et al. (2023) and Kaptein and Avelino (2005), we derive five major elements that form the independent dimension of OI:

(1) *Responsibility and reporting structures*. Clear responsibility and reporting structures that define responsibility flow charts as well as formal and informal reporting lines.
(2) *Incentive and reward structures*. Appropriate incentive and reward structures that facilitate and reinforce (integrity-based) decision-making processes, thus behaviour. Sufficient structures and the right incentive systems are critical to the success of virtuous behaviour by management and employees.
(3) *Corporate (management) instruments*. Proper corporate (management) instruments can, on the one hand, prevent misconduct (e.g., code of conduct trainings) and, on the other hand, detect misconduct and ensure that appropriate consequences follow (e.g., Whistleblower system).
(4) *Corporate culture and climate*. The right corporate culture and climate of which integrity builds the basis and sets the common tone of how to get things done. Corporate culture and climate are breeding grounds for unethical behaviour.
(5) *Tone from the top and internal communications*. Continuous role model behaviour by the (top) management and supportive internal communications that ensure the key messages of what behaviour is expected are understood by everyone within the company.

All five elements together form a corporate infrastructure that causes individual behaviour which simultaneously transfers to corporate behaviour. As outlined above, our definition of OI refers to an organisational level. To understand how individual behaviour can become corporate behaviour, the corporate moral agency concept by French (1998) assists. Accordingly, individual behaviour becomes corporate behaviour as soon as individual behaviour is *rationally intended* by the organisation itself. The rational intention makes the organisation an intentional actor. This intention can be embodied by an organisation through the outlined five elements, as they guide and direct individual decision-making processes.

Dependent dimension of OI

OI is visible in and through corporate actions (Fuerst & Luetge, 2021). Consequently, merely the dependent dimension constitutes OI (in a behavioural sense). And this is where the previously introduced *organisational integrity triad* (consisting of (1) active commitments to self-imposed norms and principles, (2) their transparent institutionalisation into corporate processes and structures, and (3) their implementation into action) comes in (Fuerst & Luetge, 2021). When applied to all relevant topics for all stakeholders of the company, OI unfolds. Relevant topics are all societal, social, and environmental topics within the scope of each organisation–stakeholder relationship. To determine what precisely to strive for, it is necessary to clarify which stakeholder demands can be considered legitimate (Kaptein & Wempe, 2002). In other words, it means constructing an *organisational integrity triad* towards society-relevant topics, employee-relevant topics, customer-relevant topics, and so on. Exemplary topics can be data privacy, artificial intelligence, diversity, equity and inclusion (DE&I), political engagement, human rights, animal protection. We suggest that each company creates its own stakeholder map to best consider and derive their corporate commitment landscape as a first step towards OI.

Continuous Striving Rather Than One-Time Effort

Our understanding of OI implies that it reveals itself in and through corporate actions. It manifests itself in corporate behaviour, meaning it is nothing a company *possesses* or inherently *is*. Manifestation through action, in fact, implies that OI cannot be a one-time effort. Instead, OI must be something a company continuously demonstrates through actions; it is an ongoing effort (Fuerst & Luetge, 2021; Kayes et al., 2007). This means to evolve with the topics and challenges of time. It requires a steady striving to adapt as a company in a continuously evolving environment. To sum up: OI properly understood is not some add-on feature for companies; rather, it is at the core of doing sound business (Koehn, 2005).

CONCLUSION

In this chapter, we have provided context and insight into OI impact research and its main challenges to date. We consider these challenges as responsible for the existing lack of stronger empirical evidence. Consequently, we consider the maturity level of the OI impact research field to be (still) young, with great potential for growth. In this context, we see two opportunities for future research. First, to establish a uniform – sufficiently precise – understanding and usage of the OI concept within academics. Second, to enhance cross-disciplinary research between virtue ethics and Positive Organisational Scholarship, for example by exploring concepts of virtue ethics with empirical methods. To sum up: within the OI impact research field, we call for more empirical studies with particular focus on the virtue ethical concept of OI, instead of virtuousness or virtue in general. In this chapter we have also introduced first thoughts on how OI can be strengthened within a company, as it forms the basis for sustainable business success – as opposed to short-term business success (Fuerst & Luetge, 2021). Besides impact research, we see here another promising stream for future research. In fact, this stream would be of great interest to practitioners and top management.

NOTES

1. Regarding the precise use of the terms organisational integrity (OI) versus integrity, we use organisational integrity (OI) to refer to an organisational level of analysis (the company) and integrity to refer to a personal level of analysis (the individual).
2. According to French (1998), corporate internal decision structures consist of organisational flow chart and policies and procedure rules. They provide the ground for moral agency and are inherent in every organisation.
3. For a detailed elaboration on the commitment nature and quality, see Fuerst and Luetge (2021).
4. https://de.statista.com/statistik/daten/studie/12108/umfrage/top-unternehmen-der-welt-nach-marktwert [01/15/2023].
5. In the 2011 Academy of Management Annual Meeting, a symposium entitled "Virtue, Virtuousness or Vice: Conceptual Tensions in the Study of Virtue in Positive Organizational Scholarship" took place. Since then, the symposium has had several editions (Sison & Ferrero, 2015) focusing on these tensions.
6. The highlighting in bold and the prefix "organisational" to the *factors* were added by the authors of this chapter.
7. https://fortune.com/global500 [01/15/2023].
8. The highlighting in bold and the prefix "organisational" to the *dimensions* were added by the authors of this chapter.
9. In the questionnaire, respondents were asked to imagine the organisation as a human being and then assess the organisation's character (using a five-point Likert scale from strongly disagree (1) to strongly agree (5)). Therefore, all six dimensions relate to an organisational level of analysis; thus, it is about *organisational* integrity.
10. www.edelman.com [01/15/2023].
11. The Dieselgate scandal concerned not only the Volkswagen Group but also other international automotive companies. However, the Volkswagen Group was the most severely involved in the scandal.
12. http://www.handelsblatt.com/unternehmen/industrie/volkswagen-dieselaffaere-vw-vorstand-werner-einen-zweiten-skandal-wuerden-wir-nicht-ueberstehen/25216182.html [01/15/2023].

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B. Addition Information Systematic Literature Review

Table 9 Overview of the database literature search information

Database	Link	Query*	Date
EBSCOhost	https://www.ebsco.com/de-de	AB organizational integrity OR TI organizational integrity; Limiters - Publication Date: 19940101-20230931; Language: English Expanders - Apply equivalent subjects Search modes - Boolean/Phrase	10/06-15/2023
PhilPapers	https://philpapers.org/	"Find works with the exact phrase(organizational integrity" AND "Date return works published between 1994 – open" AND "professional authors only"	10/06-15/2023
ProQuest	https://www.proquest.com/	abstract(organizational integrity) AND la.exact("English") AND stype.exact("Scholarly Journals" OR "Conference Papers & Proceedings" OR "Books") AND pd(19940101-20230930)	10/06-15/2023

*Exemplary for the keyword *organizational integrity*. Search conducted for all defined keywords.