

ORGANISATIONAL INTEGRITY

A VIRTUE-ETHICS APPROACH TOWARDS ORGANISATIONAL ALIGNMENT, PERFORMANCE MANAGEMENT &
MEASUREMENT AND ETHICAL BEHAVIOUR

Masterthesis Risk management
Walter Tansini

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FOREWORD

This master thesis has been written as part of the master Risk management at the University of Twente.

The goal is to investigate whether the concept of integrity can be used as the basis for performance management and measurement, including ethical behaviour. This investigation has not been performed in direct commission as the research is more aimed at theoretical development than to solve an direct business problem. I am therefore thankful to my employer, Royal Auping, who has supported me by indulging me in this theoretical approach and allowing me to share my ideas within the organisation and make practical observations.

As the observant reader may already have noticed, the word “Risk” being absent in the title of this thesis. There is a simple reason for this: this thesis is not about risk – at least not directly. It is about creating an organisational mindset that should lead to the performance of risk management. Not because it is dictated, but because of working towards the organisational and personal goals make it natural to do so.

I'd like to thank my thesis supervisors Jeroen Sempel and Petra Hoffman for their constructive support and flexibility to allow me to investigate this subject, as it deviates somewhat for the classic format and approach of a master thesis. I thank Royal Auping in general for supporting me in getting my master's degree, and Martijn Aalders en Linda Hoebe in particular, for their time and feedback on this topic.

Walter Tansini

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Summary

Exercising control in flexible, innovative organizations is considered a challenge, and in spite of Performance Measurement and Management (PMM) models like the Balanced Scorecard by Kaplan & Norton (Simons, 1995) and codes of conduct, dysfunctional behaviour and poor performance (Bititci et al., 2012) and ethical scandals are still common occurrence. To address this, this thesis aims to answer the question “Can Palanski & Yammarino’s (2009) multi-level concept of integrity be developed as the basis for a PMM model which potentially reduces sub-optimisation and unethical behaviour, and can its applicability be demonstrated?”.

(Palanski & Yammarino, 2007, 2009) take a virtue-ethics approach to integrity and define it as “Consistency of an acting entity’s words and actions” with the virtues of character, courage, authenticity, and ethical behaviour, itself further consisting of honesty, trustworthiness, fairness, and compassion. These virtues are then interpreted on multiple levels of analysis the organisation as legal entity, senior management, leaders and groups, individuals as group members and individuals as sentient beings.

This is first done by reviewing citing articles, developing the concept into a PMM model. A limited case study is performed to determine the useability of the model as a PMM, an assessment tool to identify gaps in the preconditions required for and as a design tool for achieving organisational integrity.

The literature review shows that the definition of integrity is still debated, much of the discussion centring on the question whether integrity is considered inherently moral or not. By using a virtue perspective and separating moral/ethical behaviour from integrity, courage, authenticity, and character the essence of integrity moves towards reflecting on achievement of the virtues from an organisationally defined moral perspective, instead of adhering to undefined/personal moral rules.

The development provides some insights. Consistency between word and action is operationalised in “honouring one’s promises”. When applied on multiple levels of analysis this approach shows to be a natural way to derive policy, processes and individual organisational member’s tasks, targets, and transparency from organisational promises to stakeholders.

Courage is then tied to effective promise-making, requiring risk management at the moment that the promise is made. This ensures that promises can always be honoured, meaning that when the promise

cannot be kept due to e.g. unforeseen circumstances, the organisation has the capability and intent for solving the problem. This reduces the need for courage in facing (or hiding) consequences when things do not go as anticipated, and thereby reducing the risk of unethical behaviour.

Ethical behaviour on the level of individuals as sentient beings shows that the difference between the goals and ethical framework of the organisation and those of the individual, may be the fundamental cause for unethical behaviour. However, this difference may also be the cause for behaviour aimed at improving the organisation. Sub-optimisation is likely caused by unresolved conflicts in promises towards stakeholders by senior management, as well as the mentioned difference in goal and ethics.

The developed multi-level concept aligns with Simons' (1995) four control levers for PMM's, integrating transparency, values, and risk assessment to provide a comprehensive approach to organisational performance and integrity. It is therefore considered a useful basis for a PMM.

The limited case study was performed at a Dutch consumer product manufacturing organisation (350 FTE, 90m€). The usefulness of the model was tested for assessment and design by applying it on the organisational long-term goals (*telos*), ethical framework, stakeholder determination and promise making, and deriving policy and organisational transparency for customer satisfaction. The results of the limited case study show that the concept/method is useable and useful for assessment and design towards organisational integrity. It is likely that, when implemented, the model would yield improvement towards sub-optimisation and ethical behaviour, however the extend of this improvement cannot be quantified based on this study.

It has become evident that the multi-level concept is more than a basis for a PMM, potentially serving as a cornerstone for organizational integrity, moral behaviour, and success. Its guidance in aligning actions with promises, and promoting ethical behaviour is relevant for leadership roles. Overall, its understanding enables self-reflection, diagnosis of conflicts, and alignment with the organization's common goals and ethical framework, thereby contributing to a more cohesive and effective organizational culture. This suggests its potential effectiveness in reducing sub-optimizations and unethical behaviour. However, the extent of this reduction remains uncertain, given the complexities of human behaviour and predispositions.

1 Introduction, goal & design

Introduction

The problem of how to exercise adequate control in organisations that demand flexibility, innovation, and creativity has been a challenge for managers for many years. Encouraging employees to initiate process improvements and new ways of responding to customers' needs while remaining in control was seen in the 1990s to need four control "levers": diagnostic control systems (monitoring performance variables & deviations), beliefs systems (core values, exemplary behaviour), boundary systems (what is not allowed), and interactive control systems (changes to strategic assumptions) (Simons, 1995). An evolutionary development of models and frameworks reacting to observed deficiencies in the traditional systems ensued. Generally referred to as Performance Measurement and Management (PMM) models (Taticchi et al., 2010), one of the most well-known of these is the Balanced score card system by Kaplan & Norton (Cuccurullo et al., 2016).

Reviews of PMM studies over the last 25 years show a relationship between performance measurement and organisational behaviour that is not always beneficial; performance measurement can and does lead to dysfunctional behaviour and overall poor performance by sub-optimising (Bititci et al., 2012). This can be illustrated by the extensive number of examples of scandals and dysfunctional/unethical operating of corporations and institutions (Bachmann, 2017; Brown & Treviño, 2006; Ete et al., 2022; Garsten & Hernes, 2009; Kılıçoğlu, 2017; Orlitzky & Monga, 2018). It is suggested that PMM's are intrinsically a social phenomenon, shaped by feelings, values and beliefs of organisational members, organisations, and the societal context (Bititci et al., 2012). A question derived from this suggestion is whether a PMM rooted in this "social phenomenon", could improve performance, and reduce sub-optimising.

During the master study Risk Management at the University of Twente, the author came across two articles which triggered the question of whether a PMM which takes integrity as a basis may provide a solution. The first article "Integrity and leadership: clearing up the conceptual confusion" (Palanski & Yammarino, 2007) defines the concept of integrity by creating a virtue-ethics framework. Its follow-up article "Integrity and Leadership: A multi-level conceptual framework" (Palanski & Yammarino, 2009) attempts to apply the concept of integrity on multiple levels of analysis (individual, group, and organisation) and proposes a model how different aspects on these levels interact with each other in achieving integrity. This thesis will partially pick up where these articles ended.

The thesis is structured as follows.

The rest of this chapter defines the management and research questions and research design. Chapter 2 discusses the literature research and its results. Chapter 3 develops the virtue-ethics definition of integrity into a concept of multiple levels of analysis (from now on the “multi-level concept”) and assesses its usefulness as a basis for a PMM. Chapter 4 then tests the concept by applying it on an existing organisation to develop the PMM. Chapter 5 discusses results, conclusions, limits, and further research.

Management and research questions

MANAGEMENT QUESTION:

Can Palanski & Yammarino’s (2009) multi-level concept of integrity be developed as the basis for a PMM model which potentially reduces sub-optimisation and unethical behaviour, and can its applicability be demonstrated?

Research question 1:

What would a developed multi-level concept of integrity look like?

Sub question:

- 1a) Has research been performed based on either (or both) of the core articles towards applying all aspects of integrity into a multi-level concept of integrity and what insights towards developing integrity into a multi-level concept do these provide?
- 1b) Can this concept be used as the basis of a PMM model?

RESEARCH QUESTION 2:

Can the practical applicability as a PMM-model be demonstrated and would it likely reduce sub-optimisations and unethical behaviour?

Research design

The research starts off with the core articles by Palanski & Yammarino (2007, 2009) and determining whether any further research developments were made towards developing the multi-level concept, and what could be learned from this. Taking this information into account, the multi-level concept will then be developed.

To decide whether this yields the basis of a PMM, criteria need to be defined/selected and applied. The concept will then be tested in an organisational context as a practical PMM-model.

As the fundamental management question here is one of the “control” types (Schindler, 2019), ideally the research should show whether more control (leading to less sub-optimisation and unethical behaviour) is achieved to existing PMM systems. This would require comparative data with an existing PMM, or a longitudinal study implementing the new PMM. Neither are possible within the scope of a master thesis, so a quantitative research method was deemed not feasible. From the qualitative research methods (Schindler, 2019), a limited case study is chosen. Also considered were interviews, focus groups or Delphi with experts. While these methods do have some value, in the current state of the model these would most likely yield little more than an opinion of the untested model or the underlying ideas. Testing the method and making observations within the organisation – even to a limited degree - was seen to be more valuable in this stage of the development of the concept.

The case study will aim to apply the developed concept/model within the context of an existing organisation up to the implementation point where changes to the organisation itself would be needed, requiring management commitment and resources. The case study will test the concept/model as a design template, and at the same time as a tool to determine the gap between existing information and structures and those seen as preconditions for organisational integrity based on the model. This should yield results to decide on its usefulness in practice and provide an answer to the question whether the PMM would likely reduce sub-optimisations and unethical behaviour.

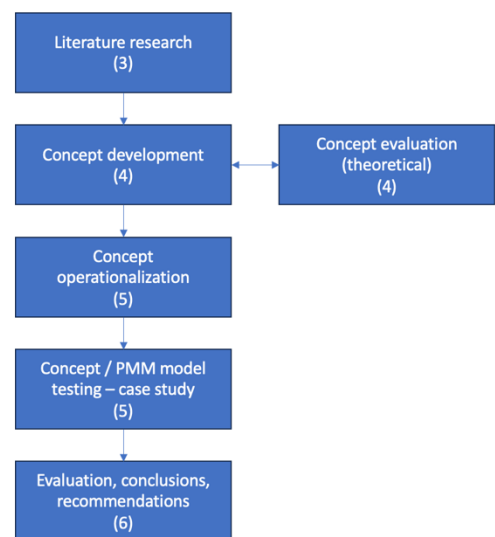


Figure 1: Research design

Ethical review

As the research does not involve human participants, does not use data which may conflict with in the interest of the individuals, groups, or organizations to which these data pertain, an ethical review was not required (University of Twente, n.d.).

2 Literature: Integrity in a virtue-ethics framework

2.1 Aid to the reader: summaries of the core articles

INTEGRITY AND LEADERSHIP: CLEARING THE CONCEPTUAL CONFUSION (2007)

This article demonstrates that there is no clear definition of integrity in literature, but that the concept as it is used can be represented in groups of both general and more specific meanings. The authors classify these various meanings into five general categories of integrity: wholeness, consistency of words and actions, consistency in adversity, being true to oneself and moral/ethical behaviour. They turn to moral philosophy to relate the five categories and integrate them into a single conceptualization. In this, they take Aristotle's Nicomachean Ethics and Alasdair MacIntyre's *After virtue* (MacIntyre, 2007) as a key texts. Ethics there means simply "pertaining to character", which leads to the central question "which virtues make good (moral) character?". This is put opposite to the later Judeo-Christian tradition's question "what is the right thing to do?": moral character (virtue) development against rule-based decision making in ethics.

The authors argue that a virtue is a disposition to act in such a way that the community of which the individual is a part – for instance an organisation – advances towards its telos, towards fulfilling its purpose. From this, they define integrity as "consistency of an acting entity's words and actions" (p.178). Then the other meanings of integrity from the organisational literature are construed into supporting virtues, as shown in Table 1.

Table 1: Description of virtues

Meaning	Virtue	Explanation
Integrity	-	Consistency of an acting entity's words and actions
Wholeness	Character	All moral dispositions and especially the other aspects of integrity complement each other; there is no area that is lacking
Consistency in adversity	Courage	Firmness of mind and will in the face of danger or extreme difficulty
Being true to oneself	Authenticity	Speaking and acting with one's own values and keeping promises to oneself transparently.
Moral/ethical behaviour	Discrete Moral meanings	Honesty Being truthful, and not lying by either deliberate deception or deliberate omission. Trustworthiness Being reliable and deserving of trust, so that others are willing to place themselves in a vulnerable position. Fairness Acting impartially and giving everyone their due. Compassion Being caring and attentive to the needs of others and being empathic.

The authors point out limitations to their research, in which they among other things suggest that “The conceptualization of integrity that is based on a framework of moral philosophy could be greatly strengthened by studying its application in an organisational setting.” (p. 182). For further directions in research, they propose that “An exploration of the structure and functions of integrity at higher levels [than at the individual personal level] could also be interesting and useful.” (p. 182).

INTEGRITY AND LEADERSHIP: A MULTI-LEVEL CONCEPTUAL FRAMEWORK (2009)

This article is a follow-up of the first article and aims to address the problem of a lack of well-specified theory on integrity and leadership. The authors try to remedy this by considering integrity on different levels of analysis, and particularly the role that leadership plays. The approach distinguishes between individual-level integrity, which refers to the personal characteristics and behaviours of a leader, and organisational-level integrity, which refers to the ethical climate and culture of the organisation. It also distinguishes between acting entities (the integrity of individuals, groups, and organisations as actors) and compositional entities (the integrity of individuals that constitute a group). They then define a framework to distinguish variability within and without the groups: wholes, parts, equivocal, and null, and discuss how this variability manifests itself on the different levels.

Based on this, the authors make several propositions on factors which impact integrity on the different levels, leading to the figure below.

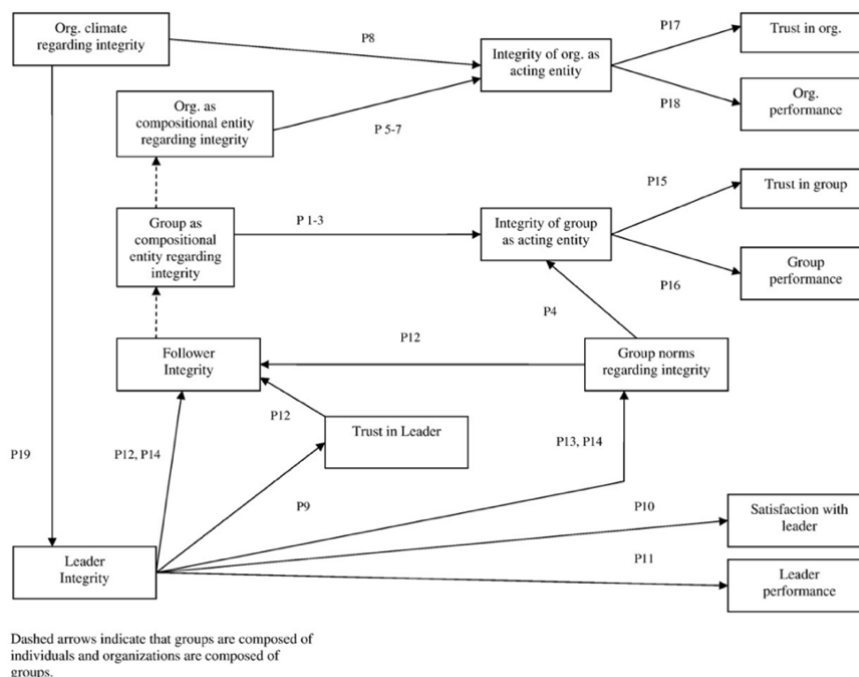


Figure 2: Integrity at individual, group, and organisational levels of analysis (Palanski & Yammarino, 2009, p. 414)
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The article then discusses the role of leaders in resolving cross-level integrity conflicts and conflicts between organisational and personal integrity. It ends with suggestions of future directions of research, including how integrity functions at other levels, and how organisation-level structures may impact organisation-integrity.

2.2 Literature research: citing articles

A literature search was performed on all articles citing the two primary articles for this thesis. This was done on October 2nd, 2022, in Scopus, and yielded the following results: Integrity and Leadership: Clearing the Conceptual Confusion had 164 citing articles, Integrity and leadership: A multi-level conceptual framework had 163 citing articles. Of these, 279 articles were unique (some articles citing both papers).

The articles were filtered in three phases: first on title, secondly on abstract and finally on the article content. Inclusion/exclusion was decided based on the following rules:

- Relates to one or all aspects of integrity, possibly relating to a multiple level model.
- May be relevant for creating organisational integrity.

In case of doubt, the article will be included into the next phase of preselection ("Possibly relevant"). No preselection/exclusion based on number of citations, peer-reviewed articles, type of publication, or publication date was performed. This was done as there is no consensus on the definition of integrity in the academic literature, and new proposals and perspectives are still emerging.

After an initial screening of the search results, additional exclusion rules were added to limit the number of "possibly relevant articles".

- Articles which are not relevant for this thesis as they focus on a different topic ("Different focus").
- Articles which specifically focus on leader characteristics ("Leader focus").
- Articles which specifically focus on the (measurement of) effects of (leadership) integrity and/or the lack thereof ("Effect focused").
- Articles which are too specific in their focus as not to be useful ("Too specific").

From this, 19 articles / publications were selected which are considered relevant and useful in achieving the goal of this thesis. Their impact on this thesis will be discussed in the next paragraphs. The full list of articles and selection process can be found in Attachment 1.

2.3 Discussion on the literature

After review of the literature, sub question 1a can be answered.

Has research been performed based on either (or both) of the core articles towards applying all aspects of integrity into a multi-level concept of integrity and what insights towards developing integrity into a multi-level concept do these provide?

In the reviewed articles, no research/concept development has been found that has applied all or single aspects into a multi-level model. Only (Detert & Bruno, 2017) look at the different perspectives toward workplace courage, but by no means performed a systematic development of the concept of courage on different levels of organisation.

The literature does provide insights in the state of current research on integrity, which will be discussed in the next paragraphs when they are considered as generally relevant in relation to integrity, or in chapter 3 in case of specific subjects when developing the multi-level concept.

Integrity and morality

The definition of integrity is still much debated in the reviewed literature. (Alvesson & Kärreman, 2016) observe that ideology, and hence to a certain extent personal preference, entrenches viewpoints regarding integrity, preventing a converging field study.

One of the main points of disagreement is whether integrity is morally neutral or not. While very few authors put integrity in a complete moral vacuum ((Christensen, 2009) being a notable exception), most authors consider integrity to either be a moral concept or at least have a moral component. An often-used argumentative example is in the figure of Adolf Hitler, who was consistent in his words and actions towards his intentions of annihilation of the Jews, but it is felt that anything leading to a holocaust cannot be considered integrity, and that thus integrity must be inherently moral (Alvesson & Kärreman, 2016; Becker, 2009; Gosling & Huang, 2009; Predmore et al., 2018).

Within the group of authors that consider integrity moral, the discussion focusses on which morals are to be used. (Van Niekerk & May, 2019) directly associate the concept of integrity with ethics and "good and bad", and therefore make integrity contextually and culturally dependent. They hypothesize that "Seemingly, the meaning of integrity is dynamic and co-constructed in an apparent dance between me, you and us, during which your integrity is defined by me, and my integrity is defined by you, and our integrity is defined by you and/or me" (Van Niekerk & May, 2019, p.7). This view is shared by (Lichtenstein et al., 2011) who state that no shared meaning exists about what integrity means, because its meaning is dependent on one's personal values. (Gosling & Huang, 2009) conclude that morality is inherently attached to ideology, societal and individual norms. MacIntyre (2007) takes this even further, arguing that there fundamentally is no common ethical basis to solve moral discussions.

A similar discussion exists on the virtues of courage and authenticity. Morally neutral definitions of courage are rejected by some authors as this would e.g. mean the 9/11 bombers would have to be labelled as "courageous heroism, instead of horrific terrorism" (Detert & Bruno, 2017). This is also called the "perspective problem" (Detert & Bruno, 2017) (Paniccia et al., 2020). Again, the ethical framework determines whether an actor or action is considered "good or evil".

Authenticity also proves challenging in a moral sense, but for a different reason. Palanski & Yammarino (2007) connect authenticity with absence of hidden agenda's / motives or being true the oneself. It primarily reflects on the individual's internal ethical framework related to the behaviour in the real world. They disagree with the research field of Behavioural Integrity (BI), where the focus of research lies on what can be observed in a subject's behaviour, not what goes on inside the mind of the subject (which arguably can never be objectively determined). As long as a person shows integrity, he or she must be considered to act with integrity, even if that person privately holds another opinion. Only when the person chooses to act on this opinion or explicitly states an opinion against the reference ethical framework, he or she is no longer consistent and loses their authenticity.

This illustrates that the labelling of courage, authenticity, and the core definition of integrity as consistency of word and action, is in its dependent on ethical frameworks, which may not be consistent between different groups or individuals.

Palanski & Yammarino (2007) consider ethical frameworks boundary conditions. From this follows that when trying to create a scientifically useful definition or trying to apply the definition in the real world, one must separate the concepts of integrity and courage from the moral or ethical or ideological framework, but still view them through the lens of that framework.

This makes critical analysis and measurement possible by separating objectivity (consistency between words and actions, courage as related to possible harm) from subjectivity (morality), within the construct of integrity.

There is one other consideration. (Bartlett & Preston, 2000) argue that ethics in organisations is illusory. They state that “organisations are designed as profit making mechanisms and have no interest in the good of society” (p.205). To make any progress towards an ethical organisation, is to convince such organisations that there is a direct benefit from behaving ethical. This requires a long-term view. They further state that “Executives, managers and other employees can be expected to attain high ethical standards only when they feel they are an integral part of an organisation and the organisation itself respects those standards. One of the keys to unravelling the undesirable situation of a perceived absence of ethics in business is in encouraging a greater identity community, company, and workforce” (p.207).

For this thesis this approach will be used. The complete concept of integrity will be seen as moral. The underlying consistency in words and actions and courage will be considered morally neutral, but dependent on the ethical framework from the virtue of moral/ethical behaviour. Thus, being consistent, and courageous can be assessed objectively, but are judged to be “good or evil” based in the ethical framework. Authenticity will be assessed on displayed action, not private thought.

Integrity and culture

Most reviewed literature is western European and north American in origin. As integrity is a metaphysical concept which definition is heavily derived from the history of words, the chosen definition must not be considered universally accepted or relevant.

This point also comes up in (Detert & Bruno, 2017; Paniccia et al., 2020)’s research on workplace courage. (Martin et al., 2013) show subtle but distinct differences in the meaning of leader integrity across Anglo, Germanic, and Asian cultures. Most notably is that Asian cultures consider authenticity/moral values less important than caring and justice, while Anglo-Saxon cultures tend to focus more on (Christian) moral values – doing the right thing by following Christian doctrine. MacIntyre (2007) adds to this discussion by posing a historical difference between ancient Greek virtue-based ethics and Christian rule-based ethics.

For this thesis Palanski & Yammarino (2007)’s definition will be used, but it will be accepted (and assumed) that the validity of this may be limited to western Europe and northern America.

Keeping promises vs honouring promise

While Palanski & Yammarino (2007) define integrity as “consistency of word and action”, there are other approaches. (Erhard et al., 2009) define integrity as “honouring one’s promises”. They argue that it is not always possible, optimal or appropriate to keep one’s word, but that it is always possible to honour one’s word, by acknowledging that you are not going to keep your word and cleaning up the mess that results. What “cleaning up the mess” consists of, is not explicitly defined.

(Schwartz, 2016) takes the approach of compromise integrity; integrity which is determined by the parties involved in the promise. This comes however from a different definition of integrity which is strictly moral (not keeping the promise is not acceptable) and therefore lacks the perspective of courage to make a keepable promise.

In Palanski & Yammarino (2007)’s conceptualizations, the virtues would be invoked to compensate for not keeping their word: trustworthiness, courage (admitting to not keeping one’s word) compassion (understanding the impact from the other person’s perspective) and justice (what constitutes adequate “compensation”). Towards this last virtue Palanski & Yammarino (2007) put fairness and justice on par with each other. However, in Judeo-Christian rule-based ethics, justice is related to law, and laws are fixed (ethical) rules. Aristotle’s fairness is more character-based, and therefore goes beyond just the rules. This is an important distinction to be made as a “merely law and control-driven ethics program is limited in respect to a value-based approach that rather builds upon creating and fostering a moral climate of shared values” (integrity) (W. Zimmerli et al., 2007 p124).

A promise that can be kept with 100% certainty (like the sun rising tomorrow) does not require a promise. The more risk or effort involved, the more value the promise takes on. It is therefore inevitable that not all promises can be kept, but all promises can be honoured. “[] unless you are playing a small game in life, you will not always keep your word. However, it is always possible to honour your word. Integrity is honouring your word.”(Orlitzky & Monga, 2018, p.23). “Cleaning up the mess” would then be accomplished by both parties applying the moral/ethical behaviour and coming to an agreeable solution. This does mean that before making a promise, a cost/benefit analysis must be made. Merely being sincere in an intent towards a promise and if anything makes it difficult to deliver, just provide reasons instead of results, is not integrity (Orlitzky & Monga, 2018).

In this thesis “consistency in words and actions” will be considered as “honouring one’s promises”.

Usefulness of integrity

Palanski & Yammarino (2007) do not argue why integrity is something to be achieved or aimed toward. They do cite research which indicates a positive relationship between behavioural integrity (BI) and profitability, employee organisational citizenship behaviour, approval rating of leaders and moral intentions of followers.

Erhard et al. (2009) derive what they call the “Ontological law of integrity”, which states that “To the degree that integrity is diminished, the opportunity for performance (the opportunity set) is diminished”. If everyone keeps their promises, optimal performance is achieved. It must be observed that this is not automatically the maximum performance. An inefficiently organised bureaucracy will perform optimally when integrity is achieved, but performance still could be improved by means of process improvement or changes in organisational structures.

For this thesis integrity will be assumed to have positive effect on an organisation.

To summarise, the analysis of the literature research shows that the discussions about definitions and meanings are influenced mostly by perspectives on morality. In this thesis this will be addressed by separating morality from the definition of integrity and its virtues, and by introducing the idea of an ethical framework, through which these virtues are judged. This allows virtues to be (more or less) to be assessed or measured objectively but be judged morally from the relevant ethical framework. Keeping in line with an earlier example: the 1939 assassination attempt by Johann Georg Elsner on Adolf Hitler would always be judged as courageous, authentic and showing character, but be judged morally as an act of terrorism from the Nazi party’s ethical framework, and an act of heroism from a post-war (albeit non-right-wing) ethical framework.

3 Developing the concept

3.1 Defining multiple levels of analysis

Palanski & Yammarino (2009) suggest developing the concept on organisational level, group level and individual level. While superficially a logical classification, there are some issues which need to be addressed.

Organisation level

Palanski & Yammarino (2007) do not clearly define what is considered an organisation but suggest that this is “made [up] of people who have organised through a social contract for a specific purpose” or an “acting entity” (p. 117). This is such a broad definition that it can mean anything between geopolitical power blocks to two persons planning to go to a movie. As this thesis works towards a practical implementation into a business-for-profit organisation, the scope will be limited to those types of organisations.

The organisation at its top level is then the legal entity. That legal entity has a *telos*¹ defined by its statutes and vision/mission statement, and its societal obligations are explicitly defined by (corporate) law and implicitly by societal norms. However, the organisation interacts with the rest of the world through lawfully appointed intermediaries (those who can sign contractual agreements in the name of the legal entity). In day-to day work through its boundary spanning employees is also done in the name of the organisation (salespeople, customer service, purchasing), but these employees usually do not have those formal rights.

For this thesis therefore the organisation as legal entity and the executive management will be investigated as separate levels of analysis.

Group level

An organisation comprises multiple groups: the organisation (all employees), hierarchical groups (business units, departments) and functional groups (project teams, employee council, employees with similar functions). This internal structure, which are not defined by the statutes, is created by its executive management.

¹ In this thesis the *telos* will be used to indicate the long-term existential goal of the organisation, instead of term like mission/vision, as these are colloquially also used for more short-term strategic goals.

The common basis for all these groups is that they work coherently towards the telos of the organisation. Groups based on personal interest – people liking each other or sharing common non-work-related interests – may provide “grease of the organisation”, but as these groups are not aimed at achieving the organisational goals/telos, they will be excluded in this thesis investigation. The same applies to groups within an organisation that share characteristics (gender, age groups).

For this thesis, the group level is defined fluidly: it can be the group of all employees - regardless of their role or function – to any size internal group as defined/created by the executive management as part of the formal organisational structure, both hierarchical and functional.

Groups in an organisation may have a formal leader, either hierarchical (manager) or functional (project leader, chairperson). In that case the task of creating intergroup processes and intra and intergroup coherence lies with this leader. Self-governing groups also exist within formal organisations, and there those tasks are shared by the team members. The thesis will define both leaders and self-governing groups as a level of analysis.

Individual level

Each individual as an organisational (group) member influences the integrity of the entire organisation and should be working towards achieving the telos of the organisation. If an individual does not do this, he/she is considered to fail to display integrity on the individual level. This view however only takes the perspective of the organisation and thereby reducing individuals to an equivalent of worker bees or drones.

Individuals however are sentient beings, which have a life, personal telos, and ethical framework(s) outside that of the organisation in scope. Individuals are members of multiple groups and organisations, formal and informal, that again each have different telos' and ethical frameworks. It may be the differences between these frameworks that are the source for lapses of integrity from any certain perspective.

For this thesis the individual level of analysis will be separated into individuals as organisational members (working towards the telos of and within the ethical framework of the organisation), and sentient beings (working towards their own telos within their own ethical framework).

Summary and approach on levels of analysis

As discussed, the original three levels analysis of organisation suggested by Yammarino & Palanski (2009) have some limitations which may be relevant for this research. To counteract these, the following levels will be used:

- 1) The organisation as the legal entity
- 2) The executive management who has the (legal) right to speak for the legal entity (make promises: words), and are responsible for directing and forming the organisational structure (actions)
- 3) Self-governing hierarchical and functional groups that are defined within the organisational context and work coherently towards the telos of the organisation.
- 4) Leaders who lead and represent hierarchical or functional group, make promises for that group, and are responsibility for the actions and transparency of the group's actions in working toward the telos of the organisation.
- 5) Individuals as organisational group members. Note that individuals will practically always be members of multiple groups within an organisation at the same time.
- 6) Individuals as sentient beings, which have a life, a personal ethical framework and telos outside of the organisation.

3.2 Developing the virtue-ethics definition of integrity on multiple levels of analysis

Now that the levels of analysis have been defined, the concept of integrity and the associated virtues need to be interpreted at each level. This interpretation will be done per virtue.

3.2.1 Consistency between word and action

The first step is breaking up "consistency between words and actions" into its constituent parts. In line with some authors (Detert & Bruno, 2017; Erhard et al., 2009), instead of "words", the term "promises" will be used to make a distinction between vague statements and clear distinct promises which are meant to show commitment and will be followed up by action.

Making and honouring a promise consists of five parts. It needs two actors (each of which can constitute of multiple individuals); the one making the promise, and the one to whom the promise is made. Then there is the promise itself (word), the actions which aim to realise the promise (which are visible to the promiser, but not necessarily to the "receiver"), and the transparency that shows if or to which extend the promise is realised. The last distinction is relevant, as not all promises lead to a result, but can also be promises to make a certain effort.

For an organisation, the hierarchy reflects the types of promises made and effect of not keeping them. Only the executive management can make promises for the legal entity and entire organisation. Individual employees also make promises, but these are principally limited in the extend of their function – as determined by the organisational breakdown of the promises made on executive level. While the executive management performs the actions for the organisation, the board (or equivalent actor) is in the end responsible for the actions taken. This is reflected in corporate law, as the board discharges the executive management from responsibility after reviewing the yearly reports.

The lower levels within an organisation then have the task to realise those promises, and in doing so, also make derived promises. Promises usually will have a transactional character, but single-sided promises are also possible. Promises can be action-related (promise to put in effort) or result-oriented (promise of delivery of a concrete result). All levels can and do make promises to all other levels. Note that from a theoretical perspective, leaders and groups principally do not make promises of their own towards organisational stakeholders, but only take over promises made on the organisational level: wholly, in part, or derived from. Taking a leader role implicitly requires full commitment to all promises made on organisational level. The leader is concerned with how to achieve them, not what they are or why they are made.

For individuals as member of the organisation, activities are also governed by the promises made by the organisation and defined by the organisational processes created by leaders. This implies employees just “need to do what they are told” and get the contractually agreed compensation. However, when this is approached from a virtue perspective and includes the individual as sentient being, another perspective is uncovered.

When an individual aligns his or her telos with that of the organisation, work becomes a way to achieve individual life goals. This can mean alignment of goals (as example non-profits or NGO’s), or that working for an organisation provides an opportunity for development (training, leadership, experience). This requires a choice for both the individual and the organisation what kind of “relationship” exists between the organisation and its members.

Promises are related to the wishes of the stakeholder. The more the promises match the wishes, the higher the value for that stakeholder. Wishes for different stakeholders however may not align and might even contradict. Senior management needs to make choices on what is promised, optimising towards achieving the organisational telos.

In Table 2 (p.24), the five aspects of promise making and honouring are shown for the different levels of analysis defined in 3.1. The table is not by any means complete and may not be valid for different types of organisations but illustrates the major practical aspects when applying the theory.

3.2.2 Courage

As with integrity, there is not one commonly agreed upon definition of courage. As we focus on integrity related to organisation, Detert & Bruno (2017)'s definition from their review of courage literature will be used as a starting point: "Work-domain related act done for a worthy cause despite significant risks perceivable in the moment to the actor" (p.594). In paragraph 2.3 it was already observed that ethics are linked to the concept of courage, and this is reflected in the term "worthy cause". In an organisational context, a worthy cause will be defined as anything benefitting the telos of the organisation.

Central in the definition is the "significant risk, perceivable in the moment by the actor". From a perspective of making promises, all risks pertain to not being able to keep one's promises, specifically the consequences thereof. Therefore, a promise with any amount of (perceived) uncertainty combined with associated perceived negative effect toward not being able to honour it, requires courage.

This raises a question: If there is a perceived chance of not being able to achieve a promise, should the promise be made in the first place? Referring to keeping and honouring promises: if one takes the honouring perspective, then there is no reason why a "risky" promise should not be made if one is prepared to honour it. In this, promise making, courage and ethics are inherently linked.

For any promise, the organisation (or any promising actor) must perform a form of risk management to assure that if the promise cannot be fulfilled, it has the capability to honour the promise by cleaning up the resulting mess. If this is not the case, the organisation should choose not to make the promise. In this way, whenever the organisation is unable to fulfil its promise, an effect mitigation strategy has already been chosen and "just" requires executing. In an organisation where no prior risk analysis is done, the moment of courage shifts towards the moment when the non-fulfilment must be faced. This is potentially a moment when groups, leaders, employees, or individuals may wish to hide the fact that they did not do the work, or did not do a proper risk assessment. Risk management at the moment of promise making, reduces the amount of courage required. As Erhard et al. (2009) and Jensen et al., (2010) state, a cost/benefit analysis and choice should be done before making a promise, not at the moment when the promise cannot be kept.

Table 2: Promises made in organisations.

Who	What is promised	To whom is promised	Action	Transparency
Organisation as legal entity	Realising statutory goals / promises Fulfil lawful obligations. Honouring contracts and agreements with stakeholders (promises)	Shareholders Government / society Stakeholders (incl. customers suppliers, employees)	Install a board of directors. Install lawful representative(s) (executive management) Create GRC (Governance, Risk & Compliance) Appoint executive management	Minutes of board meetings Legally required reporting GRC structure & reporting
Executive management	Stewardship of the legal entity (by implementing GRC) Working towards fulfilling statutory goals Fulfil the promises made by the legal entity.	Board of directors, which represents the legal entity and shareholders.	Perform GRC cycle, which leads to creating/adopt a strategy: <ul style="list-style-type: none"> - Business model - Operating model - Organisational structure - Culture & Ethical framework And implementing this through policy to assure promises to stakeholders are kept.	GRC reporting Policy, including KPI structure. Strategy
Groups	Implementation of policies by steering and enabling group members to collectively support realisation of organisational promises	Executive management Group members. Other groups & leaders (internal stakeholders)	Cooperate, coordinate, and organise tasks to assure coherent functioning of the members of the group, training and supporting (enabling) group members to perform optimally. Align with other leaders and/or groups, towards achieving the shared promises made by the organisation.	Demonstrate activities are in line with policies. Show promises are kept
Leaders	Implementation of policies by steering and enabling group members to collectively support realisation of organisational promises	Executive management Employees under responsibility Internal stakeholders	Cooperate, coordinate, and organise tasks to assure coherent functioning of the employees for who the leader is responsible, training and supporting (enabling) employees to perform optimally. Align with other leaders and/or groups, towards achieving the shared promises made by the organisation. Be a cultural & ethical role model and arbitrate in conflicts between group members.	Demonstrate activities are in line with policies. Show promises are kept

[Continued on next page]

Individuals as organisational group members	Honour contracts and agreements, work within policy and processes to honour promises Honouring the ethical framework of the organisation	Organisation, leaders, groups, group members, external stakeholders (for boundary spanning functions, both boundary spanning members of another organisation as individuals i.e. consumers) Executive management, leaders, groups, group members	Perform work in line with processes, tasks or guidance made by leaders or as determined by the group. Applying ethical framework and reflecting on own behaviour (virtues). Show courage to improve organisation, escalate deviations, whistleblowing.	Results, KPI's (internal and external) Performance review
Individuals as sentient beings	Honouring one's ethical framework. Honouring promises made.	Oneself. Other individuals as sentient beings, within and without the focus organisation, other individuals, or organisations/groups	Applying ethical framework and reflecting on own behaviour (virtues). Show courage to challenge someone else's and one's own ethical framework. Any action aimed at honouring the promise made	Internal reflection Feedback Action or result

To understand the meaning of courage at the different levels of analysis, the effects of not keeping the promise at each level need to be established.

On an organisational level, courage is related to the non-fulfilment of the statutory goals of the organisation and not adhering to the legal framework in which the organisation is established. More simply put: the risk of the organisation failing to achieve its telos or the risk of ceasing to exist (i.e. by going bankrupt).

On an executive management level, courage is about choosing the right strategy, organisation, business and operating models and culture to achieve the organisational goals. This translates into risks to the short- and long-term profitability/existence of the organisation.

On group level, courage is somewhat more limited, as the task here is “only” about execution of strategy or policy. Risks are more operational and related to day-to-day disturbances, organisation of work, capacity, and capability management and (ethical) behaviour of group members. If issues occur beyond the responsibility or powers of the group, they are escalated to the executive level.

On a leader level, courage is similar to the group courage, but may be considered somewhat bigger by the fact that he/she is solely responsible for the decisions made, instead of a group where this responsibility is shared by all members.

On individual as group member level courage is further limited but does depend on the span of control and the possible effect related to the function the individual occupies. With proper GRC (governance, risk, and compliance) management on executive and board level and resolution of contradictory stakeholder promises, no individual should be able to cause an unmanageable risk to the organisation.

On an individual as sentient being level, the perspective on risk and courage changes. There are now two telos' and two ethical frameworks (that of the organisation and that of the individual) and as these most likely will not fully align. The individual may be confronted with unsolvable conflicts of interest between the telos' (e.g. working more hours for the benefit of the organisation or spending more time with the kids) or moral conflicts between the ethical frameworks (e.g. the organisation expanding into defence industries versus a personal belief in pacifism). This requires action on the part of the individual, or somehow managing to hold two different parts of their lives separate (pressure on the individual's authenticity).

Such conflict must not always be regarded as negative or yield negative results for the organisation. (Detert & Bruno, 2017) provide some insight by discussing related concepts, where not keeping (internal) promises may benefit the organisation.

Table 3: Workplace courage related concepts, derived from (Detert & Bruno, 2017, p.612)

Concept	Meaning
Whistleblowing	Disclosing illegal, immoral, or illegitimate internal practice under control of employer to persons or organisations that may be able to effect action
Positive or constructive deviance	Intentional behaviour that departs from the norms of a referent group in honourable ways
Prosocial rule breaking	Intentional violation of formal policy, regulation, or prohibition with primary intention of promoting welfare of organisation or one of its stakeholder
Improvement-oriented voice	Verbal behaviour that constructively challenges the status quo with the intent to improve rather than merely criticize a situation

Note that terms like “honourable” and “improve” are all morally loaded. Also “welfare of the organisation (or one of its stakeholders)” is in practice ambiguous, as it is possible that improving on the welfare of one stakeholder, may be endanger or diminish the welfare of another stakeholder.

A conflict between the ethical framework or telos of the organisation and an individual, may lead to the wish for resolution, which can manifest in one of the ways shown in *Figure 2* – for the benefit of both the organisation and the individual. It illustrates the importance for an organisation to define when a contrary action is considered constructive or “honourable”, and when it is inappropriate or misplaced.

Nonconstructive courage (from the organisation’s perspective) can take forms of simple theft, but also an individual taking unacceptable risks with company’s resources (either for personal gain or with a positive intent for the organisation).

Summarising, courage on the level of individual as sentient being relates to either risking one’s own position in the organisation as “going against the flow” - even in case of positive intent - might not be accepted by the organisation, or accepting that individual integrity is only possible by having the courage to leave the organisation².

Table 4: Risks at each level of analysis, related to courage.

Level	Courage required for taking decisions on / associated risk
Organisation	Inadequate oversight, organisational statutory goal, which is unsustainable, leading to ceasing to exist as an organisation.
Executive level	Making strategic choices which may lead to endangering reaching the goal/telos of the organisation/ i.e. by going bankrupt. Inadequate balancing stakeholder focus and GRC – risk appetite. Defining an organisational ethical framework which may conflict with those of stakeholders or the larger society.
Leaders	Making choices on how to implement policy. Balancing coaching or enforcing organisational ethical framework. Prioritizing resources. Taking risk in creating processes and taking responsibility for groups and group members; constructive opposing behaviour towards strategy/organisational promises Realistic goal setting towards employees so that they do not come in situations of conflict of interest.
Group	As the responsibility of a group is shared by all its members together, the weight of a courageous act per individual will be less than when it is made by one person carrying all the responsibility. Internal coherence with separation from other groups within the organisation (islands / ivory towers)
Individual as member	An individual member requires guidance on which risks are allowed to be taken, which not, and how to handle in case of unclarity.
Individual as sentient being	Risk perception is governed by personal beliefs, fears, and the psychological makeup (risk adverse or risk taking). Constructively opposing behaviour towards strategy/organisational promises, leader & group (colleagues), with the goal to align the organisation with one’s own ethical framework or telos. If the effort is ineffective, accepting this and/or aligning one’s own ethical framework with that of the organisation. Non-constructively opposing behaviour towards strategy/organisational promises, leader & colleague, with the goal to align the organisation with one’s own ethical framework or telos. If this effort is ineffective, the individual can choose to leave the organisation in favour of finding something closer to their own telos (freedom/responsibility), which also requires courage. Also: taking more risk that the organisational risk appetite, to achieve personal goals.

² Courage related to the psychology of the individual (i.e. overcoming fear of speaking in public) is not within the scope of this thesis.

3.2.3 Ethical behaviour

Ethical behaviour describes the principles by which an actor should decide their behaviour in circumstances which (could) pose a moral or ethical dilemma. Organisations make statements concerning ethics, but it is up for debate which form these should take, notably about whether they ought to provide specific prescriptions and proscriptions (belief systems and boundary systems) or should be framed instead as general principles (Hammersley, 2015).

Palanski & Yammarino (2007) have provided four ethical virtues: Justice, honesty, trustworthiness, and compassion. However, defining four virtues is not enough to create ethical behaviour. As an example: justice. History and current affairs provide numerous examples of societies that thought (and think) it morally justified to discriminate or mistreat groups of people based upon their race, religion, or sexual orientation. Within the confines of those political, religious, or ideological “ethical” frameworks, the (mis)treatment of those groups did and does not constitute an ethical problem, nor even a lack of justice. The apartheid-system of South-Africa in the 1970’s had laws which were discriminatory to the black population. But within this system, those laws would constitute law and therefore justice. A virtue-based framework therefore needs moral principles regarding e.g. universality of justice (or lack thereof), e.g. regardless of background, race, or religion.

Virtue-based ethics have been put opposite to rule-based ethics (MacIntyre, 2007; Palanski & Yammarino, 2007). Regulations, codes of conduct, and audits are weak instruments to ethically guide organisations in the complex and global environment. As a result, scholars’ attention is turning from setting the “right” rules and codes to deepening the relevance of individual character strengths and leader virtues (e.g. Palanski & Yammarino, 2007; Van Dun, Hicks, & Wilderom, 2017).) This does not mean discarding rules and norms but does stress the need to integrate them with moral virtues and values (Paniccia et al., 2020).

Rules are needed as concretisation of ethical principles and virtues, not as an ethical basis in themselves. They also act as boundary systems – “to here and no further” – which become relevant when a balance needs to be found between achieving promises to one or to another stakeholder.

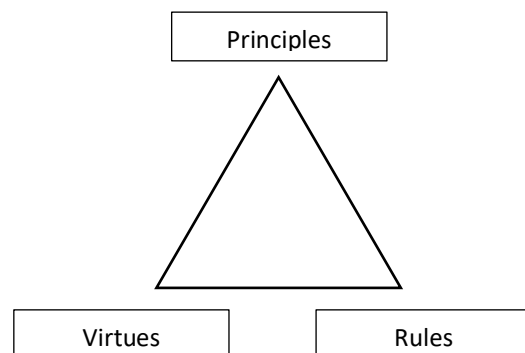


Figure 3: Principles, rules & virtues.

On executive management level ethics means to define the organisational ethical principles and virtues, and to set rules (“Ethical framework”) and put them into practice. This also impacts the way promises towards stakeholders are made (e.g. risk appetite).

Discrepancies or conflicts between the internal ethical framework and that of stakeholders or the ecosystem in general are to some extent inevitable. There usually is some alignment due to a shared legal framework (in case the organisations work within a legal framework, criminal organisations are an obvious exception). With increasing globalisation, a shared social or cultural ethical framework cannot be assumed.

On the leader level ethics is about explaining and apply the ethical framework by using virtues as principles to judge (own and employee) behaviour, solve ethical dilemmas and enforcing rules if necessary.

On group level, the same applies, but groups also have a role in (re)defining intergroup rules. Leaders can (to a certain extent) enforce based on their position, but within groups this will a more collective process.

Individuals as group members use the framework to decide on their actions in practical circumstances. They also improve the framework by escalating issues to leaders or within groups.

Individuals compare the ethical framework of the organisation with their individual ethical framework and decide which one to use when. Here the internal framework may be influenced by the discrepancies between the organisational and de the private framework – as described in the paragraph on courage (3.2.2) – as long as it relates constructively to the telos of the organisation. When the discrepancy relates to differences towards the telos of the organisation and that of the individual, the virtue of Authenticity becomes relevant.

Executives, managers, and other employees can be expected to attain high ethical standards only when they feel they are an integral part of an organisation and the organisation itself respects those standards (Bartlett & Preston, 2000). Palanski & Yammarino (2009) suggest that in case of an integrity conflict between enhancing the integrity of the organisational of a leader’s personal integrity, negative consequences “may be mitigated when the leader clearly and openly explains the rationale for his or her actions to all stakeholders” (p.418).

3.2.4 Authenticity

The virtue of authenticity is defined as “speaking and acting in accordance with one’s own values and keeping promises to oneself” (Palanski & Yammarino, 2007), and is closely related to genuineness, transparency and to acting with no hidden agenda. From a general organisational perspective, authenticity would be achieved when all internal actors of an organisation act in line with the values and telos defined by the organisation.

In the analysis of courage, it was proposed that not all actions against values and promises are negative. This apparent contradiction can be resolved by including an open stance to countervailing opinion or ideas into the ethical framework. If its intent is to benefit the telos of the organisation and is done within the ethical framework or in a prescribed constructive way, deviating is permitted. In this way the organisation’s moral structure is not rigorously prescribed, but a culture of openness is stimulated, and the ethical framework is open for debate and improvement to the benefit of all³.

For the organisational level, one’s own values are defined by the statutes and the legal framework in which it operates⁴.

For executive management level authenticity means that they create, maintain and apply the ethical framework in line within the boundaries of the statutes. Challenges and change proposals to the framework may come from within the organisation (proposals and countervailing action by individuals, dilemma’s), but also from stakeholders and societal changes.

For clarity in a different order: on the individual as sentient being level, authenticity is then still about keeping true to one’s beliefs, as defined by Palanski & Yammarino (2007). Individuals can add something of themselves into the organisation, by help in forming processes, ethics, and policy. This is fundamentally trying to align the organisation’s telos/ethos to the personal telos/ethos.

³ As a short thought experiment: what would happen to an organisation which will not allow any deviating opinion or action from its members? This would mean silencing any countervailing voice by repression, excommunication or in extreme cases even murder. Such organisations would therefore also typically not change over longer periods of time, as any initiative to change would be stopped. Ideologies and fundamentalist religions come to mind as examples of these types of organisations.

⁴ “Organisational values”, which are used in marketing or to achieve internal alignment, should not be regarded as belonging to this level of analysis, as these are strategic choices made by senior management or leaders/groups. Only those values which are set by the legal entity as boundary conditions or guiding principles for the executive management, must be considered the organisational values. It is the task of the board of directors to assure executive policy aligns with these values.

This does mean that the individual must make the choice of committing to being a member of the organisation and working towards the organisation's telos or not. Joining an organisation with the only goal to change its telos, cannot be considered authentic or ethical and does not show integrity from the organisation's perspective.

On the leader level there are some challenges. First and foremost, authenticity means to be conductive actors and the guardians of the organisational values and ethics towards the individuals as team members. They must also receive challenges and ideas from individuals as sentient beings and weigh them in the ethical framework. Here there is a risk that they impose their personal (individual as sentient beings) ethical framework and opinion onto the challenge or idea.

The group level is similar to that of the group leaders, but then the group must find solutions to conflicts based on the ethical framework. When individuals as sentient beings within the group share a personal ethical framework other than that of the organisation, group pressure may be problematic. E.g. when individuals have a shared negative opinion regarding foreign workers, even when the organisation forbids discrimination. Countervailing opinions may therefore be less likely to be accepted and undesirable behaviour less repressed. On the other side, a team of individuals that subscribe to the organisational values, may also be more effective in repressing negative behaviour, by forcing team members "back in line".

On the team member level, Authenticity means adherence to the ethical framework.

As a last observation: If an organisation aims to become authentic in this way, it will also mean that less courage would be required to propose changes, and less strong contrary actions would be required for individuals as sentient beings to make their proposals heard.

3.2.5 Character

Character is the overarching virtue, that binds all others together. “All moral dispositions and especially the other aspects of integrity complement each other; there is no area that is lacking”, “an overall consistency of behaviour, thoughts, and emotions across time and situations; thus, the overall person is in view here, not simply isolated aspects of the person.” (Palanski & Yammarino, 2007, p.180).

Character is about the willingness to be or at least actively work towards achieving organisational integrity. This concept may be more difficult to comprehend and apply, as it inherently includes or overlaps all other virtues. To put it in somewhat simplified terms: character is the virtue where discrepancies become visible and require action to be restored.

For the organisation as legal entity level, character is defined by and limited to the statutes. Any contradictions here pose an immediate problem for the lower levels.

Character on executive management level pertains to equally balancing strategic and policy choices, treating promises to stakeholders equally and creating and enacting the ethical framework. As this is what guides the integrity of the organisation as a whole, any unbalance or failure to act ethically, is magnified throughout the organisation. At this level it is also about resolving issues within the organisation during execution of strategy and policy regarding character that cannot be solved by integrity. Dilemma's here are caused by contradicting requirements of stakeholders.

On group and leader level it is balancing all aspects and virtues during the organisation of the execution of the strategy into plans and processes. It is also about supporting group member in creating character by training, example behaviour and handling of internal conflicts.

Dilemmas at this level: not enough resources, unclear priorities, or targets. This is where the “proof is in the pudding”: can leaders and groups honour promises through their plans and processes by applying the virtues. And most important, can they prevent contradictions or conflicts caused by problems not solved in plans and processes, to become problems of individual group members. And if these do occur, leaders and groups must solve the contradictions (which cannot be solved with integrity) at their level or escalate to executive level.

On individual group member level, this is very similar, only the possibility of action is further restricted. This is the reason why executing management and leaders must show “more” character: dilemmas on the level of individuals can only be solved up to a point within the integrity framework. If escalation is not possible or does not yield a workable answer (if management is unavailable or leaves dilemmas to lower levels to be resolved), the individual is forced to break a rule and lose character and integrity.

Character on the level of individual as sentient being is then about the internal conflict when character and integrity within the organisation cannot be achieved. This is where whistleblowing possibly originates. There is a large overlap with courage, authenticity, and the personal ethical framework.

3.2.6 Reflection on the multi-level concept

The previous paragraphs have demonstrated that an arguably relatively simple definition of integrity, gains significant abstract complexity when applied to multiple levels of analysis.

The expansion on the number of levels of analysis from 3 to 6 is judged to be a valuable exercise. The differences between leaders and groups are limited, and differentiation there may not necessary. The differentiation between the organisation as legal entity and executive management, clarifies the responsibility of management towards the legal entity, and clarifies the role of the board or directors. The distinction between individuals as organisational members and individuals as sentient beings however can be argued as valuable. It is precisely in this differentiation that the cause of conflicts of interest, countervailing opinion and opposing behaviour originate.

Another insight is that the identification of stakeholders, and aligning concrete promises between them, is necessary to prevent sub-optimisation and unethical behaviour.

Lastly, while the importance of executive management and leaders showing exemplary behaviour colloquially will not be in doubt, the concept clarifies why this is the case, especially in preventing unsolvable dilemmas for individual group members and eventually organisational hypocrisy (Kılıçoğlu, 2017).

3.3 Evaluating the concept as a PMM

We will evaluate the concept's value as the basis for a PMM based on the four control levers from (Simons, 1995). For this evaluation it should be clarified what should be considered a "system" in Simons' (1995) article. The multi-level concept presented up till now is not a "system", but neither is for instance is Kaplan's Balanced Score Card or any other PMM for that matter. Both the concept and a PMM can only provide the basis, a model. An organisation must project their own structure, strategy, and valuations of targets onto this model and then create the structures, IT tools, reports etc, that can be considered the actual system. The evaluation will therefore focus on whether the concept is in essence a model onto which the organisation can project their structure etc. The actual "systems" are the next practical step in the implementation of a PMM model, after it has been grafted onto an organisation.

DIAGNOSTIC CONTROL SYSTEMS

These are described as "dials on the control panel of an airplane cockpit" and "track the progress of individuals, departments, or production facilities towards strategically important goals" (Simons, 1995, p. 81).

As stated in 3.2.1, any promise made, must contain transparency on if/how this will be achieved. Any promise made towards stakeholders by the organisation, must be considered strategically important, which then defines which KPI must be monitored on the "airplane cockpit". When the promise is transferred to the organisation to realise the promise in part or entirety, the accompanying requirement is to be transparent as well. No matter how much the promise trickles down into in the more operational levels of the organisation, in principle the promise and its fulfilment can be tracked.

When working based on promises and transparency, the diagnostic structure and information is available in the organisation.

BELIEFS SYSTEMS

The belief systems described by Simons pertain mainly to mission statements and core values.

This is covered by the telos and ethical framework, which goes beyond a mission statement and core values. It also defines the “how”, both in structure (promises, transparency) and (ethical) interaction. It defines the fundamental perspectives (truthfulness, justice, trustworthiness, and compassion), but more importantly perhaps, tells employees that trying, failing, and improving is part of the journey towards the telos. This allows for a culture that sees mistakes as chances to learn and incentivises helping each other improve.

BOUNDARY SYSTEMS

The boundary system is aimed at telling employees what not to do. It defines activities which are off-limits and is the “ethical” lever of the PMM model (Simons, 1995).

Because the concept is virtue-ethics based, it is a positive system aimed towards learning, improving and critical reflection. It stays away from rule-based ethics as much as possible, but part of the ethical framework does consist of rules. These are partially aimed at clarification or definition of specific boundaries that cannot be derived from principles alone, but also at defining what to do when stakeholder requirements are at odds with each other or even contradict.

While in theory the multi-level concept forces management from the highest level of promises, already to face ethical dilemmas towards stakeholder promises that are mutually exclusive or at odds with each other, not all contradictions can be solved both in the promises and in the transference of the promise towards the operational part of the organisation.

This does not yet consider the differences in the organisational ethical framework and the ethical framework of the individual as sentient being. If an individual considers it ok to take things from work for their personal use, they will have a personal rationale for this behaviour which fits into their ethical framework. If a business controller “borrows” some money from the company for an operation for her child, with the intent to give it back in a few weeks, this may be rationalised as ethically acceptable - from her perspective. For these cases, boundary systems are appropriate. Even when aiming at organisational integrity. This is also admitted by Simons (1995), who states that “boundary systems and belief systems [] together create a dynamic tension that establish direction, motivate and inspire and protect against potentially damaging opportunistic behaviour” (p. 86).

To summarise: the multi-level concept includes boundary systems. However, this “lever” is not as pronounced as the other control levers. Depending on the organisation implementing a PMM based on the concept, the “size” and visibility of the control lever should be determined.

INTERACTIVE CONTROL SYSTEMS

These are described by Simons (1995) as “weather-tracking systems” (p. 86): they focus on constantly changing information that senior managers consider potentially strategic. These are different in focus from diagnostic control systems that determine how well plans are achieved. The interactive control systems are aimed at if the plans are still appropriate.

In the multi-level concept, this is covered by the process of promise making. Before committing to promises, a cost/benefit or risk analysis is done. When this concerns strategic planning, the main factors that can disrupt the keeping of the promise are external. When the process of making promises is taken seriously, these risks will come up, and the need for a system for monitoring the relevant external parameters surfaces. This would then lead to the creation of the interactive control system.

The advantage of the multi-level model is that this is done for all promises, and based on the risk of external change is given the appropriate amount of attention. Laws and regulations do not change from day to day, so this would require e.g. an update every 6 months. Volatility in global supply chains and raw material cost can change much quicker – it is therefore more difficult for a purchasing department to make a keepable promise, requiring active monitoring to quickly act on changes to prevent falling results, but also making use of temporary opportunities.

CONCLUSION

Sub question 1b can now be answered: Can this concept be used as the basis for a PMM model?

The multi-level concept of integrity fits the four control levers described by Simons (1995). The benefit of the concept is that when taking the core premise of making and honouring promises yields and applying them to an organisation, the four control levers would be logically and naturally derived. This makes the multi-level concept a useful approach in managing and measuring performance over all aspects of an organisation.

4 Limited case study

As stated before, a comparative study or longitudinal study on the implementation of the concept is not possible within the scope of a master thesis. What is possible within the scope, is to perform a limited case study on all preparatory development steps up until the point where an organization would have to start implementation and changing the current organization. This would allow two aspects to be tested:

1. Whether the concept can provide an assessment of how many of the preconditions of organizational integrity already exists in the current organization, and what would need to be done before attempting implementation towards full organisational integrity.
2. Whether the concept can be used as a practical guide to “design” the structures, ethical and behavioural framework and other preconditional work in defining and development.

Based on the multi-level concept in chapter 3.2, the following preparatory actions are distilled:

1. Deciding on organisational telos.
2. Creating the organisational ethical framework.
3. Making the organisational promises to stakeholders.
4. Communicating and transferring the promises to the organisation.
5. Organising transparency.

Organisational context

The organisation at hand is a Dutch manufacturer of beds and mattresses, that sells their products through a franchise network and web shop to consumers and B2B clients. Primary market is The Netherlands, with additional sales offices in Germany, Belgium, and Denmark. Products are also sold worldwide on project basis or to importers with their own sales network. Total revenue is approximately 90 million Euro (2023), and the company employs around 350 FTE. The company is partly family-owned and aims to be at the forefront of the circular economy. It is currently (2023-2024) going through a process of redefining its strategy, performing a digital transformation, and has executed a leadership programme based on George Kohlrieser’s “Secure based leadership” (Kohlrieser et al., 2022). In this context, the subject of behavioural change, connected to the digital transformation is seen by senior management as a significant prerequisite for success.

4.1 Organisational telos

To determine the organisational telos the statutes of the organisation were reviewed, as well as internal and public statements regarding the mission/vision.

The statutes contain 8 clauses regarding the goal of the organisation/legal entity. The first 7 are general ones concerning the management of finances and general exploitation. The 8th clause is more relevant for a telos:

have a significant positive impact on society and the environment at large through its operations and activities; as well as the performance of all that is related to the above or for that purpose can be beneficial, everything in the broadest sense of the word (Statuten [Organisation name] Groep B.V., 2022, p.2).

This general goal statement has been made more specific in the Corporate Social Responsibility (CSR) Report 2022 (Koninklijke Auping, 2023):

Vision: A well-rested world is a more beautiful world
Mission: 100% circular product range by 2030
Purpose: We bring rest to the world
Core values: - Customer is king.
- We aim for joint success.
- We trust each other.
- We innovate.
- We open new horizons.
- We are meaningful.

The CEO answered the question about the telos of the organisation with “stewardship (“rentmeesterschap”) of the organisation to assure it’s short- and long-term survival and bring rest to the world”.

The corporate behavioural code was also reviewed for any mention of an organisational goal.

We expect you to support our values and vision in your work and to help us achieve our goals. Therefore, please adhere to our rules on safety, sustainability, and integrity. In addition, be constantly aware of the daily contribution you can make. Contribute to CO2 reduction, making our products and work processes more sustainable, reducing our need for new raw materials, high-quality waste separation and reducing the disposal of waste for reuse and recycling within and outside our organisation. ([Organisation name]., 2020, p. 1)

Summarising: the telos of the organisation could easily be determined, and no development was necessary as relevant statements are available, clear, and consistent in the internal and external communication of the organisation. There is some mixing of the abstract telos and more concrete strategic targets, but this is not uncommon in such types of statements (Hammersley, 2015).

OBSERVATIONS

Apart from having the goals written down, they are also visible in practical day-to-day running of the organisation. There are clear reporting structures on finance (sales, cost, and efficiency), but also on parameters regarding environment, sustainability, and circularity. The organisation has a clear overview of the circularity of the current product portfolio and a roadmap towards 2030. There are concrete targets for e.g. energy usage, CO₂ emissions of production and transport, waste separation, sustainability in the supply chain and many more parameters, accompanied with actual data to show the current status vs target.

4.2 Ethical framework

The determination or creation of the ethical framework was started by searching for relevant documents within the organisation. This yielded the organisational code of conduct (“Gedragscode”) (Koninklijke Auping, 2020).

The code of conduct starts with listing the core values of the organisation, and then covers different tasks in the organisation and describes what in relation to those is and is not allowed.

There are two sections which go beyond mere rules and edge towards principles:

At [], we treat each other with respect and do not make any unlawful distinctions based on origin, race, sex, religion, political opinion, or belief⁵. We perform better thanks to the differences between employees. Inappropriate manners such as discrimination, bullying, (sexual) intimidation, aggression or violence is not tolerated here. In all countries where we operate, we endorse internationally recognised human rights, such as the prohibition of child and forced labour and the right to trade union membership and the negotiation of collective labour agreements. (p.17)

We want our employees to behave in accordance with both the letter and the spirit of applicable laws as well as according to the prevailing social views on doing business with integrity. (p.21)

All suppliers also must sign a code of conduct, that is in line with that of the organisation.

⁵ This text is based on the Dutch constitution as valid in 2020. The current version reads “All who are in the Netherlands are treated equally in equal cases. Discrimination on the grounds of religion, belief, political opinion, race, gender, disability, sexual orientation or on any other grounds is not permitted.” (De Nederlandse Grondwet, 2023)

DEVELOPMENT

The code of conduct already provides useful input towards the ethical framework. There are rules, both as boundary systems and belief systems, and so covering two of the control “levers” of the PMM.

The current organisational core values however do not match the virtues of the proposed concept, both literally and in what they represent. While there is some overlap with trust and joint success, the other values differ substantially and are arguably not true virtues.

This was discussed with members of the management team, which lead to a compromise proposal to change the core values to the following (original virtues in brackets):

- I do what I promise. [honouring one’s promises]
- I aim for common success. [Character]
- I aim to be an example. [Ethical behaviour]
 - o I aim to be trustworthy. [Trustworthiness]
 - o I aim to be honest. [Honesty]
 - o I aim to be just. [Justice]
 - o I aim to be compassionate. [Compassion]
- I aim to be brave [Courage]

Authenticity was dropped as a separate item, as it was considered too complex to be explainable to all employees. As of time of writing this is still a concept, but a decision on adoption or changes to the concepts are expected shortly.

Stepping beyond the existing documents: are there any ethical principles that can be considered commonly accepted in society that at least provide some guidance for practical decision making? While MacIntyre states that there is no common ethical ground (MacIntyre, 2007), there is a principle that may be a candidate: the “Golden Rule”. The Golden Rule is the principle of treating others as one would want to be treated by them (Wikipedia contributors, 2024), and is in Western society often attributed to Jesus Christ (Matthew 7:12 & Luke 6:31). The principle however predates Christianity by at least 1,5 millennia and can be found throughout religions and cultures all over the world in slightly different forms, both as affirmation and negation (Eyclopedia Britannica, 2024; Wikipedia contributors, 2024). One could argue that the non-discriminatory principle follows from the Golden Rule. However, as this is already part of the code of conduct, including both is proposed.

Combined with the existing rules, this would yield the following ethical framework:

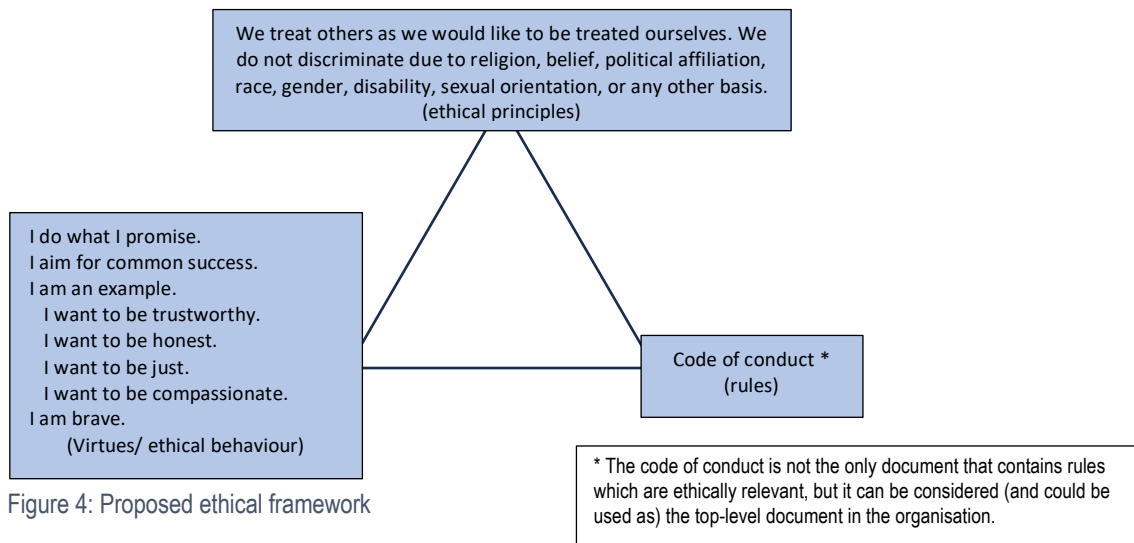


Figure 4: Proposed ethical framework

OBSERVATIONS

The current core values are not really used in day-to-day operation to decide on ethical dilemmas or ethical behaviour. The core values are used during the yearly performance cycle between leader and employees to determine which core value the employee most shows in daily work, and which one can be improved. In practice the possibility to operationalise these values depends on functions. Innovating and opening new horizons is difficult and abstract for blue-collar workers in daily operations. Joint success, customer orientation and trust is mostly seen as “just doing your job”. In some office functions, like product development or category management, these are part of the job description and therefore also not incentivising personal reflection and development.

Integrity and its related virtues were first shared with the organisation during a leadership training with all middle managers, excluding management team. The reactions there were generally positive, particularly because the ethical behaviour can be used for self-reflection and giving feedback to colleagues and employees.

While discussing integrity, it was observed that the behavioural virtues usually received immediate positive response as valuable and useful, but the multi-level promise making, character and authenticity were seen as confusing or as too complex to be explainable to the organisation. The language was also described as “archaic” – particularly “honouring” promises. This seems to indicate that before attempting to actually implement the multi-level concept, works needs to be done in preparatory explanation of the “why” and the intricacies of the model, and on the choice of wording – without losing the core meanings. The virtues in their current wording may have provoked a “system 1” responses (Kahneman, 2013), leading to reactions which were more related to wording than to substance.

The code of conduct is supported by a digital training module with questions at the end of which a percentage must be answered correctly for the employee to pass. When failed, he/she can retake the test. An employee must digitally sign for reading and accepting the code of conduct or will receive an official letter that they are bound to the content regardless.

4.3 Making the organisational promises to stakeholders

Again, this step starts with the review of exiting documents.

The organisational statutes (Statuten Auping Groep B.V, 2022) contain the following clause:

In the performance of their duties, the directors shall act in the interests of the Company and its affiliated enterprise. In addition, in the performance of their duties, the directors shall consider the social, economic, legal, or other consequences of the business operations of the Company with regard to:

- employees, subsidiaries, and suppliers.
- the interests of the Company's customers and its subsidiaries.
- the communities and society in which the Company, its subsidiaries and suppliers conduct their business.
- the local and global environment.
- the short-term and long-term interests of the company (p.10 & p.11)

The statutes are written as a task for the directors, hence in the multi-level concept approach these are the stakeholders that the legal entity requires the directors to make promises toward.

The corporate social responsibility (CSR) report 2022 (Koninklijke Auping, 2023) also contains some information regarding stakeholders (Table 5).

The stakeholder strategy described here provides some limited/implicit information regarding promises and transparency but is not complete and concrete.

Table 5: Stakeholder strategy from CSR report (p.15)

Our stakeholder strategy

Starting point (why?)	Agenda (what?)	Dialogue (how?)	Frequency (when?)
Consumers Existing and potential customers are our most important stakeholders. We want to bring rest to the world through sustainable and high-quality beds and mattresses.	Raising awareness of the need to choose sustainable high-quality designer products with the least environmental impact. Raising awareness of the importance of good sleep quality.	Targeted media use using traditional and digital touchpoints. Communications through our (social) media channels, website and consumer service desk.	Daily
Suppliers We work closely together with our suppliers and invest in long-term relationships. Reaching our goals hinges on joint dedication to a truly sustainable strategy.	Innovation and product development for raw materials. Flexible alignment with our LEAN product methodology. Shared data relating to our supply chain optimisation process. Recycling and environmental impact.	A Code of Conduct that supports our sustainability strategy. Embedding in agreement documents. Periodic liaising with suppliers.	Daily
Employees Our employees are the core of our organisation. Only with engaged employees can we both achieve our growth targets and realise our sustainability ambitions.	Employee engagement surveys, diversity and inclusion at every level of the organisation, employee training and development.	Intranet, periodic communication meetings for all employees, MT and Supervisory Board meetings with the works council. Training opportunities at Auping Academy.	Daily
Retailers Dedicated retailers are an essential part of our sustainability strategy. We realise our mission based on an omnichannel distribution strategy.	The need to explain the importance of a good night's rest. Facilitating product experiences and testing products. And raising awareness of the importance of a sustainable product range.	Training through Auping Academy, frequent newsletters and dealer events, including trade fairs. Relationship management by our sales teams. Annual KPI review.	Daily store visits and customer contacts through our sales service centres. Annual trade fairs.
Our communities It is all about having or being able to have a direct and indirect impact on all the communities within which we operate and thus on society as a whole.	Supporting local, regional and national initiatives and projects in society through partnerships. Our focus is on nature, culture, and sports.	Annual CSR Report, participation in local community activities and events.	Frequently
Shareholders We are a family business. Since our founding in 1888 to the present day, the Auping family has been involved in strategic decisions.	Strategic decisions for the long term, based on the Auping family's ownership vision. In close consultation with our minority shareholder Wladimiro.	Informal contacts and formal meetings.	Three times a year

DEVELOPMENT

With the organisational goal and ethical framework in hand, the organisation can make promises to its stakeholders.

Stakeholder theory has evolved since R. Edward Freeman's landmark publication in 1984 (Fassin, 2009). For the practical purpose of this thesis the adapted PSS model as shown in Figure 5 will be used as a guide.

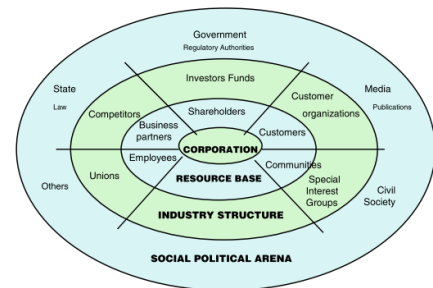


Figure 5: The adapted PSS model (Fassin, 2009)
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A session with the management team was organised by the author to determine stakeholders and start with defining promises. The workshop started with a short introduction to the framework, and then a brainstorm was done on stakeholders' determination (Attachment 2: Stakeholder workshop). During this, the top-6 stakeholders were identified with red stickers to determine the promises (due to restraints in time). Transparency was not discussed during the workshop.

This information has been used as a basis to propose the promises to the primary stakeholders, including transparency and actions (Table 6, p.45). Summarising the table highlights that the main task of the organisation/senior management team is to create the tools for steering and monitoring the organisation (PMM system). This allows the actual strategy and associated policies (the content) to be deployed throughout the organisation and wider ecosystem. This with the aim of achieving the organisational telos.

OBSERVATIONS AND REFLECTION

The perspective of making promises to stakeholders is straightforward and is observed to be quickly grasped by employees. Here – again – the understanding of the intricacies of the multi-level concept before such a meeting would facilitate the process. Otherwise, participants may ask themselves “why are we doing this?”, also known as the “what’s in it for me” principle. While in practice management team members found it relatively easy to define the promise in general term, there was a discussion regarding the responsibility for the next step. The multi-level concept puts the responsibility for translating the promise into policy at senior management. However, a point was raised, that writing policy requires specific content knowledge that (professional) middle management has, and senior management may not have. This suggests that transferring promises through policy may be aided by cooperation.

Table 6: Supplemented stakeholder wishes, promises, action and transparency.

Stakeholder	Stakeholder wish	Promise	Action	Transparency / KPI's
Board Shareholders	Stewardship. Continuity (ROI), Regional employer, good name / reputation	Stewardship "Resting the world" ROI	Implement GRC (a PPM system), including sustainability information, to allow monitoring and control of the organisation. Develop and implement a business strategy	Show adequate effectiveness in information and control from the GRC-system. Show effectiveness of the strategy in achieving short- and long-term stewardship & EBITDA.
Employees	Income, Security, Development, Pride / identity / meaning	"Safe and inspiring working environment for everyone"	Create and implement a policy for employee satisfaction and development. Create and implement a policy for health & safety	Employee satisfaction Illness, (near) accidents with and without injury
Consumers	Good bed, not expensive, safe, Predictable / clear, Sustainable quality, good feeling, Modern / of this time	"A good, attractive, quality product, good service with the right cost/quality balance"	Develop consumer propositions which are mutually beneficial to both parties. Create customer satisfaction measurement system	Customer satisfaction on product and service quality (e.g. net promotor score) CSR reporting
Dealers	Margin, Unburdened / no problems, Sustainable quality, No risk, Innovative	Longstanding profitable propositions	Develop, agree, and implement a policy which is mutually beneficial to both parties.	Dealer performance indicator Dealer satisfaction indicator
Suppliers	Margin, Timely payment, No risk, Open relationship / partnership, Stability/predictability (long-term)	"Healthy relationship with a healthy return on investment. In principle long-time. Cooperation in sustainability, circularity, and socially responsible entrepreneurship"	Develop, agree, and implement a policy which is mutually beneficial to both parties	Supplier performance indicator Supplier satisfaction indicator
Partners	Sustainable relationship -> positive impact on the world, [organisation] name = show, Achieve targets, Professionality	"Professional and sustainable cooperation with impact [positive, on the world]"	Develop, agree, and implement a policy which is mutually beneficial to both parties	Partner performance indicator Partner satisfaction indicator
Government	Frontrunner circular transition, Rules, taxes, Employment	"Frontrunner in sustainability transition in our industry"	Implement compliance management (part of GRC) Include sustainability in GRC	Operational GRC Deviations/non-conformities CSR report

Middle managers usually work towards honouring the promises of a subset of all stakeholders. They will optimise their processes and actions to fulfilling those promises as efficiently as possible. If, however, there is a contradiction between the subsets of stakeholders, this will lead to internal conflicts, loss of efficiency and organisational integrity.

This effect is compounded when stakeholders or subject promises are given as a general responsibility to supportive departments, like quality, risk, compliance and health and safety. All other departments then can focus on just a few promises and targets, exacerbating the contradictions. An integral approach (hence organisational integrity) and contradiction solving on stakeholder promise level by senior management, may be able to resolve this. By solving the contradictions first, and then transferring the promises to the organisation prevents that first-order of promise conflicts.

There is a second order promise conflict, caused by the mentioned allocation of general responsibility to specific supportive departments. Here the concept – when fully understood also provides guidance. Any general promise is transferred to the whole of the organisation. Health & safety and compliance to laws and regulations are promises to be kept by every single member of an organisation. The creation of central functions or department then is done to focus knowledge and experience, which would otherwise be needed by every member. It is a choice for creating efficiency, not a transference of responsibility of keeping promises.

The third order conflict is the conflict of personal interest, of the differences with organisational and personal ethical framework of the individual as sentient being. It is doubtful if the concept will have a significant impact on this. By clearly defining the internal framework and telos may have a positive effect, but there are many companies that already have mission and goal statements and codes of conduct. Enron had a code of ethics (Enron, 2000).

4.4 Transferring promises to the organisation and organising transparency

Without a full set of promises by senior management, it is not possible to test communication and transfer of the promise. However, for a specific case this exercise has been partially performed: Customer satisfaction in the form of product related quality.

DEVELOPMENT

A product quality policy was written by the Quality manager where Customer satisfaction was set to be influenced by brand value, customer experience (the interaction between customer and organisation in the sales and service processes) and all satisfaction related to the actual product. Quality management was then set to be limited to that last part. This was then made specific into two KPI's: First Time Right (FTR) – The times the customer received their order on time, in full and to expectation divided by the number of orders, and the Field Failure Rate – the number of complaints of as customer during the actual usage period of the product divided by the number of orders. Overall targets were set of FTR and FFR based on existing values -5%. Then a flow down (Figure 6) was made of all departments that influence these two KPI's – and show their impact on keeping the promise – and therefore the promise these departments must make.

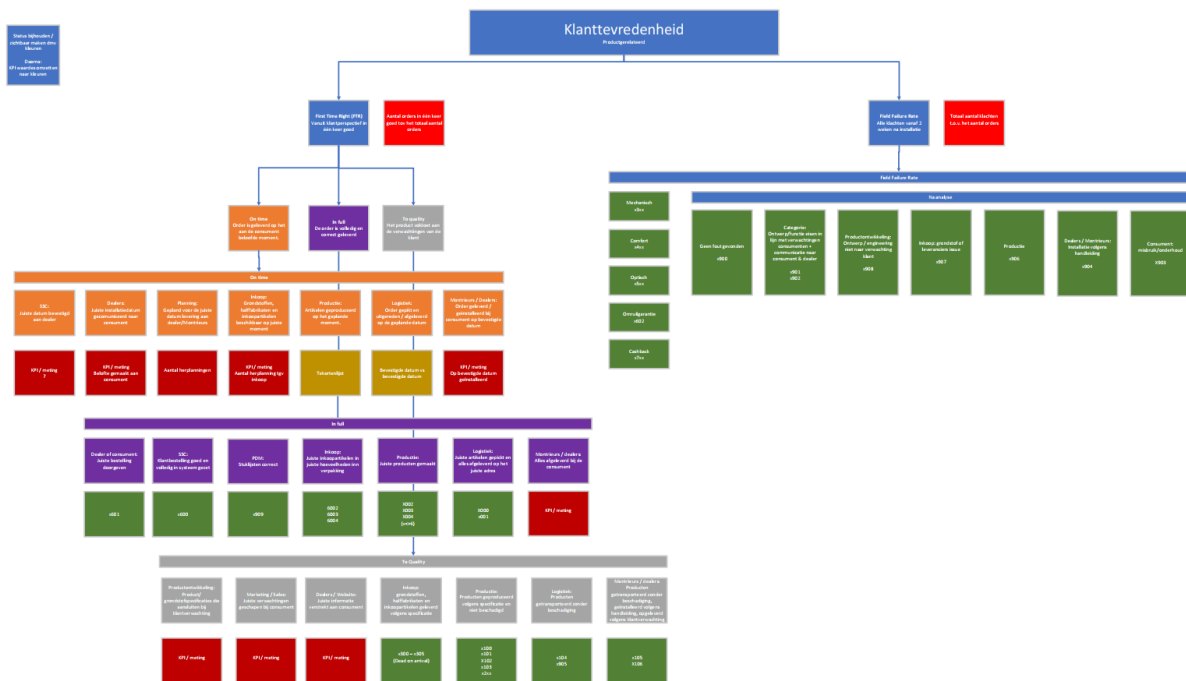


Figure 6: Promise flow down of product related customer satisfaction.

The orange, purple and grey represent on time, in full and to expectation respectively. The right part FFR. All green boxes represent processes where actual performance data is available, orange where it is available but not yet reported, dark red where no measurement is done. This represents the transparency regarding the promises.

OBSERVATIONS

While as discussed, the promise to the customer regards satisfaction should be made at management team level, as this is part of the organisational strategy. The internal promises are in practice not difficult to derive – even without concrete external promises. The actual target however, cannot be derived or determined by middle management. Current values minus an admittedly arbitrary target, is not coupled to the actual customer satisfaction, nor the strategic consideration by management on how far they want to realise this.

The test only covers one part of one promise to one stakeholder. It will be apparent that when all promises for all stakeholders will be transferred, the complexity will expand exponentially. This is where the theory of doing risk analysis before making promises is put under strain. When designing a new (part of an) organisation from scratch, the theory is valid.

However, applying the model in an existing organisation with existing processes makes this somewhat impractical. With the flow down made, two things were done. Based on existing data of not achieving FTR or FFR, it was decided not to invest in reaching full transparency on all subprocesses, as experience shows that no deviations were caused there. Secondly the overview was used to assess where deviations would possibly cause severe disturbance if issues occurred. In practice this meant in above test, that a deep dive on supply chain risks would be done.

This off course could simply be considered doing risk analysis and risk management. This would be correct. The subtle difference that should be considered, is that doing that risk management is now naturally performed from the core question of integrity: how can I make sure I keep my promise? This is a far cry from organisations where risk management is done based on externally applied rules, not from intrinsic motivation based on integrity and promise keeping.

What also needs to be noted, is that within the organisation there is ample data which can easily be aligned. Sales and conversion data, supplier performance, health and safety issue registration, efficiency, unplanned sick leave, quality data, dealer performance. Most of this information is collected into what can be considered the diagnostic system; partially automated daily, weekly, and monthly reports, particularly those related to sales, cost and running of the production. In a lower frequency information regarding unplanned sickness, employee satisfaction, health and safety is also reported and discussed.

What the organisation lacks, is data on how the stakeholders perceive the organisation. Customer satisfaction is not systematically measured, as well as dealer, partner or supplier satisfaction. Internally the employee satisfaction is measured yearly. There is a clear bias towards internal information compared to external. This can partly be defended that internal information is more abundant and more available, but that disregards the importance of the external information – how does the stakeholder assess the integrity of the organisation? In any practical application of the multi-level concept, this should be a point of attention and effort.

4.5 Results and general observations

Performing the limited case study has shown that the concept had promise as a method of assessment of the preconditions for organisational integrity. In the case study it has become clear that organisation has a well-defined and embedded telos, has defined a limited number of stakeholders, but has not made explicit promises, nor transparency towards achievement of promises. There is no clear transfer of those promises towards leaders/groups. There is a code of conduct, but the ethical framework's principles could be expanded upon. The current core values are not aligned with the virtues of the concept, and in themselves do not provide concrete guidance towards daily behaviour or behavioural reflection. As an assessment method it also provides clear improvement points.

The concept has also been shown to be practical useable as a design tool. By its approach (asking what is promised to a stakeholder) it is easy to derive promises and deriving an internal transparency structure. The management workshop of promises, the creation of a quality policy and a flow down of the customer satisfaction KPI's were relatively straightforward exercises. Due to the limited nature, the case study did not include applying the ethical framework to solve contradictions in promises towards different stakeholders.

As to the second research question (Can the practical applicability as a PMM-model be demonstrated and would it likely reduce sub-optimisations and unethical behaviour?): no fundamental problems were encountered, and all control levers were created/derived within the limits of the test. A cautious affirmation is therefore derived.

As for the reduction in sub-optimisation and unethical behaviour, from an ideal-world theory a reduction can be expected, but only partially. The concept does not "protect" against psychological and psychiatric predispositions to self-enrichment. Whether the amount of practical reduction is significant, cannot be determined based on this case study.

As a general observation: the multi-level concept provides more than a basis for a PMM. As shown, it can provide assessment, and it can be used as a design tool. But due to its ethical nature it also provides guidance on behaviour, which is especially relevant for leadership roles. By understanding the ethical virtues and applying them, the process of fair hearing (“hoor en wederhoor”) becomes natural (as otherwise fairness cannot be achieved). It allows for better feedback and self-reflection towards unwanted behaviour by asking which virtue, ethical principle or rule was applied incorrectly or insufficiently, and allows for constructive improvement. This has from personal experience prevented or moderated conflicts about work issues, caused by differences in personal ethical frameworks – as these are not relevant in a work discussion.

This does not mean differences no longer exist or influence the interaction. But either party can bring the conflict back to the organisational context and the common ethical framework where the individuals work together towards the telos of the organisation. The understanding of the concept allows for and promotes self-reflection and diagnosing what the actual issue is in a conflict.

During the period where this subject has been tested in the organisation, even when there is no plan or commitment to introduce the concept into the organisation, some relevant changes have been noticed. Two management team members have read a concept version of this thesis and have provided valuable feedback. While not immediately full embracing the concept, it was discussed that the virtues would be useful in yearly employee assessments and for giving feedback on unwanted behaviour. The core values are under discussion, the virtue-ethics proposal was taken seriously and has influenced the current proposal. At an earlier stage one department manager adopted the virtues and discussed these within his team as principles for cooperation.

The idea of making and keeping promises had gained popularity. While people are not making promises in explicitly those words, the term “promise” has been added to the organisation’s vocabulary, especially in the production. Also, one of the causes of inefficiency has been identified by a management team member as that people say “Yes” too easy to a task, and “No” too easy when they should deliver, and we should change to saying “No” more often to make sure that when we say “Yes”, it will be a “Yes”. This view is being supported and restated by employees and leaders.

While none of these observations are concrete data or proof, they constitute more than anecdotes – if only slightly. Change requires a choice to change. Whether this choice will be made, cannot be predicted based on these observations.

5 Conclusions, limitations, and further research

Coming back to the original management question:

Can Palanski & Yammarino's multi-level concept of integrity be developed as the basis for a PMM model which potentially reduces sub-optimisation and unethical behaviour, and can its applicability be demonstrated?

The past chapters have shown that the multi-level concept of integrity from a theoretical point of view can be used as a basis for a PMM.

All control levers of PMM's as described by Simons (1995), are "automatically" created by consistently applying the multi-level concept's premiss to an organisation. In addition, it provides a guideline through the moral/ethical virtue towards behaviour and reflection for leaders and individuals, something that is not explicitly part of PMM's. The concept/model can also be used to assess if the organisational requirements for creating organisational integrity are met, as well provides the practical approach to creating them if this is not the case.

The multi-level approach, especially when including individuals as sentient beings as a level, provides a perspective on the source of unwanted behaviour against the aims of the organisation. As for unethical behaviour, this was deduced to be caused by differences in the organisational framework and that of individuals as sentient beings. This issue can however not be inherently solved by providing clarity on the organisational telos and the ethical framework, although this may provide some buffering.

When developing toward the PMM, it uncovers that the fundamental reason for sub-optimisation within an organisation, probably lies with unresolved issues between promises to stakeholders at senior management level. When these are passed on without adequate guidance of controls, it creates the conditions where suboptimization and potentially unethical behaviour can take hold.

The applicability of the concept or derived PMM model seems likely, but based on the limited investigation cannot be adequately proven. The test has shown that preparatory work in explaining the core approach, before communicating the concept in terms of integrity and virtues, may improve understanding and acceptance of the terminology. As for the reduction of sub-optimisation and unethical behaviour, this cannot be concluded based on the observations made.

DISCUSSION

The concept seems to have a more far-reaching potential than just being a basis for a PMM. It may provide the organisational and behavioural core of the organisation, on which everything else is built – when taken to the theoretical extreme.

Theorising, it would need for all members of the organisation to understand and commit to the concept. The core is just 1 premise: integrity. The constituting 5 virtues with 4 moral behaviours should be easily communicated and understandable. From these everything in the structure, reporting and behaviour in the organisation is derived. If done consistently, the concept could become so visible, so intrinsic to the structure and intertwined into the way of working, that it becomes the “law of the land”. If everyone works consistently towards keeping their promises and at the very least honours them, a high trust environment should emerge. Deviations are corrected based again on the same concept and allow for empathic and constructive learning – leading to improvement, but also to increased experience in applying the concept. – further embedding it into the fabric of the organisation.

Without further theorising on whether, to which extend or how this is practically achievable, this theoretical result seems worthwhile to continue to investigate in.

LIMITATIONS

The research and case study have several limitations.

- Even though it has been explained why the used definition of integrity and its argued interpretation is useful, the fact remains that there is no commonly agreed definition of integrity. Other definitions or approaches may yield other/better results.
- The scope of types of organisations has been limited to for-profit organisations. The usefulness or validity of the model for other types of organisations can only be argued.
- The limited case study stops before actual implementation in an organisation. The practical application and useability is therefore unproven and may be unpractical in reality.
- The thesis does not consider individual psychology and psychiatry. This may be relevant on the subject of individual ethical frameworks, and the way an individual handles differences. Psychological character traits and psychiatric disorders (e.g. narcissism, anti-social, psychopathy) may be more relevant for unethical or sub-optimal behaviour than the organisation’s ethical framework.

FURTHER RESEARCH

Further research can be done on three different levels.

On the definition of integrity.

- The definition and proposed interpretation of integrity developed here, could be used to create a stand-alone article/scientific publication, to converge the definition of integrity in scientific study since Palanski & Yammarino (2007) and (2009) articles. The lack of a broadly agreed definition hampers the progression of the field as this prevents comparison of research results.
- The concept of integrity is likely biased by western European and north American culture. It is worthwhile to expand Martin et al. (2013)'s studies into the interpretation of integrity in other cultures. With current world power shifts, Chinese and Indian cultures would be logical first areas, but it would be worthwhile to find out if a globally useable definition (i.e. by appropriate choice of virtues) can be achieved.

On measuring integrity in leaders.

- The focus of the original articles was towards measuring (leader) integrity. The multi-level concept can be used to determine to which extent the organization is supportive of integrity, in relation to the measurement of integrity of individual leaders. A standardised checklist or maturity model may be derived from the concept in this thesis.
- In (Palanski & Yammarino, 2009), a first model regarding leadership integrity on multiple levels was proposed (Figure 2). Re-evaluating this model based on the addition of levels and extending the focus beyond leadership, may support further quantitative studies.

On creating and measuring organisational integrity.

- As the basis for a PMM, further investigation into practical application and measurement is required, preferably with an organisation that is actively pursuing organisational integrity, so that a longitudinal study can be performed.
- Qualitative and if possible quantitative comparisons with other PMM's (e.g. The balanced score card) regarding effectiveness, acceptance and usefulness would be beneficial.
- The overarching question is whether an organization that works towards integrity using this concept/PMM based on virtues, performs demonstrably better in preventing unethical behaviour than ones that use rule-based systems.

6 Bibliography

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Attachment 1: Literature research documentation

Research log is digitally available for review at:

<https://drive.google.com/file/d/1XidtiOUGZtakcTNXQbToxFzHRIQXsTVa/view?usp=sharing>

Attachment 2: Stakeholder workshop

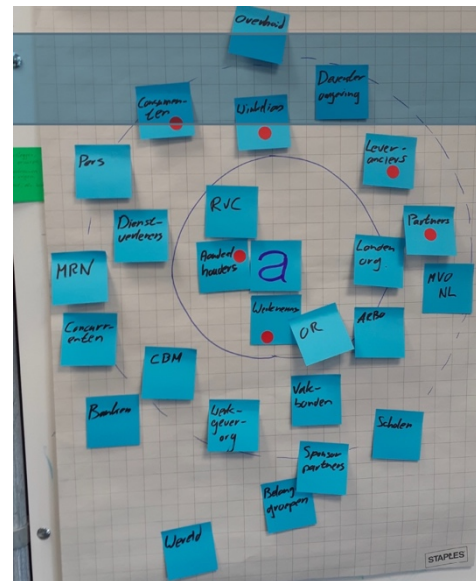
From centre to exterior, clockwise:

Internal

- Employees (Werknemers)
 - Shareholder (Aandeelhouders)
 - Board (RvC)
 - Works council (OR)
 - Country organisations (Landen org.)
- External, direct
- Health & safety (ARBO)
 - Shopkeepers (Winkeliers)
 - Deventer/environment (Deventer/omgeving)
 - Suppliers (Leveranciers)
 - Partners (Partners)
 - Network of sustainable entrepreneurs (MVO NL)
 - Labour unions (Vakbonden)
 - Employers' organisation (Werkgever org.)
 - Trade association (CBM)
 - Service providers (Dienstverleners)

External, indirect

- Consumers (Consumenten)
- Government (Overheid)
- Schools (Scholen)
- Sponsor partners (Sponsor partners)
- Interest groups (Belangengroepen)
- World (Wereld)
- Banks (Banken)
- Competitors (Concurrenten)
- Mattress recycling Netherlands (MRN)
- Press (Pers)



Stakeholders determined during workshop.

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