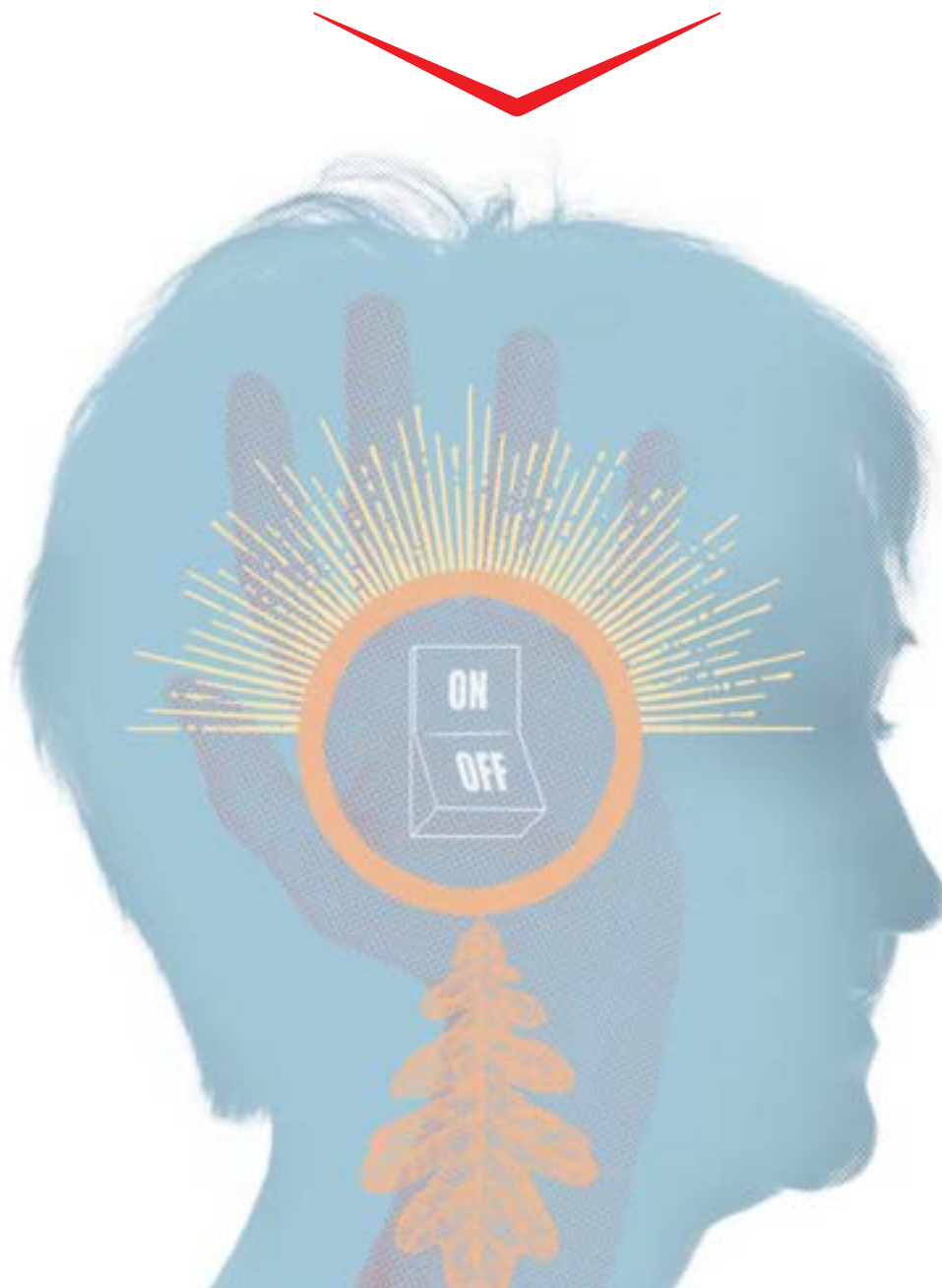


***Real integrity – Practical solutions  
for organisations seeking to promote  
and encourage integrity***

JIM BAXTER, JAMES DEMPSEY, CHRIS MEGONE AND JONGSEOK LEE  
UNIVERSITY OF LEEDS



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## *Executive summary*

Integrity is a much-desired but little-understood feature of organisations and of the individuals they employ. It features widely in codes of conduct and lists of ethical principles. A lack of integrity is frequently cited as a cause of crises and scandals in business and public life. On the other hand few people have a clear idea of what integrity means or how it should be understood separately from ethical behaviour more generally.

The responsibility for promoting integrity in organisations ultimately falls to their leaders. This report seeks to provide practical solutions for organisational leaders to help them achieve this. In addition, there is a clear need to involve human resources in activities, since they have access to many of the organisational levers that can make a difference.

Research was conducted in three stages: a desk-based review of academic literature, a large-scale online survey of chartered accountants and a series of 94 semi-structured one-to-one interviews with people working in a variety of organisations.

Four major themes arise in the philosophical literature on integrity which can be synthesised into an account of integrity. According to this account, people of integrity partly define themselves by, and act consistently on the basis of, principles and commitments, at least some of which are ethical in nature and which include honesty, openness and fairness. They will also stand up for their principles and thereby attempt to influence the culture of their organisation or society. Professional integrity involves commitment to the founding values of a profession and may involve attempting to influence the culture of that profession.

As well as having employees with greater or lesser degrees of integrity, organisations can exhibit integrity by achieving consistency between their expressed values and what is genuinely valued within the organisation by valuing ethical behaviour and by taking a wider view of the social context in which they operate.

### **PROMOTING INTEGRITY**

We examined 10 techniques and aspects of the organisational environment, all of which were found to have a role to play in an overall framework for promoting integrity. There were also some key messages which cut across the whole framework.

#### **Be aware of unexpected effects**

Some of the results generated by our survey suggested that leaders are generally unaware of the effect - either positive or negative - which some techniques can have. Because the effects of techniques can ultimately be unpredictable, we recommend that leaders take steps to monitor the overall integrity of the organisation.

#### **Think about the big picture**

It is important to be clear about the aim of an intervention, a change in policy, or the application of a technique. In some cases this may be about fostering integrity. In others it may be about ensuring ethical behaviour more generally. Sometimes, it will be about enforcing company policy, or improving productivity, or some other important goal that has nothing immediately to do with ethics. Being clear about the aims of interventions also makes it possible to monitor their effectiveness accurately.

It is also important to be aware of the way techniques within the framework fit together and can either catalyse or obstruct each other. Rewards for ethical behaviour should be in line with the organisation's stated values; a culture in which issues can be raised openly needs to be supplemented by the availability of confidential advice and support for whistleblowers as a last resort; ethics training should help employees understand and apply the principles enshrined in a code of conduct. Taking any of these elements in isolation is likely to be less effective than treating them as integral parts of a general framework.

#### **Integrity breeds integrity**

Interviewees very often believed that tone from the top - the demonstration of ethical values in the behaviour of organisational leaders, was a necessary condition for the efficacy of many other techniques in

the framework. Any technique which involves supporting ethical decision-making, or promoting openness, is far less likely to be effective if leaders are not making ethical decisions, or being open, themselves.

This imperative for leaders to adopt ethical standards extends to the detail of how techniques are implemented. Disciplinary procedures which are not open, reward systems which are unfair or partisan, advice that is not really confidential, all have the potential to breed cynicism, resentment and distrust. Conversely, an organisation which takes ethics seriously, admits its mistakes, genuinely values its employees' contributions, and practices what it preaches, can make its employees feel proud to work for it and motivate them to go the extra mile. The challenge for leaders is therefore to lead by example, demonstrating integrity in both words and actions

### **A FRAMEWORK FOR INTEGRITY**

We examined the effectiveness of 10 different techniques for promoting integrity. We found that each has a role to play in an overall framework which is summarised in Chapter 6.

An interesting result from the research was that rewarding ethical behaviour was much less frequently cited as a technique used by organisations, compared to other techniques. A number of interviewees told stories that suggested that it is difficult for organisations to make rewards both fair and effective, which might explain their apparent reluctance to use rewards. However, where rewards are employed, they do generally appear to be effective. Interestingly, this result is particularly strong in commercial organisations, where rewards for ethically valuable behaviour perhaps act as a counter-balance to commercial pressures. We therefore believe there is a need for attention to be paid to the way rewards for ethical behaviour, based around organisational values, can be built into individual appraisals and objective setting.

Another interesting result was generated by the survey with regard to training: perhaps surprisingly, we found that an organisation's providing training in ethics corresponded negatively with overall organisational integrity. This suggests either that training in ethics cannot be effective, or that it is usually ineffective in its current form. Evidence from the interviews supported the latter interpretation, a result which should perhaps be taken as a challenge to those currently providing ethics training in organisations. Problems with ethics training identified by interviewees included:

- Trying too much to enforce rigid patterns of behaviour.
- Training which is patronising and therefore causes resentment.
- Training which is too abstract, or a simple 'box-ticking exercise.'
- Online training which is too simplistic.
- A one-day course in isolation rather than long term.
- Training might be taken to imply that the person being trained has done something wrong, causing resentment.
- Training which is contradicted by the tone from the top of the organisation.

As well as avoiding the pitfalls above, we recommend that training should be based on real-life case studies, since this both demonstrates the relevance of ethics, and enables participants to improve their ethical decision-making skills through the discussion of scenarios which are qualitatively similar to those they are likely to face in real life.

A similar result to that found in training was also found with regard to discipline ie, it appeared to have a negative effect on organisational integrity. This may be to confuse cause and effect, however: it may be that an organisation's conspicuous use of discipline is evidence of a general ethical problem in the organisation, rather than itself being the cause of a problem. Among interviewees there was a general view that discipline has a clear role in influencing ethical behaviour generally, but that its role in promoting integrity is less clear. We recommend that leaders seek to ensure that disciplinary

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procedures are fair, transparent and consistent. If discipline is to be effective as a tool to promote ethical standards, it is vital that it is subject to the highest ethical standards in the way it is applied.

Whistleblowing was not seen as an effective technique, relative to the others, by survey respondents. However, effective use of the technique showed a strong positive correlation with organisational integrity. This result suggests that the availability of a clear whistleblowing procedure might be a more effective way of promoting integrity than it is perceived to be. Perhaps this is because support for whistleblowing is rarely invoked in practice, at least in organisations which have integrity, but that it is able to have an influence simply by being available. At any rate, the apparent effectiveness of support for whistleblowing is worth highlighting here.

We recommend that leaders ensure that there is a confidential route to reporting unethical behaviour, that policies are fair and consistent, and that all employees are genuinely able to take advantage of this if they need to.

Tone from the top, or the demonstration by organisational leaders of integrity in their own behaviour, is widely recognised as being very important. We found evidence that other techniques rely on this factor for their own effectiveness. Tone from the top appears to be more effective in smaller organisations but is equally important in larger ones.

A stated list of values is a useful way of crystallising and embedding organisational ethics but can be difficult to get right. We found that, to be effective, a list of values should be:

- succinct;
- refreshed only in response to organisational change;
- demonstrated using real-life case studies;
- actively and regularly communicated to staff;
- seen to inform organisational strategy; and
- built into objectives alongside performance.

An open organisational culture was also seen as highly important by respondents, but may be harder to achieve than many leaders believe, especially in organisations where there is a clear division between different parts of the organisation (eg, management and 'shop floor'). Above all, it requires proactivity on the part of leaders and attention to all areas of the organisation.

We found that advice is often an important first step before raising issues or reporting, and plays a key role in helping people to reach a reasoned decision. We recommend that some route to confidential advice should be available to employees.

We found that codes of conduct are referred to most often during disciplinary procedures but that they also have a role to play in making organisational values concrete and in guiding decision-making.

We recommend that leaders in organisations, to whom the weight of responsibility for promoting integrity ultimately falls, should consider the following general aspects of how techniques are applied.

We found that organisations do not frequently engage in proactive monitoring of integrity, but that there is a key role for this in highlighting issues and in checking the effectiveness of the overall framework.

We also found that professional bodies have a role, or a potential role, to play in promoting integrity. Particular areas where professional bodies can be effective are as providers of independent advice, support for whistleblowing, and continuing professional development. We found that professional codes of conduct were generally only perceived to be effective in the traditional professions.

# 1. Introduction

Integrity is a much-desired but little-understood feature of organisations and of the individuals they employ. Its predominance in corporate codes of conduct and statements of organisational values reflects the extent to which it is seen as a desirable trait in employees. Professional organisations, too, consistently emphasise the importance of integrity, and it is seen by many as a sine qua non of ethical professionalism. To take accountancy as an example, integrity is cited as a fundamental principle or value by the Association of Accounting Technicians (AAT),<sup>1</sup> the Association of Chartered Certified Accountants (ACCA),<sup>2</sup> the Association of International Accountants (AIA),<sup>3</sup> the Chartered Institute of Management Accountants (CIMA),<sup>4</sup> the Chartered Institute of Public Finance and Accountability (CIPFA),<sup>5</sup> the Institute of Financial Accountants (IFA),<sup>6</sup> the International Federation of Accountants (IFAC)<sup>7</sup> and the Institute of Chartered Accountants in England and Wales (ICAEW),<sup>8</sup> among others. The Federation of European Accountants (FEE) went as far as to ask in a recent discussion paper whether integrity might be considered 'the core principle in professional behaviour'<sup>9</sup> and whether the other fundamental principles enshrined in their code of conduct are in fact derivative of integrity. Whether or not FEE ultimately decide to endorse this view, the fact that the question is even being asked reflects the centrality of the value of integrity in their analysis of professional behaviour.

The need for integrity in organisations, particularly in financial affairs, has perhaps never been as widely recognised as it is now (though it is always a persistent feature of public ethical discourse). A wave of financial scandals broke in the first few years of this century, including Enron and WorldCom prompting some commentators to identify a 'crisis of integrity' in accounting and finance.<sup>10</sup> More recently, there has been a financial crisis which some have argued has been partly caused, or at least exacerbated, by practices that showed a lack of integrity. At least as perniciously, there have also been widespread cases of mis-selling of financial products to customers and credit card charging abuses; lapses of integrity which directly affect large numbers of people. In a March 2008 speech, Robert Bunting, the president of IFAC, argued that ethical failures were partly responsible for the financial crisis, and outlined the role he saw for the accountancy profession in 'restoring integrity' to the damaged financial system, which he described as 'in dire straits'.<sup>11</sup> In September 2008, a group of 17 financial leaders, including the chairmen and chief executives of major banks and insurers, managing partners of large accountancy firms, and the chairman of the London Stock Exchange, published in the Financial Times a statement in which they pledged 'to foster and encourage' a culture of integrity:

'Law and regulation are there to protect people. But of themselves they cannot create or sustain the imperatives that motivate financial institutions and those who work in them. That can only come from the culture of organisations ... and how they ensure this culture is promoted and strengthened ...'



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Ultimately, it is the responsibility of the leaders of financial institutions – not their regulators, shareholders or other stakeholders – to create, oversee and imbue their organisations with an enlightened culture based on professionalism and integrity.

As leaders of financial institutions we recognise and accept this personal responsibility ... We therefore commit ourselves to do all we can to foster and encourage this culture both within our own institutions and more widely within the financial sector in the UK and elsewhere.<sup>12</sup>

The responsibility referred to above, of course, is not incompatible with the need to ensure that law and regulation are robust and fit for purpose. But integrity is a quality that motivates people to follow the spirit as well as the letter of the law, and to act according to principle in situations where regulatory guidance is absent or unclear.

The importance of integrity goes well beyond financial institutions. While this research was being conducted, an MPs' expenses scandal rocked the UK parliament; while the report was being written, revelations about 'phone hacking' brought down the *News of the World* newspaper. Both of these stories involved practices which had become widespread and widely accepted within their respective spheres, and which for a long time had passed under the radar of law and regulation. The ethical failures at the heart of these scandals were failures of personal and professional integrity, made possible by organisational cultures which failed to support integrity, and therefore in a sense lacked integrity themselves. By contrast, a culture of integrity benefits all aspects of working life, making organisations trustworthy to their stakeholders, supporting mutual cooperation between colleagues and ensuring the fair treatment of employees.

The need for integrity is also partly driven by public perceptions of organisations. Arguably, there is now less respect among the public for those in positions of authority, including company bosses, politicians, the media and the professions. This is compounded by concern about City pay, rewards for failure, the disparity between pay at the top and bottom of companies, and the environmental impact of business. As the perceived integrity of those in authority diminishes, organisations concerned about their public image would do well to work on their real integrity. Furthermore, while financially straightened times might lead some organisations to see ethics and integrity as less salient considerations, arguably the reverse should be true. Times of stress bring increased risk and the need for increased vigilance. Moreover, as this report hopefully demonstrates, activities aimed at promoting integrity need not be highly expensive and they bring their own benefits in terms of improved reputation, employee morale and motivation.

Despite the general agreement about its importance, debate around integrity reveals a surprising amount of disagreement about what real features of people (and organisations) the concept of integrity refers to. Attempts to define integrity, for example in the accountancy codes of conduct listed above, commonly refer to other principles and values, such as honesty and objectivity, or personal qualities, such as straightforwardness, consistency of word and deed, commitment to principle, and dependability. The value of integrity is often expressed in terms of an unblemished reputation, and is a close correlate of trust. Intuitively, integrity is perhaps most easily identified either when it is absent or when it is severely tested. We think we know it when we see it, though we may have difficulty explaining exactly what it is. It is not always easy, however, to know how the concept should be applied in practice. Should it always be possible to act with integrity, or are some moral dilemmas so intractable that the agent faces a loss of integrity whichever way they turn? Can we describe someone as having integrity when we disapprove of their actions, or of the principles and beliefs which motivate those actions? How far from ordinary morality does someone have to stray before we baulk at the idea that they might have integrity? Can a thief have integrity? A suicide bomber? A Nazi? As well as these philosophical conundrums, the idea of integrity in business generates a number of practical questions. For example, should rules and social sanctions seek to encourage integrity, or to replace it? The question of how to encourage integrity depends somewhat on how it is defined. Perhaps scrutiny, legislation and enforcement can persuade people to be honest and to behave ethically, but if integrity involves adhering to principles for their own sake, then these approaches might be thought of as circumventing integrity, rather than encouraging it.

The complexity of the idea of integrity only increases when we consider that integrity is often cited as a feature of organisations and other social structures as a whole, as well as of individuals. What does it mean for an organisation to have, or lack, integrity? How can leaders, managers and others take steps to encourage it in their organisation?

There is a common preconception, which was a recurring theme in a minority of our interviews, which states that integrity is something that 'you either have or you don't have'. It is a quality, so the thought goes, that is instilled in us during our upbringing and if someone reaches adulthood without acquiring that quality, it is by then too late for anybody to do anything about it. While the appeal of this intuition is clear, there are strong reasons to think that it is mistaken. Firstly, it conflicts with another intuition to the effect that integrity can be lost. Our character is the result of the choices we make. Not only is the right, ethical choice not always obvious, but the unethical choice can be tempting. Secondly, and related to this is the thought that some organisations are clearly better suited to encouraging and supporting ethical choices than others. This was a point that was generally recognised even by the interviewees who started with the intuition that integrity could not be 'taught'. While it may be that someone who is determined to do wrong or completely unconcerned about ethics will not be moved by talk of integrity, it is surely right to seek to influence the organisational environment so that the vast majority of people feel supported in making ethical choices, confident of their ability to do so, and motivated to act with integrity.

The purpose of this research is to identify successful methods for encouraging integrity in organisations. To achieve this, we have used a number of methods to gather data from a wide variety of sources. Firstly, we conducted a review of the philosophical and management literature on integrity, looking for insights into the meaning of integrity that could inform our empirical work, and reviewing the empirical work that has already been done on this subject. Secondly, we sent out an online survey to 10,000 ICAEW members, receiving nearly 1,500 responses. Though limited in richness, this data gave us an initial general picture of what methods and techniques were in use, and some indication of how effective they are perceived to be. Finally, we went out and spoke, for an hour each, to 94 individuals at 15 organisations, from the very large to the very small, taking in public bodies, charities, professional firms, manufacturers, retailers, consultancies, and more. Each of these organisations exhibited particular strengths and weaknesses, and unique approaches to ethics and integrity.

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The interviewees were in a wide variety of roles (not just accountants) and each delivered a unique perspective on the same questions, illuminating our research with insights and perceptions, some of which were surprising to us as researchers.

Above all, our intention in this research has been to deliver practical guidance for organisations seeking to foster and encourage integrity. When interviewees identified positive features of their employers, we asked them how these had been achieved; when things had gone wrong, we asked what could have been done to prevent this. Gradually, we were able to identify a number of practical steps which leaders in any organisation can use to start the long process of fostering and encouraging integrity. This 'framework for integrity' is summarised for convenience in the accompanying practical implementation report. However, we believe not only organisational leaders, but anyone with an interest in these questions, can benefit from reading this full report in addition to the practical implementation report. In particular Chapter 6, in which we set out, in detail and with supporting quotations from the interviews, our proposed framework for promoting integrity in organisations.

It should be noted that, while organisational integrity is no doubt greatly affected by corporate governance, this way of influencing organisations is outside the scope of this report, which focuses on what can be done by those working within organisations. Readers who are interested in the ethical aspects of corporate governance may wish to start with Jill Solomon's book, *Corporate Governance and Accountability*, a full reference for which is in the bibliography of this report.

#### **IMPLEMENTING THE FRAMEWORK**

The following quotations came from reviewers of a draft of this report:

'We have introduced new values to the organisation which we are keen to see embedded within the organisation. We acknowledge this will take time and the evidence in your report is valuable evidence and learning that we might be able to apply in our workplace.'

*Senior manager, large public sector organisation*

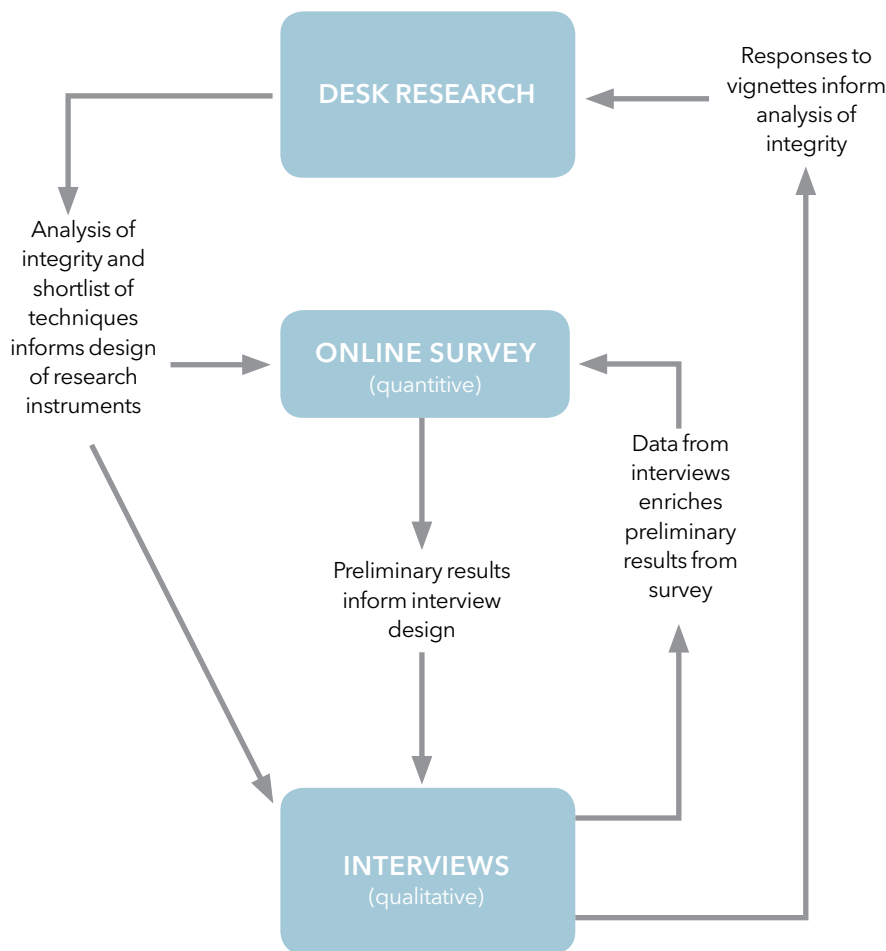
'I will be working through the report and seeing what I can integrate into our own culture and training programmes. The identification of the techniques and how they are ranked is very useful and will inform the way we run our business. I will consider whether we could introduce an ethics/integrity element in a more overt way to our induction course. I will consider creating a talk out of the report to give to fellow directors and senior staff. Excellent piece of work which ... will help to reinforce our cultural development aims.'

*Director, medium-sized business*

## 2. Methodology

The research presented in this report was carried out in three separate stages. Relationships between the stages of the research are shown in Figure 1 below. In this report, the results of the research are presented thematically, rather than chronologically. Results from all three stages are presented alongside each other for ease of comparison and because this is the easiest way to make our conclusions clear and understandable.

**FIGURE 1: RELATIONSHIPS BETWEEN THE STAGES OF THE RESEARCH**



In this chapter, the methodology used for each of the three sections is summarised, including discussion of how each stage informed and was informed by the other stages.

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## 2.1 DESK RESEARCH

In the desk research stage we first reviewed the philosophical literature on integrity looking for insights into the concept of integrity. While the accounts we examined were different in their approach we found them to be compatible and attempted to synthesise them developing a conceptualisation of integrity preserving the key insights from these different accounts. The method used in this stage was philosophical argumentation; the aim was to develop an account of integrity that explained some commonly held intuitions about integrity. At this stage we were relying on what we assumed to be commonly held intuitions but we were later able to test some of these, in a limited way, in the qualitative, interview-based stage of the research. As well as considering integrity in general we also made some suggestions as to how distinctions could be made between personal, organisational and professional integrity on the basis of our account.

Secondly, we conducted a review of the business ethics literature looking for existing empirical work on the fostering of integrity or of ethical attitudes and behaviour more generally. By doing this we arrived at a shortlist of methods and techniques which had been found to be effective by other researchers. This list formed the basis of the questionnaire used in the quantitative stage of the research.

## 2.2 QUANTITATIVE RESEARCH

### 2.2.1 SURVEY DESIGN

The aim of the quantitative stage of the research was to produce some preliminary results which could be verified and explored in greater depth in the qualitative stage. Having developed a shortlist of methods and techniques for fostering integrity developed through desk research, we wanted firstly to find out if this list was broadly representative of the techniques currently in use in organisations (and to pick up any further techniques which were not on our list), secondly to find out which of these techniques were being used more or less frequently, and finally to a general picture of how effective each technique was perceived to be. We also wanted to make comparisons between different sizes of organisation and different types of organisation.

To achieve this, we constructed an online survey which used a three-dimensional model of integrity (wholeness of character, ethical values, standing for something) based on the account developed in the desk research. Respondents were first asked which of our shortlist of techniques was in use in their organisation and to identify any further techniques which were not on the list. They were then asked to rate the extent to which the organisation exemplified 12 statements which were designed to be indicative of the three dimensions of integrity above.<sup>13</sup> Finally, they were asked to rate the effectiveness of our shortlist of techniques, and of any further techniques which they had identified, in bringing about the truth of each statement. By breaking down the concept of integrity in this way, we were able to ensure that we were comparing like with like: had we simply used the word 'integrity', we could not have been sure that respondents had the same idea in mind.

The survey was piloted with 14 ICAEW members, who gave detailed feedback via an online form. This fed into a second version of the survey.

### 2.2.2 SURVEY RESPONDENTS

Ten thousand ICAEW members received a request to take part in the survey. This sample population, and the sample that replied, were representative of the ICAEW's membership as a whole in terms of three variables: 'role in organisation', 'job area' (ie sector) and 'size of organisation by number employed'. We received 1,444 full responses and 712 partially completed responses. The partially completed responses were excluded prior to analysis. This is an unusually high response rate for this type of research, perhaps indicating a high level of interest in this subject.

Our respondents were all ICAEW members because we were able to use the ICAEW's membership data to reach a large sample. We are aware however, that this sample cannot therefore be taken to be representative of the UK working population as a whole. Specifically, ICAEW members are likely to be more highly educated than average, being more likely to have gone through higher education, as well as having passed ICAEW's own intensive training programme. They are also, of course, more likely to be employed by an accountancy firm (37.6% of our respondents were employed by accountancy firms). Less tangibly, we might suspect that ICAEW members are likely to see themselves as professionals, with all the differences of attitude that idea entails, particularly when it comes to questions of ethics. Because our interview subjects came from a wider range of backgrounds, comparison between the results of the two stages acts as a check on these potential biases.

### **2.2.3 ANALYSIS**

We carried out two stages of analysis on the survey data:

1. A simple analysis comparing mean Likert scores in response to questions about integrity, the presence of techniques for promoting integrity, and the effectiveness of those techniques, in different sizes and types of organisation. This analysis was carried out using the SPSS statistics software. Hereafter in this report it will be referred to as the 'simple analysis'.
2. A more complex analysis was carried out using Stata, using the ordered Logit model to show relationships between variables (size and type of organisation). This will be referred to hereafter as the 'Logit model analysis'. See Appendix 2 for more details.

By comparing the results of the two rounds of analysis we were able to show trends of whose validity we can be reasonably confident. Some headline results from these trends were presented to interview subjects in the qualitative stage, in order to explore them in more detail, and to begin to offer some explanations.

## **2.3 QUALITATIVE RESEARCH**

### **2.3.1 INTERVIEW DESIGN**

We used a semi-structured interview script for the qualitative research which was designed to take a maximum of one hour in total. The script was comprised mostly of open-ended questions designed to elicit as rich a response as possible from the interview subjects. Where possible, we were looking for stories and experiences, as well as opinions and views, which illustrated the themes of the research. Above all, the aim of the qualitative research was to identify insights into the following themes and sub-themes:

1. Concept of integrity:
  - (a) Wholeness of character
  - (b) Ethical values
  - (c) Identity
  - (d) Standing for something
2. Integrity of the organisation:
  - (a) Consistency, transparency and openness
  - (b) Ethics is valued
  - (c) Standing for something
3. Effectiveness of techniques (sub-theme for each of 10 techniques).
4. Professionalism and the role of the professional body.

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The four major themes above dictated the first four sections of the interview script, with each question linked at least to one of these major themes, and usually to one of the sub-themes. There was also a final section in which interviewees were presented with what we considered to be the six most interesting results from the quantitative research, and asked firstly whether they agreed with each result, and secondly if they could offer any explanation for what lay behind the result. This allowed us to explore in more detail what were some fairly crude quantitative results.

As well as testing the more interesting and/or surprising results from the survey in this way, data from the interviews lent further empirical support to the general conclusions from the quantitative work with regard to the relative effectiveness of each of the 10 techniques in the framework detailed in Chapter 6. In addition, the interview data allowed us to explore in much more detail what features of a given technique were likely to make it more or less effective, both exploring and amplifying the overall framework.

At certain points in the report, we have referred to what some interviewees have said about a particular issue. In general, this should be taken to indicate that a significant number of interviewees mentioned something similar, such that it emerged as a theme through the analysis of interview transcripts. Unless specifically stated, it should also be assumed that there was not another theme directly contradicting this one, such that the interviews as a whole might be taken to undermine the conclusion presented.

### **2.3.2 RECRUITMENT AND INTERVIEWING**

Fifteen different organisations were recruited for the research. The organisations were selected to represent as wide a range as possible, in terms of broad sector (our sample included public and private sector organisations, charities and professional firms), main product or activity (here the sample included manufacturing, retail, banking, consultancy, IT, education, law, accountancy and the arts) and organisational size (the smallest organisation in the sample had less than 10 employees, while the largest had more than a thousand). All of the participating organisations are based in the UK, except for one which is situated in the Channel Islands. It should be noted that this imposes limitations on the range of contexts to which our results can be generalised. In particular, it is no doubt the case that multinational organisations face unique ethical challenges which will affect which techniques they are likely to find effective. On the other hand, such organisations will also face many of the same challenges as domestic organisations, so they are likely to be able to learn something from this research.

In contrast to the quantitative stage our interviews were by no means restricted to accountants. Within each organisation we looked for as wide a range of interviewees as possible in terms of seniority, job area and length of time with the organisation. We also tried to get as near as possible to equal numbers of men and women, though in some organisations this was not possible due to limited availability of interviewees. The total number of interviewees we asked for was approximately proportional to the size of the organisation, from a minimum of 3 to a maximum of 10. Altogether, two researchers interviewed 96 people over a period of five months, travelling for each interview to the interviewee's place of work. As well as making the recruitment and interview schedule practicable, interviewing a number of interviewees from each organisation enabled us to compare responses within organisations, looking for interesting similarities and differences between them.

Interviewees were offered anonymity in the following three respects:

- They were assured that they would not be named and that nothing they said would be attributed to them in the report.
- We undertook to decontextualise quotations so that it would not be possible to identify an individual based on what was said.
- Our intention not to name organisations was explained.

In this way, and by using one-to-one interviews rather than focus groups, we hoped to encourage as much openness as possible on the part of the interviewees.

Interviews were recorded and transcribed by two transcribers employed on a temporary basis by the research team.

### 2.3.3 ANALYSIS

Anonymised transcripts were analysed by three members of the research team, one analyst analysing all 96 scripts, the other two dividing the scripts equally between them. An electronic form was used for the analysis, which had been produced in tandem with the interview script. The form enabled observations to be gathered from the interviews under the pre-identified themes outlined above. This data was then exported from the form to an Excel spreadsheet which enabled observations to be compared between interviews and between organisations. In addition to this, the analysis form contained scored observations which enabled some simple quantitative analysis to be done with the data. The analysts were also making notes throughout the process, and having completed the analysis, the three analysts met to discuss emerging themes in their observations.

The methodology used in the qualitative work can therefore be summarised as: semi-structured interview, observer impression, memoing and coding.



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## ***3. What is integrity?***

The concept of integrity is complex and subject to disagreement. Attempts to define integrity commonly involve appeals to other specific values or virtues, such as honesty, objectivity, conscientiousness etc., to the extent that it is tempting to define it as a 'cluster concept' amounting to no more than a vague agglomeration of other principles or character traits. Nonetheless, we believe it is possible to arrive at a conceptual account of integrity which unifies and explains commonly held intuitions.

Having firstly sketched a conceptual account, we were able to test intuitions in our qualitative research. In the first question of the interview the participant was asked what integrity meant to them.<sup>14</sup> Responses were coded according to which, if any, of the four aspects of integrity we had identified they fit into. Participants were then presented with a series of short character descriptions or vignettes, asked in each case whether, in their opinion, the person described had integrity or not, and then pressed to explain their answer. These vignettes were designed to isolate particular aspects of integrity based on our conceptual account.<sup>15</sup> In the following section we present, in turn, each aspect of this account supporting each with evidence from the interviews. Thus we hope to arrive at an account which is empirically informed as well as conceptually coherent.

It is worth noting that we received a wide range of answers in this first section of the interview confirming our initial suspicion that integrity is a complex concept that is quite poorly understood by most people. However, there were also a number of very interesting similarities and patterns in responses to specific questions.

### **3.1 ASPECTS OF INTEGRITY<sup>16</sup>**

A review of the philosophical literature presents a number of conceptions of integrity. It is our intention to show that none of these conceptions excludes any of the others. Rather than rival and mutually exclusive theories, these four conceptions should, we believe, be seen as highlighting different aspects of integrity. The treatments of integrity on which we will concentrate in this paper are those to be found in the work of Harry Frankfurt (1971), Lynne McFall (1987), Bernard Williams (1973) and Cheshire Calhoun (1995).

#### **3.1.1 SELF-INTEGRATION AND WHOLENESS OF CHARACTER**

The conception of integrity which comes closest to the word's Latin etymology is that which holds it to be a formal property of completeness, wholeness or coherence. Harry Frankfurt produced what is perhaps the most complete version of this approach in his paper 'Identification and Wholeheartedness'.<sup>17</sup> Frankfurt's account is of self-integration rather than integrity per se. However, it captures an aspect of integrity. According to Frankfurt, self-integration is achieved through coherence and harmony within a hierarchy of first- and second-order desires and volitions. The fully integrated person 'identifies with' certain desires and volitions, and thereby dissolves the conflict which characterises the non-integrated self or 'wanton'. Therefore, though it is possible for an integrated person to experience contradictory desires or volitions, there will only be certain desires and volitions with which they identify, since identifying with incompatible desires and volitions would imply a divided self, and result in inconsistency at the level of word and action. It is an appealing feature of Frankfurt's account (interpreted as an account of integrity) that it explains the consistency of word and deed that intuitively characterises the person of integrity.

For our purposes, it is possible to preserve the appealing features of Frankfurt's theory without being committed to his particular view of psychology, which is derived from aspects of his wider philosophical project that need not concern us here. Firstly, people (including people of integrity) are motivated by principles, values and beliefs, as well as desires and volitions, and we need not be committed to interpreting the former in terms of the latter. Secondly, we can avoid for now the idea of identification, thinking of this process instead simply in terms of commitments that are made and not lightly broken. It might not be necessary for such a commitment to be made consciously. It is easy to imagine someone being fully committed in this way to values and principles which they see as the unquestioned and unquestionable background to their lives. For example, presumably most of us would take ourselves to be committed, at least in ordinary circumstances, to a principle of not lying, and we might see a failure to live up to this commitment as a failure of integrity. However, we may not have undergone a process of explicitly 'signing up' to this commitment.

An example will illustrate how such a commitment might work in practice. Imagine a scientist is faced with two possible research projects. The first she suspects will make a significant contribution to scientific knowledge but this is unlikely, due to the nature of the research, to be recognised in her lifetime. In the meantime, this research is likely to be poorly funded and lead to little personal recognition for the scientist. The second project is in an area which is likely to be of use to business, and is therefore likely to attract corporate funding and prestige and to be widely published. However, the knowledge to be gained from this research is, in the scientist's opinion, relatively trivial in comparison to that to be gained from the first project. Faced with this kind of choice, the integrated person will not simply follow that desire which is felt most strongly at the moment at which the choice is made (the desire for wealth and status, perhaps). Instead, the integrated person has certain deeply held commitments which guide their actions in a consistent way. Perhaps our scientist has the following commitment: to use her scientific training to make valuable contributions to the body of scientific knowledge. She holds this commitment knowing that doing so will lead her sometimes to reject options which would fulfil her immediate desires. She would then be unable to choose the second project without compromising her integrity. Insofar as she is an integrated person, her behaviour when faced with similar choices will exhibit consistency, though the strength and direction of the desires she feels may vary greatly from case to case.

Evidence from the interviews. That integrity is partly about acting consistently according to your beliefs is an idea that was raised spontaneously by 26 of our interviewees. Typical answers referred to being 'true to yourself' and 'following through' on your beliefs or principles, being consistent or lacking hypocrisy:

'I think it's about being true to yourself. I think it's about something that you believe in and actually carrying that through.'

'Being truthful and not hypocritical. You've got a set of values and you live those out ... so being truthful to yourself and to others.'

In the first vignette respondents were presented with a description of someone who exhibited this kind of consistency and action based on principle (as well as being a generally sympathetic character in other ways):

'Andrew always does what he believes is right. He can always be relied upon to help his friends if they're in trouble, and he volunteers for a charity in his spare time because he believes people who are well off should spend some of their time helping those who are less fortunate. He would never abandon his principals even if he stands to benefit personally and would never be found out.'

Interviewees overwhelmingly considered Andrew to have integrity. All but 12 answered in the affirmative. Many cited Andrew's consistency and principled behaviour in support of this claim:

'He's got strong principles. He would never abandon them to do something that he would benefit from that he wouldn't believe was right.'

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'He is ... dependable ... he doesn't waver from his moral code.'

Several interviewees described the charitable work as a 'red herring' which was an example of general altruism rather than integrity:

'All the charity and that is sort of nice stuff, I'm sure he feels good about doing the charity stuff as well ... But the integrity bit is putting your self-interests second to your principles, and I think that is the thing that for me was the clear indicator of integrity.'

However, a number of interviewees picked up on the fact that Andrew's charitable work was itself based on a principle and therefore did cite it as an example of integrity:

'The thing that strikes a chord for me personally is that I always think that the medieval version of charity was the best and that if you have more than other people you should make the effort to help people who are less well off and it's a duty, that's something that comes with being in a particular position.'

Of the 12 respondents who were not willing to state that Andrew has integrity, 10 stated that there was not enough evidence in the vignette to make a judgement, rather than that they did not believe Andrew had integrity. This was for one of two reasons. Some thought that Andrew's having integrity would depend on what his principles were. Others (including one of the interviewees who stated that Andrew did not have integrity) questioned whether Andrew was, or might be in some circumstances, too inflexible in his beliefs:

'It's all right having principles but you've got to be flexible. I'm not saying you discard them but just having principles does not mean to say those principles are right.'

This points towards the idea that part of integrity includes opening up your principles and beliefs to the possibility of challenge. Both of these responses point to ideas which are explored more fully in the sections which follow.

As with all of the vignettes, responses to this one were somewhat varied, but enough interviewees cited consistency and acting consistently according to principles and beliefs to suggest that this is indeed a commonly held view of integrity.

### 3.1.2 INTEGRITY AND ETHICAL VALUES

Frankfurt's formal account of how integration at the level of character leads to consistency at the level of behaviour accounts for one aspect of what we commonly take integrity to mean. However, thinking of integrity in purely formal terms is likely to miss another, equally important intuition about integrity: that it must have moral content. To see this, imagine our scientist resolved her internal conflict through a non-moral commitment. Say she happily thinks of herself as committed to seeking recognition above all other considerations and this leads her consistently to choose those courses of action which are likely to lead to the greatest personal status. Now, we may not think that there is anything wrong with this, and on Frankfurt's account it looks like an example of self-integration, but would we be inclined to use the word integrity here? Examples such as this suggest that to define integrity purely in terms of 'self-integration' or coherence is to miss something important. Lynne McFall, in her paper 'Integrity', puts the point another way:

'It may be thought that internal coherence is required for integrity, so that there is no contradiction in speaking of the integrity of an Iago or of a Machiavelli. On the other hand, it seems odd to speak of a loss of integrity in the failure to lie, scheme, and murder or, in general, the failure to be ruthless. But if internal coherence were sufficient for integrity, then internal incoherence would be the only way it could be lost.'<sup>18</sup>

This suggests that there must be another element in our familiar understanding of the word 'integrity' than Frankfurt's formal property of completeness, and that this element must be ethical in nature. But can any moral value, principle, belief, etc. be the basis for integrity? Certainly, there is good reason to think that we do not need to endorse someone's actions to say that they have integrity: we want in some cases to be able to say without contradiction, 'I don't agree with what you are doing, but you do have integrity'. But what about those commitments which, though essentially ethically motivated in the sense that the person concerned believes themselves to be doing the right thing, look to us like a twisted or perverted form of morality? How are we to decide where to draw the line?

Some controversial test cases can be used to illustrate this question. What about the terrorist who demonstrates unshakeable dedication to a 'higher' calling, sacrificing his life in action which most people would find morally repellent, but which to the terrorist represents the highest moral purpose imaginable? Or the Nazi at Nuremberg who holds true to his beliefs and refuses to betray his comrades, despite the fact that doing so might save him from execution? These cases pull our intuitions in two directions simultaneously. On the one hand, the sacrifice of personal gain in the service of a moral principle looks like a paradigmatic feature of integrity. On the other hand, to think of someone as having integrity is (arguably) to think of them as being worthy of praise, and we recoil instinctively from thinking of Nazis and suicide bombers as deserving praise. How are we to decide between these competing intuitions? McFall's suggestion in response to this question is that, to describe someone as having integrity, 'we must at least recognise [their principles and commitments] as ones that a reasonable person might take to be of great importance'.<sup>19</sup> This thought is promising and warrants further exploration.

We sought to test our interviewees' intuitions on these questions by presenting them with two vignettes which described people who, on the face of it, exhibited the kind of formal consistency referred to above, but whom for different reasons it might be controversial to describe as having integrity:

'Barbara freely admits to being a selfish person. She rarely, if ever, considers her friends or anyone else when deciding how to act, and is completely open about this. You can completely rely on Barbara in all circumstances to only think of herself.'

'Klaus lives in Germany in the 1930s. He is a dedicated member of the Nazi Party and he fully signs up to all of its central beliefs and principals. When he finds out that his own brother is involved in a plan to help Jews and other subversives escape Germany he is very upset, but after wrestling with his conscience he decides reluctantly that he has to inform on his brother to the Gestapo - not because he stands to gain personally from doing so, but because he believes it's the right thing to do.'

The Barbara vignette was designed to separate mere consistency of action with action that is based on some kind of moral value. The Klaus vignette was designed to encapsulate action based on values and beliefs that are recognisably moral, but which most people would find repugnant. A person's response to these two vignettes provides at least prima facie evidence to suggest particular conclusions about their intuitions.

Thirty-nine of our interviewees answered 'yes' to the Barbara vignette, suggesting that they think integrity is entirely about consistency. Twenty-three interviewees answered 'no' to the Barbara vignette but 'yes' to the Klaus vignette, suggesting that they see integrity as being about consistency on the basis of moral beliefs, regardless of what those beliefs are. Twenty interviewees answered 'no' to both vignettes, suggesting that they regard integrity as being about consistency on the basis of moral beliefs, with at least some limit to what these beliefs can be. However, caution should be exercised in interpreting the responses in this way for a number of reasons.

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Firstly, Barbara is described as being not only consistent, but 'open'. Openness and honesty are, of course, ethical values, and while Barbara may not in general act on the basis of these values, the fact that she is expressing these values in the way she talks about herself means that she is not described in morally neutral terms. She is only described as being open about her selfishness, leaving open the possibility that in other contexts she would lie happily to get her way (in fact, strictly speaking the description implies this). However, this is not made explicit and it seems likely that interviewees would take the description of Barbara as open in this way to be indicative of a more general openness. If this is right, many of the interviewees who thought Barbara had integrity are likely to have made this judgement on the basis of this moral value and not purely on the formal property of consistency.

Secondly, the content of the vignettes, and the order in which they were presented, arguably emphasises consistency over other interpretations of integrity. It is possible that interviewees who responded in the affirmative to the Andrew vignette might have become convinced by this that integrity is about consistency, and this may have coloured their responses to the two vignettes that followed. Presenting the vignettes in a different order may well have resulted in different responses.

Thirdly, eight interviewees answered 'yes' to the Barbara vignette and 'no' to the Klaus vignette. It is hard to know how to interpret these responses in the light of our theoretical framework. Perhaps interviewees were simply being forced to reconsider their opinions in the light of new cases, resulting in contradictory answers. If so, this suggests that the intuitions underlying responses to these vignettes are quite raw and unreflective, and therefore caution should be exercised in drawing substantive conclusions based on these responses.

Nonetheless, discussion of the vignettes did lead some respondents to take an explicit stance on these questions. Many interviewees separated integrity from moral character in general, noting that integrity in this sense might not make Barbara or Klaus particularly likeable or good people.

'[Barbara] doesn't hide anything ... She doesn't pretend to be anything else and, whilst I don't particularly like how she is ... to say she didn't show integrity would be wrong in my opinion.'

'From my perspective [Klaus's] morality is wrong, but he's got integrity to abide by those principles.'

Perhaps the most interesting responses to these vignettes denied that the person described had integrity, and offered suggestions as to why this was so (ie, what is involved in integrity other than mere consistency or acting according to some recognisably moral principle).

'Before I thought integrity was being totally honest but I think that relates to absolute...moral principles ... Integrity goes wider than honesty and truthfulness, it extends to how you relate to other people and creating a harmonious society in which people can live together and look after one another and everyone can benefit. I think if someone is harmed by what an individual does or thinks then it's not integrity.'

'Integrity is about understanding the right thing to do objectively, not subjectively. So the right thing to do from the Nazi Party is not necessarily the right thing to do ... the problem is ... that too many people have got integrity from their own, subjective opinion, and that's part of what's wrong with the world, if you ask me.'

[In response to Klaus] 'For me where that falls short ... it's the inability to recognise the perspectives of others and the narrowness of the views that he's signed up to.'

These comments support something like McFall's view, that integrity requires someone's principles and commitments to be the kind of principles and commitments which most people would recognise as being important - that some principles and commitments are incompatible with integrity.

As well as some principles and commitments being ruled out by integrity, it may be that others are ruled in. In response to our initial question, 'what does integrity mean to you?' a great many of our respondents (54) suggested that, at least partly, it involved openness and honesty.<sup>20</sup> Another specific virtue which seems to be related to integrity (cited in answer to this question by 9 interviewees) is fairness. Openness, honesty and fairness were also recurring themes in examples of integrity given by interviewees.<sup>21</sup>

It is beyond the scope of this research to give a full account of how people arrive at (or should arrive at) their principles and commitments and whether any principles should be thought of as 'absolute' in the sense hinted at in the quotations above. However, these quotations support the idea that integrity requires us to open up our principles and commitment to scrutiny and challenge, and to engage with the perspectives of others. Doing this, perhaps, will tend to lead us away from selfishness or dishonesty, or commitment to values that are harmful to others. In this sense it is unsurprising that certain principles and commitments - to honesty, openness and fairness - are so often cited as inherent in the idea of integrity.<sup>22</sup>

### 3.1.3 INTEGRITY AND IDENTITY

A view of integrity as being closely linked to identity can be found in the work of Bernard Williams. Williams's view is to some extent defined by his belief that personal integrity can be threatened by ethical theories whose laws are absolute and impersonal, such as utilitarianism or Kantianism, and that these theories can be criticised on these grounds. He argues that individuals have certain commitments, projects, desires etc. which are constitutive of their identity, and that insofar as they introduce an impersonal ethical imperative (eg, the principle of utility, that one should at all times seek to maximise pleasure and minimise pain), which must always be followed, even when doing so would force one to abandon these commitments, projects, desires etc., they are incompatible with integrity.

We can only retain our integrity, and hence for Williams our identity, if we remain loyal to our sense of ourselves. This also appears to be the role McFall has in mind for identity:

'For many of us, friendship is an identity-conferring commitment. If we betrayed a friend in order to advance our careers, we could not "live with" ourselves; we would not be the persons we thought we were. This is what it means to have a "core": a set of principles or commitments that makes us who we are. Such principles cannot be justified by reference to other values, because they are the most fundamental commitments we have.'<sup>23</sup>

It is a plausible thought that abandoning the type of commitments that ground integrity would cause us to lose some part of our sense or definition of ourselves. To take McFall's example, if I think of myself as being a good friend, betraying a friend would constitute proof that I was not a good friend ie, that I was not who I thought I was. My definition of myself would have been called into question. One advantage of this for our overall account of integrity is that it avoids a possible charge of circularity: we can now define integrity-grounding commitments in terms of something other than integrity itself. Integrity-grounding commitments are those moral commitments by which we partly define ourselves.

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### 3.1.4 STANDING FOR SOMETHING AND THE SOCIAL DIMENSION OF INTEGRITY

The accounts of integrity which we have examined so far have tended to emphasise integrity as a personal virtue. Integrity, we have argued, involves maintaining a formal property of coherence or self-integration by means of certain moral commitments, by which we partly define our sense of self. The inward-looking nature of this picture is not obviously in contradiction with what we commonly think of as integrity; people with integrity, intuitively, are those who can resist social pressures and hold fast to their deeper commitments. Nonetheless, some commentators, notably Cheshire Calhoun, have insisted that integrity should be thought of as a social virtue, which can only be fully accounted for in a wider social context. Calhoun has argued that integrity involves ‘standing for something’ in ‘a community of co-legislators’. As Calhoun points out, we condemn hypocrites not primarily because their selves are not integrated, but because they tend to mislead. Similarly, we admire people of integrity who speak the truth even when this may be personally damaging, not because they are internally consistent, but because it is important for society that the truth is told. Integrity for Calhoun is a matter of taking ‘a stand for, and before, all deliberators who share the goal of determining what is worth **doing**’.<sup>24</sup>

The picture of the agent as a member of a ‘community of co-legislators’ is also likely to capture part of what is particularly valuable about integrity to organisations and to professions. People of integrity will try to change organisational behaviour and culture even when doing so makes them personally unpopular. Without a critical culture, and the willingness to hear dissenting voices, destructive organisational cultures can become more deeply entrenched, as in the examples of Arthur Andersen, WorldCom and Enron. The recent banking crisis, too, could perhaps have been avoided if more of the banks’ employees had been able to see their actions in a wider context, a thought reflected in the Financial Times article referred to in the introduction to this report, which claims that ‘it is essential to restate and affirm the social purpose of financial institutions as well as affirming the personal vocation of those who work in the industry’.<sup>25</sup>

Our final vignette sought to pick out intuitions of this kind:

‘Danielle is a doctor who works in a hospital. At lunchtime one day she overhears one of her colleagues, whose name is Edward, talking to a relative of one of his patients and discussing facts about the patient from the patient’s case notes. Edward tells the relative that this information technically should be confidential, but that he can’t see any problem with talking about it. Danielle is troubled by this because she thinks Edward is acting unethically by breaching patient confidentiality. However, she doesn’t do anything about it or say anything to Edward because she doesn’t want to cause trouble. Does Danielle have integrity?’

Sixty-six of our ninety-four interviewees thought that Danielle as described did not have integrity. Of the remainder, 10 thought that Danielle would have more integrity if she had said or done something. Those who thought Danielle did have integrity often cited the fact that she was ‘troubled’ in favour of their view, or suggested that her decision not to do anything might have been based on a considered judgement that professional obligations should be overridden in this case. Nonetheless, the idea that integrity involves speaking out on behalf of your moral beliefs, as well as avoiding moral pitfalls in your own actions, was clearly widely shared by our interviewees:

‘I think she hasn’t [got integrity]. Because she should do something about that ... In this instance it may not have been something that is that much of a problem for the relative to know. But at the same time, where is the limit? And if there have been certain rules put in place, for example patient confidentiality, there are reasons why they are there and you cannot apply them how you feel is right. You either apply them or you don’t apply them. It’s very dangerous to leave it open to one’s personal judgement when to apply and when not to apply.’

'No. I think if she speaks to Edward then it may stop him from saying something in the future ... She should have said to him that she believes that he's doing the wrong thing, to stop him before it gets any further.'

On the other hand, there was recognition that speaking out is often one of the most difficult aspects of integrity to fulfil:

'In everyday life obviously you're faced with those situations where somebody says something and you don't agree with it, or you overhear something and you don't agree with it, but you don't always pull people up ... Probably nine out of 10 times I don't pull colleagues about something they've said, and I think, "oh that is not right and you shouldn't have said it".'

Some interviewees felt that the duty to speak out applied particularly to professionals:

'They are a collective ... they all go through training to the same principles ... They're a profession, so therefore they should try and ensure that each of their members sticks to what they've agreed to.'

'No because she is part of a doctor's society and if she sees something that's not right then her not saying anything just makes her as bad as him ... So she's got no integrity.'

Clearly, integrity is a concept that has particular application in the professions. We will now consider the idea of professional integrity more fully, before turning to the idea of organisational integrity. Unsurprisingly, it will be suggested that both of these concepts are closely related to that of individual integrity, though the exact nature of this relationship will require some explanation. Considering organisational integrity will be an important next step towards identifying methods and techniques for its promotion and encouragement.



**FIGURE 2: SUMMARY OF ASPECTS OF INDIVIDUAL AND ORGANISATIONAL INTEGRITY**



### 3.2 PROFESSIONAL INTEGRITY

Professions are distinct from other occupations in virtue of their access to a large body of distinctive, largely theoretical knowledge, and a group of related skills, which are attained through specialised education and are therefore not available to the general public.<sup>26</sup> This state of affairs brings with it a corresponding need for the public to trust professionals both to be competent and to act ethically. This trust is inevitable since ‘we cannot subject every suggestion, recommendation, or counsel to the same intensive process of investigation for logical credibility.’<sup>27</sup> The very existence of professions is ‘a way of organising an occupation’<sup>28</sup> such that this trust is not misplaced. If consistency, honesty, openness and fairness are virtues inherent to the concept of integrity, the importance of trust explains why professional integrity is so highly prized. As one of our interviewees (a lawyer) noted, competence and integrity are inseparable aspects of professionalism:

‘If you operate in an ethical way then that’s a sign of a good lawyer in my mind ... if you do something, maybe it’s the ethical thing to you, but it’s a hard thing to do then ... people will recognise that and comment on it.’

Another aspect of professionalism relevant to integrity is the thought that the professions have central, defining values from which they derive their essential purpose and character. One of these which is perhaps universal among professions is a commitment to the public interest:

‘The social values of a professional group are its basic and fundamental beliefs, the unquestioned premises upon which its very existence rests. Foremost among these values is the essential worth of the service which the professional extends to the community. The profession considers that the service is a social good and that community welfare would be immeasurably impaired by its absence.’<sup>29</sup>

This does not imply that serving the public interest (as opposed say, to the needs of the client) must be the sole aim of the professional in all activities. Nonetheless, it does suggest that professionals should at least take account of the public interest as a general consideration underpinning their activities. In practice, the public interest and the needs of the client will be compatible, but there may be cases in which these aims will diverge, as one interviewee (an accountant) noted:

'Anybody who is good at standing up to clients in my sector of the business [would do well]. Our job is to challenge clients and say "no I don't think that's right"'

Activities which significantly diverged from the public interest would call into question one of the fundamental values of professions generally, and risk betraying the social contract which allows professionals to operate a form of monopoly on specialised knowledge in return for providing certain benefits for society as a whole.

As well as the public interest, some commentators have argued that each individual profession has a central value or set of values by which it is defined. Eliot Freidson makes the following claim about professions:

'The professional ideology of service goes beyond serving others' choices. Rather, it claims devotion to a transcendental value which infuses its specialization with a larger and putatively higher goal which may reach beyond that of those they are supposed to serve ... [It also claims] *the right to serve it independently* when the practical demands of patrons and clients stifle it.' (Italics the author's own.)

Freidson goes on to discuss 'such values as Justice, Salvation, Beauty, Truth, Health and Prosperity' as values that are claimed by one profession or another as central, defining concerns. The defining value of law, perhaps, is justice, and of accountancy, truth or truth-telling.

We can relate this discussion to our previous, general discussion of integrity in three ways. Firstly, whatever other commitments a professional has, they must presumably be committed to the central values of their profession if they are to have professional integrity. Secondly, the fact of being a professional is plausibly constitutive of our sense of self in a way that other occupations are not. If this is true, we have a notion of professional identity which parallels the identity aspect of integrity outlined above. Finally, Calhoun's discussion of the social aspect of integrity has clear relevance here. A 'community of co-legislators' in Calhoun's phrase could serve as a useful description of one aspect of a professional group. Many professionals will see themselves as having a responsibility to take an active interest in the ethical conduct of the profession as a whole. Having professional integrity, on a reading influenced by Calhoun, would involve helping to identify and define the responsibilities inherent in a professional role, through questioning, debate and, where necessary, dissent, perhaps mediated by a professional body. A profession 'provides a milieu which encourages intellectual innovation',<sup>30</sup> and this innovation can be applied to ethical matters as much as to technical problems.

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## ***4. Integrity and the organisation***

The analysis of integrity we have developed in this research can, we believe, be applied to organisations in two ways. Firstly, there is clearly a sense in which organisational integrity is simply the aggregation of the individual integrity of those who are a part of it (perhaps with an emphasis on those in positions of particular influence). Secondly, there is a sense in which organisational integrity can be seen as a macrocosm of individual integrity. So, just as individual integrity is characterised by wholeness of character – coherence of principle and action – so organisations of integrity will have an analogous coherence. If, for example, an organisation has certain stated organisational values or principles, and yet its action is not consistent with these, this will constitute a failure of integrity. And for the organisation to fulfil the second aspect of integrity outlined above, at least some of these values must be ethical in nature.

For some, this may appear too stringent a requirement for organisational integrity. An organisation, they will argue, particularly a profit-making business, need not be ethically motivated in order to have integrity. The proper goal of business is profit, it might be argued, and having specifically ethical commitments that go beyond this is more likely to compromise integrity (understood as wholeness of corporate character) rather than contribute to it.<sup>31</sup> There is a distinction to be made, however, between ascribing to a business social ends or purposes other than profit, and building values into business processes in order to ensure that the business operates ethically ie, with due consideration to issues of justice, minimising harm, etc.<sup>32</sup> In addition to this, as Collins and Porras (2002) argue, values that are properly integrated into an organisation's practices, and 'owned' by its employees, can contribute to a strengthened 'organisational identity' which can deliver increased shareholder value in the long term.

The relationship between the values of the organisation and of its employees is a complex one; each is influenced by the other in multifarious ways. There has been a wealth of academic work looking into this relationship, including Brunsson (2002), Roberts (2003) and Paine (2003). Our own recommendations include ideas for a process of deeply embedding values into all aspects of organisational life.<sup>33</sup>

Toffler (2003) gives an interesting analysis of what happens when this process fails. In her description of the decline and fall of Arthur Andersen, she argues that this once value-driven firm was destroyed by a culture of greed and ambition, and internal processes that made conflicts of interest inevitable. A value-driven corporate culture, then, is not incompatible with (enlightened) self-interest, and may even be a necessary condition for success in the long-term.<sup>34</sup> The story of Arthur Andersen is also instructive in terms of the standing for something aspect of integrity outlined above. Toffler gives the following description of the early culture of Arthur Andersen:

'Arthur Andersen, partners would say with pride, was a place where integrity mattered more than fees, where standing up for what you believed in was a virtue, and where it was better to do the right thing than the easy thing ... Even rivals commended the Firm for its intensely loyal culture and willingness to be the conscience of the industry.'<sup>35</sup>

As we noted above with regard to professions, a culture that encourages ethical debate, where people see themselves as members of a 'community of co-legislators', and where it is 'better to do the right thing than the easy thing', is one that is more likely to foster integrity in its members, and this applies to employing organisations as well as to professions.

Moreover, the idea that Arthur Andersen was seen as ‘the conscience of the industry’ is telling: this is a description of a firm that concerned itself with the ethics of the industry as a whole, not just its own conduct, and this was seen as a form of integrity. This is Calhoun’s ‘standing for something’ applied to the organisation as a whole. An organisation that displays this aspect of integrity will take a wider view of the social context in which it operates. Not a necessary ingredient of integrity, perhaps, but surely a reliable indicator of its presence (assuming of course that this concern for the ethics of others is matched by a concern for the organisation’s own ethics).<sup>36</sup>

In both the quantitative and qualitative stages of the research, we used the analysis of integrity that has already been developed in this report to inform the design of our research instruments (see Tables 1 and 2 below). By doing this, we were able to build up a picture of the integrity of organisations as viewed by their employees. In this chapter, we present the findings from this aspect of the research.

**TABLE 1: STATEMENTS INDICATIVE OF ORGANISATIONAL INTEGRITY USED IN THE QUANTITATIVE RESEARCH**

STATEMENT	COMPONENT OF INTEGRITY	INDIVIDUAL/ ORGANISATION
Consistent standards of behaviour are to be found in my organisation.	Wholeness of character	Individual
I do not feel ethically uncomfortable about what my work requires.	Wholeness of character	Individual
There is a culture of cooperation within my organisation.	Wholeness of character	Organisation
The way my organisation presents itself in terms of ethics is consistent with the way it actually behaves.	Wholeness of character	Organisation
Ethics is an important factor in the day-to-day work of my organisation.	Ethical values	Individual
I tend to pay attention to ethical considerations in relation to my work.	Ethical values	Individual
Ethical values are fundamental to the way my organisation operates at a strategic level.	Ethical values	Organisation
Ethics is built into my organisation’s strategy, objectives and activities.	Ethical values	Organisation
I would be willing to speak out if I disagreed with the ethical direction the organisation was taking.	Standing for something	Individual
I think that my views on ethical issues would be listened to if they were unpopular.	Standing for something	Individual
My organisation stands for something other than its own self-interest.	Standing for something	Organisation
Making a valuable contribution to society is important to my organisation.	Standing for something	Organisation

Respondents were asked to rate their organisation on each of these statements using a seven-point Likert scale where 1= ‘strongly disagree’ and 7= ‘strongly agree’.

The 'identity' aspect of integrity was not used explicitly in this part of the research as the idea that these statements are part of organisational integrity is inherent in the statements.

In the quantitative research, this picture of organisational integrity served two purposes. Firstly, it enabled us to see the impact of organisational size and type on organisational integrity (see Chapters 4.6 and 4.7). Secondly, it acted as a check on responses to the questions relating to the effectiveness of techniques, ie where people cited a technique as effective, was this accompanied by an increase in their perception of organisational integrity generally?

In the qualitative research, we were able to ask more open-ended questions (see Table 2), with a view to looking for insights into questions of organisational integrity. The bulk of this chapter comprises a summary of the insights we uncovered. The final two sub-chapters deal with organisational size and type, and so contain quantitative as well as qualitative results.

**TABLE 2: OPEN-ENDED QUESTIONS USED IN SECTION B OF THE INTERVIEW ('INTEGRITY OF THE ORGANISATION')**

QUESTION	PERCENTAGE ANSWERING POSITIVELY
Can you think of any particular examples from within your own organisation where someone has acted with a lot of integrity?	N/A
Can you think of any particular examples, again from within your organisation, where someone has acted with a lack of integrity?	N/A
Do you think your organisation is the kind of place where integrity flourishes?	89%
Do you think that people with integrity do well within your organisation?	68%
Do you think processes and procedures within your organisation are open and transparent?	73%
Do you think the impression your organisation tries to give of itself to external stakeholders is consistent with what the organisation is actually like?	77%
In your organisation, do you think a lot of importance is attached to acting ethically and doing the right thing?	78%
Do you feel comfortable telling people about the work your organisation does, and about the daily work of you and your colleagues?	90%

The answers to these questions were analysed using a framework based on the four aspects of integrity as above.

#### 4.1 GENERAL OBSERVATIONS

As can be seen from Table 2 above, our interviewees overwhelmingly felt that their organisations had high integrity, answering in the affirmative to the questions in Section B, even if they were able to provide examples of behaviour which clearly did not exhibit integrity. It is probable that this result is biased by two factors. Firstly, organisations were self-selecting in the sense that the contacts we approached had to agree to their organisations taking part, and usually needed to secure agreement at a high level in the organisation. It is possible, therefore, that organisational leaders who had reason for concern may have been reluctant to open up their organisation to scrutiny in this way, despite assurances of anonymity. Secondly, there is a possibility of positivity bias, in that people want to feel that they work for an organisation with high integrity; it would be demotivating to think otherwise. Nonetheless, there was considerable variation among the responses given to each question, and many interviewees were willing to criticise their organisation on specific features. The general view among the researchers was that, perhaps unsurprisingly, none of our 15 organisations was doing a perfect job of achieving organisational integrity, but each had strengths in some areas.

Interviewees generally accorded a high importance to ethics, a result which might again be vulnerable to self-selection bias, though interviewees tended to be chosen by the contact in the organisation, rather than volunteering. Strikingly, several interviewees stated that ethics was particularly important in their area or sector, despite coming from a wide variety of sectors:

‘Because of the area we work in, HR, we’ve got to stay ethical in everything we do, we’ve got to be seen to be doing the right thing all the time.’

‘As solicitors we have overriding duties to act [ethically] so I guess we wouldn’t be doing our jobs properly if we acted unethically.’

‘Obviously in terms of the industry [manufacturing], health and safety are foremost. So yes you do have to ... take [ethics] into consideration at the very beginning.’

‘I think accountants in general, we all have ethical training ... so I think we have more awareness about that side.’

Ethics and integrity were also frequently cited as important to the reputation or brand of the organisation, suggesting a business benefit to integrity in addition to its intrinsic importance:

‘I think integrity is an important part of people choosing a particular law firm because they want to know they’re dealing with a firm that always does things the right way.’

‘If it wasn’t ethical or trustworthy to customers then they wouldn’t come back. It’s like all shops. If you have a bad experience of a shop you’re not going to go there a second time.’

Almost all interviewees were able to think of examples both of integrity, and of its lack, many if not all of which could be categorised under one of the aspects of integrity described above. In the following sections, these will be presented alongside general observations from the interviews pertaining to these aspects of integrity, considered at an organisational level.

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## 4.2 WHOLENESS OF ORGANISATIONAL CHARACTER

Interviewees were asked a number of questions relating to consistency of behaviour, and of word and deed, within the organisation. Generally, as with the other questions in this section, positive responses to these questions were high, though many interviewees were able to provide examples of inconsistency which were usually presented as exceptions to the rule.

Wholeness of character and consistent action according to principle figured highly in examples of integrity given by interviewees, as in this example relating to conflicts of interest:

'Our managing director ... is on certain boards ... and has to separate out the information he has from being on those boards and the way he acts as our managing director. He has to make a judgement not to reveal that confidential information, and not to bring it to bear too much in decisions that are made here. So he has a very fine balancing act, because he holds that information but he has to, sort of, almost pretend he doesn't in the way that he acts for us. And yet he can't, obviously, actually forget it. So I suppose integrity is required in how you deal with that.'

Negative examples also raised issues of consistency:

'I worked very hard to get [a particular colleague] on board [with a project] ... I tried to show we had thought of all the possible things that could go wrong and had solutions to deal with them. She said "yes that's great; I'm very busy but I'll give you my full support and yes it is the right thing to do". Then a few weeks later I found out that she'd told someone else that she was determined that this [project] would happen "over her dead body" and that she was going to do everything possible to prevent it happening.'

Several interviewees expressed organisational consistency in terms of the 'core values' of the organisation, which they felt needed to be consistent with the organisation's actions, and with the actions of individuals throughout the organisation:

'If [an organisation has integrity] I would take that to be that they've got core values about what they believe in and that is what stems all the way through the employees, and what they do, and how they deliver it.'

'I think there's ... a disjoint between what the firm as a whole will say in the sort of belief system that we are supposed to have and then you have the way that the individuals operate on a daily basis which in fact doesn't really uphold the values we're supposed to have.'

In terms of the consistency and accuracy of the organisation's presentation of itself to external stakeholders, a distinction was often made between a reasonable management of perceptions, and actual dishonesty or making promises that could not be kept:

'I'm doing a tender at the moment for a piece of work and there's nothing in that I'm not comfortable with. I'm telling the truth ... There's nothing to be gained long term from going in and saying we can do something that we can't or that we are something that we're not as you'll get found out.'

'I think we try and give the impression we're a damned sight better than we really are...to be honest with you! ... [The impression] we try and give is, "we have the ability to do everything and anything for you", and we can't do that or we're ducking and diving to try and achieve it.'

In terms of organisational processes, consistency was seen as closely related to transparency; processes that were transparent were more likely to be consistent because the people applying them would have clear processes to work with and would also be accountable for their consistent application. The organisational processes which were by far the most common cause of complaint in

this respect were promotions and recruitment. Problems with this area were identified in 7 of the 15 organisations we talked to. In some cases both of these were seen as not being transparent while in others recruitment was seen as transparent while promotions were not. The problem tended not to be that the procedures were not being applied, but that they were not being applied consistently, or that the letter of the procedure was being complied with, while its intention - to ensure fairness and openness in recruitment - was being circumvented:

'I find that in this organisation the higher up you go, the less ... transparent processes do become. So I think further down you have quite strict rules ... processes, procedures, pay scales, management structures etc. But as soon as you move in to [senior management] territory it becomes very much less transparent ... For example ... very often a job is advertised just two or three days and then taken off. So really no-one's got the chance to apply; even internal people aren't aware of it. We've had a job recently ... where a few people were interested in doing the job but they didn't have a chance to apply because it literally went on the intranet, came off the intranet. You know, it's these little things that make you very much think actually we have these two set of rules here, one set of rules which are very honest, very good in theory and very integral [sic]. But at the same time it is so easy to apply those rules how you see fit.'

A lack of openness and consistency in disciplinary procedures was also often observed:

'I think one of the issues with discipline is that I suspect for some offences, depending on where that person was in their career, the firm would take a different approach as opposed to someone they weren't terribly keen on and they wanted to go anyway ... I'm sure if a senior partner were to lose a laptop they wouldn't kick him out the door, but there is that balance between practicalities of business and everyone being treated exactly the same.'

In an example that cannot be reproduced in full for reasons of confidentiality, which concerned a disciplinary case, we interviewed both a close colleague of a person who had been disciplined, and an HR manager who had been involved in managing the case. The two interviewees gave completely divergent views of the case, the first claiming that it had been completely unwarranted and inefficiently and unsatisfactorily applied, while the second claimed that it had been perfectly justified and a model of how to apply disciplinary procedures. Whatever the facts of the case it is problematic, and at least circumstantial evidence of a lack of openness and consistency, that impressions differed so much between the two interviewees.

As one interviewee noted, an organisation that tries to improve openness and transparency is already showing integrity by engaging in this attempt:

'We had [a staff survey] and I don't think our results were that bad but they weren't as good as the [leadership] expected them to be and so there has been a lot of follow up surveys and focus groups to see why people are unhappy and what can be done to improve. I think that's quite a good example of integrity in that they're taking something and trying to improve on it.'

The themes of openness and honesty, as well as particular processes and procedures, will be revisited in Chapter 6.

### 4.3 VALUING ETHICS

Ethical values, particularly openness, honesty and fairness, came through very frequently as features of the examples given by interviewees:

'I recently had a customer with an eviction order come through which was about to be enforced ... we subsequently found out that she'd been [advised] by somebody not to speak to us. Whereas we tell our customers it's worse not to speak to us. We've now come to an arrangement to actually clear the



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substantial arrears over a three-month period because we don't want to repossess the property ... we want to help her to stay in the property with her son ... If we hadn't acted with integrity we could've just gone ahead and evicted the woman and her child and that would have been end of the story but that's not fair to that person ...'

We asked interviewees a number of questions designed to ascertain whether ethics, and ethical behaviour, were seen as valuable by the organisation. Most interviewees thought that integrity was more likely to be an advantage than a disadvantage in terms of career prospects, though several thought it could potentially be both:

'You can be seen as standing up for yourself, but then it can also go the other way where you're being a bit rebellious.'

Some thought integrity could be incompatible with certain approaches which are likely to help someone progress:

'I think having integrity often means almost sacrificing something for yourself by really living by those values. I hope that people who were making decisions about your progression would recognise that as a valuable thing but I'm not sure that they would, I think they'd be more likely [in an example where you'd shared credit for work] to dwell on the fact that ... you haven't done [the work] yourself.'

On the other hand, some felt that integrity could correlate with other character traits which would be a positive advantage, such as the willingness to make difficult decisions:

'I'm particularly thinking of [two managers] who were probably examples of men with a great deal of conspicuous integrity ..., sometimes quite tough individuals in the pursuit of what they felt was the right thing, and with particular philosophies [such as] the idea of maybe benefiting as many people as possible by what you're doing, and sometimes being willing to ... be tough on a minority or whatever but highly principled individuals with a lot of mental toughness.'

Others felt that lacking integrity might be an advantage in the short term, but would inevitably become a disadvantage eventually, some stating that people without integrity would be 'weeded out' by a healthy organisational culture:

'I think they're not tolerated if they don't have [integrity]. So I don't think they would be here for very long ... We would, organisationally, positively reject them.'

A number of interviewees reported that their organisation was happy with legal compliance as a behavioural standard, suggesting perhaps that ethics was not valued intrinsically by these organisations, but only through fear of exposure to legal difficulties:

'I think generally we do the right thing, but that's also so we comply with all the necessary regulations and that's probably the predominant factor that makes us act in the most ethical way most of the time.'

Another theme that emerged from the research was of conversations and the language of ethics. Some interviewees reported that integrity could be seen to be valued through actions rather than words:

'I think people know we're a decent lot ... I don't know how much I bang on about it every day.'

On the other hand, some interviewees emphasised the importance of building ethical considerations into regular discussions:

'Every single product conversation I have with my team, and then when we take it to a broader audience to get sign off, always includes a material discussion around the suitability of it for customers, what will customers think, how does it compare to other things we've already got, should we do it or should we not do it?'

It appears in general to be a feature of organisations with high integrity that employees are willing to discuss ethical issues, and are able to express themselves in ethical terms. The ability and willingness to ask questions in ethical terms (eg, 'is this fair?', 'is this honest?') is the first step towards addressing issues and challenges that are ethical in nature. There is clearly a connection between the language people use and the concepts and considerations that they see as salient. If someone is practised in discussing ethical issues, they are more likely to be able to discern these issues when they arise in their work. Several interviewees remarked on how helpful they had found the interview process in allowing them to discuss issues and to consider their organisation in ethical terms:

'Part of the reason [I'm] meeting with you is that I'm hoping that ... it makes me think about ... the ethics side of it. Your introduction sounded interesting ... I'm hoping I will gain something from it.'

#### 4.4 ORGANISATIONAL IDENTITY

The notion of identity is perhaps the most difficult to pinpoint of the aspects of integrity considered in this report. In terms of the examples given by interviewees, it came through in descriptions of particular individuals for whom ethical behaviour seemed to be an indissoluble part of their personality:

'The boss treats every client with integrity and honesty and it doesn't matter if it's the smallest builder, sole trader or his biggest client, he treats everybody the same: with integrity, with honesty, they all get the same fair treatment.'

'I think the [job title]. I think she's got a lot of integrity in that she has goals, slightly conflicting with mine, and ... she came up with me and had an honest chat about her feelings, how she wanted to go forward. And I thought that was a very brave thing to do - she could have, you know, it put her in a weaker position potentially. That had a lot of integrity, she did what was right [and] she wasn't being political in doing the right thing.'

At an organisational level, interviewees used notions such as 'ethos', 'spirit' or 'brand' to express the idea that ethics is bound up with the identity of the organisation:

'Particularly in this organisation there's not room for people who don't act with integrity, it's not part of our ethos or the spirit of the firm.'

'The brand depends upon it and therefore as an organisation we would tend to attract the right people who would wear those ethics appropriately.'

Some interviewees pointed to the existence of organisational vision and values, which can be seen as ways of defining organisational identity in ethical terms:

'I think [integrity flourishes in the organisation] and a good example is that we have core values - open and honesty and that kind of thing.'

'The journals when I joined them, said that [the organisation] is the gold standard the other firms measure themselves by ... It was driven originally by quality, and integrity was taken as read, but as things have progressed and more and more businesses have adopted values, principles, proper social responsibility policies, well you've put them more into words but fundamentally they probably still stem from doing a damn good job because you care about the people you're working for, the clients you're acting for.'

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Chapter 6 will include an examination of values as a technique for promoting integrity, but it is worth noting the close parallel between integrity as an aspect of individual identity, and organisational identity as expressed in vision and values. As there is a difference between claiming to be principled, and actually demonstrating principle, there is clearly a difference at the organisational level between adopting a set of values and actually embedding those values so that they become an instinctive part of organisational identity.

#### 4.5 STANDING FOR SOMETHING

Finally, plenty of examples were given of individuals standing up for their beliefs and principles, and seeking to make their voice heard even when this might have put them at a disadvantage:

'[Sometimes] the CEO has spoken publicly and given a view which differs from the government position or makes a case for something which doesn't fit easily or might potentially cause difficulties with his relationship with the government.'

At an organisational level, several interviewees expressed the view that an organisation with social aims was more likely to have integrity:

'Because of the nature of the organisation ...[cites example of team involved in community work]. And they're not doing it for their personal gain, they're doing it because it's right and they feel they should contribute to society.'

'[Integrity flourishes because of] the very nature of the business ... It's nice to know that you're working for an organisation where, hopefully, you are making a difference to some people's lives and improving some people's prospects.'

However, the theme of an organisation's standing for something can also be found in profit-making organisations:

'I get the impression with the area that I ... work in that people do work with integrity ... I think [this organisation] is quite unique in this area because it's such an institution.'

'I think because this is a ... professional firm. Everyone has worked really hard to maintain their professional membership, their status, giving advice, most people are obviously paid quite well to do that and to become part of a firm like [this one] is important. [In companies I've worked for previously] there was maybe not the same level of pride in what you do, [you're] maybe more of just a cog in a wheel. So you've got less of a connection with the person you're dealing with so therefore you're not really interested or have the same level of commitment.'

'There's a lot of work going into the community with us at the centre ... and it's increasing year on year. It has become more popular that the organisation gets involved more, does more good for others and that is to be encouraged, definitely.'

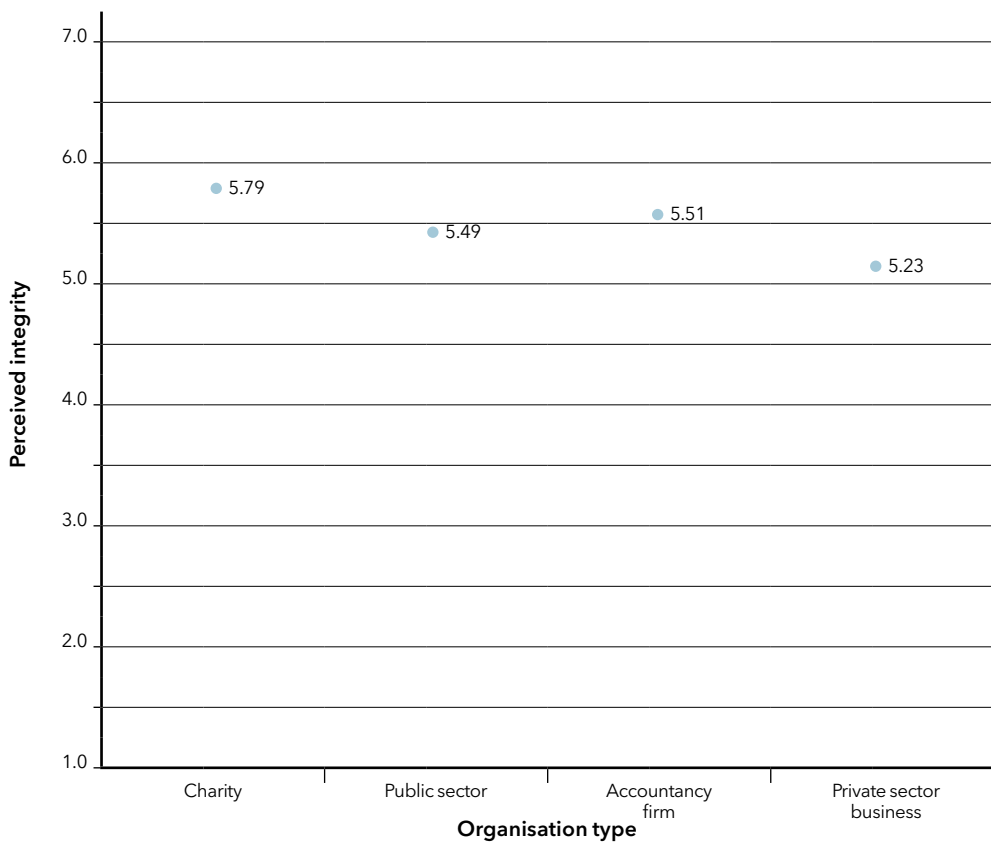
Whether through the idea of being an institution, of being in a profession, or of involvement in the community, these interviewees were aware of the place of their organisation in wider society, and saw this as an aspect of integrity. The idea of corporate social responsibility is subject to controversy in the academic literature, and it would perhaps be unwise to take a position on it here. However, it is worth remarking that employees of organisations where this idea was taken seriously, very frequently felt that this had a knock-on effect for the levels of individual integrity within the organisation.

#### 4.6 DIFFERENT TYPES OF ORGANISATION

In the previous section we introduced the idea that different types of organisation, defined according to their aims, might have different levels of integrity. We tested this hypothesis in the quantitative research and did indeed find evidence of a link.

As can be seen from Figure 3 below, different types of organisation did have slightly different levels of integrity.

**FIGURE 3: LEVEL OF PERCEIVED INTEGRITY BY ORGANISATION TYPE<sup>37</sup>**



This result was matched by the Logit model analysis, which found that organisational type was strongly positive as a predictor of organisational integrity (see Table 3 on page 33).

As noted in the previous section, this should by no means be taken to indicate that private sector organisations cannot achieve integrity! However, coupled with the quotations above, it can perhaps be taken to indicate that some attention to the social context in which organisations operate can be helpful in terms of integrity. Employees who feel that their work serves some purpose other than, or in addition to, profit are, it would seem, more likely to approach that work with integrity.

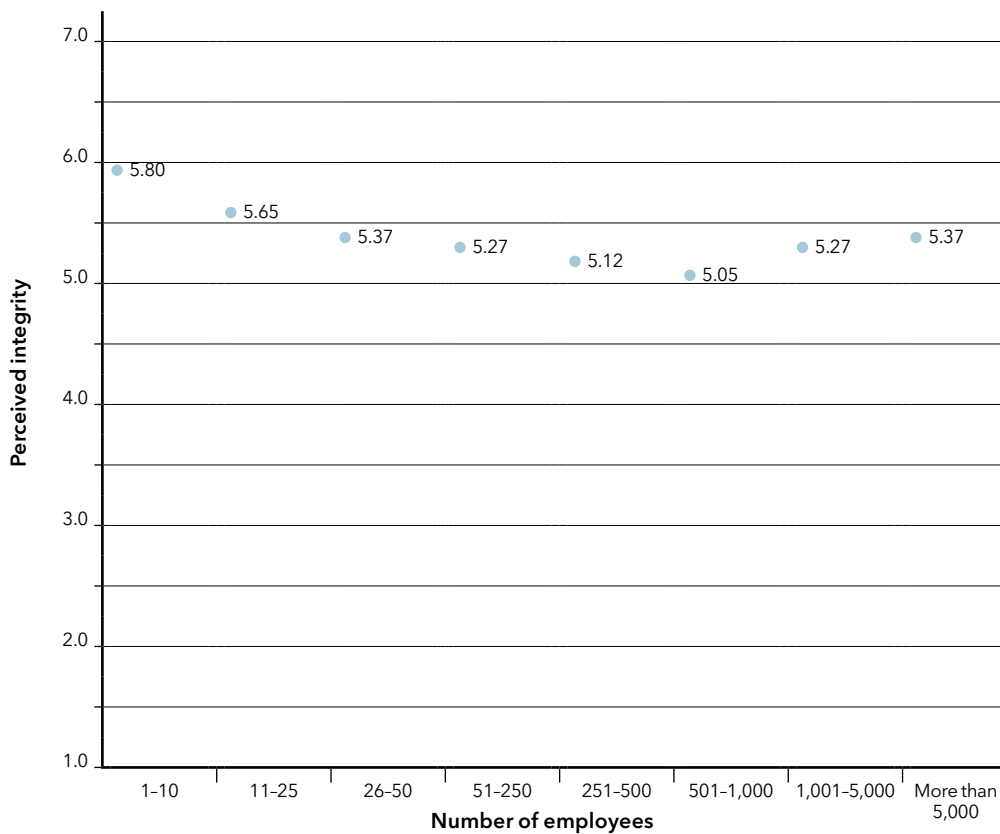
#### 4.7 DIFFERENT SIZES OF ORGANISATION

We also found through the quantitative work a link between organisational size and perceived organisational integrity, as seen in Figure 4, with larger organisations appearing to have less integrity than small organisations (although interestingly, integrity appears to begin to increase again in very large organisations).

In this case, the result was not matched by a similar result from the Logit model analysis.

In the qualitative research, organisational size emerged as a very interesting theme. Several respondents felt that integrity was easier to maintain in smaller organisations:

**FIGURE 4: LEVEL OF PERCEIVED INTEGRITY BY ORGANISATION SIZE (NUMBER OF EMPLOYEES)**



'We're a nice size so everybody speaks to each other, everybody has to deal with each other, everybody gets on well ... It's harder to hide things because we're so small and everybody always knows what's going on within a small [organisation].'

'Larger organisations I think maybe keep it to themselves a little bit more, any decisions are made higher up ... I don't think you would have much say if you did feel something wasn't ... how it should be ... Whereas here ... we're ... consulted on every aspect of the business.'

However, it could be that this apparent advantage relies on strong ethical leadership within the small organisation. The negative side of the informality which is possible in smaller organisations is illustrated in this quotation:

'The business I used to work for before I joined [this one] was a family run business which was completely different, nice people but the standards weren't the same ... They were quite ad hoc ... The standards weren't set for the people they employed so therefore they got away with things...and nobody really conformed to any kind of set structure ... They'd have huge rows instead of doing things in a professional manner and you just have a lack of confidence in people and that shows that they don't have integrity if they don't stick by their principles and their views. People never have confidence in what they're doing or their ability to run the firm in the right way.'

Ultimately, the likelihood is that small organisations can be more easily influenced either positively or negatively by their leadership:

'We're a small organisation so I think that gives you a lot more leverage to be very good or very bad ... I think you get less of the extremes with big organisations; there's much more room for people individually to hide their own personal morals. Whereas here, because we're a small company, we're much more directly impacting everybody ... I think there's a lot ... less places to hide.'

We did find that some techniques and methods for promoting integrity were more likely to be effective in different sizes of organisation, something which will be explored in more depth in the following chapter.

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## 5. Promoting integrity

In this chapter, we will begin to look at some general themes in the promotion of integrity, before moving on to look at specific techniques for its promotion.

### 5.1 CAN INTEGRITY BE PROMOTED?

Before looking at specific techniques for promoting integrity, it is important that we address a concern that many of our interviewees raised, namely the suspicion that integrity cannot be promoted. Integrity is often thought of as a deeply ingrained aspect of character, formed perhaps in your upbringing, and not easily changed. This thought is perhaps influenced by the association of integrity with moral steadfastness. People with integrity are solid characters, not easily swayed. If so, how could something as nebulous as organisational culture, or as remote as a set of organisational values or a code of conduct, make any difference to whether someone does or does not have integrity? This thought was raised by a number of our interviewees:

'I don't think organisations can make people have more integrity. I think you can hire people that already have it.'

'I think if you haven't got integrity you're not going to be able to improve it.'

'I think either people have got it or they haven't got it ... If they haven't got it [a code of conduct] doesn't make a difference.'

Despite the attractiveness of this position, it is our belief that it is mistaken. The example of Arthur Andersen which was discussed in Chapter 4 gives an instructive description of an organisation where integrity was had and then lost. It is unlikely that this was simply due to its hiring too many people without integrity to start with. The recent case of the *News of the World* offers another example of an organisational culture in which unethical behaviour apparently became acceptable, even commonplace. As individuals, we are faced with a series of ethical choices, and those choices are profoundly affected by aspects of our environment, whether we are aware of this or not.<sup>38</sup> One aspect of this decision-making is judgement, which can be fostered or neglected, but an equally important aspect is the ability to act on our judgements, and how comfortable we feel in doing so.<sup>39</sup> There is a wealth of evidence that organisational culture affects behaviour and organisational culture comes about not by accident but as the result of actions by individuals. Integrity is equally the result of choices, and the harder it is to stick to our principles, to live out our moral values, and to stand up for our beliefs, the more liable we are to lose our integrity. The organisational structures in which we work, the incentives and deterrents that are in place, the processes and procedures we are expected to follow, the tone and content of conversations we have with colleagues, all affect integrity. It is therefore not only possible, but deeply important, that organisations seek to promote and foster integrity by paying attention to these things.

### 5.2 THREATS TO INTEGRITY

It is worth noting that there are certain features of organisations which are liable to act as threats to integrity. There has been significant work in this area already. For example, the ICAEW syllabus covers in detail a list of 'threats to objectivity', and a list of 'threats to ethical behaviour' was generated by responses to FEE's discussion paper on 'Integrity and Professional Ethics'.<sup>40</sup>

While we did not address this question directly, two areas were raised very frequently in interviews, to the extent that they appeared as part of the background to many interviewees' thinking about organisational integrity. They are briefly summarised in this section.

### 5.2.1 COMMERCIAL PRESSURE

Several interviewees identified increased commercial pressure as a potential threat to organisational integrity. In a time of recession, it is perhaps unsurprising that this issue was at the forefront of people's minds.

'One of the good things about being here is ... it can get a bit pressured here but it's not the aggressive pressure that I've seen in other [more commercially focused] places when projects are going bad and it can get quite aggressive and bullying but I've never seen that occur here.'

Though commercial pressure is undoubtedly a potential threat to integrity, it is inevitable given the markets in which many organisations operate, a fact which tended to be accepted by interviewees. However, translating this high commercial pressure into unreasonable pressure on employees can be a threat to integrity, as this interviewee noted:

'[Here] we're not ... pushed to do anything untoward. Our targets are probably at the level where you can achieve them doing things the right way. Whereas [at a previous employer], the targets were unbelievably high ...'

### 5.2.2 ORGANISATIONAL DIVISIONS

A persistent threat to integrity occurs in organisations where there is a sharp divide between a 'shop floor' and a 'management team', or equivalent. We interviewed several organisations in which this divide appeared to exist, and interviewees frequently raised this aspect of organisational culture as an issue which needed to be addressed. Sometimes, problems were ascribed to a lack of communication between the two parts of the organisation:

'General lack of communication from the management. [Information sometimes] doesn't get relayed down, they forget to relay it and then it's too late and by then it's already happened and it's gone.'

For others, there was a perception of a general lack of concern for employees on the part of management:

'I know we've got to move forward but ... there's a gap and the gap is getting wider between the working people and the management people. It's making people not feel as though they've got any feelings, or that they care.'

As well as between shop floor and management, problems between teams or departments also appear to be common. One interviewee identified a lack of trust, and a perception of unfairness:

'There's definitely ... mistrust between [different areas of the organisation], definitely mistrust between different [leaders] having more power than others. And it not being fair - that seems to be said quite a lot. Some [areas] get treated in certain ways; staff that get more money, they get more everything, and other people are just [getting by] on the bare bones and are just about crippled.'

## 5.3 WHAT IS CURRENTLY IN USE?

One of the aims of the quantitative survey was to find out what methods and techniques were already in use. Respondents were asked which of the following statements were true of their organisation.

1. Values: 'There is a stated set of values which are known to most employees'.
2. Code of conduct: 'There is a written code of conduct including detailed guidance on acceptable behaviour'.
3. Rewards: 'Ethical behaviour is rewarded (eg, by promotion, inclusion in appraisal or other forms of recognition)'.
4. Discipline: 'Management disciplines employees who violate acceptable ethical standards of behaviour'.

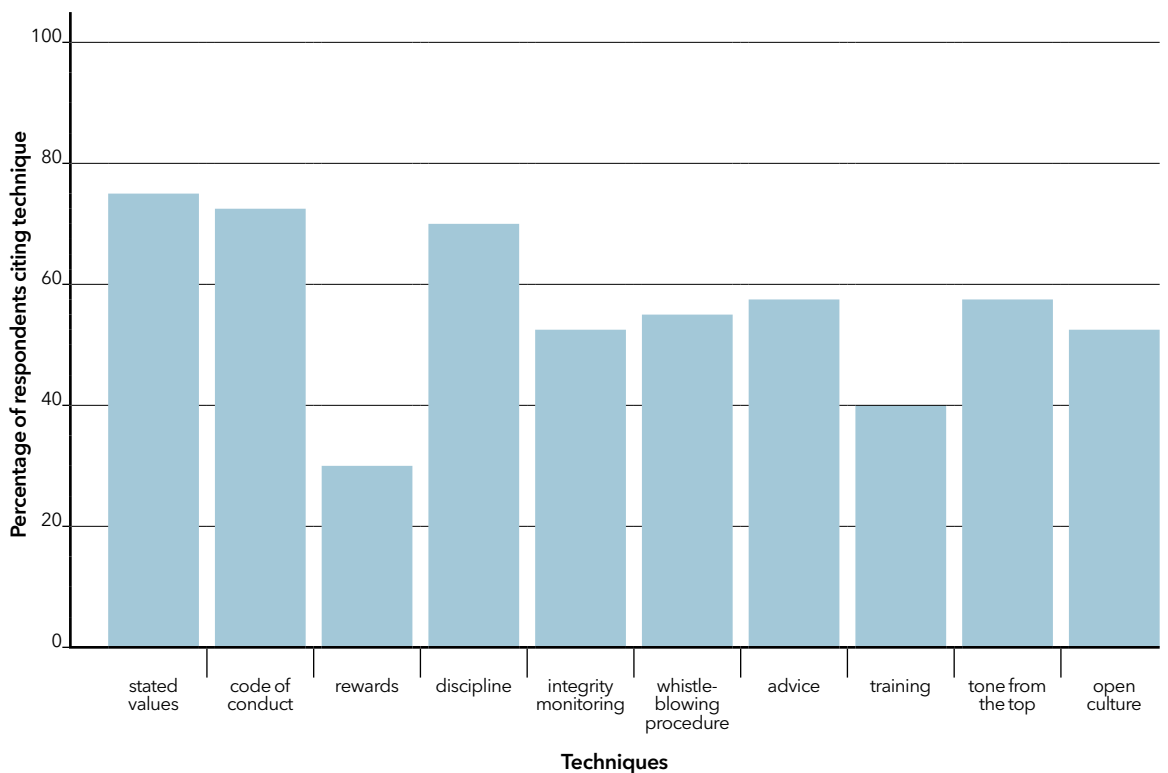


5. Monitoring: 'Management monitors the integrity of the organisation (eg, through reports on misconduct, whistleblowing, advice given by the helpline etc.)'
6. Whistleblowing: 'There is a clear whistleblowing procedure'.
7. Advice: 'Advice is available for employees who are facing ethical difficulties'.
8. Training: 'Training or coaching in ethics is provided by the organisation and used by most employees'.
9. Tone from the top: 'Managers consistently demonstrate the organisation's ethical values in their behaviour'.
10. Open culture: 'The culture of the organisation encourages discussion of ethics (and prevents retaliation to individuals who have raised ethical issues)'.

Figure 5 below shows the overall percentage of respondents who cited each technique as being present in their organisation.

- The least commonly cited techniques were 'rewards' and 'training'.
- The most commonly cited techniques were 'stated values' and 'code of conduct'.

**FIGURE 5: PERCENTAGE OF RESPONDENTS WHO CITED EACH SHORTLISTED TECHNIQUE AS BEING PRESENT IN THEIR ORGANISATION**



### 5.3.1 ADDITIONAL TECHNIQUES CITED

In addition to these, respondents to the survey were invited to identify any additional techniques not included in the shortlist which were present in their organisations. A total of 359 comments were entered here. Some general themes are outlined in this section.

Some comments were useful as a pointer towards aspects of the shortlisted techniques which were then explored further in the interview stage:

- Several respondents pointed out that online as well as face-to-face training was supplied in their organisation.
- One respondent stated that 'all training courses point to ethical behaviour patterns'. In other words, ethical themes were integrated into training in general, rather than forming a separate stream of training.
- In our shortlist the inclusion of ethical considerations within the appraisal process was subsumed under the general heading of rewarding ethical behaviour, but several comments suggested that the setting of plans and objectives with ethical dimensions might be an important motivational technique, regardless of whether this was linked to any system of rewards.
- One respondent stated that 'we show a commitment to employees when times are difficult'. Though this is an example of tone from the top it suggests that this is not always simply a matter of leading by example but is sometimes expressed as a reciprocal relationship of loyalty between an organisation and its employees.
- One respondent stated that their organisation asked employees to sign up, annually, to the organisation's business conduct guidelines, with some training/education tied in to this process.
- A number of respondents cited compliance programmes. The role of these programmes is interesting and has received considerable attention elsewhere, whereas our research is specifically aimed at techniques in use to encourage behaviour with integrity, as distinct from compliant behaviour.

Of the techniques that do not appear on our shortlist, none was cited widely enough for quantitative analysis of its perceived effectiveness as reflected in the survey to be meaningful. However, there were some that were cited by several respondents and are therefore worth noting. These were:

- Published materials that arguably do not amount to a code of conduct or published values eg, staff handbook, HR posters, leaflets (cited by 17 people). In the interviews, we explored the different approaches taken by organisations in this area.
- The existence of a dedicated department or director, partner, etc. with responsibility for ethics (cited by seven people).
- Building ethical standards into procedures for taking on, and communicating with, clients (cited by five people).
- Building ethical standards into recruitment procedures (cited by three people).

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## 5.4 EFFECTIVENESS: A PRELIMINARY VIEW

As well as finding out what techniques were in use in organisation, the other aim of the quantitative work was to get an initial impression of the relative effectiveness of techniques. Figure 6 below shows the overall perceived effectiveness of each of the 10 techniques, from the quantitative survey data. Respondents were asked to rate the effectiveness of each of the 10 techniques on each of the 12 statements that we take to be indicative of integrity. For example, respondents who said they agreed with the statement, 'consistent standards of behaviour are to be found in my organisation', were then asked to rate the effectiveness of the 10 techniques, in turn, in explaining why this was so.

### 5.4.1 HEADLINE RESULTS

There were four results which arose from the survey which were immediately striking, and which should be discussed here before moving on to a more detailed analysis of the overall results. We sought to explore these results in interviews, to seek out explanations for them and to add more detail to the generalisations offered by the quantitative analysis. These results are set out in detail in Chapter 6.

The first of these was that the activity of rewarding ethical behaviour was much less frequently cited as being in use, compared to other techniques. On the other hand, where rewards were employed, they were generally perceived to be effective. Interestingly, this result is particularly strong in commercial organisations,<sup>41</sup> where rewards for ethically valuable behaviour perhaps act as a counter-balance to commercial pressures, which were frequently perceived to represent a threat to integrity (see 5.2.1 above). In Section 6.9, the results from the survey are compared to those from the interviews to give a more nuanced picture of the usefulness of rewarding ethical behaviour, and some guidance on how this technique can be employed most effectively.

The second striking result was with regard to training in ethics: perhaps surprisingly, we found that an organisation's providing training in ethics correlated negatively with overall organisational integrity. This suggests that training is usually ineffective in its current form, a surprising result which should perhaps be taken as a challenge to those currently providing ethics training for organisations. In Section 6.8, we summarise the insights gleaned from interviews into what particular features of ethics training make it either effective or ineffective.

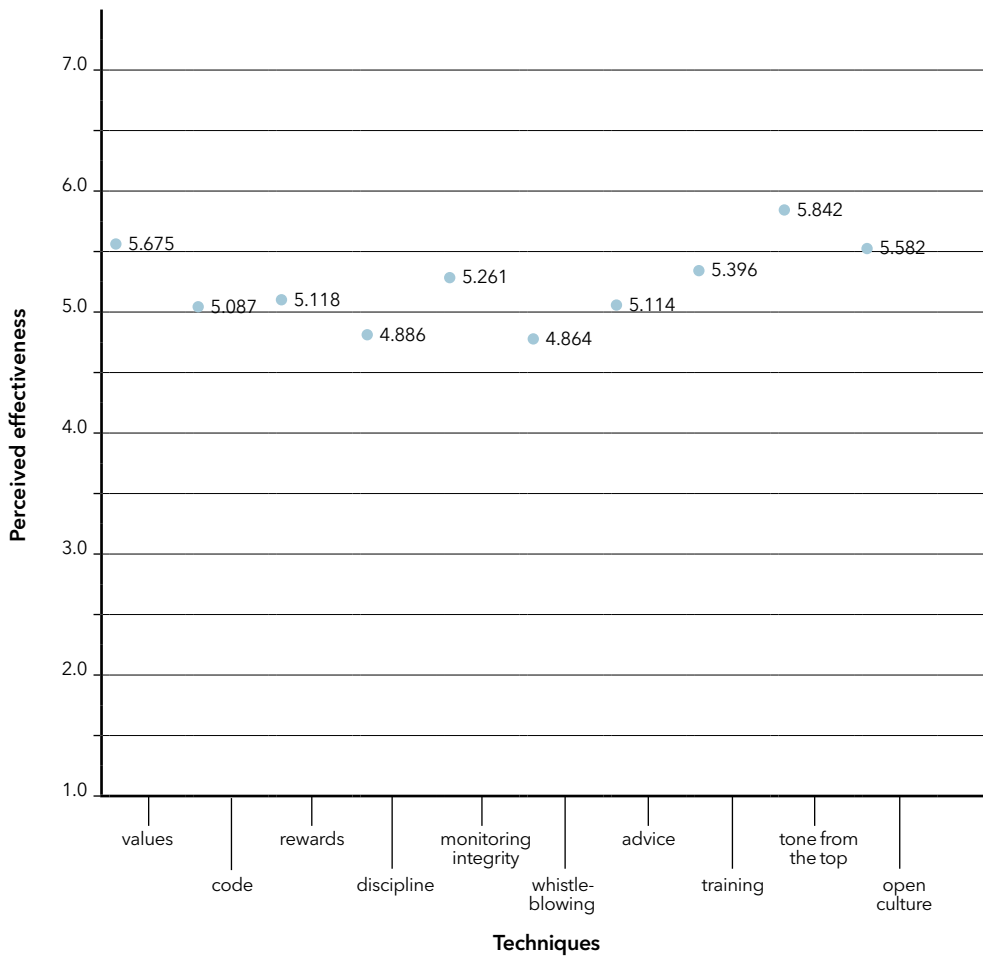
A similar result was obtained with regard to the use of discipline as a technique to promote integrity: this too correlated negatively with the perceived overall integrity of the organisation. While most would agree that discipline is a necessary tool for the enforcement of standards (at least legal and perhaps also ethical) in organisations, its use specifically as a tool to promote integrity is a more complex matter. It should be noted first of all that there are several possible interpretations for the apparent negative correlation of discipline with organisational integrity, and it is not obvious which way the causal relationship runs, if indeed there is one. For example, it may be that organisations where discipline is particularly prevalent are reacting to perceived ethical problems by increasing the use of discipline. The prevalence of discipline is therefore an indicator of ethical problems, rather than their cause. On the other hand, as we will see in Section 6.10, some interviewees did suggest that heavy-handed, or inappropriate use of discipline could have a significant demotivating effect on employees, which could manifest itself as a loss of organisational integrity. If discipline is to be effective as a tool to promote ethical standards, it is vital that it is subject to the highest ethical standards in the way it is applied.

Finally, whistleblowing was not seen as an effective technique, relative to the others, by survey respondents. However, effective use of the technique showed a strong positive correlation with organisational integrity. This result suggests that the availability of a clear whistleblowing procedure might be a more effective way of promoting integrity than it is perceived to be. Perhaps this is because support for whistleblowing is rarely invoked in practice, at least in organisations which have integrity, but that it is able to have an influence simply by being available. Alternatively, it could be that where whistleblowing is effective it is strongly effective, but that a whistleblowing policy without evident benefits just leads to apathy, so it is in general not seen to be effective. Whichever explanation is right, the apparent effectiveness of support for whistleblowing is worth highlighting here.

5.4.2 SIMPLE ANALYSIS

In the simple analysis, we took the average (mean) of all of the respondents' answers for each technique. The results of this calculation are displayed in Figure 6 below:

FIGURE 6: PERCEIVED EFFECTIVENESS OF TECHNIQUES OVERALL



The results show a variation of almost one point between the highest perceived effectiveness (tone from the top) and the lowest (whistleblowing). Values and open culture were both highly rated, and disciplining unethical behaviour was relatively poorly rated. However, all 10 techniques were rated positively overall (the midpoint on a 7-point scale is 4).

### 5.4.3 LOGIT MODEL ANALYSIS

**TABLE 3: RESULTS FROM THE LOGIT MODEL ANALYSIS**

(see Appendix 1 for further explanation)

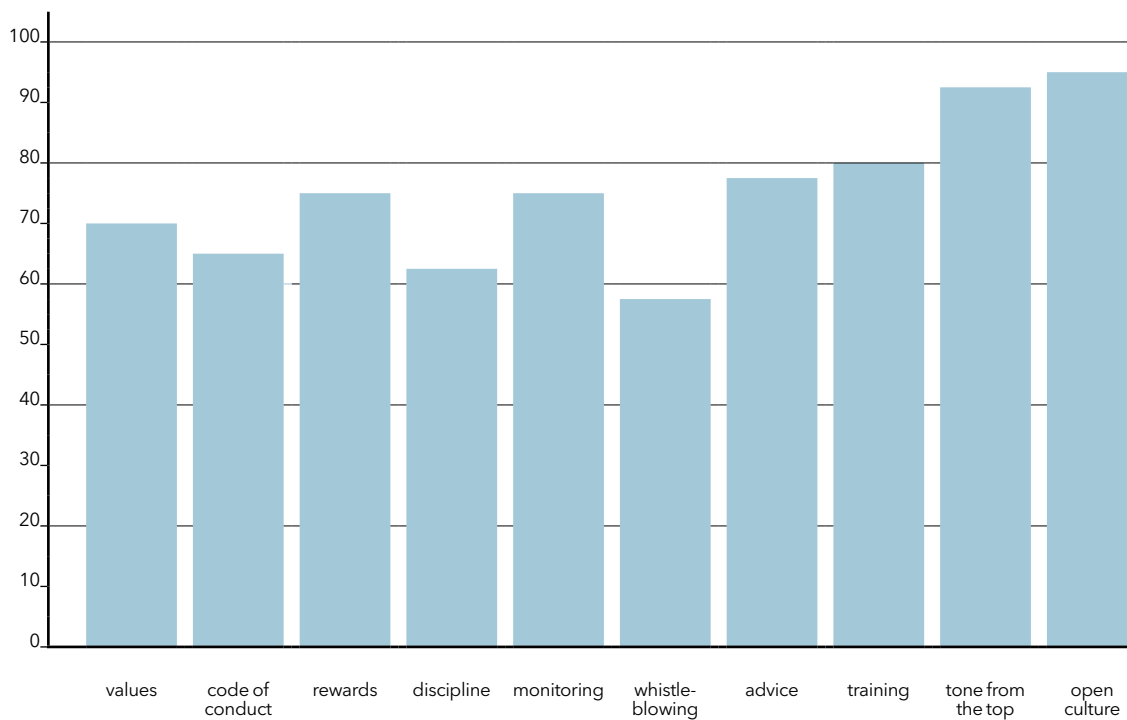
Number of strata		5	Number of observations		149	Number of PSUs		149	Population size		756.59704	Design df		144	F(12, 133)		6.97	Prob> F		0.0000
Explanatory variable	Odds ration	Linearised std. error	t	P>t	Significance of effect	[95% confidence	Interval]													
Org. size (ctrl)	1.3419	0.1886507	2.09	**0.038	Medium +ive	0.016343	1.771742													
Org. type (ctrl)	2.27772	0.7012774	2.67	***0.008	Strong +ive	1.239386	4.185952													
Values	4.717384	1.216773	6.01	***0.000	Strong +ive	2.833262	7.854449													
Code of conduct	1.848552	0.7231486	1.57	0.118	None	0.853143	4.00536													
Rewards	1.272957	0.3420624	0.90	0.371	None	0.7484192	2.165124													
Discipline	0.1902502	0.0729846	-4.33	***0.000	Strong -ive	0.0891282	0.4061016													
Monitoring	0.8443478	0.3385614	-0.42	0.674	None	0.3822251	1.865192													
Whistleblowing	3.320769	1.382641	2.88	***0.005	Strong +ive	1.458234	7.562235													
Advice	1.537519	0.7028751	0.94	0.348	None	0.6228692	3.795284													
Training	0.1882181	0.771996	-4.07	***0.000	Strong -ive	0.0836706	0.4233988													
Tone from the top	2.477796	0.9484086	2.37	**0.019	Medium +ive	1.162775	5.280016													
Open culture	1.83918	0.6683528	1.68	*0.096	Weak +ive	0.8967641	3.771985													
/cut1	8.800806	2.835473	3.10	0.002		3.19628	14.40533													
/cut2	9.495279	2.833625	3.35	0.001		3.894406	15.09615													
/cut3	13.12647	2.894155	4.54	0.000		7.405954	18.84698													
/cut4	17.91744	3.152541	5.68	0.000		11.68621	24.14867													

Notes:

1. The above table shows the estimation results for the ordered Logit model for the effect of the 10 techniques on overall integrity.
2. P>t denotes the p value of a test with  $y=0$ . This is an indicator of statistical significance, with a lower value indicating a higher level of significance.
3. The 'significance of effect' column shows statistical significance. 'Weak +ive' indicates that a significant positive effect was observed at 10% level. 'Medium +ive' indicates that a significant positive effect was observed at 5% level. 'Strong +ive' indicates that a significant positive effect was observed at 1% level. Strong -ive indicates that a significant negative effect was observed at 1% level.

## 5.4.4 QUANTITATIVE RESULTS FROM THE INTERVIEWS

FIGURE 7: PERCENTAGE OF INTERVIEWEES CITING TECHNIQUES AS PROMOTING INTEGRITY



Comparing Figure 7 with Figure 6 shows the extent to which the results of the interviews bear out those of the survey. Differences between the results could be explained by one of at least two factors. Firstly, the survey sample was made up entirely of ICAEW members, which as was observed in Chapter 2 is likely to have a skewing effect on the results. Secondly, though our interviewees occupied a wide range of roles, they came from only 15 organisations, so unusually high or unusually low perceived effectiveness of a technique in one of these organisations is likely to have a disproportionate effect on the overall results.

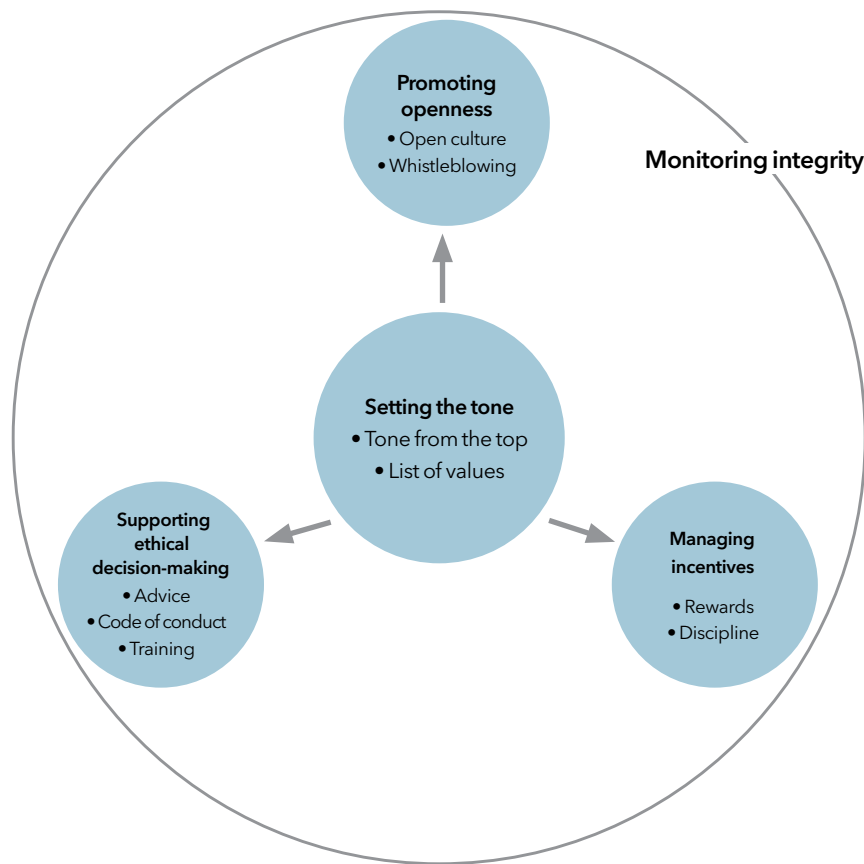
In fact, results from the two pieces of research do appear to be largely similar, which can be seen as increasing confidence in both sets of results. In both, tone from the top and open culture were seen as particularly effective, and discipline and whistleblowing were seen as having relatively low effectiveness. The one notable difference is the result for values (having a list of organisational values). This was seen as highly effective by the survey respondents, but less so by the interviewees. It may be that this can be explained by features of the interview organisations; perhaps these organisations were not using values as effectively as they could have been.

Both sets of quantitative results can only pick out crude trends. Above all, it is important to stress that a relatively low score here cannot be taken as indicating that a technique cannot be effective, only that in the experience of respondents, it has been less effective relative to the success of other techniques. One of the aims of the interviews was to flesh out these trends by examining differences in the way techniques are applied. For example, when a list of values is perceived as being effective, what is it about the way an organisation has used those values that interviewees approve of? In Chapter 6 we set out these more detailed observations and also set out a recommendation for an overall approach to the promotion of integrity in which these techniques can be made to complement and support each other.

## 6. A framework for integrity

The general impression arising both from the quantitative survey work, and from the qualitative interviews, is that each of the techniques we examined has some application in promoting integrity. For each technique we uncovered both good and bad examples of its use enabling us to draw detailed conclusions about how each technique should best be applied. We also uncovered some useful insights into the role played by each technique, and the ways in which they might fit together and complement each other. Figure 8 shows an overall schema of a framework for the promotion of integrity, which has emerged from this research.

**FIGURE 8: RELATIONSHIPS BETWEEN TECHNIQUES FOR PROMOTING INTEGRITY**



Setting the tone is pictured as central in the framework because without the correct organisational tone from the top other techniques are unlikely to have much effect, a theme which came out very frequently in the interviews. Having a list of values, as long as it is properly embedded and genuinely able to guide behaviour, crystallises organisational tone and allows it to be spread throughout the organisation.

The importance of promoting openness is another key theme emerging from the research. Having an open culture supports tone from the top as it allows messages to be spread openly throughout the organisation. It also allows ethical issues to be raised and dealt with before they get out of hand. Clear procedures for reporting and whistleblowing also provide an important element in this process.

It was suggested above that individual integrity is the result of an ongoing series of decisions with ethical dimensions. It is therefore vital that organisations support ethical decision-making. Seeking advice is often the first step in making a decision. A well-designed code of conduct also provides useful guidance and training and, if effectively done, fosters ethical decision-making skills.

Finally, managing incentives supports tone from the top by showing that the organisation’s stated values match up to what is actually valued within the organisation. Values should be clearly built into rewards and objectives, and disciplinary procedures should be clear, consistent, and supportive of the organisation’s values.

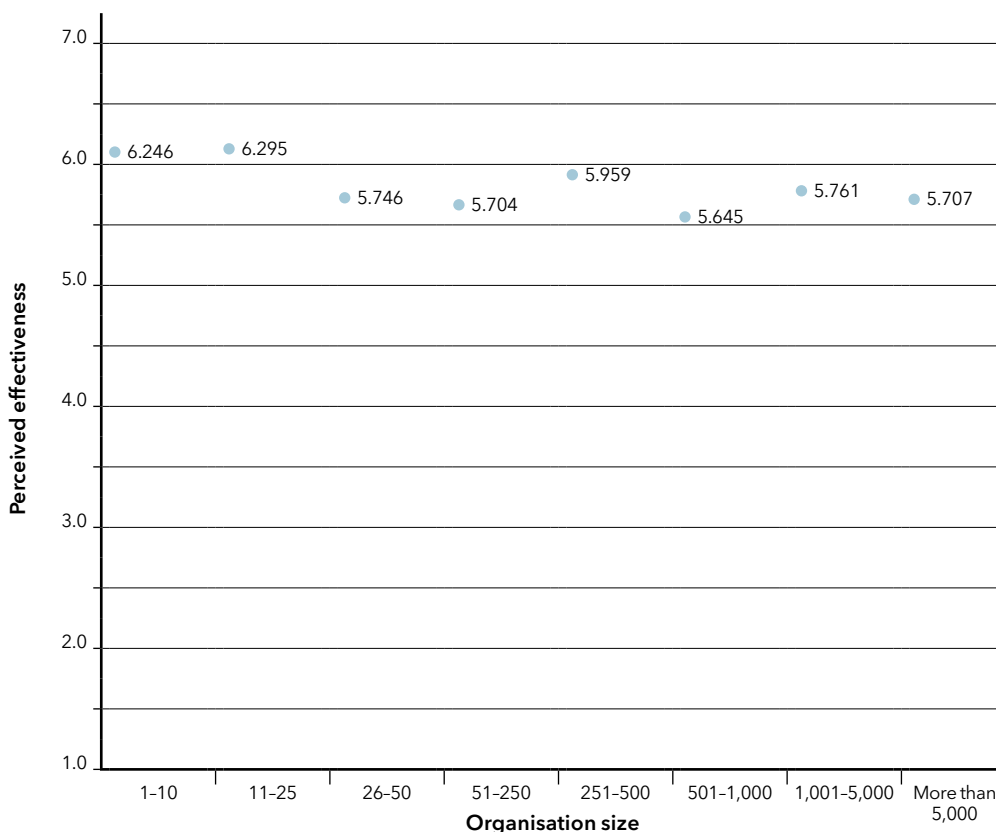
Monitoring integrity ensures that the other techniques in the framework are achieving their aims, are not having unintended consequences and are working together effectively.

Some of these techniques are effective because of their effect on individuals, some because of their effect on the organisation as a whole. Some are important simply because they exemplify integrity: an organisation that employs these techniques is already showing integrity to some extent. In this final chapter of the report, each of these techniques is examined in detail, including more and less effective approaches that can be taken to each one. As well as those shown in Figure 8 above, mutually supportive relationships exist between many of the techniques which cannot be displayed in the diagram and these will be discussed, as will the relative importance of different techniques for different types of organisation. An organisation that is serious about integrity should spend some time thinking about all of these techniques and their contribution to the overall framework.

It should be emphasised that the process of promoting integrity takes time. Organisational culture is difficult to change, and the process of embedding values, say, or making employees feel that their concerns will be listened to, will not happen overnight. Nonetheless, the techniques discussed in this chapter have been shown to work in the organisations we spoke to, and we believe there is good evidence to suggest that their effectiveness can be generalised to a wide range of organisations.

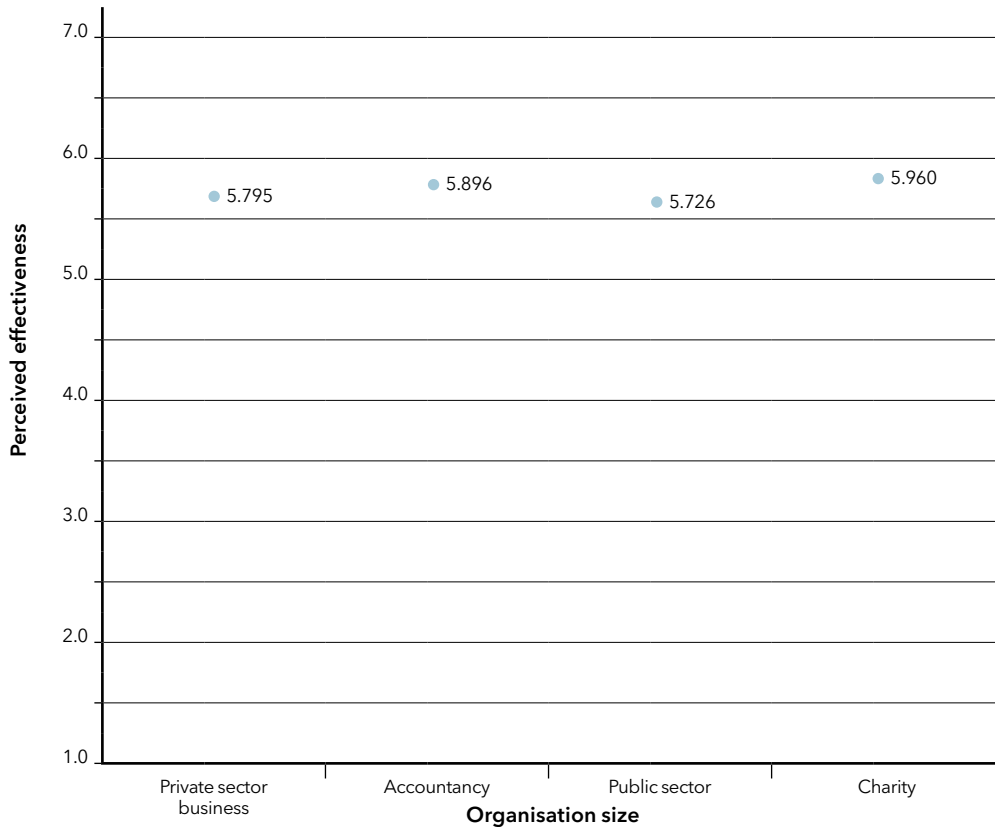
### 6.1 TONE FROM THE TOP

FIGURE 9: PERCEIVED EFFECTIVENESS OF TONE FROM THE TOP BY ORGANISATION SIZE





**FIGURE 10: PERCEIVED EFFECTIVENESS OF TONE FROM THE TOP BY ORGANISATION TYPE**



Tone from the top was the highest-rated technique in the survey and the second highest rated from the interviews (92% of interviewees rated it as effective in promoting integrity). There is no doubt that tone from the top is perceived to be highly important in terms of its effect on the integrity of the organisation:

‘The leadership of any organisation sets its tone ... It tells people what isn’t acceptable, to form the external perception of the organisation, it informs where resources are directed and is incredibly important.’

It is also perceived to be important in its effect on individual integrity, setting an example that others can follow:

‘I think it’s that ..., when you have people in responsibility at the top of an organisation then people aspire to be like them.’

‘I think that that’s key. If the leaders aren’t showing integrity then I’m not sure I would expect anyone else to.’

A number of interviewees also noted that negative examples are likely to be followed as well:

‘To me it can have a negative effect. Because if you see someone higher acting a certain way ..., then you start acting that way.’

Several interviewees offered the opinion that tone from the top is a necessary condition for integrity; without it, the other techniques would not work, because the expectations set by other techniques need to be matched by the actions of leaders:

'I think the biggest danger is the failure to practise what you preach. I think if you get a leadership set who put forward a set of values that they don't actually believe in or practise themselves, that is the most damaging thing to an organisation because people see the gap, quite quickly become demoralised and it's just disingenuous when that happens.'

'I think you can't have policies and procedures and expectations that say one thing and then a leadership that says something completely different. You have to promote it from the top that that's the culture and the expectations.'

As can be seen in Figure 9 above, tone from the top was perceived by survey respondents to have more effect in smaller organisations, a result that was echoed by many interviewees:

'I think we're not a huge organisation so their input at the top is what we push out at the bottom.'

'They're seen more around the office...and you're more likely to talk to them. But then there's also more of a risk of them demonstrating behaviour that you wouldn't necessarily agree with, so they ... have to be more informed than in a larger organisation.'

However, tone from the top was seen by many to be equally important in a larger organisation:

'I think ... the tone set by individuals to their immediate direct reports and how those direct reports then filter those behaviours through to the rest of the organisation is very important.'

Interviewer: 'Even within a large company like this?'

'Definitely.'

Tone from the top is, by definition, not only a matter of leaders having integrity, but also of their being seen to have integrity. For this reason, particularly in large organisations, tone from the top also requires an open culture if it is to be truly effective. When communication is lacking, the tone does not permeate the rest of the organisation:

'I think they do [have integrity], but behind closed doors. And it's not seen as much as I'd like to see it ... Sometimes if you [see] how they've reached a decision and [get] to understand that situation more, from their point of view, then you can see that they're acting with integrity ... So it needs communication of information I think. More information available.'

Another reason for tone from the top sometimes not reaching the rest of the organisation is when there is a difference between the tone set by leaders and that set by other, lower-level managers. This can sometimes occur when the message given out by senior managers is seen as unrealistic by those lower down the organisation:

'I think the people in the top of the organisation, at the very top, have to set the most extreme ethical position if you like, and then just everyone has to follow from them in a way, don't they? And then maybe people at the bottom do their own thing and, branch off and kind of don't worry about it too much!'

'I think you have at the top this very broad [message], "this is how we want everything to be" and at the managerial level you have ..., "I know that's what you're saying up there but actually it doesn't really work in practice, we just kind of crack on as we normally do." It's like at the top you've got the message that comes out which is the external message, "this is what we're like, and that's to be implemented by the managerial level", but it [isn't] really.'

There are two possibilities here: either leaders are being disingenuous and covering their backs, giving out a message that they know will not be fulfilled, or managers are choosing to ignore a sincere message. Either way, this suggests a need for open and honest communication between organisational leaders and managers, communicating both decisions that have been made and the basis on which they have been made.

As we noted in Section 5.2.2, strong cultural divisions within organisations can be a threat to integrity. We found in the interviews that in organisations where a sharp division between 'shop floor' and 'management' staff, the shop floor staff were far less likely to see the senior management as a role model.

As one interviewee (an organisational leader) noted, tone from the top is not a 'one-way street'; leaders also need to be willing to learn from their subordinates:

'I'd hope the people working with me had integrity to start off with ... There's no reason why they can't teach me something, it's both ways.'

Tone from the top is not a question of leaders co-ordinating their message precisely before communicating with the rest of the organisation. There will inevitably be some disagreements between leaders and these need to be acknowledged openly where possible. As was noted in Chapter 3, one aspect of integrity is about opening up your beliefs to scrutiny and the possibility of change, so to be seen to have integrity is partly to be seen to do this:

'I do think there has to be some interface [with] the outside world, and other perceptions of what ethics are. If you just rest entirely with that individual's beliefs then you will develop what I would call bald spots. Stuff we don't care about or stuff we don't believe in. So there has to be that personal side but also the ability to respond to other stuff as well.'

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Make sure senior managers are aware of and understand the organisation's values and code of conduct.</li> <li>• Demonstrate to managers throughout the organisational hierarchy that ethical behaviour is a priority.</li> <li>• Ensure senior managers are subject to the same ethical standards as staff.</li> <li>• Communicate openly with staff about the outcomes of disciplinary procedures involving senior managers.</li> <li>• Publish examples of value-driven policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Try to carefully manage the image of senior managers.</li> <li>• Treat ethics as an 'add-on', or an aspect of marketing and PR.</li> </ul>

**Further references**

Ardichvilli et al (2009) found that 'leadership effectiveness', and particularly an ethical culture that 'starts at the top and is conveyed by example' was consistently cited as important by their respondents. Brown et al (2005) give a detailed analysis of this dimension of ethical culture, as do Grojean et al (2004). Weaver (2006) argues for the role of organisational leaders in developing employees' 'moral identity'.

6.2 ORGANISATIONAL VALUES

FIGURE 11: PERCEIVED EFFECTIVENESS OF PUBLISHED VALUES BY ORGANISATION SIZE

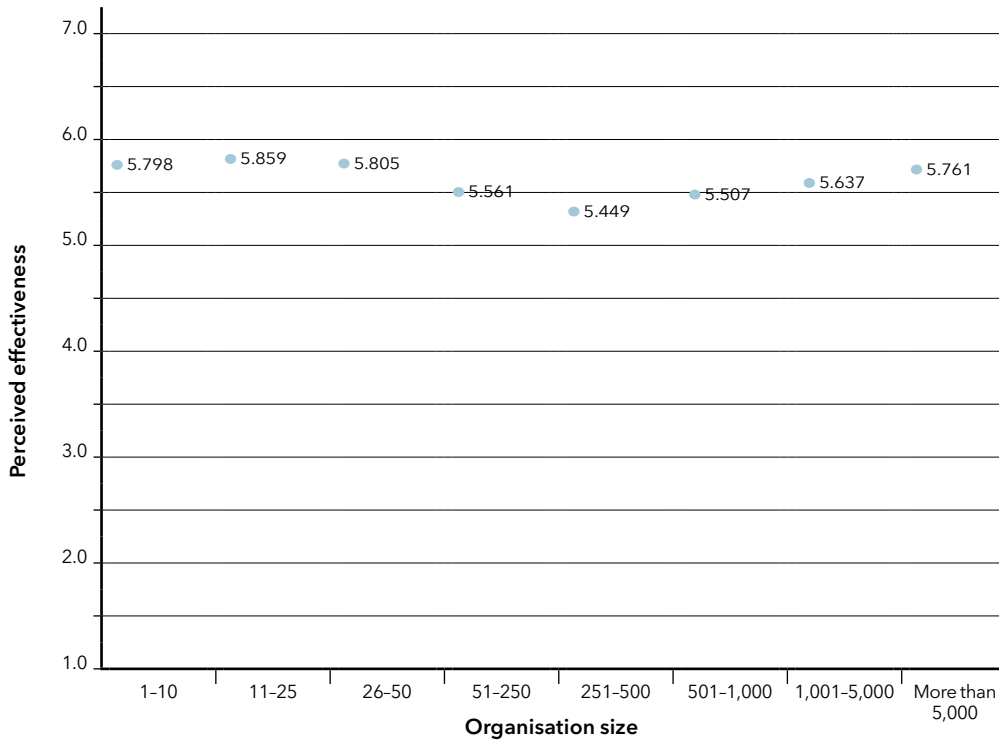
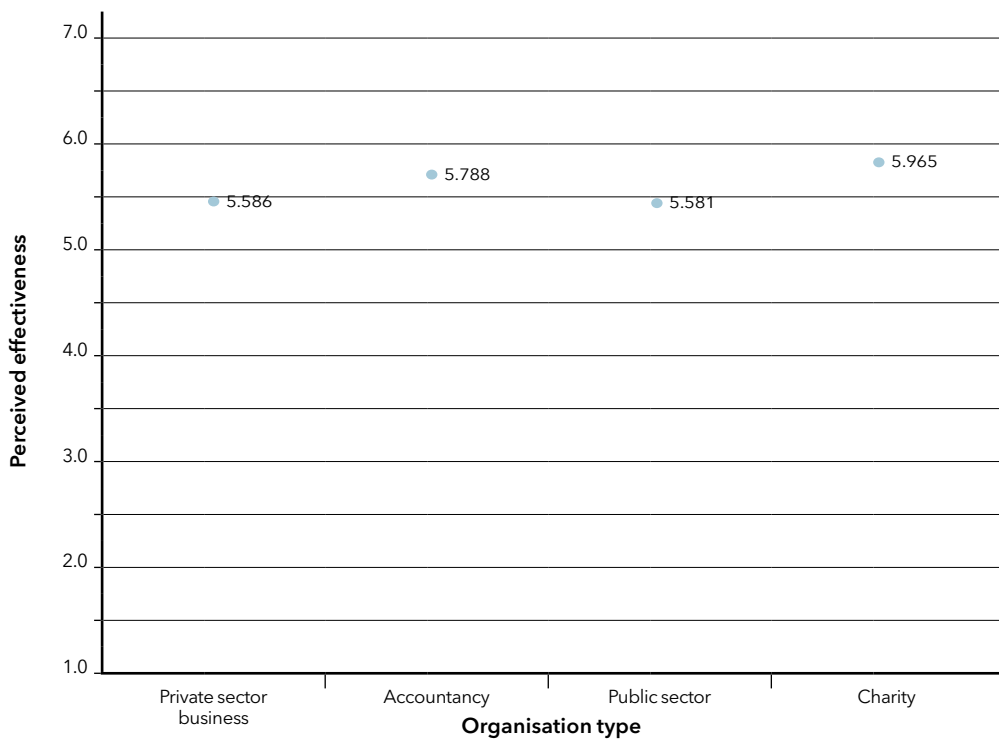


FIGURE 12: PERCEIVED EFFECTIVENESS OF PUBLISHED VALUE BY ORGANISATION TYPE



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We argued in Chapters 3 and 4 that integrity, both for organisations and for individuals, is partly a matter of acting consistently according to ethical principles and commitments. In the workshop which we ran to discuss the implementation of these results, one of the key challenges faced by organisations that was raised was that of getting employees to agree on what was ethical in the first place. An organisation might try to ensure this kind of consistency and agreement by making its principles explicit.

Having a list of published values or principles was seen as effective by the survey respondents (both according to the simple analysis and the Logit model analysis) but less so by interviewees. More than any other technique, there were widespread differences among interviewees as to the effectiveness of having a list of organisational values. This led us to look at differences between organisations: in those organisations where values were rated as effective, what was the organisation doing to make them effective?

The general impression emerging from the interviews is that organisational values if approached correctly are a highly effective way of crystallising the ethos of the organisation; of giving it an identity with an ethical dimension. They also show what is expected of employees and have an important role in recruitment. However, if an organisation merely pays lip service to its values, they can be met with apathy and even cynicism, and can have a negative effect on integrity:

'I think, as has just been demonstrated by me not being able to recite them, that they can be a bit meaningless if they are just statements that are churned out at staff events and all the rest of it.'

'I think it's probably nice to have but I don't think it has that much of an effect. I think just ...publishing once a year or once every six months a list of values and a short paragraph about what they mean has little or no effect at all.'

In organisations where values were seen to be effective there was a view that they genuinely had a role in affecting decisions. In Section 5.2.1, it was noted that commercial pressure can be a threat to integrity in decision-making. A list of values, if it is properly embedded, can offer criteria for decisions which are not purely commercial, and can thereby offer a counter-balance to this threat:

'[A list of values or principles] gives people in less authoritative positions authority to express those principles even when things are difficult. So what I mean by that, for example, is if we have a particular value that we believe - we're learning centred, the learner is number one - that's a key value. And then we need to make a business decision, then I would feel comfortable saying, "no, the learner comes first in this," even if it means projects delayed by a week. Because I know that I've got senior stakeholders' sign-off, in principle, because they're not [only] cost-centred.'

'My way of seeing it is, when I'm here late at night and I'm writing an email to someone in a business and I'm trying to decide how to word it, and what to say, what's my checklist of things I should abide by? And they should feel completely in line with what I feel personally.'

'I think [in times of increased commercial pressure] it's easier for those values to be abandoned but it's a time when they need to be embraced. It's the most important time. When times are good people are less aware of the values whereas when you've got hard times ...they become really important. So yes it might become easy to leave them but actually it's not inevitable that they should go, it's important that they are embraced and built upon.'

One of the organisations we spoke to - one of the few in which interviewees were consistently able to recall the list of values - employed what one interviewee called a 'story', which served the dual purposes of making the values memorable and of demonstrating in practical terms how they could inform decision-making. The story cannot be reproduced here for reasons of confidentiality, but it provided an interesting case study in how to embed values in an organisation. Several of the interviewees were able to talk at length around the list of values, explaining how each led into the other, and how each informed and guided their way of working.

The interviews provided the following general insights into the effective use of values:

1. Each value should be concisely expressed: a single word or a short phrase.

Interviewees were less likely to remember values that were too long or complex.

'I think you keep them simple [At my previous employer] people forgot them; they were really wordy.'

2. The list of values itself should not be too long.

'My issue with it and the reason I can't remember any of them is that we had a list of 17 or something like that, it needs to be a list of 3-5.'

3. Values should be refreshed when there has been significant change within the organisation, but should not be changed too often as this makes them both difficult to remember, and hard to take seriously as representing the true values of the organisation.

'The purpose of [refreshing the values] is to make sure they are absolutely relevant, and that everybody is signed up to them and bought into them. Because I'm not sure we have got that at the minute.'

'I mean every year there have been some new ones but they tend to be variations on a theme! ... I don't know them off by heart.'

4. Values should be demonstrated with case studies taken from real incidents from the organisation's history.

These are useful because they show how values (which as single words or short phrases are necessarily quite abstract) can influence behaviour in practice. Using real cases from the life of the organisation shows that the values are genuinely seen as important.

'There have to be cases ... The values ... have to be reflected in all the work that you do. So there has to be that link, and if that is clearly visible then that will help.'

5. Values should be actively and regularly communicated to staff.

'If you have them in an induction, which [previous employers] did ... and you're reminded of them all the time then you use them as an everyday thing. Rather than being a PowerPoint presentation you see once a year.'

6. Values should be seen to inform organisational strategy.

This combines with tone from the top by showing that the values guide decisions made at the highest level. Without this it is difficult to insist that they should inform decisions elsewhere in the organisation.

'There has been very recently, which has been very helpful ... with the transition we're in, quite a lot of work on developing a strategic statement that has been about going back to our values and "what are we here to do?"'

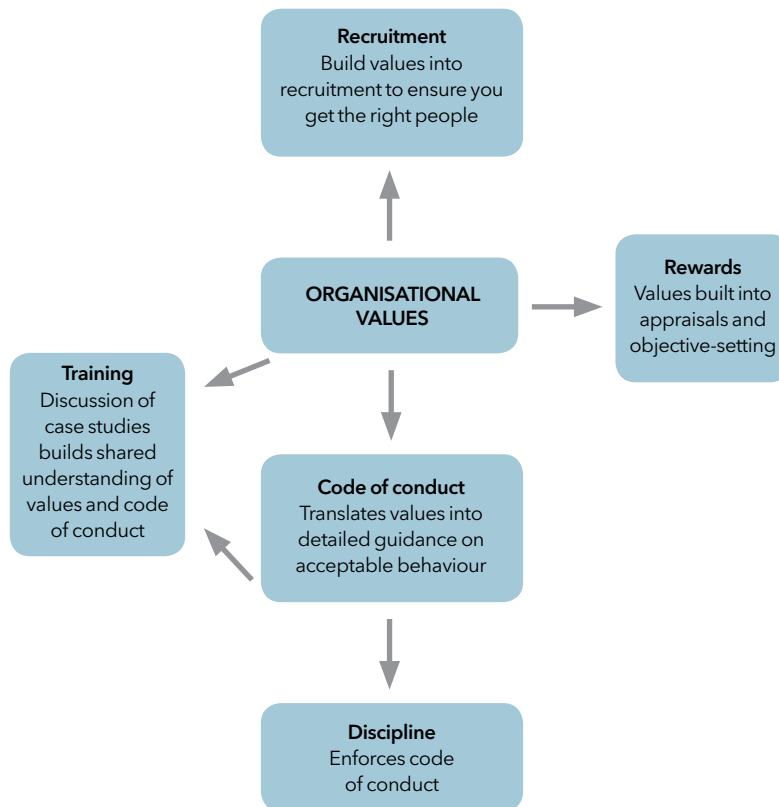
7. Values should be built into objectives alongside performance.

As previously noted, one of the purposes of having a list of values is to act as a counterbalance to commercial pressures. Building values into individuals' objectives helps with this, by rewarding and incentivising ethical behaviour. This idea will be revisited in Section 6.9 below.

Although one or two interviewees expressed the opinion that stated values would be of more use in a larger organisation, this view was not borne out by the research overall. As can be seen in Figure 11, values were perceived by survey respondents to be effective in large organisations as much as in small ones, and several of the organisations in the qualitative stage where values seemed to be used very effectively, were towards the bottom end of the spectrum in terms of size.

Figure 13 shows some practical steps that can be taken to embed values in an organisation using some of the other techniques explored in this report.

**FIGURE 13: EMBEDDING VALUES**



ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Express values concisely: a single word or short phrase.</li> <li>• Regularly and actively involve the values in conversations with staff.</li> <li>• Ensure values are seen to inform organisational strategy.</li> <li>• Refresh the list of values when the organisation's mission, or the key challenges it faces, have changed.</li> <li>• Use case studies from the organisation's history to demonstrate the meaning of values, and to foster a sense of organisational identity.</li> <li>• Build values into individual and team objectives alongside other aspects of performance.</li> <li>• Build values into other techniques generally (see Figure 3).</li> </ul>	<ul style="list-style-type: none"> <li>• Have a list of values that is overly long or complex (leave detailed guidance to the code of conduct).</li> <li>• Change the list of values so often that they become difficult to internalise, and difficult to take seriously as a reflection of the organisation's true nature.</li> </ul>

**Further references**

Ardichvilli et al (2009) found 'clarity of mission and values' which is 'institutionalized' to be a characteristic of ethical business cultures. Treviño et al (1999) found that 'values-based' ethics and compliance programmes were the single most effective approach in influencing outcomes. Ferrell and Weaver (1978), Kaikati and Label (1980) and Morris and Steers (1980) all argue that articulated values can influence behaviour by facilitating role clarity.



### 6.3 OPEN CULTURE

FIGURE 14: PERCEIVED INTEGRITY OF OPEN CULTURE BY ORGANISATION SIZE

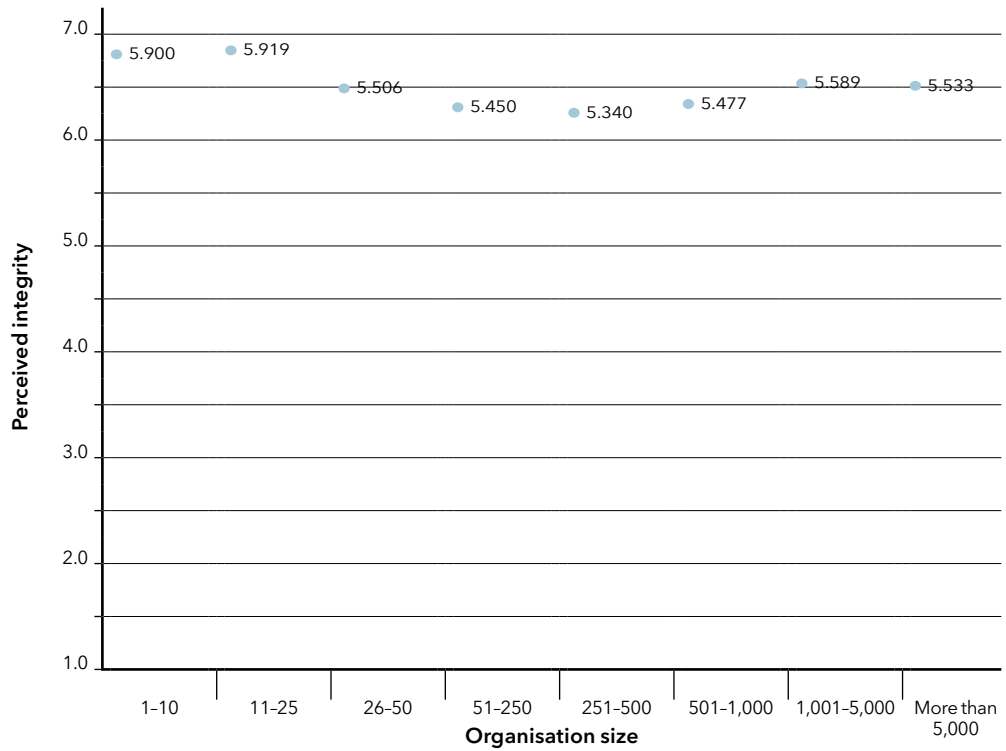
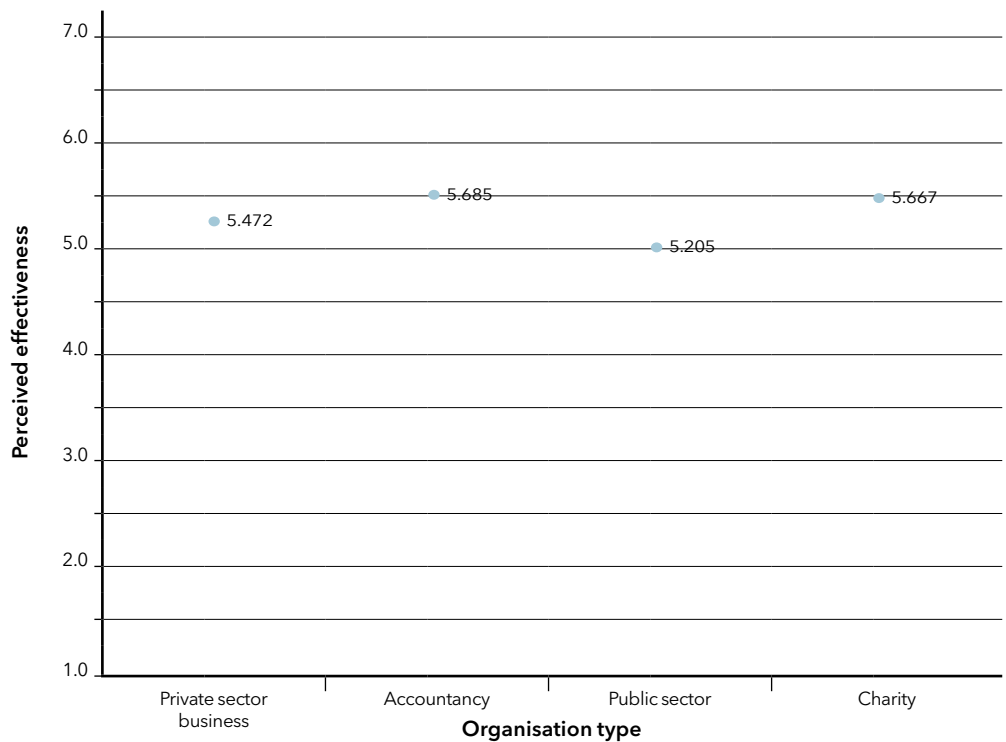


FIGURE 15: PERCEIVED EFFECTIVENESS OF OPEN CULTURE BY ORGANISATION TYPE



Having an 'open culture' was consistently cited as very important. It was the third most effective technique according to survey respondents (backed up by the Logit model analysis) and the technique most consistently cited as effective by interviewees (93% responded positively). As can be seen from Figure 14 above, it appears to be more effective in smaller organisations, perhaps because it was perceived to be easier to achieve in these organisations. However, it was seen as equally important in larger organisations by interviewees. This is one of the techniques which can be seen as exemplifying organisational integrity as well as promoting it. If integrity is partly about openness and honesty, an organisation which is open with its employees, and values their contributions in return, is already to that extent an organisation with integrity. In fact, in contrast to the other techniques examined here, this is not really a technique at all, but an aspect of organisational culture which may itself be the result of techniques. We were therefore particularly keen in the interviews to look for ways that leaders can go about achieving an open culture.

Openness was seen by interviewees as a two-way process. The open communication of decisions by leaders has been discussed to an extent in Section 6.1 above. Similarly, the importance of transparency in processes and procedures was discussed in Section 4.2. However, it is worth noting that both of these are important aspects of an overall culture of openness and can contribute to the willingness of employees to be open themselves. One interviewee saw this as an issue of trust:

'Around the time of [a controversial issue affecting the organisation, the CEO] went out of his way to do these all-staff briefings to say "Right, this is [happening] next week ... this is my opinion on what is going to happen" but also within the context of it being confidential but that he trusted us to share it with us ... I think [his openness] encourages people to replicate that.'

On the other hand, there was significant evidence from the interviews that organisational leaders may not be aware of the difficulty involved in raising ethical issues within organisations, particularly for those in more junior roles. Very frequently, we found that interviewees who were relatively senior in organisations were much more confident that they would be able to raise issues, that their views would be listened to, and that they would not suffer negative repercussions as a result. As with tone from the top, this issue was particularly pronounced in organisations where there was a clear cultural divide between different levels in the organisation. The following two quotes were from the same organisation:

'I think generally we set a culture where people are encouraged to say what they think. If I do a team briefing I always say 'has anybody got any questions?' So I think we set a basic culture ... There's possibly more that the organisation could do ... But I think generally ... we do encourage people to share their views.'

Interviewer: 'These kinds of concerns you might have, do you feel that you're able to feed those back and that they'll be listened to?'

'No.'

Interviewer: 'Okay.'

'Totally no. There's no way.'

This quotation comes from a different organisation:

'Yes they do say, "talk to me if there's a problem" and things like that but sometimes you don't feel comfortable with it with certain managers. Sometimes ... if you don't feel comfortable about talking to that manager you just won't do it.'

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Several interviewees observed that large staff meetings were not suitable forums for people to raise issues:

'I think if you asked them they'd say yes they would [promote an open culture]. I think they'd be completely wrong ... We have big staff meetings and everybody looks at them with fear and it makes me laugh to be honest with you. They have all these big-wigs [there] and we can all put our hands up and ask any questions. No one is ever going to ask any questions! It is I guess the way it is done because they're only visible at certain periods of time which is either to deliver good news or bad news and then they disappear again.'

One interviewee suggested that feedback needed to be sought in more small-scale settings:

'I think maybe it needs to be done on a small scale. I think it's too much to ask somebody - a junior person - to say to [a senior manager] that they think that something is wrong. I think the management level in between should be open enough to [encourage comments].'

More promising were organisations where leaders had taken steps to counteract the tendency for people to feel intimidated about asking questions or raising issues:

'We have a staff forum once a month where you get bought breakfast which is nice! About 12 people are in it and the PA makes sure everyone has a go throughout the year. So the Chief Exec says what's going on with the company and you can raise any queries.'

This approach has the advantage of allowing people to discuss issues in an informal setting with a small group of people which does not include, for example, your line manager. Secondly, by going to the trouble of arranging this, leaders are demonstrating that they are genuinely interested in what people have to say rather than merely paying lip service to the idea of asking for feedback. Finally, by getting people together it fosters links between different areas of the organisation and helps prevent a silo culture from setting in. Another approach involved structuring conversations to encourage people to communicate openly:

'Something new has come up where they run workshops on things called "real conversations" ... I think it's to develop more honest conversations and it works both ways, about what managers want and expect of people and then...what individuals expect of managers ... It is working towards more open conversations and behaviour.'

On the other hand, it is important to be clear about expectations here: not every piece of feedback can be acted on. However, openness requires that, where criticism is rejected, it is rejected on the basis of a clear and open explanation.

As well as routes for providing open feedback, several interviewees stressed the importance of providing confidential channels, since it is not always possible to raise issues openly:

'I'm not certain that, unless it was confidential, people would be prepared to stand up and say what they really felt in case there were any repercussions on the back of it.'

Interestingly, and perhaps counter-intuitively, one of our interviewees in a small organisation suggested that the organisation's leader occupying a separate office, rather than sharing an open-plan office with the other staff, actually helped to promote openness, since it made it easier to speak in private if necessary.

The overriding impression from the interviews is that for an open culture to be effectively encouraged, leaders need both to proactively seek out, and to demonstrate that they value, constructively critical feedback.

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Make sure policies and procedures are open and transparent.</li> <li>• Talk about how key strategic decisions have been reached - communicate the rationale or justification for decisions.</li> <li>• Make openness the default position - there should be a good reason for keeping a piece of information secret.</li> <li>• Ask staff about how comfortable they feel about raising issues and concerns.</li> <li>• Consider taking staff outside the usual working environment in order to put them at their ease.</li> <li>• Provide confidential channels as well as open forums.</li> <li>• Be clear about expectations - not every piece of feedback can be acted on. Trust employees to understand this.</li> <li>• Ensure senior managers talk to staff at all levels regularly, not just when there's a problem.</li> <li>• Be particularly attentive to dissenting voices.</li> <li>• Engage with unions as a way of understanding staff concerns.</li> </ul>	<ul style="list-style-type: none"> <li>• Assume that saying, 'my door is always open', or inviting questions at large staff meetings, is enough.</li> </ul>

**Further references**

Mary C. Gentile's book *Giving Voice to Values*<sup>42</sup> argues cogently that the central issue in organisational ethics is not knowing right from wrong, but being able to act from values and make your voice heard.

'Ethics talk' is thought by many writers to be a significant aspect of ethical corporate cultures. Treviño et al (1999) found that 'talking openly about ethics and values' was important in influencing behaviour.<sup>43</sup> Toffler (1991), Ardichvili et al (2009) and Weaver (2009) also emphasise the importance of this aspect of culture. Bird and Waters (1989) outline the negative effects of ignoring ethics talk.

## 6.4 WHISTLEBLOWING

FIGURE 16: PERCEIVED EFFECTIVENESS OF WHISTLEBLOWING BY ORGANISATION SIZE

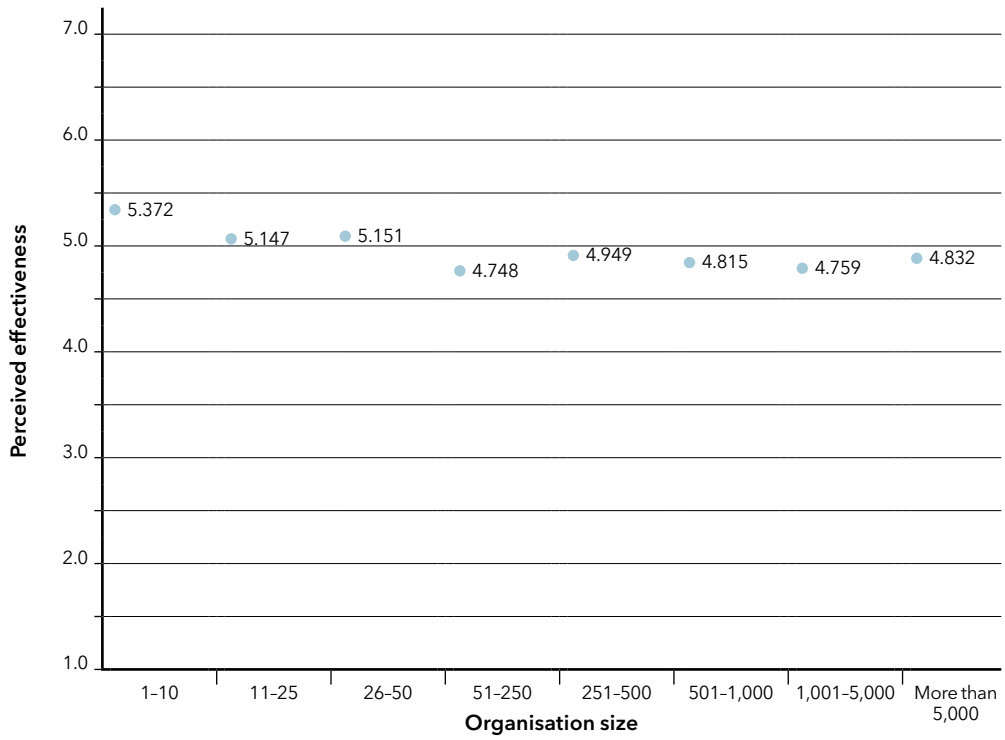
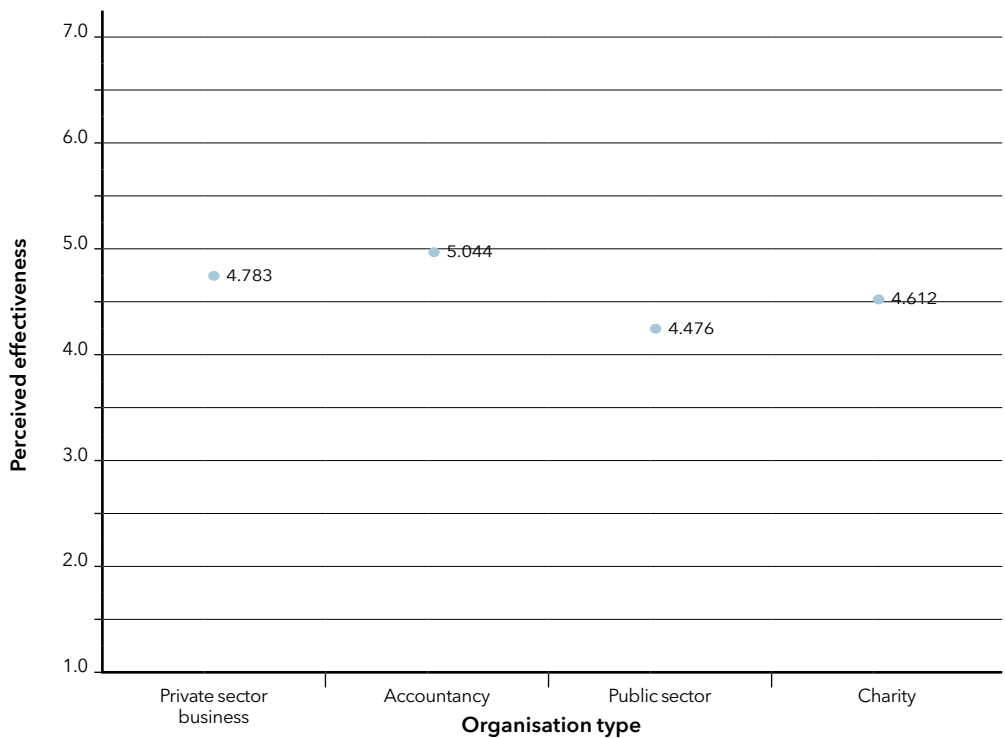


FIGURE 17: PERCEIVED EFFECTIVENESS OF WHISTLEBLOWING BY ORGANISATION TYPE



Interviewees and survey respondents were asked about whistleblowing procedures and about general procedures for reporting unethical behaviour - these results were collated under the catch-all title of 'whistleblowing'. The survey results were particularly interesting for this technique. Whistleblowing was seen as the least effective technique according to the simple analysis (and interviewees agreed). However, the Logit model analysis revealed a strongly positive effect for this technique. In other words, where respondents did perceive this technique to be effective, this was accompanied by a significant increase in the perceived integrity of the organisation. This could be interpreted as meaning that whistleblowing is having an effect, but that this effect is not obvious to people.

In terms of our general framework for integrity, whistleblowing helps to support and promote openness in the organisation, by allowing people to raise issues in a confidential setting without fear of repercussions. In this way, it has an effect on individual integrity in the sense that it provides a route for people to 'stand for something' within the organisation, and to help ensure that values and principles are not being betrayed. In this way, it also has an effect on organisational integrity, because it helps ensure consistent behaviour according to principle within the organisation:

'[Whistleblowing makes a difference] not to people's integrity but I think to the integrity of the organisation. I think as a whole ... if it has a whistleblowing policy ... it feels to me as if the organisation is then taking those issues and dealing with them. To me that makes them organisations working with clear integrity.'

Not many of the organisations we spoke to had anything like a formal whistleblowing procedure. When asked what was the procedure for reporting unethical behaviour in their organisation, by far the most common response involved starting with the line manager, and then going up the chain of command (if for example the issue involved the line manager), with human resources as a possible alternative route. One problem with the line manager approach is that it makes the effectiveness of whistleblowing depend on the reliability of the line manager, and the further up the chain of command you are expected to go, the less comfortable you may be with raising concerns. Nonetheless, most of our interviewees were confident that they would be able to report an issue if they needed to. As with the techniques discussed previously, there was something of an exception in organisations with a sharp cultural divide between 'shop floor' and 'management'. In these organisations, there is perhaps a need for procedures to be particularly clear, and for those to whom people are expected to report, to be proactive in making themselves visible and approachable, and to ensure that the system is genuinely fair and impartial:

'I think there is the HR department ... but I've known in the past that if you go to [HR] before you go to the management, that they don't find it's the right step. They think that you're going over their heads and they don't like it.'

'I actually found it quite difficult to ... do something about it. In a way ... it felt a little bit like [HR] were more in place to support managers than the people under the management team.'

The general view from the interviews was that whistleblowing - as opposed to reporting - should be a last resort:

'You would hope it's the last straw, it would be worrying if you had lots of whistleblowing [cases]. It would show you don't have the processes for people to raise things and deal with things as they arise.'

Whistleblowing and reporting procedures are perhaps best thought of as a safety net which is supportive of and complementary to open culture generally, rather than something which should be frequently used. However, as we saw in the discussion of open culture above, it may not be possible to establish an environment where people always feel able to raise ethical issues without the guarantee of confidentiality.

As well as providing support through whistleblowing procedures, employers need to consider how whistleblowers are treated in practice. Many whistleblowers 'lose out' in some way, whether by losing their job, missing out on promotions, or simply being ill-treated by colleagues. Successful support for whistleblowing means shielding genuine whistleblowers from these negative repercussions.

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Make sure confidential channels for reporting are genuinely confidential.</li> <li>• Make the channels for reporting clear, for example as part of induction, in a staff handbook or on the corporate intranet. Be proactive in advertising these channels.</li> <li>• Publish the results of whistleblowing cases.</li> <li>• Be aware of negative repercussions for whistleblowers that are indirect eg, poor treatment by colleagues, inability to get promotions.</li> <li>• Engage with unions to provide support for genuine whistleblowers.</li> </ul>	<ul style="list-style-type: none"> <li>• Interpret reporting or whistleblowing as disloyalty.</li> </ul>

#### Further references

The introduction of the Sarbanes-Oxley Act (2002) led to a huge increase in the number of organisations with formal whistleblowing policies. Hassink et al (2007) give a comprehensive analysis of the content of whistleblowing procedures in leading European companies. Benson and Ross (1998) give a persuasive case study showing how an organisation's ethical culture was transformed by the introduction of clear whistleblowing procedures. Barnett (1992) and Jos et al (1989) are among a very great many writers arguing for the importance of whistleblowing in strengthening ethical culture.

6.5 ADVICE

FIGURE 20: PERCEIVED EFFECTIVENESS OF ADVICE BY ORGANISATION SIZE

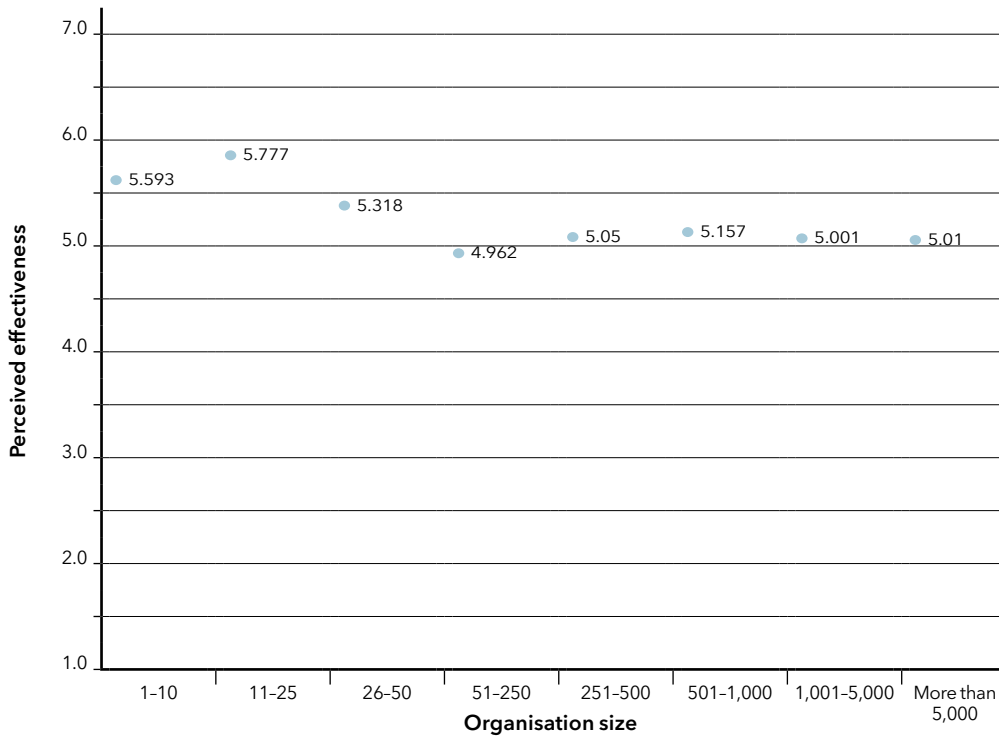
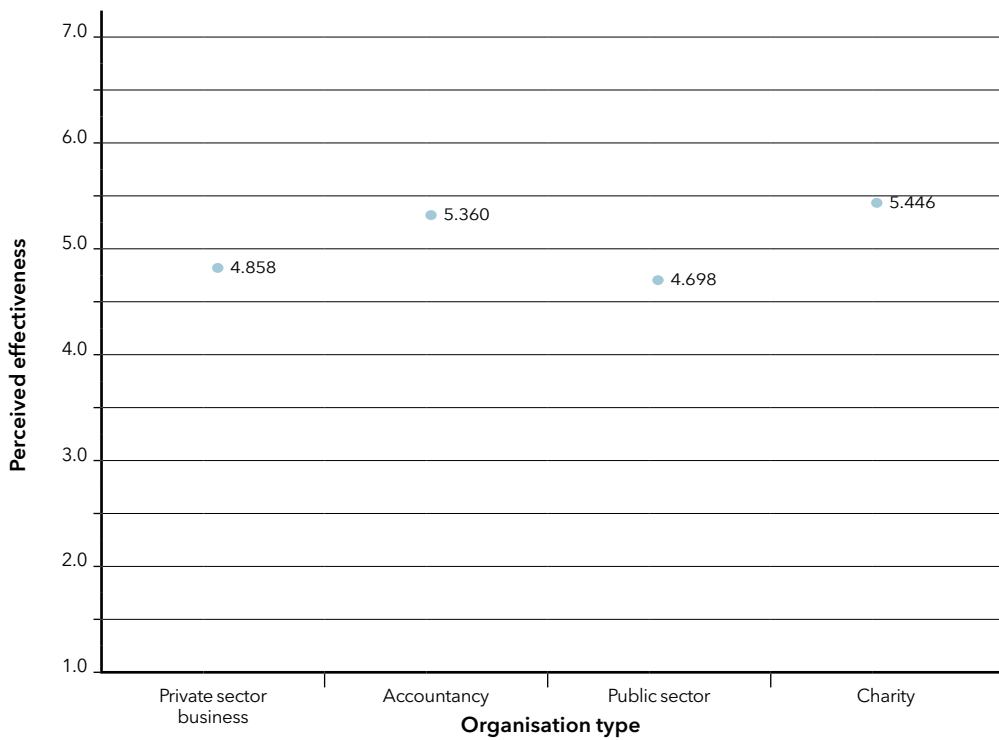


FIGURE 21: PERCEIVED EFFECTIVENESS OF ADVICE BY ORGANISATION SIZE





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Advice was rated as moderately effective in promoting integrity by both survey respondents and interviewees. Nonetheless, several key roles for advice on ethical issues emerged from the interviews.

When asked whom they would go to for advice on a difficult, work-related issue, interviewees gave a wide variety of answers, most commonly the interviewee's line manager, another colleague or HR. Several interviewees also suggested that they might go to a friend or a member of their family, depending on what the issue was. When asked if advice was helpful, or made a difference to integrity, several respondents replied that it helped with the process of making ethical judgments:

'Sometimes you don't know why you want to do something or you don't necessarily understand whether something is right or wrong ... The individual decision to make in each case is always different. I think it helps to provide that space for someone to explore those things ... Often you have people coming to you at the end of their tether and they'll be angry about something and it's very easy to make the wrong decision ... Having that space to come and discuss things confidentially and work it through [means] you are able to make the right decision for the right reason.'

In Chapter 3 it was suggested that integrity implied being open to critique and counter-argument, or listening to other people's views, before arriving at a judgement. Access to good advice provides a reliable way of achieving this. Advice is therefore a route to making better ethical decisions, which is essential to maintaining integrity. One interviewee made this point very clearly, citing the present interview as an example:

'You just believe that you're automatically acting with integrity, or I do, with any situation that I come across at work. So up until this [interview] I'm afraid I wasn't really thinking about it ... It has made me think about it now, for my future endeavours. I just haven't been asked the question, and if you haven't been asked the question you haven't thought about it.'

Another purpose for advice is simply to confirm whether or not there is cause for concern in the first place:

'I think a lot of people are very able to say "Oh, I thought that was a problem but I didn't want to cause trouble" ... Also if you don't think anything is going to be done about it then there is no inclination to [come forward], whereas if you know that you've got support there and someone ... to help you to analyse it and decide whether to go further, I think that makes a big difference.'

In this way, advice can be an important first step, coming before whistleblowing or raising an issue openly in the way discussed under open culture above. Taking advice before taking an issue further can help clarify the relevant issues and considerations, in a way that is less intimidating than reporting on someone, or raising an issue in an open forum.

If advice is to play this role, however, it is essential that confidential advice is available. When asked if the advice available to them was enough, many interviewees answered that an independent, confidential helpline would be helpful, whether this was provided by the organisation or someone else:

'Once you're outside the walls of the company who do you speak to? Because you might not want to discuss these kinds of things within the company, but on an external basis I think it could be beneficial if companies have to advise their employees where they could seek alternative advice.' 'It would be nice if there was some kind of impartial person working within the department, someone who is not employed by them. I suppose a counsellor. You never really know if what you say is going to stay confidential or whether it's going to go to higher people. It would be therapeutic actually! Someone who knows how it works but is impartial, not employed by [this organisation], that would be good.'

Where interviewees felt that they would not be able to access confidential advice, they saw this as a clear problem:

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Provide genuinely confidential advice.</li> <li>• Advertise sources of advice outside of the line-management chain.</li> <li>• Consider outsourcing advice to an independent, external service.</li> <li>• Make use of those professional bodies which provide advice.</li> <li>• Consider implementing a mentoring scheme.</li> </ul>	<ul style="list-style-type: none"> <li>• Give the impression that seeking advice is only appropriate where there is a clear, definite concern.</li> </ul>

'I think if you had somewhere to go [where] they wouldn't talk to anybody else then I think it would help but the thing is, everybody is a bit scared to talk to someone because they know they'll talk to everybody else and everyone will know the problem in no time anyway ... There's no way you can talk to someone without someone else finding out.'

In small to medium-size organisations, it may not be possible to provide truly independent advice within the organisation. However, we would argue that it is essential that some sort of provision is made for clearly advertised, confidential advice.

**Further references**

The 'Sundstrand' case study given by Benson Ross (1998) illustrates the effectiveness of providing confidential ethical advice. The importance of effective advice is also discussed by Miceli et al (2009).

## 6.6 CODES OF CONDUCT

FIGURE 22: PERCEIVED EFFECTIVENESS OF CODE OF CONDUCT BY ORGANISATION SIZE

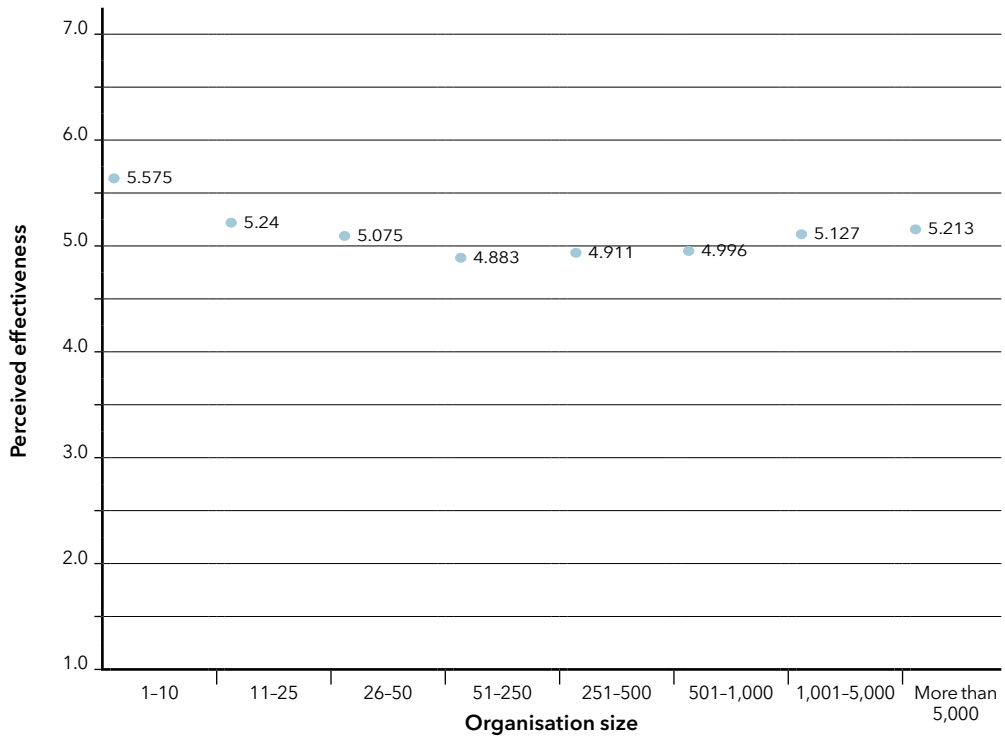
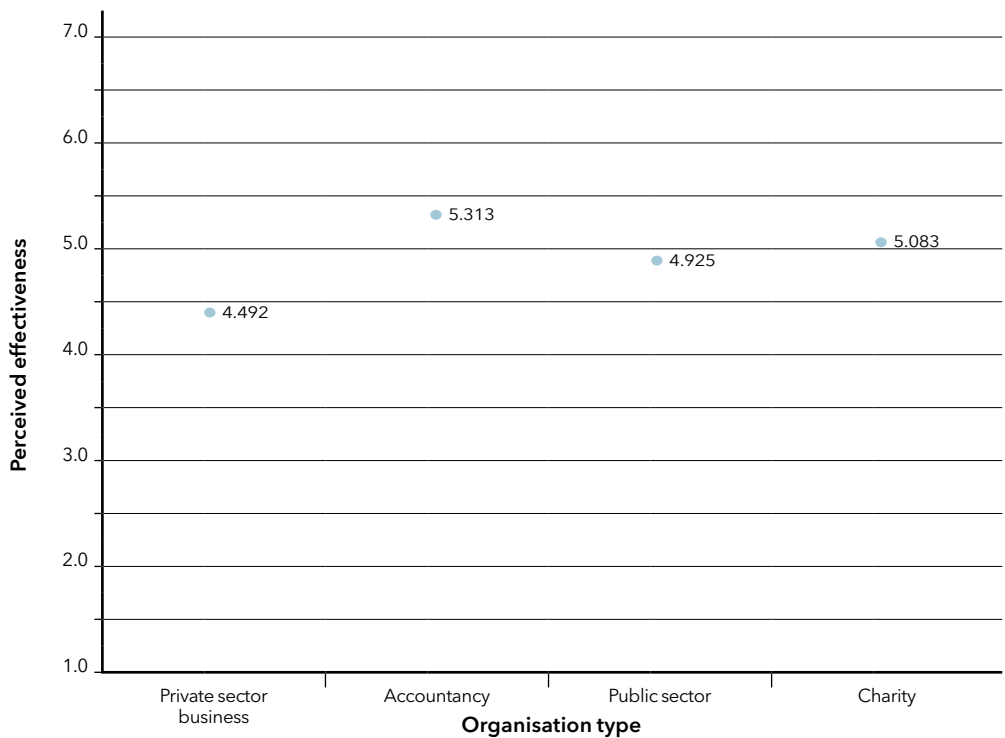


FIGURE 23: PERCEIVED EFFECTIVENESS OF CODE OF CONDUCT BY ORGANISATION TYPE



An organisational code of conduct can take the form of a range of different types of document. When asked about this, our interviewees cited lists of principles, lists of rules, and handbooks of processes and procedures. Interviewees reported having referred to codes predominantly when they were involved in disciplinary procedures, on either side of the process. Codes were also used as a reference when dealing with subordinates with behavioural or performance issues, in order to clarify expectations, before disciplinary procedures were invoked. Insofar as it serves this purpose, a code of conduct supports integrity by setting incentives, a role which will be discussed under discipline below.

Nonetheless, several interviewees did believe that a code of conduct could have a role in guiding decision-making, and for this reason we have also reserved a separate place for it here:

'[With a code of conduct] people know how to behave and what they can and can't do. I think people's understanding of what integrity means is very different ... I think having a written list of rules there is important.'

'I think [a code of conduct] helps to shape people ... so that they are an organisation where they feel proud of the people and what they do...then if anyone's not living up to those standards ... they feel confident to challenge them or speak to someone else.'

A true code of conduct is a way of translating principles or values into guidance on specific issues. In Section 6.2 it was noted that organisational values may need to be made concrete using specific examples. A code of conduct can be another way of making the organisation's values concrete, by showing what they mean in terms of behavioural requirements. In this way, in the words of one interviewee, it 'creates a level of clarity' in organisational expectations.

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Think carefully about the purpose of the code of conduct. Is it simply a disciplinary tool or also a guide for behaviour?</li> <li>• Integrate the code of conduct with the organisation's values. Translate the values into guidance on specific issues.</li> <li>• Use training to help employees interpret and apply the code of conduct.</li> <li>• Use a combination of rules, which are needed to identify ethical breaches, and principles, which provide more flexible guidance.</li> <li>• Use the code of conduct as the basis for implementing an action plan with individuals before invoking the full disciplinary procedure.</li> </ul>	<ul style="list-style-type: none"> <li>• Expect a list of rules to be able to cover every eventuality.</li> <li>• Create a code of conduct without thinking carefully about how employees will engage with it.</li> </ul>

#### Further references

There is a wealth of academic literature examining codes of conduct. Stevens (2008) provides an excellent overview of empirical studies into their efficacy, concluding that they have a role in positively guiding decision-making, and arguing for the importance of communicating them throughout the organisation. Stohl et al (2009) focus on the content of codes, in the light of developments such as globalisation and stakeholder theory.

6.7 TRAINING

FIGURE 24: PERCEIVED EFFECTIVENESS OF TRAINING BY ORGANISATION SIZE

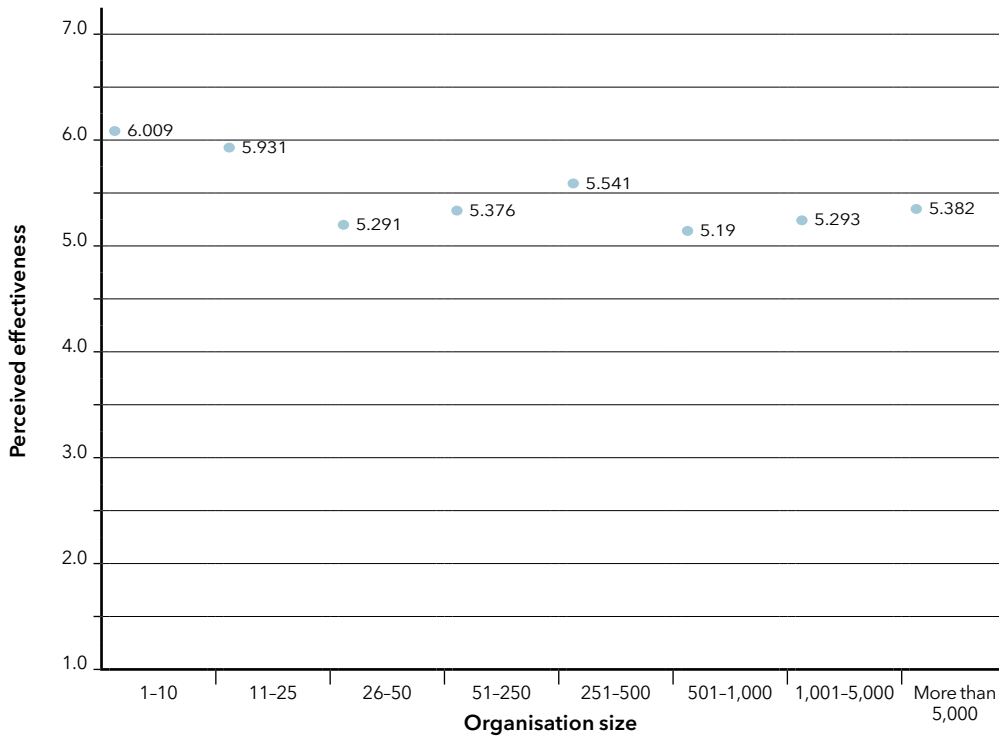
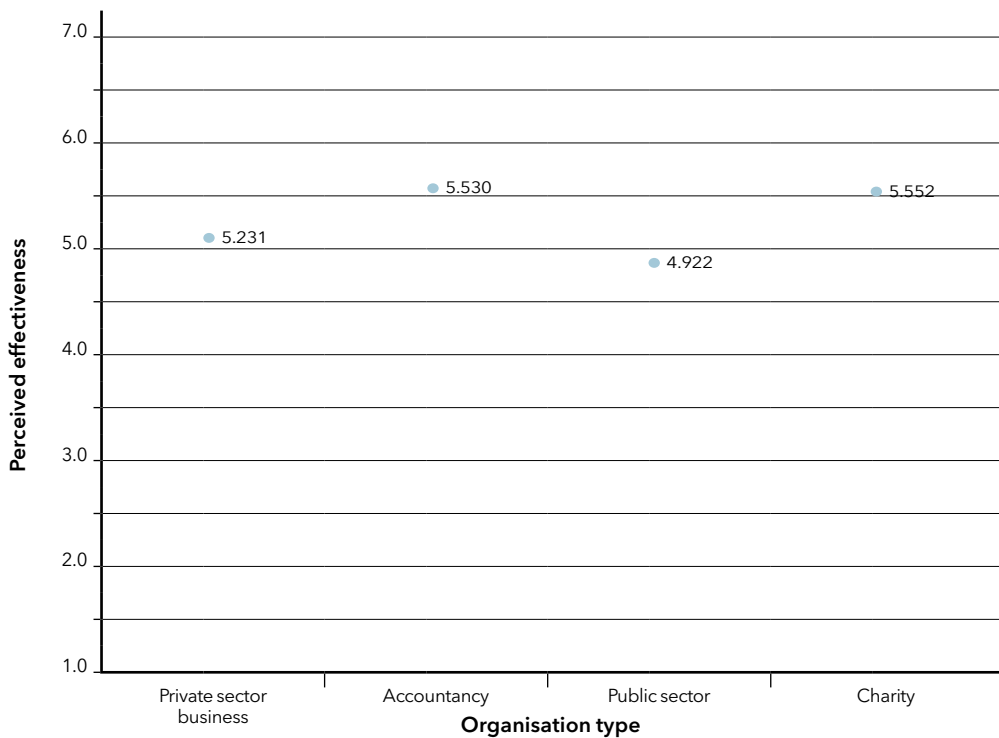


FIGURE 25: PERCEIVED EFFECTIVENESS OF TRAINING BY ORGANISATION TYPE



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Training in ethics gave interesting results in the quantitative analyses. In the simple analysis of the survey, it was rated as moderately effective. The Logit model analysis, however, found that it showed a significant negative effect, meaning that where it was thought to be effective, this was accompanied by a relatively low score for integrity. This could be interpreted as meaning that training has a negative effect on integrity, a surprising result which we sought to test in the interviews. Those interviewees who reported having received training rated it as the third most highly effective technique. When we asked them if they could explain why training might have a negative effect, they were quite often able to provide explanations, though this was much more true of those interviewees who had not received training themselves.

These purported explanations were as follows:

- Training might be trying too much to enforce rigid patterns of behaviour.
- Training might be patronising, causing resentment.
- Training might inadvertently teach people to be unethical.
- Training might be too abstract, or a simple 'box-ticking exercise' (fulfilling a compliance requirement rather than taken seriously).
- Online training in particular might be too simplistic.
- Training might be a one-day course in isolation rather than long term.
- Training might be taken to imply that the person being trained has done something wrong, causing resentment.
- Training might be contradicted by the tone from the top of the organisation.
- Training might make people become more aware of problems that they had not noticed before (hence the correlation with lower perceived integrity).
- The fact that an organisation is providing training might be an indication that there is a problem, rather than being the cause of the problem.
- You simply cannot train someone to be ethical.

It is our belief that, except for the last three, all of these explanations represent pitfalls that poorly designed training can fall into.

In contrast, the interviewees who had received training, and found it useful, were able to provide insights into what it was about the training that had been successful. Overwhelmingly, people favoured training that made use of real-life case studies to illustrate ethical issues:

'Hypothetical situations ... role plays and breaking it down to see how it should have been done.'

'There were a lot of situations where...they showed you various scenarios at the beginning of the class and got you to say what you would do... Then you went through the training and at the end you did it again and everyone had changed! The training was [about] how to analyse an ethical issue, if they were easy to answer then there wouldn't be such a big problem so it's more how to pick it apart and how to look at it from every standpoint.'

These were seen as useful because they demonstrate the pitfalls of not behaving ethically:

'I think it's more about, sometimes, the outcome of not behaving ethically which isn't always necessarily clear ... Unless you know the potential end result ... it doesn't necessarily motivate you ... to actually follow a code.'

... because they allow you to see situations from others' points of view:

'Recently we had something on discrimination ... and it was useful ... in understanding what the types of discrimination are. For example if someone said something discriminatory towards you as a joke but someone else overheard it and was offended by it then they have a right to speak up.'

... or simply because it makes points in a more memorable way:

'Those sort of things [cases] are really good, because I can remember that case about the guy that put signs outside of his front door, and I couldn't give you any other things about anything else.'

Several interviewees made the point that training should be a long-term process, not just a one-off event:

'I think it needs to be done in a more long, drawn-out process as opposed to going on courses because I don't think that benefits you, really.'

Coaching and mentoring were also mentioned as useful approaches:

'We have a lot of mentoring programmes within the firm to help each other. That is integrity in that it's using the resources of middle management [and] their time is expensive, but they're willing to do that so that the ... trainees ... feel fully supported.'

In conclusion, training if done properly can have an important role to play in teaching people skills and understanding of ethical issues, and can develop decision-making abilities. However, it is vital that organisations use the right and appropriate style of training, and see it as a long-term process, rather than a quick fix.

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Use real-life case studies.</li> <li>• Use training to help employees interpret and apply the code of conduct.</li> <li>• Make training part of a long-term process of development.</li> <li>• Consider using coaching or mentoring as well as, or in addition to, classroom-based training sessions.</li> <li>• Make sure that the content of training is matched by the tone from the top of the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>• Use training which is patronising, or seeks to enforce rigid patterns of behaviour.</li> <li>• Use training as a 'box-ticking exercise' which fulfils a compliance requirement rather than seeking to foster skills or knowledge.</li> <li>• Use overly simplistic online training that does not engage participants.</li> <li>• Provide a short course in isolation with no follow up.</li> </ul>

**Further references**

A comprehensive meta-analytic review of business ethics instruction, including training in organisations, is given by Waples et al (2009).



## 6.8 REWARDS

FIGURE 26: PERCEIVED EFFECTIVENESS OF REWARDS BY ORGANISATION SIZE

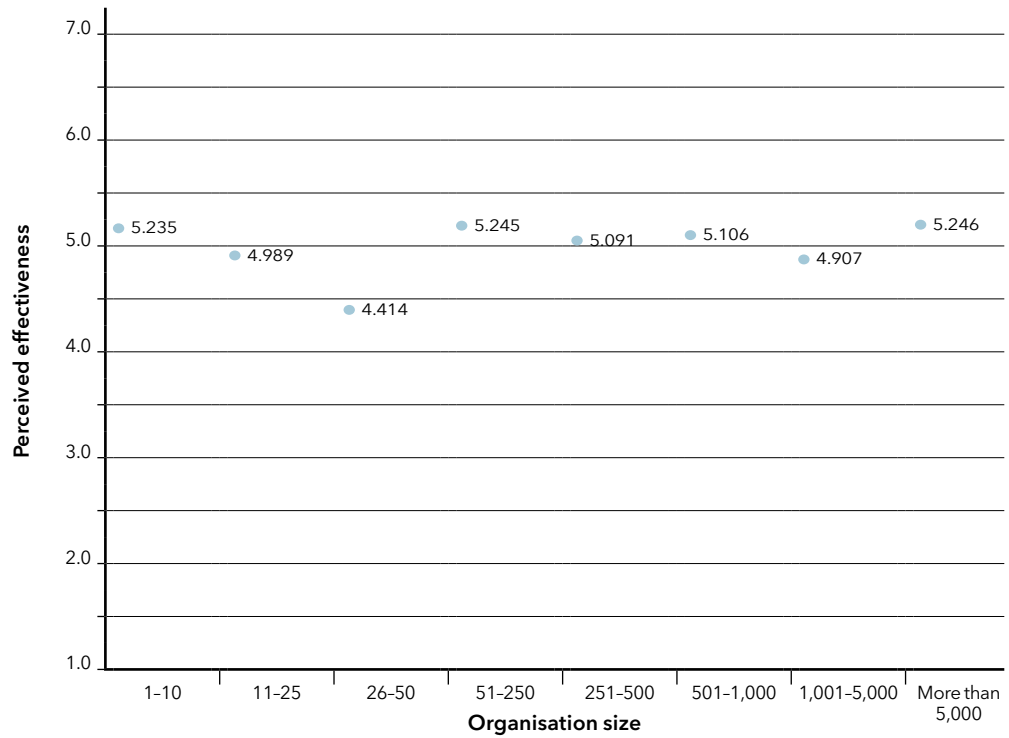
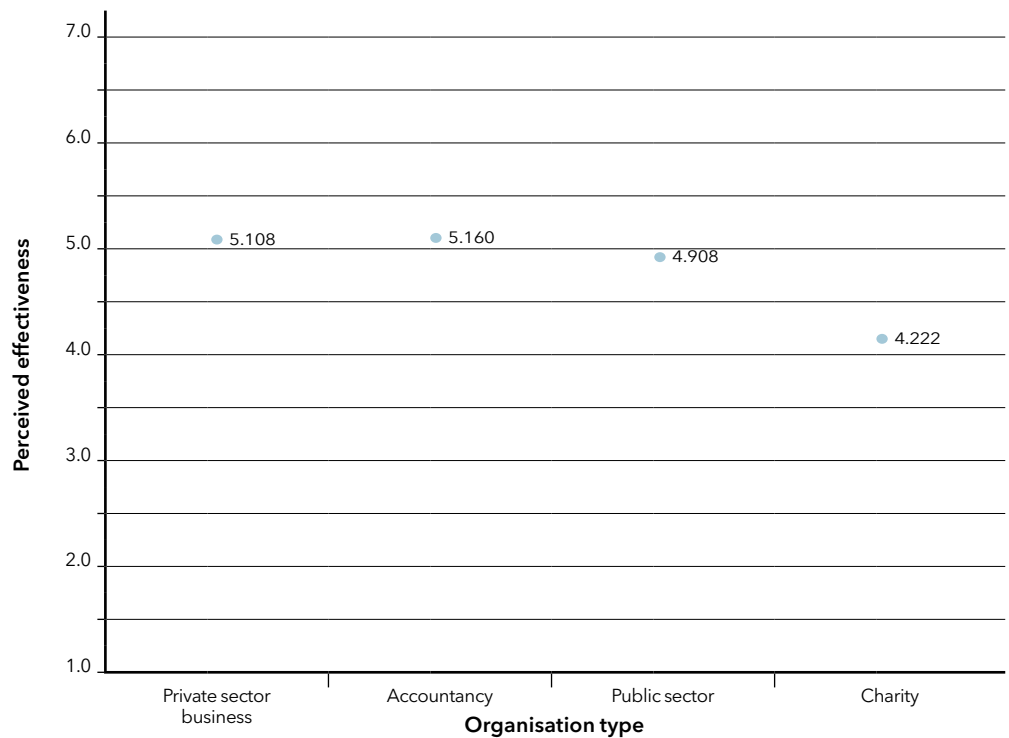


FIGURE 27: PERCEIVED EFFECTIVENESS OF REWARDS BY ORGANISATION TYPE



Most interviewees reported that their organisation did not reward ethical behaviour, at least formally. In fact, several interviewees felt that rewarding ethical behaviour was actually inappropriate, because ethical standards should be expected of people as a minimum requirement.

Where rewards were mentioned, it was most often for members of staff who had 'gone the extra mile' in supporting colleagues, or providing excellent customer service, etc. While there is a sense in which integrity partly consists in doing a job well, this type of activity probably should be categorised as rewarding performance, which is adequately covered elsewhere and is not in the scope of this report.

Another common response was that, while ethical behaviour was not rewarded formally, people were able to get recognition for showing integrity in the form of compliments or encouragement:

'It's valued in the sense that one wants to feel valued, one wants people to say, "well done, that's a good thing you're doing".'

Some interviewees mentioned rewards for specifically ethical behaviour which went 'beyond the call of duty'. Typically this involved community engagement, volunteering or charity work, perhaps in line with the organisation's corporate social responsibility policy:

'We have a charity of the year so people involved in raising money for that charity are - not formally rewarded - but they get recognition throughout the year.'

A more robust attempt to reward integrity in people's core activities came through linking values to appraisals and objective setting. The thought behind this activity was to counter-balance commercial pressures by incentivising ethical activity:

'The theory is, ok you can set yourself some objectives. The objective might be to build 10 widgets in a year. If someone builds 12 then they've done really well. If someone builds eight then they've fallen short. But actually the person who's built 12 might not have behaved in a way that is supportive of the rest of the team or organisation and they might not have behaved with integrity, they might have stolen two widgets off someone else and got credit for them. So just being measured on the outcome of objectives is not really a fair thing to do. You really need to start looking at people's behaviours, integrity being one of those behaviours.'

That this might be an effective technique is given some support by the fact that, in contrast to the other techniques, rewarding ethical behaviour was seen by our survey respondents as particularly effective in private sector organisations, where commercial pressures might be thought to be a more immediate concern (and hence might need to be counterbalanced). On the other hand, it should be said that we were unable to find an example of ethical behaviour being rewarded in this way that was wholeheartedly supported by interviewees.

Opinions on whether awards in general motivated people, or made a difference to integrity, were mixed:

'[Rewards have an effect] because other people see that and think "well I want to get involved in that as well and how did she do that? She went the extra mile so that's something I need to do." So it definitely brings a good working environment and people are seeing that positiveness around it.'

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'[Integrity] shouldn't change because if they've got it, they've got it ... I don't think [rewards] would have an effect on it.'

Where rewards for ethical behaviour had been built into the appraisal scheme, there were some concerns that this system might not be as effective as it could be, or could even be unfair and demotivating:

'There are different ... grades you can get and if you get full marks then you can get a pay increase. One year you'll be increased by a certain percentage and then you stick at that level for the year and then if you achieve the same levels again then it will go up until you get to your maximum income band. I don't know anyone who's met those targets. I don't think it's through lack of trying at all. It seems like a formality, like "we've got to do this, tick, tick, tick".'

'I think it's probably quite difficult to reward someone, or make a point of rewarding someone, in such a way to give an incentive without having to give it out to the whole team. That could be quite tricky. I think in a lot of situations it might actually be counter-productive ... because the easy ones don't deserve reward and the hard ones, someone's going to have lost out on that decision ... Say a contract is turned down because it was with Burma. You say, well actually, that's our standpoint, but then the person who is depending on that to do his job would have lost out.'

'I think it's effective if the managers make it effective.'

Overall, the research suggests a role for rewarding ethical behaviour, in setting organisational expectations, incentivising ethical ways of thinking and thereby positively affecting decision-making. Building the organisation's values into a reward scheme is a way of further embedding those values into the organisational environment, thereby motivating consistent action and strengthening organisational integrity. However, this conclusion comes with the caveat that it appears to be very difficult to implement rewards in a way that is fair, consistent and effective, and if this is not achieved, they may have a deleterious effect.

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Reward ethical behaviour by building values into employee appraisals and objective setting.</li> <li>• Use rewards to counterbalance pressures that may lead to unethical behaviour.</li> <li>• Think about the behaviours that are actually rewarded in the organisation (implicit values) and try to bring these into line with the published (explicit) values.</li> <li>• Carefully monitor the outcomes of rewards.</li> </ul>	<ul style="list-style-type: none"> <li>• Reward behaviour inconsistently eg, by setting ethical objectives which are easier to achieve in one part of the organisation than in another.</li> </ul>

**Further references**

Treviño et al (1999) and Treviño and Weaver (2001) found that rewards for ethical behaviour had a significant influence on behaviour, while Treviño and Nelson (1995) found that rewards for ethical behaviour were perceived as more important than punishment for unethical behaviour. Hunt, Wood and Chonko (1989) also found that rewards for ethical behaviour had a positive effect on employee commitment.

## 6.9 DISCIPLINE

FIGURE 28: PERCEIVED EFFECTIVENESS OF DISCIPLINE BY ORGANISATION SIZE

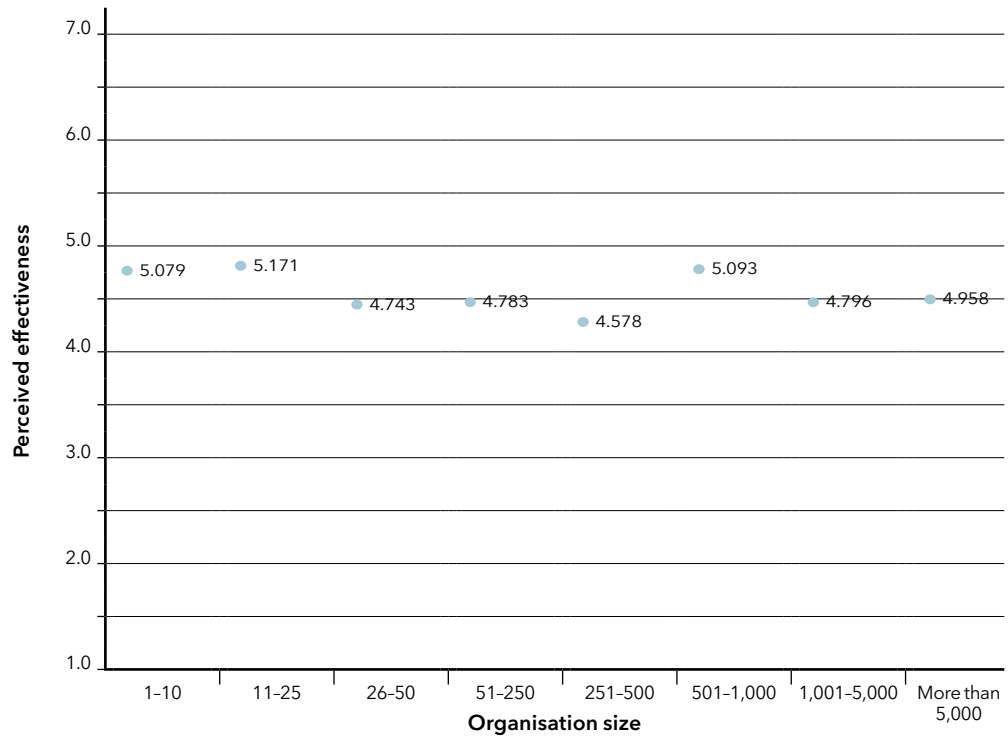
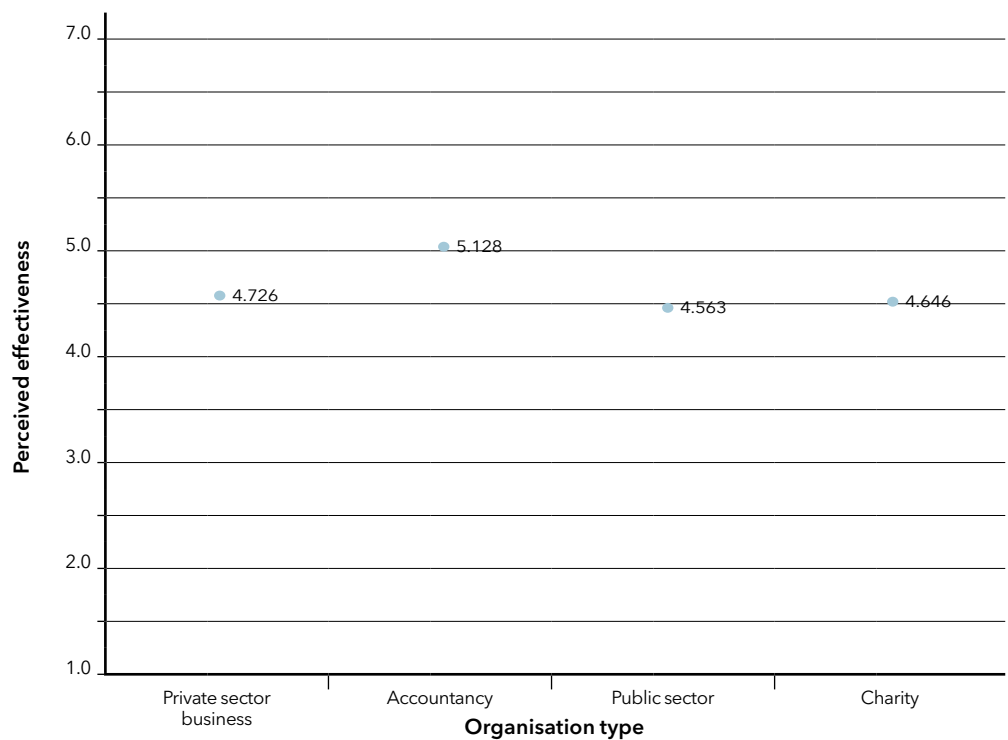


FIGURE 29: PERCEIVED EFFECTIVENESS OF DISCIPLINE BY ORGANISATION TYPE



The final technique in our framework is discipline. Disciplining unethical behaviour was cited as the second least effective technique by both survey respondents and interviewees.<sup>44</sup> Furthermore, the Logit model analysis revealed a possible negative effect, as it did for training.

In terms of ethics, discipline can be seen to have two separate purposes. Firstly, it enables the organisation to correct unethical behaviour through punishment, or to rid itself of persistent or serious offenders. Secondly, it might be thought to have a further purpose as a deterrent, discouraging people from taking bad decisions because they fear the consequences of doing so. While interviewees were agreed that discipline was useful in the first sense, and was therefore essential in any organisation, there were differences of opinion about whether it would also have a deterrent effect:

'It certainly has an effect in terms of the threat against them losing their job.'

'I don't think the fact that there's a disciplinary procedure in place where you are will make a difference to your behaviour ... I think if you're that sort of person anyway then I don't think you would have much regard for it.'

The idea that having disciplinary procedures in place makes no difference to integrity is perhaps motivated by the thought that integrity is about resisting outside pressure and acting according to principle. This would imply that behaviour that is motivated by fear of discipline, or the desire for reward, would not count as behaving with integrity. While there is some truth in this, it is useful to note a distinction between behaviour that is directly motivated by rewards and discipline, and behaviour that is indirectly motivated by an environment that values integrity. Rewards and discipline have a role to play in establishing this kind of culture, by translating organisational values into general incentives for ethical action. This is not to say that each decision will be motivated by rewards and punishment, but that ethical decisions will be easier to make if the organisation demonstrates that integrity is valued, and rewards and discipline are part of the framework for achieving this.

Interviewees tended to be surprised by the idea (raised by the Logit model analysis) that discipline might have a negative effect on integrity, since they were essentially unanimous in thinking that organisations need to have robust disciplinary procedures in place. Explanations tended to centre around the idea that discipline might have been poorly implemented in the organisations surveyed, either because it was unfair, excessively harsh or too frequently invoked, which was seen to have a potential effect of discouraging openness.

'[Maybe] they're disciplining for the wrong reasons. If [someone] thought he was doing the right thing, and was getting disciplined for it. Then that's the only reason I can think [of].'

'[Maybe] it's overdone and people are nervous to be seen doing the wrong things and are hiding the way they are behaving.'

There were a number of examples given of unfair or inappropriate disciplinary procedures, which were a source of frustration for interviewees. The overall view was that for disciplinary procedures to be conducive to integrity they needed to be open as far as possible, which is to say that while details of individual cases may need to be kept confidential, employees should at least be made aware of the overall structure of the disciplinary process, including the use of formal and written warnings, the investigatory process, their right to appeal and so on. It was also seen as important that they should be fairly and consistently applied:

'You'll speak to a colleague who has had a similar [disciplinary case] ... and they'll have spoken to someone at [HR] and the answers are slightly different, so I think sometimes it is [about] what that individual believes themselves.'

If disciplinary procedures are not consistent within the organisation, this risks not motivating consistent behaviour within the organisation, and can therefore be destabilising to the organisation's integrity.

ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Make sure the disciplinary process is clear and transparent to staff, though the details of specific cases may need to be confidential.</li> <li>• Make sure disciplinary procedures are applied consistently and adhere to the policy</li> <li>• Make sure advice on disciplinaries is well-informed and consistent.</li> <li>• Make sure that policies designed to catch the guilty do not also catch the innocent.</li> </ul>	<ul style="list-style-type: none"> <li>• Operate disciplinary procedures which are unfair, not transparent or inconsistently applied.</li> <li>• Invoke disciplinary procedures too readily, for example when an employee has made an honest mistake.</li> </ul>

**Further references**

Laczniak and Murphy (1985) stress the importance of enforcement in ensuring compliance with codes of conduct, while Singhapakdi and Vitell (1990) and Treviño and Weaver (2001) both found that companies that enforce ethical standards are more likely to make ethical decisions.

**6.10 MONITORING**

**FIGURE 30: PERCEIVED EFFECTIVENESS OF MONITORING INTEGRITY BY ORGANISATION SIZE**

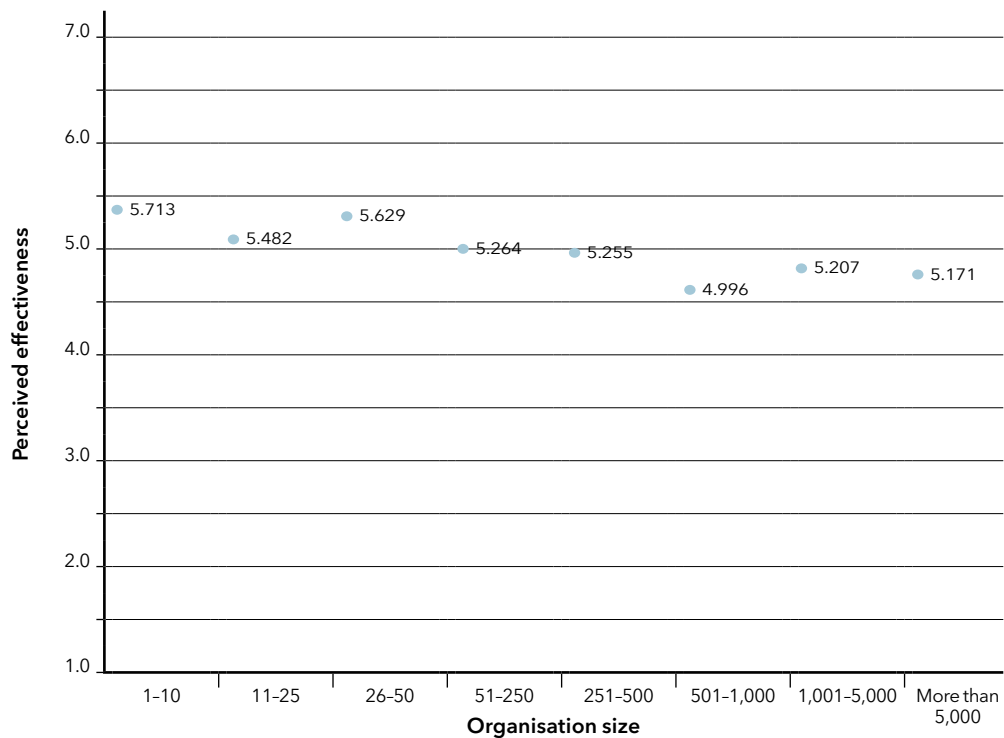
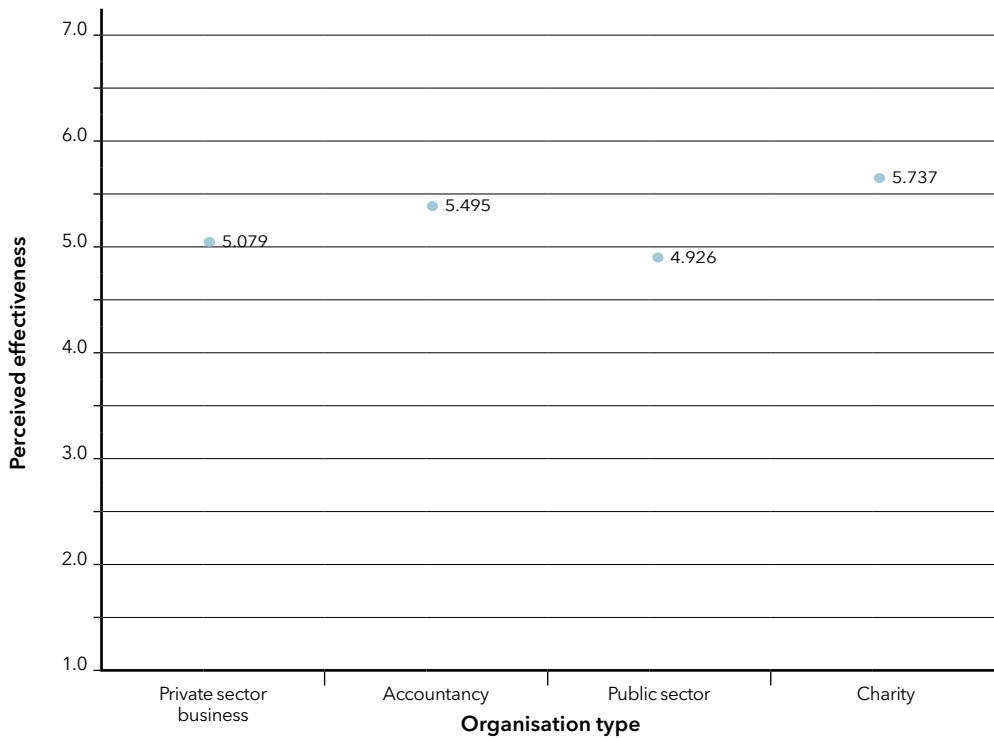


FIGURE 31: PERCEIVED EFFECTIVENESS OF MONITORING BY ORGANISATION TYPE



Interviewees tended not to be aware of steps taken by their organisation’s leadership to monitor the integrity of the organisation, so there is relatively little data for this technique. Where monitoring did take place, it tended to be through staff surveys, which occasionally contained questions on the ethics of the organisation, or through individual appraisals, though it was not clear whether information from these appraisals was being used centrally to monitor integrity, or indeed how effective they would be as a measure of individual integrity (it seems unlikely that a lack of integrity would figure in someone’s appraisal, without this invoking a disciplinary procedure of some kind). Occasionally, organisations were reported to be active in publishing the results of disciplinary procedures as a method of monitoring integrity. Interviewees in smaller organisations reported that monitoring tended to be done informally, through leaders simply ‘keeping an eye on’ staff. It is possible that leaders in large organisations, too, believe that problems with integrity are readily apparent, so that active monitoring would be unnecessary.

Nonetheless, within our framework for integrity there is clearly a key role for monitoring. Firstly, monitoring both exemplifies and promotes openness by seeking out issues where they exist so that they can be dealt with. As one interviewee noted, monitoring ‘makes a difference certainly to openness and honesty and transparency which all feed into integrity’. Secondly, it allows organisations to check the effectiveness of the other elements of the framework. We therefore recommend that organisational leaders take a more active approach to monitoring the integrity of the organisation. This could be done either by implementing dedicated surveys of staff, or by inserting questions relating to ethics and integrity into existing surveys. Questions could be built around the elements of the framework described in this report eg, ‘do you feel that you would be listened to if you raised an ethical worry or concern?’ or ‘do you feel that leaders in the organisation demonstrate integrity in their behaviour?’ As we noted at the beginning of this chapter, promoting integrity is a long-term process, and monitoring integrity at regular intervals plays a role in demonstrating progress and fine-tuning the techniques that are in place.



ACTION POINTS FOR ORGANISATIONS	
DO	DON'T
<ul style="list-style-type: none"> <li>• Monitor the effectiveness of the other aspects of the framework described above. Are these meeting their objectives? Are they having any unintended consequences?</li> <li>• Monitor both the effectiveness of techniques and the way they are perceived by employees.</li> <li>• Conduct surveys regularly using the same questions in order to pick out trends.</li> <li>• In larger organisations, consider employing external consultants to carry out confidential interviews and/or focus groups, since this will give both a more accurate and a more nuanced picture of employee attitudes.</li> </ul>	<ul style="list-style-type: none"> <li>• Assume that good results in staff surveys mean that employees are not encountering specific issues and challenges, since these may not be picked up by quantitative techniques.</li> <li>• Use research in which comments can be traced back to individuals, since this discourages openness.</li> </ul>

#### Further references

Benson and Ross (1998) argue for careful monitoring and reporting of whistleblowing cases. Miceli et al (2009), argue that 'implementing programs and actions intended to encourage whistle-blowing is not sufficient; managers need to monitor the success of the programs and make changes where needed.'<sup>45</sup>

### 6.11 ONLINE RESOURCES

Under each of the techniques discussed in this chapter, we have included some further reading from the academic literature for readers who are interested in further exploring the evidence supporting these techniques. However, before beginning to describe the framework in detail, it may be helpful to offer some online resources which are likely to be of general interest with regard to organisational ethics and the promotion of integrity.

The Inter-Disciplinary Ethics Applied CETL at the University of Leeds ([www.idea.leeds.ac.uk](http://www.idea.leeds.ac.uk)), the authors of this report, provide training and consultancy services for organisations. They also produce research in applied ethics and publish a professional ethics blog at [www.idea.leeds.ac.uk/penblog/](http://www.idea.leeds.ac.uk/penblog/)

The Institute of Business Ethics (IBE - [www.ibe.org.uk/](http://www.ibe.org.uk/)) 'offer practical and confidential advice on ethical issues, policy, implementation, support systems and codes of ethics'. Their activities include training, research and practical reports on issues in business ethics.

The Crane and Matten Blog (<http://craneandmatten.blogspot.com/>) provides useful analysis of business ethics issues and news events.

*Business Ethics* (<http://business-ethics.com/>) is a US-based online magazine exploring issues relating to business ethics and corporate responsibility. Its mission is 'to promote ethical business practices, to serve that growing community of professionals and individuals striving to work and invest in responsible ways.'

## 7. Integrity and the professions

In Section 3.2 we offered an analysis of professional integrity based on our overall analysis of integrity. Many of our interviewees were members of professional bodies, and we asked these interviewees about their relationship with the professional body, and about what techniques the professional body might be employing to promote integrity within the sector. In this final chapter, we present some of the themes that emerged from this discussion.

### 7.1 THE ROLE OF PROFESSIONAL BODIES

The professional bodies that were represented in our interviews were as follows:

- Meeting Professionals International (MPI)
- The Association of Accounting Technicians (AAT)
- The Association of Chartered Certified Accountants (ACCA)
- The Association of University Administrators (AUA)
- The Chartered Institute for IT (BCS)<sup>46</sup>
- The Chartered Institute of Marketing (CIM)
- The Chartered Institute of Personnel and Development (CIPD)
- The Freight Transport Association (FTA)
- The Institute of Chartered Accountants in England and Wales (ICAEW)
- The Institute of Chartered Accountants of Scotland (ICAS)
- The Institute of Chartered Secretaries and Administrators (ICSA)
- The Institute of Knowledge Transfer (IKT)
- The Law Society/Solicitors' Regulation Authority (SRA)
- The Pensions Management Institute (PMI)

Among these, there was considerable variation in how interviewees saw the role of the professional body. In many cases, interviewees reported feeling remote from their professional bodies:

'To be honest with you I don't know [what the professional body's values are]. I think that says a lot about what I know about the body I'm a member of because I know nothing about it and most of us are probably the same. It's one of those things you've got to be a member of to work.'

Occasionally, they were viewed with outright hostility:

'As far as I'm aware, the [professional body] is literally just there to take money away from me. And is that integrity? Hmm, I don't think so!'

More usually, they were seen as having a role to play in some aspect of working life, though the nature of that role varied significantly.

Bodies representing the traditional professions (law and accountancy), perhaps unsurprisingly, were seen as much more actively involved in the ethical life of their members. In bodies which were perhaps younger or less well-established, interviewees were more likely to see the role of the professional body as ensuring professional competence, or providing networking opportunities, or raising awareness of issues in the profession, rather than promoting ethics or integrity:

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'For me it is about knowledge sharing and development, they have lots of planning conferences and things and it's about broadening my awareness of stuff that's going on in the sector and meeting and talking to people on the ground ..., and they do a lot of training and seminar-type ... activities where you can delve into issues.'

Some interviewees did feel that their professional body had an important role to play because of its independence from the organisation:

'It's independent so in my case I think it is useful.'

Some interviewees suggested that the professional body might in some ways be in a stronger position to promote ethics than employing organisations:

'A professional body's code of conduct is so clearly tied in with everything about what you do, it's so closely related to what you are as a qualified professional that it somehow feels like it has more weight [than your employer's code], I might be wrong but it feels like that.'

Several interviewees stated that they would like to see their professional body take a more active interest in ethics:

'[Membership means] someone has achieved a level of qualification and practice but not necessarily the way they are doing that, which could in future be something that could be looked at in more detail. I think it's a fine line as you don't want to be so overly prescriptive that those bodies ... are not attractive as a member organisation and they die and then are not providing those services ... but a bit more could be done on enforcing ... the ethics aspect of it which feels a little bit slim.'

Embedding ethics, alongside professional competence, into professional bodies' membership requirements, was sometimes seen as a way of achieving this:

'If they're trying to do that professionalism agenda ... it's an open organisation just through subscription so it's not a standard body ... I think they might look to think about how they might develop that.'

'I suppose the main thing would be looking at the membership, how you qualify and register and whether you have to go through a re-registration process. I mean they've tried to professionalise it.'

## **7.2 TECHNIQUES USED BY PROFESSIONAL BODIES**

Many of the techniques we have examined in the context of employing organisations have similar or analogous application for professional bodies, and we asked interviewees about these.

The techniques most frequently cited as effective in the hands of professional bodies stemmed from their independence. As previously noted, there is a clear need for independent, confidential sources of advice, and the professional body was often seen as having a role to play here. Where professional bodies had a dedicated advice line, this was popular with interviewees. One wondered how people who were not members of professional bodies could access advice:

'You know you think, if I've got a real issue I can go somewhere. So if someone's not a member of a professional body what do they do?'

Support for whistleblowers was also seen as a useful thing for professional bodies to provide, again because of their independence. One interviewee suggested that a fund for whistleblowers would be useful:

'[Whistleblowers tend] to be finance people, because most of the major frauds involve a finance person. And the finance person will say "no there's something wrong going on here," and that can be you lose your job and you lose your career. And ... normally a company then goes bust. So if you didn't do anything wrong, and you were the person who blew the whistle, it's no good saying "well the employer's going to pay you five million quid," if it ain't there. So I think there is more the ... professional body, could do, to say "we'll put together a fund that will help you out".'

Most interviewees reported that their professional bodies had (or probably had) a code of conduct, but only those working in the traditional professions claimed to have referred to it, or to see it as a document with much relevance to their professional lives. Generally, this was ascribed to the fact that these professional bodies' codes of conduct were enforced through discipline and ultimately expulsion from the profession:

'[It's effective because] you can get struck off or brought before the [regulator].'

A professional body's code of conduct was also seen as particularly relevant by one interviewee who was based outside of the UK:

'Our laws aren't quite as tight as the UK laws [in my area of work] so [the professional body's code of conduct] is always a good benchmark.'

Professional bodies which took an active role in training were seen as effective, but again this was largely limited to the traditional professions. Approaches that were seen as particularly fruitful, and within the power of professional bodies, included the ability to take a long-term approach to training (particularly when members might be changing jobs quite frequently) and the ability to bring in trainers with a lot of professional experience:

'We have on the job training where we will go and I have a facilitator and mentor who works with us through the year and he's the man who makes sure we do work with integrity and stick to our values.'

Finally, the professional body was sometimes seen as having a role in monitoring the integrity of the profession, either through membership criteria, as discussed above, or through publishing the results of disciplinary procedures.

In general, those interviewees who were not lawyers or accountants were often surprised by the idea that their professional body might have a role to play in promoting integrity within the profession. Clearly, there will be differences between professional bodies in respect of how they see their roles. However, insofar as they do see themselves as having a role in this area, the results of our research suggest that there is a challenge for these professional bodies to make this clear to members, but that there are techniques at their disposal to help achieve this.

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## ***8. Summary and conclusions***

### **8.1 IDEAS FOR FURTHER RESEARCH**

This report has aimed to give a comprehensive picture of how organisations can go about promoting integrity. The intention was to provide guidance which is firmly practical in nature, while supported by empirical research and philosophical reflection. However, the very comprehensiveness of the research did mean that we touched on some areas where more narrowly focused research would be able to shed additional light.

We explored to some extent the way the various techniques in the framework interact with each other, but we were able to do this only through the interviews, and not through quantitative means. A survey designed to highlight this aspect of techniques' efficacy could be used to test the conclusions in this report (for example, would quantitative evidence support the universal role we identified for tone from the top?), but it might also generate some interesting results which would not be predicted by the conclusions we have drawn.

Our quantitative work generated four particularly interesting headline results: that rewards are rarely used but can be effective when they are, that both training and discipline correlate negatively with organisational integrity, and that whistleblowing is considerably more effective than it is perceived to be. It would be helpful to see if these results would be reproduced in further quantitative work, and it would also be useful to carry out some research designed to isolate which if any of the possible explanations that we have offered for these phenomena are correct.

We examined differences between broad organisational sectors in terms of the perceived effectiveness of techniques, but it might also be useful to take this research to an increased level of detail, and examine differences between different professional groups.

Finally, the model of organisational integrity we used in the quantitative work was a novel one, and further research would allow us to validate and refine this model.

### **8.2 KEY RECOMMENDATIONS**

Chapter 6 of this report already sets out our recommendations for organisations in the form of a framework, with detailed discussion of each element of that framework, so there is nothing to be gained by repeating these recommendations here. However, there are a number of general conclusions arising from the research which it is worth drawing out and re-emphasising.

Firstly, it is to be hoped that the evidence in this report gives the lie to the idea that integrity cannot be promoted. In both the survey and interviews, we found that our respondents were consistently able to pick out features of their organisations which not only have a clear effect on integrity, but which are within the power of many within the organisation, but especially leaders, to change. We therefore recommend that organisations pay attention to each element in the framework, and in so doing bear in mind the following general observations about their use.

### **8.2.1 THE RESPONSIBILITY TO PROMOTE INTEGRITY**

The responsibility to promote integrity ultimately falls to organisational leaders. However, it should be noted that, firstly, many of the recommendations in this report apply to specific organisational functions. More than any other, human resources departments have access to the organisational levers that can make a difference to integrity, for example, advice, disciplinary and whistleblowing procedures. It may therefore be that organisations would want to give ownership of the implementation of the framework to the HR department. At any rate, HR should certainly be involved in any activities from early in the process. Secondly, the responsibility of leaders and HR departments does not absolve employees of a responsibility to contribute themselves. While the organisational environment can be made more conducive to integrity, it still requires individuals to make the right decisions. Ideas such as organisational openness rely on individual openness if they are to be effectively implemented.

### **8.2.2 BE AWARE OF UNEXPECTED EFFECTS**

Some of the results generated by our research suggest that leaders are generally unaware of the effect - either positive or negative - which some techniques can have. For example, whistleblowing may be more effective than it appears to be. On the other hand, training and discipline, if badly handled, can undermine autonomy and have a deleterious effect on morale.

The research generated a number of insights into how each technique can be effectively implemented, and also some ideas about what to avoid. Nevertheless, because the effects of techniques can ultimately be unpredictable, we also recommend that leaders take steps to monitor the overall integrity of the organisation.

### **8.2.3 THINK ABOUT THE BIG PICTURE**

It is important to be clear about the aim of an intervention, a change in policy, or the application of a technique. In some cases, this may be about fostering integrity. In others, it may be about ensuring ethical behaviour more generally. Sometimes, it will be about enforcing company policy, or improving productivity, or some other important goal that has nothing immediately to do with ethics. Being clear about the aims of interventions also makes it possible accurately to monitor their effectiveness.

It is also important to be aware of the way techniques within the framework fit together and can either catalyse or obstruct each other. Rewards for ethical behaviour should be in line with the organisation's stated values; a culture in which issues can be raised openly needs to be supplemented by the availability of confidential advice and support for whistleblowers as a last resort; ethics training should help employees understand and apply the principles enshrined in a code of conduct. Taking any of these elements in isolation is likely to be less effective than treating them as integral parts of a general framework.

### **8.2.4 INTEGRITY BREEDS INTEGRITY**

Interviewees very often believed that tone from the top - the demonstration of ethical values in the behaviour of organisational leaders, was a necessary condition for the efficacy of many other techniques in the framework. Any technique which involves supporting ethical decision-making, or promoting openness, is far less likely to be effective if leaders are not making ethical decisions, or being open, themselves.

This imperative for leaders to adopt ethical standards extends to the detail of how techniques are implemented. Disciplinary procedures which are not open, reward systems which are unfair or partisan, advice that is not really confidential, all have the potential to breed cynicism, resentment and distrust. Conversely, an organisation which takes ethics seriously, admits its mistakes, genuinely values its employees' contributions, and practices what it preaches, can make its employees feel proud to work for it, and motivate them to go the extra mile. The challenge for leaders is therefore to lead by example, demonstrating integrity in both words and actions.

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# ***Appendix: Explanation of the Logit model analysis***

## **A1. SAMPLING**

Ten thousand ICAEW members received a request to take part in the survey. The intention was to obtain a sample that was representative of the ICAEW's membership as a whole in terms of three variables: 'role in organisation', 'job area' (ie, sector) and 'size of organisation by number employed'. Requests for data were submitted to ICAEW based on calculations derived from ICAEW's 'Member's Handbook - July 2009', and only using job area and organisation size (we were advised to limit the total number of data queries).

## **A2. DATA CLEANING**

We received 1,444 full responses and 712 partially completed responses. The partially completed responses were excluded prior to analysis.

Sole practitioners and others not belonging to an organisation were excluded from the data because, not working for organisations, they would not have the required perspective for this research. The emails had asked sole practitioners not to complete the survey but some had ignored this (amounting to 1.1% of the sample overall).

Where respondents had answered 'N/A' or 'don't know' to a particular question, these responses were ignored in analyses of that question. So for example in calculating the mean of a set of responses to a particular question, the denominator was the total number of responses with a numerical response, rather than the total number of responses including 'N/A' or 'don't know'.

## **A3. DATA PROCESSING**

Firstly, we identified the dependent variable: the perceived level of organisational integrity. In the desk research stage we argued for a three-component model of integrity and identified four questions which - with answers on a seven-point Likert scale - would indicate the level of each component: two for integrity as applied to the organisation as a whole; two for integrity as applied to its employees. This made a total of 12 scores indicating some element of integrity for each respondent. The average (mean) of these 12 Likert scores was therefore created as a proxy for overall integrity under the assumption that all of these 12 elements of integrity are of equal importance. (This was done using STATA's rowmean function which treats missing values in the dataset as not existing, rather than as having a value of zero.) Then the averaged observations were rounded in order to take on the value of the nearest integers on the seven-point Likert scale, since by rounding the averaged values we can reduce the number of parameters - the cut points for latent variables in the Logit model - to be estimated.

Secondly, we identified the explanatory variables: the factors whose effect on the level of perceived integrity we are investigating. We hypothesise that 10 techniques have a positive effect on overall integrity. However, we only have data for the perceived effect of each technique on the 12 elements of integrity separately. Thus, in order to obtain the perceived effects of each technique on overall integrity for individual respondents, we took the average of the effects of each technique on those 12 elements (with rounding-up).

The Logit model thus identified the causal effect of a technique on the perceived integrity of the organisation but focused on those techniques that were perceived to be effective. It thus acted as a check on the simple analysis concerning perceived effectiveness - if a technique was perceived to be effective, did this have a positive correlation with perceived integrity?

Logit model calculations were also run on the organisational size and type variables. This enabled us to discern effects of these variables on the presence of each technique and on the overall integrity of the organisation. The Logit model process demands that a variable should be scalar, ie that each category should represent a point on a scale. This is simple in the case of organisation size - small organisations are on one end of the scale, progressing to larger organisations at the other end. Organisation type, however, does not fit as simply into this kind of model. In order to make the process work, organisation type was interpreted as sitting on a scale progressing from, on the one hand, organisations where commercial considerations were likely to be the highest priorities to, at the other end, organisations where considerations of the public interest and social value were more likely to take priority. So: private sector business, accountancy firm, public sector, charity. This allowed us to identify some indicative trends. However, there is a question about whether this kind of interpretation is appropriate. Results derived from this analysis, then, should perhaps be treated with some caution.

The Logit model calculations for organisation size and type were able to make use of the whole data set, since all respondents gave a response for organisation size and type. However, for effectiveness of techniques, we were only able - due to the way the Logit model works - to make use of the 149 respondents who indicated that all 10 of the techniques were in place. This is only a small subset of the data overall - about 10% - however, it is enough to show significance of effect, which can be usefully compared to the simple analysis, which did use the full dataset.

#### **A4. SURVEY DATA SETTING**

The raw data should have some setting that allows survey data analysis. First of all, an appropriate sampling method should be identified for the sample data to appropriately represent the population. This study assumed a 'stratified random sampling' as a sampling method because the original survey was designed to represent ICAEW's membership in terms of the combinations of organisational size and job areas. However, if we consider both of them as strata (ie, five areas x eight organisation sizes = 40 strata), some of the strata contain only one observation, which does not allow Logit model analysis. Thus, only 'area' was used for stratification, resulting in five strata in the model.

Secondly, in order for samples in each stratum to appropriately represent their population, sampling weight should be given to each observation. Intuitively, the sampling weight is considered to be the number of individuals in the population that a sampled individual represents. The weight is obtained by inverting the probability that individuals in each stratum are included in the sample. The probability for each stratum was calculated using the information in ICAEW's Members' Handbook.

Finally, since sampling was done without any replacement, this should be reflected in the analysis, which is called Finite Sample Correction. It is derived from the number of individuals within each stratum, and was obtained using the Members' Handbook.



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## *Endnotes*

- 1 AAT (2009).
- 2 ACCA website.
- 3 AIA (2008).
- 4 CIMA (2009).
- 5 CIPFA website.
- 6 IFA website.
- 7 IFAC (2009).
- 8 ICAEW (2006).
- 9 FEE (2009). The FEE's analysis of responses to that paper (FEE, 2011) reveals that 15 of their 26 respondents agreed that 'integrity is the core principle' (p14). These two documents make interesting reading in relation to the present report.
- 10 See for example Boyd (2004b). In contrast, a recent paper released by the Chartered Insurance Institute (CII, 2010, p5) suggests that a lack of trust in financial services, at least in the UK, is 'nothing new' and part of a 'long-term trust deficit'.
- 11 Bunting (2009), p1.
- 12 Agius et al (2010).
- 13 Eg, 'Consistent standards of behaviour are to be found in my organisation.'
- 14 If they were unable or unwilling to attempt a definition, further prompts were used, eg 'If I say 'integrity', what ideas come to mind?' or, 'If I told you a person had integrity, what would you expect them to be like?'
- 15 As well as this, the vignettes served three other useful purposes in the interviews. Firstly, they allowed the interviewees to think through their ideas on integrity and to arrive at a more considered view which could inform their responses to the later questions about integrity in the organisation. Secondly, they flagged up idiosyncrasies in individual respondents' views of integrity so that the answers to later questions could be viewed in the light of these by the researchers. Thirdly, they allowed interviewees who may have been nervous about discussing their employers and colleagues to talk about integrity in a less personal way first, thus providing a non-threatening introduction to the subject.
- 16 The account set out in this section is influenced by reviews of the literature conducted by Cox et al (2006) and ICAEW (2007).
- 17 Schoeman (1987).
- 18 McFall (1987), p7.
- 19 McFall, p11.

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- 20 It is possible that this high number can partly be explained by an ambiguity in the meaning of the word 'honest', which can be used to describe someone as generally morally upright, as well as in its narrower sense meaning 'truthful' or 'not deceitful'. Nonetheless, the frequency with which people, without prompting, cited openness and honesty, is striking.
- 21 The idea that integrity necessarily involves certain other related virtues is found in the work of Jody L. Graham (2001), who argues that integrity involves the virtues of epistemic and moral trustworthiness; people of integrity will, at least generally, not misrepresent the truth or break promises.
- 22 The Federation of European Accountants' Discussion Paper on 'Integrity in Professional Ethics' (FEE, 2009), and the subsequent summary of responses to that paper (FEE, 2011) are highly interesting in their discussion of the relationship between integrity and other principles. The discussion paper asks whether integrity should be considered 'the core principle in professional behaviour' and whether 'the other fundamental principles derive from integrity or are... complementary to it'. What it means for integrity to be 'core' or for other principles to 'derive from' integrity would need some unpacking, but the present argument can perhaps offer two suggestions which might help in this respect.
1. If integrity involves acting consistently according to principle, all of the FEE's other principles will presumably benefit from a high degree of integrity, so integrity might be thought of as 'core' in this sense.
  2. If integrity requires one to develop, through discussion, scrutiny and challenge, a wider moral sense, it may be thought that the other principles will arise from this process, in which case they could be seen in a sense as 'deriving from' integrity.
- 23 McFall (1987), p13.
- 24 Calhoun (1995), p257.
- 25 Agius et al (2010).
- 26 See for example Freidson (2001), Chapter 1.
- 27 Pellegrino (1991), p74.
- 28 Johnson (1972), p 45.
- 29 Loeb (1978), p60.
- 30 Freidson (2001), pp123-4.
- 31 See for example Friedman (1970), Sternberg (1994).
- 32 Both Friedman and Sternberg would recognise this distinction.
- 33 See Section 6.2.
- 34 Not all organisations, of course, are businesses or have profit as their central aim. Public sector organisations exist to serve the public interest, in a way which is analogous to professions as discussed above, but perhaps more direct. Charities and social enterprises have explicit social aims. In both cases, the betrayal of these central values looks even more clearly like a betrayal of organisational integrity (imagine for example a charity that over-pays its directors at the expense of the services it offers).
- 35 Toffler, p13.

36 It should be noted that, due to problems with the way the instructions to the jury in the original trial were worded, the criminal conviction of Arthur Andersen was later overturned. However, there remain over 100 civil suits pending against Arthur Andersen based on its audits of a number of organisations.

37 In this chart, and the similar charts that follow, the Y axis begins at 1, instead of 0. This is because the values correspond to Likert scores on a scale of 1-7. A score of below 1 would be impossible, so it would be misleading to include this on the scale. All of these graphs show mean perceived effectiveness, based on the ratings offered by those respondents who cited the given technique as present in their organisation.

38 Anyone who doubts this is urged to look at experiments in situational psychology, including the notorious Milgram experiments (Milgram, 1974), as evidence of the huge influence of apparently trivial aspects of environment on behaviour.

39 See Gentile (2010).

40 FEE (2011), p11.

41 See Figure 27 on p56.

42 Gentile (2010).

43 Treviño et al (1999), p143.

44 It is important to note that interviewees were asked about the effect of discipline on integrity specifically, rather than on ethics generally.

45 Miceli et al (2009), p 389.

46 Formerly the British Computer Society.



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