

Chapter 16

Business Ethics, Strategy and Organizational Integrity: The Importance of Integrity as a Basic Principle of Business Ethics That Contributes to Better Economic Performance

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ABSTRACT

With focus on the role of integrity in relation to business ethics versus economic strategy the chapter contains following sections: 1. The concept of organizational integrity as a moral notion as it is described in the work of Lynn-Sharp Paine on organizational integrity. 2. The concept of integrity as an economic notion as it is described in the recent work of Michael Jensen. This section will discuss recent efforts in the business economics literature to consider integrity as an important notion of strategy. 3. Paine contra Jensen: A virtue or a workability concept of integrity. Here the authors discuss the basic dilemmas and problems of integrating integrity, economic performance and strategy in the perspective of the two theories of about integrity of Paine and Jensen.

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INTRODUCTION

What is the role of integrity in business ethics and how does it relate to management education? Initially, I consider integrity as philosophical value of virtue, linked to the ideas of autonomy dignity and vulnerability (Rendtorff, 2009). However, integrity is also becoming a very popular concept of business strategy, indicating coherence, purity or completeness of a totality. And integrity signifies a personal and organizational virtue of commitment and loyalty. And recently, business economists like the famous Harvard economist Michael C. Jensen who together with his colleagues Werner Erhard and Steve Zaffron has argued that integrity is the most important concept for dealing with ethics in a paradigm of economic performance and instrumental agency. Moreover, a business lawyer and ethicist like Lynn Sharp Paine argue for an “integrity strategy” where integrity is considered importance for the strategy of the firm. So the notion of integrity is not only associated with true identity, honesty respect and trust, but it is also related to concepts of strategy and economic performance of the firm. Thus, the paper looks at the function of integrity in the development of economic strategy and the paper will discuss why integrity is important as basic principles of business ethics in order to build a good strategy and economic performance of the firm.

Accordingly, with this focus on the role of integrity in relation to strategy and economic performance the chapter will contain the following sections: 1. The concept of organizational integrity as a moral notion as it is described in the work of Paine on organizational integrity. This concept can be defined as “ethical integrity”. 2. The concept of integrity as an economic notion as it is presented in the recent work of Erhard and Jensen. This concept can be defined as “economic integrity”. This section will discuss recent efforts in the business economics literature to consider integrity as an important notion of strategy and performance. 3. The ethical view contra the eco-

nomic view: A virtue or a workability concept of integrity. Here we confront the ethical view with the economic view of integrity. And we discuss the basic dilemmas and problems of integrating integrity, economic performance and strategy in the perspective of the two theories of about integrity of Paine and Jensen. 4. Conclusion: Towards integrity as corporate citizenship. Here, I summarize the discussion of the article with focus on the consequences for management education and I present briefly my own point of view of integrity as corporate citizenship that goes beyond the confrontation of Paine and Jensen.

With this approach the chapter addresses a very central, but also rather narrow topic within the literature and possible research questions related to integrity. The reader may ask what the reason is for doing this and the problem also is what the criteria for selection of literature and authors may have been. Moreover, a relevant issue is whether the selected literature brings us further on in the study of integrity related to management education.

In my response to these methodological questions I would like to stress that I have addressed the problem of integrity in a number of books and articles (Rendtorff & Kemp, 2000; Rendtorff, 2002; Rendtorff, 2011) and also in my recent book *Responsibility, Ethics and Legitimacy of Corporations* (Rendtorff, 2009). The topic of this paper is an attempt to look at the major problem of the relation between ethical and economic approaches to integrity strategies—a problematic that emerged as central out of my earlier research on the topic. I have selected the work of Paine and Jensen, Erhard and Zaffron to discuss this topic because they represent the most influential views and most developed investigations of their views namely the “ethical integrity view” as opposed to the “economic integrity view”. The reason that I rely heavily on the theories of Paine and Jensen is to try to do a careful reading of their points of view in order show how we need to overcome the opposition between those authors when we really

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