Chapter 23
Integrity and Organizational Environment

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Abstract From the late 1990s until the early 2000s, the word "integrity" has been popularized among Malaysians along with the establishment of the Malaysian Integrity Institute (IIM) in 2004. Integrity refers to the quality of having strong moral principles in the society and this encompasses employees in an organizational setting. Having the fact that human beings intend to behave guided by their personal interests, integrity is seen able to curb the negativity of such act to ensure organizational goals could be attained. In reality, deciding what is an ethical behavior is much easier compared to executing the act. This is one of the challenges faced by most managers all over the world as they are responsible for setting examples of ethical behavior and assisting employees to make ethical choices. Moreover, an organization also plays an important role to promote moral acts among the employees such as creating an ethical environment in the workplace together with relevant rules and regulations. Thus, this article has the aims to (1) discuss factors determining ethical behaviors, (2) expound the importance of managerial roles in exercising business ethics, (3) posit approaches that make an ethical manager, and (4) analyze integrity in an organizational environment.

Keywords Ethics • Integrity • Manager • Approaches • Behavior • Organization

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23.1 Introduction

The common practice of integrity conduct is much related to human nature because people generally or employees specifically intend to behave according to their personal interests. Integrity and ethics are concerned with doing the right thing within a moral framework. Unfortunately, breaches of ethical conduct are common in today's organizational environment. Significantly, people made unethical choices based on misguided personal interests and perceptions. The managers' roles in ethics are vital. In addition, managers are also responsible for setting examples of ethical behavior and in assisting employees to make ethical choices. Actually thinking and deciding what is ethical is much easier compared to doing what is ethical. The organizational role is also important in developing ethical behavior such as creating an ethical environment at the workplace.

Integrity and ethics are issues that have generally been conceptualized as important aspects among practicing managers. Literature discussing ethics and integrity has outlined different perspectives about the concept of integrity. There are two approaches being practiced among the managers – firstly, the consistency or wholeness perspective which does not have an explicit moral component and, secondly, a moral perspective which stresses what is right and wrong [1]. From the consistency perspective, integrity involves more than simply doing what one says; what one says and does must also pass through some moral filter [2]. Integrity is seen as embodying wholeness or completeness and as representing the consistency and coherence of principles and values [1]. Therefore, integrity is also required for moral components, moral principles and commitments, and moral values and norms. Ethics or moral philosophy asks basic questions about the good life, about what is better and worse, about whether there is any objective right and wrong, and how we know if the situation is right or wrong [3]. This definition of ethics assumes that the primary objective is to help individuals decide what is good or bad, what is better or worse.

Integrity must be evaluated with respect to personal values and focuses on the underlying beliefs and attitudes that are determinants of managerial or individual behavior. Scholars identify that values vary among people; consequently there are different interpretations of what behavior is ethical and unethical in a given situation [4]. The meaning of integrity is individual specific. Basically, two ethical individuals may have different actions based on their own value systems which guide them to arrive at different conclusions about a given decision. Today's managers are not only seen responsible for the financial success of their organizations but also responsible to develop moral values and ethical standards in their subordinates.

The practices of managerial ethics and integrity will provide the impact on organizational outcomes. The organization can best ensure that their organizational members approach ethical situations in ways the organizations desire by intentionally establishing strong organizational practices regarding ethics. This will most likely and efficiently occur when organizational founders and subsequent leaders

explicitly attend to their own values, determine the values that they wish to instill in organization members, and make strategic organizational decisions that will facilitate the development of shared perceptions of appropriate ethical behavior [5]. The role of managers who work toward the creation of an ethical working climate also will leave lasting impressions and also effects on the members of the organization.

Implementation of integrity and ethics, for example, is crucially important in business. To achieve long-term margins, customer relationship is really important. To develop a long-term relationship with satisfied and loyal customers, the business needs to be based on ethics. Business ethics will leave a long-lasting impression on the customers and then create an impression on their mind to build trust in organizations. Ethics is an integral part of running a business and hence ethical values accompany business by default. Without following certain ideals in business, the managers cannot become successful. Success that is being attained without a strong foundation of ethics is bound to be short-lived. A business cannot continue to prosper without a practice based on ethics.

23.2 Factors Determining Ethical Behavior

In recent years, the integrity of managers has increasingly been discussed. Indeed, integrity is an important element of leadership. Basically, ethical behavior will determine the consistency between one individual's personal values and the connection of his/her values with the organization and society. Unethical behavior created by an employee can affect other employees, teamwork, and organization as a whole. The manager and organization should encourage ethical behavior among the employees.

23.2.1 Trust and Total Quality

The approach of total quality practice cannot be implemented if the organization is unable to understand the elements and standards of ethical behavior. This is because the application of ethical behavior will build trust and trust is the most important aspect of total quality. Normally, people who trust each other will be able to get along, create mutual understanding, and embark on effective communication process in different situations. The managers must be trusted by the employees. In attempting to build trust at the workplace, managers should take the initiative; even though in a total quality setting, trust building and other tasks necessary for the success in the intensely competitive global marketplace are the responsibility of everyone [3]. To make it effective, the managers should not expect that the trust can be built or just happen magically. To achieve total quality, it is required that the managers motivate the employees and consistently develop their job skills.

In a study which linked the perception of the manager's ethics with subordinate outcomes, a strong positive correlation was found between the employees' perceptions of the integrity demonstrated by their corporate management and the employees' job satisfaction [6]. More recently, integrity and trustworthiness have been identified as important elements of effective charismatic leadership style. Further, the charismatic leadership style has been shown to be related to a variety of positive subordinate outcomes, including trust and respect for the leader, organizational citizenship behaviors, performance, satisfaction, organizational commitment, and lower turnover intentions [7]. In summary, research shows that individual's perceived ethical integrity plays an important role in his/her success as a leader or manager, but in specific, it is really difficult to know how exactly the employee's impressions of the leaders' integrity develop, how these impressions can be changed over the time, and which leader behaviors are most influential in the impression of formation process.

23.2.2 Values and Total Quality

Values are core beliefs that help to guide behavior. Significantly, values are definitely practiced in organizations. Values that encourage ethical behavior include the concept of fairness, integrity, honesty, and trustfulness. The organization is unable to produce a quality product or deliver a quality service unless the organization values quality. Each individual employee and the organization as a whole system are required to apply their knowledge and skills on what they value, what they believe in, and what they feel is important. If the primary values are ignored, the total quality practice will not be implemented correctly due to the lack of necessary motivation of those called upon to implement these programs. In addition, primary values will support the effective implementation toward total quality principles and overcome the resistance to change.

People are attracted to (and therefore attempt to join) organizations in which they believe they would "fit" [8]. In other words, an assessment of the degree to which one's own values and personality would mesh well with the values and tasks of the organization determines whether or not a person chooses to apply, and accept an offer from, to a given organization [5]. Normally, people frame external events in the aspects of their personal values and motives; values are important parts of perceptual filters.

23.2.3 Integrity and Total Quality

Integrity is another aspect of ethical behavior. Integrity refers to the quality of having strong moral principles in the society, and this encompasses employees in an organizational setting. Scholars claim that integrity, as a personal and

organizational characteristic, combines honesty and dependability [3]. When an individual or organization has integrity, automatically ethical behaviors will follow. Managers with integrity will ensure that their organizations and employees are really concerned when making decisions. Furthermore, the managers' decision will affect the employees' routine and life. The managers are accountable for any consequences of the solution which they carry out and it is important to maintain ethical practices.

A judgment about a manager's integrity is usually not made in isolation. The situation often implies that the moral judgment about the manager's integrity is one of several considerations when making decisions about a manager's continued appointment [1]. Understanding the concept of integrity is also useful in the application of human resource policies and practices.

23.2.4   Responsibility and Total Quality

Accepting responsibility is a part of ethical behavior. In a total quality setting, people, managers, or employees are responsible for their actions and are also required to be accountable for their job performance. If people accept responsibility, it helps to build trust, integrity, and all other elements of ethics that are important in a total quality. Responsibility is one of the dominant factors determining employees' performance and commitment. The results of employees' responses to work or organizational environment bring about work outcomes that affect their organization's overall performance [9]. Therefore, the relationships between responsibility and total quality have been important issues in organizational development and business ethics.

23.3   Importance of Managerial Roles in Exercising Business Ethics

In recent years, in spite of a growing interest in good ethics practices whether in public or private sectors, the public is still not convinced that there is much improvement in this issue. In public sectors, for instance, public administration's treatment of ethics involves many things, some sort like whose philosophy to be used. Should we follow the work of Aristotle and St. Thomas Aquinas or should we follow the philosophy of Plato as the foundation of their ethics [10]? While in the private sectors, the players are always facing the conflicts between ethical practices versus organization profit.

When we discuss ethics among the managers, the ultimate goal is to prepare them to do the right thing. So, when there are problems in getting the managers to do the things right, it should be no surprise that managers also have problems

determining what is right. Thus, the purpose of ethics is to help managers to determine what is right and act accordingly.

Basically, when we discuss what exactly a manager's roles and responsibilities toward business ethics, we cannot run away from discussing three major roles which are the responsibility for setting an example of ethical behavior, followed by the responsibility for helping his staff make ethical choices, and lastly, the responsibility for helping staff to follow through and exhibit behavior after the appropriate choice has been made [3].

Managers should set a good ethical behavior in their workplace so that the rest of their staff understand and follow such good behavior. For instance, when the managers always show their respect toward their staff regardless of the level or position in the organization, the staff also will follow the same. Indirectly, the whole organization will uphold this ethical value and that particular organization will work harmoniously. Sometimes, throughout the process of practicing good ethical values at the workplace, employees are trapped in between – whether to follow the managers' good ethical behavior or to remain with their unethical behavior which is endorsed by their teammates. In this situation, the managers have to play their role in helping the employees to make ethical choices. Even though at the beginning the staff will be isolated by their teammates if they choose to follow the ethical behavior, at the end of the day, the managers should explain and convince the staff that the decision will give benefit to their career and the entire organization. Besides, managers are also responsible for helping the staff to follow through and exhibit ethical behavior that has been chosen because sometimes the staff are willing to practice the ethical behavior but they do not know how to start.

When discussing ethical behavior, sometimes we fail to recognize that organizations also contribute to the unethical behavior. Ethical managers alone cannot guarantee ethical practices in business. Among the organizational factors that contribute to the unethical behavior are failing to make ethics part of the organization's core values; failing to set a consistent positive example; failing to adopt, deploy, and enforce a corporate code of ethics; failing to reward ethical behavior; applying unrealistic pressure; and also putting personnel in ethical "corners" [3].

In the Malaysian context, when we discuss the ethical values and practices, we cannot avoid from touching the subject of National Integrity Plan (NIP). Among the objectives of NIP is to "establish a fully moral and ethical society whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards." This objective can also be found in the fourth challenge of our Vision 2020. Basically in the National Integrity Plan (NIP), there are five targets that have been emphasized by our government. Out of five targets, target number three (target 3) is more related to business ethics which is "To enhance corporate governance and business ethics." Our policy makers believe that by having a good corporate governance and business ethics, we can reduce the cases of corporate fraud which give big impact on our country's good will and future.

Again, "a simple action can make a big difference," so as managers, even though they only play a small role in upholding the ethical practices in business, the long-term impact will explain everything.

23.4 Approaches That Makes an Ethical Manager

There are three approaches that managers can apply in carrying out their responsibilities relating to ethics. The ethical behavior of a manager shows that his/her behavior aligns with the legal, moral, and human values. All actions which go against these values will be regarded as unethical. The managers must opt for the ethical paradigm and be responsible.

23.4.1 Best Ratio Approach

The best ratio approach is a pragmatic approach based on the belief that people are basically good, that in the right circumstances they will behave ethically, but under certain conditions they can be driven to unethical behavior [3]. To create conditions that encourage ethical behavior and to maintain the best possible ratio of good choices to bad choices, managers should implement the possible actions. In certain situations, when difficult decisions must be made, managers are required to make the choice that will be the most beneficial for most people. This approach is also known as situational ethics.

23.4.2 Black-and-White Approach

With the black-and-white approach, right is right, wrong is wrong, and conditions are irrelevant [3]. The managers are responsible to make the ethical decisions and carry them out. The reason is to ensure that employees show positive ethics regardless of the situation. To some extent, when hard decisions must be made, the managers should be fair and practice impartial choices regardless of the result. Through this approach, the managers should do the right thing without concern for short-term circumstances.

23.4.3 Full-Potential Approach

Scholars claimed that with the full-potential approach, decisions made are based on how they will affect the ability of those involve to achieve their full potential [3].

In an organization, each of the employees is responsible for realizing their full potential within the certain limits of morality. The choices made that can achieve this specific goal without interfering with the others' right are considered as ethical.

23.5   Integrity in an Organizational Environment

In this context, integrity among the managers could not be limited into a mundane definition, vis-à-vis honesty and trustworthy. It should be expended to a broader reference, that is, beyond the code of conduct that awaits a person to behave in ethical standards [11]. Managers are the first line in managerial level, and decision making is one of the priority tasks that mobilizes the daily works in the office. This in turn argues that rules in organization cannot stand alone, as it closely depends on the characteristics and behavioral traits which support the ethical behavior by the managers [11]. At this level, managers are perceived to be the agents of socialization on the corporate culture that is held by the organization [12]. Paradoxically, the rules only provide the guidelines which address minimal circumstance, measuring one's compliance with the code. In other words, should one fail to comply with the rules, then he/she has committed an unethical behavior. Compliance, on the other hand, is able to provide employees with the safeguards to protect the individual and his/her profession in the long run [11].

The question here is how can the managers be objective in decision making? Being objective means attaining a balanced state of mind in exercising one's duty [11]. The managers shall not be influenced by their personal feelings or opinions in considering and representing facts. They must be far from being biased and must be independent. Independence fosters managers to be value-free from any social relationships with others while performing their duty. However, we perceive this stage as a process that evolves over time, rather than a short-term aim.

Ethical decision making is also associated with early career experiences. Many managers collected their bittersweet experiences while working with others and learn the lesson from each of the event in their organizational life. This indicates that the employees' ethical decision making is mainly influenced by the earlier environmental experiences held by them [12]. The research that was undertaken among the first-year doctoral students identified poor coping in their learning in the organizations could lead to interpersonal conflict, thus being the impetus toward unethical decision making. The study explained that new entrances of employees are at the level of adapting themselves into the professional career field; thus, learning is more prominent with respect to ethical decision making. If such learning fails to be undertaken and their job performance is rated low, the probability to commit the immoral decision making is high such as breaking the rules and regulations.

It is certainly evident that corporate culture alone could not prevent wrongdoings. Hence, we suggest that the inculcation of ethical behavior and later decision making should be emphasized since university years. The environment

characterized by dishonesty shall be defined appropriately and must be curbed accordingly by the faculties, administrators, and entire organizational culture which involve all enterprises. Most universities must be able to create ethical awareness among the students as the first step to generate moral decision makers [13]. This will help the students to be more aware and sensitive of ethical issues, integrity, work ethics, etc. On top of that, administrators that stick to the rules rigidly would force the students to abide by the policies in the university. Indirectly, it socializes and thus internalizes the ethical code of conduct that becomes habits and practiced daily by the students. Therefore, they will hold higher moral standard in their future work and able to make moral judgment whenever they are faced with any uncertainties.

23.6 Conclusion

In conclusion, the creation of a healthy, ethical working place depends on the managers' code of ethical conduct. No matter what philosophy or approach that is taken by the managers, adherence to a clear code of ethics will minimize the unethical behavior committed by the employees, and consequently, the organizations, public or private alike, will run smoothly and competently.

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