



Integrity as an Entrepreneurial and Political Quality

Why it is about more than just following rules

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Abstract

It is beyond all question that we need rules. Our everyday culture has many unwritten rules which are passed on from generation to generation. Likewise a society needs laws. These laws, among others, are written in the civil code of law and always have room for interpretation.

Corruption scandals seem to show that it is necessary to go beyond the laws and the unwritten rules and establish an exact system of rules for business in order to curb such corruption.

On the one hand, the system of compliance, which is fairly new, has an advantage: every employee, not only at home but also at locations abroad, knows to which rules he or she has to abide. On the other hand, there are problematical aspects to this system. This is where I will pursue the question as to how today's business leaders can behave with integrity according to and beyond a system of rules, and this without peer or group pressure.

Additionally I will reflect upon how integrity develops, what effect it can have and which roll it plays in the quality of business.

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ANALYSIS

The market as a system and the person as a factor

For once let's not just talk about yields, about imports and exports and competition. Let's talk about the system of the free market economy and the people who operate within it: the free market economy did not just fall from the sky but was created by man.

This system is based on individual qualities, i.e. virtues and capabilities like respectability, diligence, motivation, a sense of duty, competence and creativity. Without these qualities the economy does not function in the long term. The market demands performance and economic success but does not invest in the acquisition of these qualities, which make the growth of the economy possible.¹ This means that the market is supported by "pillars" which were not established within the market itself. It is rather the parents and the state who "invest" in upbringing and education.

Every business leader was once a child who acquired skills and an "inner value system" in the home, at school as well as through free-time activities. Every business leader operating in the system thus has a personal prior history. The skills and the inner value system make an impact on the actions, feelings and views of a person into adulthood (just like the deficiency of skills and an absence of a value orientation does).

In a managerial position, these former children have to make decisions and solve conflicts everyday. How they do this depends on their skills and their "value system". In the meantime this has become a heated topic. "Business studies programs are neglecting to build character" – this is the name of an article in the *Frankfurter Allgemeine Zeitung* (FAZ) on April 2, 2012. The article claimed that the person shows up as a cost unit and as a factor of production but coworkers don't show up on the balance sheets as an "asset". Business studies programs are not about values and building integrity. Integrity, however, is a pressing necessity, which are the words of Gerhard Förster, who wrote the article.

These pillars of quality are the basis for prosperity. If they collapse, so does the economy. They are already disintegrating because virtues such as respectability and a sense of duty do not play a role when it comes to "making" money. This is evident when one considers the exaggerated bonuses and salaries which functionaries grant themselves. These salaries are disproportionate to a concrete performance which demands diligence, creativity and skill. Furthermore, they stand in contrast to the average employee's sinking wage. This imbalance is breeding disgust and the public is crying out. It also cries out when corruption is involved.

The Siemens scandal in 2006 offers itself as an example. The former manager board member Thomas Ganswindt was arrested. The corruption scandal, which is the largest to date in Germany, was heatedly discussed in public and has far reaching consequences.

¹ See Schumpeter, J.A.: Kapitalismus, Sozialismus und Demokratie. (1942) Tübingen Basel 1993



Corruption and its Consequences

Corruption is understood as the abuse of a position of power for one's own benefit. With the concept of "white collar crime" or the "iceberg phenomenon" these "crimes" are labeled as "victimless". It has not even been that long since bribes were considered as a standard in international business. Up to 1999 businesses had the possibility to declare bribes as taxable income. "There were people like Peter Eigen, the long time head of the World Bank and founder of the organization Transparency International, who changed the climate and argued that it was possible to win the fight against corruption.

After the USA had already shown progress in the late 70's, the international organization OECD followed and soon thereafter Germany. Last year, Great Britain enacted a far reaching law which allowed the prosecution of German companies, even when they bribe officials in Africa. There are fewer and fewer places in the world where one can still pay off one's duties with bundles of money and get away unpunished."²

Compliance and the Dark Side

So far so good. Along with a call for virtuousness comes the booming industry of the financial auditor and the consultant. Ernst & Young, Deloitte, KPMG and PwC, along with a number of other businesses, have developed compliance systems. Institutions of higher learning even offer managers training in compliance. This message has also been heard by small businesses: a compliance system is cheaper than a fine (due to price-fixing Grohe had to pay a high fine).

However, that is only one side of the coin. A short story about a large enterprise exemplifies the other side of the coin: a company set up a hotline for its employees with a list of rules which they had to follow. For Christmas the employees of a certain department received incense smokers from a customer as a present. Someone looked into how much the incense smokers cost and felt obligated to actually give the presents back.

When one considers the embarrassing course of events, in which the former President Wulff exposed himself and was exposed, one can see that the process of a close examination by no means is in itself reasonable and righteous: chaotic opinions in the media, the damage to the official office and no real explanation. In this case one spoke of the "acceptance of benefits from a public official", which Wulff had allowed himself without assuming that he had done something wrong.

Suspensions are becoming fashionable. Take for example the Berlin mayor, Wowereit. He had to explain himself for the fact that he had compensated for flights he had taken in the private jet of the former head of the German Federal Railway Mr. Dürr by donating money.³

What is not being discussed

It is beyond question that we need rules. If everyone did what they wanted and only acted for their own benefit, a community-based on the principle of mutual solidarity - would break down. This is the direction we are heading. How is one to counter this disintegration?

² Welt online January 22, 2012

³ See Tagespiegel from March 14, 2012



After the Siemens case it was said that the problem could be solved with a system of rules and oversight mechanisms. Development shows, however, that compliance is not the only wise conclusion for at least two reasons:

Rules are only as “good” as the people who should follow them.

Rules are necessary or superfluous, according to **whom** is dealing with them.

If one does not recognize this paradox, one falls into a trap. Two things will then happen: Either the rule will be followed slavishly or anxiously to the point of ridiculousness (like in the case of the incense smokers!). People are not trusted to decide for themselves **what** is right or wrong.

Or the rule is elevated to an abstract “moral-ethical” principle, according to which people's behavior is measured independently from the circumstances and any concrete case. From this a complete atmosphere of malice and denunciation can ensue, which then thrives under the disguise of decency.

If one considers the case of Wowereit or Wulff again, no public person, no person in power, would be allowed to be taken out for dinner by a business friend without coming under suspicion of bribery. The “rule” is becoming such an instrument that people can control, judge and condemn other people with it, without considering what is reasonable and what is senseless.

These absurd aspects of the compliance system are hardly reflected on in public. At the most it is talked about among friends (albeit in a hushed voice), as I've recently experienced. A friend of mine, who works in a managerial position for a large corporation, complained about the obnoxious new impacts which the “oversight” has on business. Everyone suspects everyone and creativity is barely still possible. If someone questioned the oversight, they would come under suspicion of wanting to once again open the door for inordinateness.

Exactness and Vagueness

A comparison between “rules” and “laws” should help to understand the problematical impacts from oversight in a company.⁴

Laws, for example out of the civil code of law, are formulated in such a way that they can be applied in various situations. To this end their reference to the state of affairs must be general. How the law becomes justiciable, depends on its interpretation. This room for interpretation is immanent to laws. This is so simply because not all situations, i.e. crimes, which actually occur, can be foreseen and anticipated. The law's systematic vagueness enables it to remain valid throughout social change.

The rules of compliance are completely different. Here the endeavor is to list exact rules for “correct behavior.” Therewith comes the anticipation of a one-to-one correlation between rule and behavior. This correlation contradicts the complexity of human behavior, intercultural differences and also social change. It ignores which incentives or practical constraints exist. The particularity of a situation is not considered. In this manner suspicion and condemnation often collapse quickly together. It is not astonishing that the risk of creating such a climate of suspicion exists.

⁴ Cf. The lecture given by Prof. Flader at VW in 2009 about the theme compliance.



Remarkably from this way of controlling, something is supposed to be assured which can't be, namely propriety. Propriety presupposes that a person has a conscience and is capable of deciding between right and wrong. Of course rules can help one in this endeavor but they don't exempt someone from having to make a decision.

Conscience as well as integrity are presuppositions for the reasonable use of rules. These are aspects which would be hard to grasp and demand. Conscience and integrity are developed through upbringing and education. Children are able to develop a feeling for right and wrong and learn to follow rules (and when necessary to break them) through role models, sharp boundaries, practice and encouragement. Role models are also decisive in business for an ethical business culture and motivate co-workers to behave with integrity. But here we are referring to *People* and not to abstract *Systems*. It is striking how little talk there is in the public debates about people.

Systems without Individuals

Systems and facts don't make mistakes. The cash-flow flows from **someone** to somewhere, the stocks rise or fall. The rules are valid, the machines function and the technology regulates.

Did the market fall from the sky? Were the rules simply just pulled out of a drawer? Did machines and computers invent themselves?

Systems are man made. Facts were created by man. And in principle, humans have a conscience.⁵ A conscience, as I've mentioned, is an instance which allows people to recognize right and wrong and to act accordingly, namely not to do what is wrong. A fairly convincing reason supports this decision: not to harm oneself or others, whatever this might mean from case to case.

From where a conscience comes or if every person has one is controversial even today. Is it a result of upbringing, wherein the parents tell the child (not only once), "Don't do that."? Is a conscience defined by the Christian God, before whom a person has to justify their actions? Or is a conscience an innate instance, which is to be located somewhere in the brain? Even if this instance of "conscience" could be "destroyed" by upbringing and society, would that be an argument against its natural existence?

Integrity as an Expression of Conscience

One could simply say, that a person with integrity is a person with a conscience. Following this simple definition, it becomes clear how integrity and conscience could be related: a person with integrity avoids doing that, which contradicts their conscience and inner orientation of values. But what is it that tips the scale to decide in one direction or the other?

I think that it is centered around an aspect which was already mentioned: what would harm oneself and others? But does every person know what would harm themselves or others? Is that which harms another person not an advantage for oneself? Is it even possible to never do any harm? Such questions can be pursued further.

⁵ Cf. See the results from research into the brain, i.e. Hüther, G.: Die Evolution der Liebe, Göttingen 2000; and also from game theory and sociology, i.e. Homo Generosus. Reinbek bei Hamburg 2004



Up to now, integrity and conscience have hardly been scientifically analyzed. Therefore we know very little about the complexity and impacts of them.

But we can ask a further question: how does one recognize a person with integrity? And my answer would be by their actions.

An example: Businessman B is looking for a new business partner. He phones with his business friend Mr. F, "Do you know anyone, who could come into question?" Mr. F thinks about it and answers, "As a matter of fact I can think of someone, Mr. R. Until recently he held a managerial position and is looking for a new job." "Great, and why are you suggesting him?" Mr. F immediately knows the answer, "Mr. R has integrity!" "And can you guarantee that?", asks Mr. B. "No.", replies Mr. F, "I can't guarantee anything. Mr. R didn't want to coverup the corruption which his former company was involved with abroad. Additionally, I've also heard, that he keeps his word, even it results in a difficult situation." Mr. B does some research on Mr. R and decides to contact him. After two months he hires him. A year later Mr. B meets Mr. F who asks, "And what is your experience with Mr. R?" "Mr. R has more at his disposal than mere professional competence and has a good rapport with coworkers. You can count on him. Everyone values him and he speaks the truth, even when it is uncomfortable. He can also pound the table, but that is all right with me. I have no use for cowards. He has what it takes."

Quality instead of Norms

Integrity is accredited to someone. Mr. R would have a hard time claiming of himself, that he has integrity. One can neither claim integrity for oneself nor demand it of others: "For once, just have integrity!"

As already mentioned, one is labeled as having integrity, when one acts according to one's conscience.

When one does this, then they are not only able to do the right thing but are also able to reflect on the conditions of their actions. This also means that they don't separate inhumane impulses and dispositions, but rather integrate them into themselves. They know that they cannot avoid mistakes. They can become angry and give up. They are fair and get involved when things are wrong. They pound on the table when it is necessary. They make decisions in conflict situations instead of creeping away from it and leaving it unexplained. They try to bring peace between conflicting parties. They are capable of empathy but don't let themselves be taken advantage of. Above that they have civil courage even when they are afraid. A perfect person? Certainly not, but a business leader who knows that they have a dark side and understands how to handle it. Can one learn this? Yes and no, as the case may be.

Individual Decisions

The mechanisms of the market are in opposition to a publicly moral wishful thinking: here are the necessities and there the moral claims.

What is missing is an analysis of what doesn't work and why; and what would be necessary is an atmosphere of encouragement. The analysis boils down to the following question: which conflict of values is a manager confronted with? How can these conflicts of value be solved? How can integrity as a quality be promoted and acknowledged? Which arguments can a manager or businessman use to convince that integrity is beneficial?



Encouragement would be the counterpart to today's popular dismantling of business leaders. So, for once, let's change our perspective: how would a market work, if it rewarded integrity and didn't simply punish corruption?

If the media didn't only focus on the negative cases in managerial circles but also on examples of success, a lot would already be accomplished. One could bring it about, that integrity is not simply a belittling aspect of political correctness, but rather of success. For example, one could more frequently single out sustainable operating business leaders, who have realized that the destruction of the environment has taken on fatal dimensions. Businesses leaders who connect self-interest with the common good could make this a visible quality to their customers. The public talk shows could discuss bosses who treat their employees and customers with respect. Bankers who have the courage to develop new finance models and value creation chains and argue for transparency in the banking industry should be allowed more room to manoeuvre. Within business, employees could be rewarded when they have behaved with integrity. Or do we need to come to terms with the fact that this is all futile, because Ulrich Wickert was right when he said, "The honest person is a fool."⁶

The decisive factor between the mechanisms of the market and morally wishful thinking is every person themselves. Individually they can decide for themselves to act according to their conscience or not. In the end, this cannot be forced upon them – neither by a system of rules or the church, nor by the state or even a dictator.

Who wants to be insulted and lied to by choice?

Let's consider once again the example from earlier. The manager Mr. R, who was labeled as "having integrity," was deemed to be competent in his field, fair and reliable- he has a "trademark."

His success story confirms what surveys (for example in scientific investigations) have brought to light. We have known for a while what successful business depends on: on a business leader who is competent in their field, is convincing as well as creates a good working climate for the employees. The reason for this is obvious, for who wants a boss who abases his employees and is always unsatisfied with them? Or a boss who shows off and is unpredictable? Or a manager who can not be counted on? Does one want coworkers who talk bad about their colleagues? Who wants to work with a coworker, who lies and doesn't keep their word? Who doesn't feel hurt and demotivated when they are unfairly blamed for something? No thanks!

It is much easier that one currently thinks. When one knows what is of central importance for most people, then one quickly realizes that personal integrity is a subject for success. Because no one wants to be handled badly or to execute meaningless work. It doesn't matter where this person is on the corporate ladder – at the top or at the bottom. This has nothing to do with being "idealistic" but rather with good common sense and a glance at the annual rate of return: economical losses due to "relationship crises" at the workplace are rapidly increasing.

⁶ Wickert, Ulrich: Der Ehrliche ist der Dumme. Über den Verlust der Werte. München 2005.



Integrity in Conflict Resolution

A concrete example: Teamwork is not functioning in a large corporation. The results are unsatisfying. There is not only an unpleasant climate but also losses. The boss notices this but doesn't know what is happening. He brings in two coaches who are supposed to look into the reasons. The coaches' investigations turn up nothing which visibly helps. The boss himself starts to investigate the cause although he is up to his neck in work. He talks to the human resource manager and finds out that people are being bullied within the company. Above all, the colleagues have it out for an original product developer. He is actually a nice person, somewhat extravagant but fast and proficient. Somehow he is making waves and he is starting to notice it. The product developer becomes sick. Nonetheless he drags himself to work. The boss brings him into his office. He complains that he is not given any information. He is intentionally excluded from important meetings. No one greets him in the hallway. He doesn't know why. He doesn't know what he is doing incorrectly. Above that, there is a horrible atmosphere. No one trusts him at all. It becomes clear to the boss, that his "being different" is what is disruptive. A typical phenomenon of bullying.⁷ The boss talks with all the employees and makes his standards for congenial behavior clear. Which is to say, that he gets involved, takes a position and stays in contact with his employees. In doing so, he does what is necessary. He doesn't avoid the problem but solves it.

Exclusion and malice are like viruses, which can infect everyone. And those who don't participate, or ever stand up for the "victim", are despised. The reason being that conflicts, which derogate one's feeling of self worth and create rage, are not brought into the open on account of cowardice and are "closed off" through bullying (the rage has to find expression somewhere).

Is this a single case? By no means. Centers for bullying know that this phenomenon is increasing, damaging businesses and the affected people.⁸ In this case coaches have not assessed the situation correctly. Being eager for success, they identify themselves with the offender (the bully) and not with the victim (the bullied). It is a well known procedure: he who advocates for the victim, becomes a victim himself. He who identifies with the offender, believes to be victorious.

Back to our example. After the conversation, the boss draws a conclusion and, with the help of an expert, becomes active himself. It slowly starts to work and the problem is brought under control. Coworkers respect him more than before and are motivated to help solve the problem. Of course this is possible in the daily routine of business. And for this purpose integrity belongs in connection to competence. Both are necessary for conflicts. For when everything is going well, it is easy to be "nice and respectable."

The Limits and Possibilities of Personal Integrity

There are challenges which can't be overcome by personal integrity. Above all, this is so in businesses located abroad where they are confronted with other cultures. In many countries corruption is an order of business. Such conflicts are only to be solved through an supranational legislative process. But this is nonexistent. If, however, managers and businesspeople in international business desire to have new qualities on different levels of the world market emerge from conscience-guided behavior, integrity could become a model of suc-

⁷ I refer here to the bullying research done by Prof. Flader 2012 in his forthcoming book "Muttermacht und Vaterverlust."

⁸ The losses due to mobbing in the national economy amount to around 15 billion Euros. See p. 12 in Arentewicz, G., Fleissner, A., Struck, D.: Mobbing. Hamburg 2009.



cess. A business leader does not then “sacrifice” anything, but rather, first and foremost, wins: a good reputation, which cannot be bought anywhere.

Annotation: *This article reflects the personal opinion of the author.*

Über die Autorin dieses Beitrags

Dr. Barbara Strohschein is a scientist, a philosopher and a coach. She studied philosophy, sociology, psychology, the fine arts and aesthetic theory. After graduating she worked as a scientific assistant in the field of educational research. She wrote her PhD. on Ernst Bloch dealing with the theme “Daydreaming, Hope and Fantasy.”

In radio broadcasting (BR, ORF, RBB, RB) Dr. Strohschein has written numerous features and radio plays. She also conceptualized and moderated a philosophical talk show for teens on the television station NDR 3.

She has conceptualized and moderated events and conferences for various houses of literature (Hamburg and Berlin) and academies (Munich, Berlin, Hamburg). She has written numerous plays, many of which have been performed in Hamburg, Koblenz, Graz and Kiel. She publishes non-fiction books as well as novels and essays on current topics for publishing houses and magazines and works as a literary and scientific author as well.

Dr. Strohschein has been working in research and consulting for many years. Based on her research, she founded “Philosophische Praxis für Werte cor amati” in 2004, where she consults clients from large and small businesses dealing with the topic of values. In 2011, together with Prof. Flader, she founded the “Berlin Institute for Applied Human Studies”, where research projects are brought into connection with consulting.

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