

## **Integrity in Business: An Evaluation of Integrity across German and American Culture**

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### **Abstract**

*Integrity is necessary in all of business. Without trust, basic business functions could not be performed, especially in struggling or developing businesses. This paper considers the relative importance of integrity across cultural lines through interviews with American and German business leaders. The content of the interviews and the issues of ethics and integrity across cultural lines is discussed.*

**Keywords:** American culture, German culture, international business ethics, integrity

### **1. Introduction**

There is no doubt that the business world today is plagued with contemporary issues that have never required consideration until now. The most obvious way to handle contemporary issues would be to adopt a contemporary and adaptable leadership style. The qualities expected in a leader are constantly shifting and change with cultural preferences, expansions of moral and social spheres, and organizational goals. Bersin has found that “*highly successful leadership traits vary widely, and predictably, from country to country*” (2012). *Developing countries found success in leadership traits associated with successful daily operations and a focus on short-term goals where developed countries found leadership traits were most successful when supporting a “focus much more heavily on planning, strategy, communication” and the “collective good”, and specifically the US and UK settled on a hybrid of the two* (Bersin, 2012). This outlook was shared by survey participants who thought German leadership generally has a strong focus on employee welfare, integrity, and the common good where American leadership has a strong focus on profit-making, individualism, and accountability.

The specific cultural focus in this paper will be between American and German business cultures. One trait that recurs consistently and correlates with the perception of good leadership, regardless of culture or preferences, is integrity. Fijnaut and Huberts say, “Public integrity denotes the quality of acting in accordance with the moral values, norms and rules accepted by the body politic and the public” (2002, p. 4). Survey participants agreed that integrity is a vital part of all business operations and an important value to hold. “Integrity is synonymous with trust in the business world... After all, clients have to trust the people they do business with to keep them, so owning up to every responsibility is paramount” (Levine, 2010). Consistency is the key to establishing integrity and the consistency of a business’s actions will determine the trust a consumer will place in it. As Levine said, “every responsibility” must be owned up to, not occasional choice ones (2010). Integrity means you will “Do What You Say You Will Do” (Kouzes & Posner, 2012, p. 40) to foster an environment of openness, trust, credibility, and information sharing. “Trust evolves when individuals and institutions act with integrity and is destroyed when they don’t” (Sandra, n.d.). The lack of integrity has resulted in the downfall of many notorious American businesses, such as Enron.

### **2. Integrity and Trust**

Integrity and trust are vital to all business functions. “Trust is likely to provide a foundation for effective collaborative interpersonal relationships” (Werbel & Paulo, p. 781).

Werbel & Paulo go on to explain the monetary incentives of supporting those collaborative relationships because “owners/supervisors have a choice of either trusting subordinates or having excessively high transaction costs in attempting to constantly monitor and provide safe guards against opportunism” (p. 783). In a relative scenario, workplace safety has obvious monetary benefits to a company. However, those benefits may not be reaped if the capital is reinvested into constant monitoring of employees. Not only that, constant monitoring proved barely effective in reducing injury rate. However, implementing good management practices does reduce injury rates (Hassan et. al, 2009, p. 470). Feedback, personal involvement, and employee participation are vital keys to making a new supportive culture possible and are unsurprisingly the most effective techniques in reducing workplace injuries. It is also unsurprising that these same traits are also the most effective way to facilitate integrity within a business compared to policing the employees constantly.

Betraying trust or lacking integrity is likely to compromise all essential business functions. Although respondents of the survey generally agreed that American employees are given more independence, they also agree that management is simply not trustworthy. One repeated issue was conflict aversion in American business. Instead of addressing a conflict, providing adequate feedback (whether good or bad), and correcting the issue, the sentiment is that American leaders will avoid the problem or simply offer unearned praise instead. American leaders are, however, notorious for their forward-looking, aggressive, and sometimes narrow focus as interpreted from the survey responses. Although respondents admired some of these profit-driven actions over some of the more traditional German leadership techniques, company integrity ultimately determined whether participants approved or disapproved of the leadership structure.

### **3. The Role of Leadership**

There seems to be a popular general perception that integrity must start at the top and that “organizational leaders can create an ethical climate by setting clear standards and holding employees accountable for following these standards” (Mulki et al., p. 126). The blame for the lack of integrity certainly starts at the top. The survey respondents generally agreed that the higher up the hierarchy one goes, the less integrity is shown or expected. Therefore, the blame for unethical behavior does not appear to fall on the general employees, regardless of their personal values, but on the upper management. Accountability is expected in American leadership, but perhaps a disproportionate amount of accountability falls on the highest of the management pyramid in the case of an organizational mishap. Nevertheless, operating with strong ethical values and integrity in the daily organizational values should prevent most unethical mishaps and it has many subtle, less immediate benefits such as increased employee satisfaction, increased employee retention, improved job efforts, commitment, employee pride, employee loyalty, and improved job performance (Mulki et al., p. 134).

“Plato regarded the leader as a weaver, whose main task was to weave together different kinds of people into the fabric of society” (Maak, p. 340). There is no doubt that a leader must weave together the constituents of an organization for maximum employee satisfaction and efficiency. The difficulties in that process lie with inspiring a shared vision among people of various values and ethical standards. Denison et al. found that “leadership positions require extensive interaction, both hierarchically and laterally, within their organization as well as interaction with a complex network outside their organization” (p. 526). Leadership in all its complexity and involvement will touch every constituent of an organization to guide them in their autonomous decisions. Therefore, it is easy to see how “leadership which lacks ethical conduct can be dangerous, destructive, and even toxic” (Toor & Ofori, 2009, p. 533). There is a general consensus that holding employees accountable for their actions, empowering them to make their own decisions, and providing adequate managerial focus on integrity will improve ethical standing within the organization. However, in the eyes of the survey participants, American leaders held employees accountable and gave the independence but still exhibited vague morals and anticipated unethical behavior themselves and shouldered most of the blame in the case of companywide unethical behavior. Comparatively, German leaders were perceived as less likely to assign accountability or blame, which was a contextual negative trait, but were perceived as strongly ethical.

In all of the developed countries, “corruption, ethics, and integrity have become more important issues in the practice of politics, public administration, law, economics and society” (Fijnaut & Huberts, 2002, p. 3). Many industries, both American and German, have found integrity to be a profitable venue. On the contrary, many industries on both sides have also found lack of integrity to lead to a sure demise. Some companies have taken on very unique approaches to ensuring integrity within their organization.

Ramboll, an engineering and design company, uses a Management Information System (MIS) called Business Integrity Management System (BIMS) to constantly monitor internal integrity and to keep the company aware of red flags, such as inconsistencies (“Business Integrity”). Levine agrees with the importance of monitoring inconsistencies. Levine says, “There shouldn't be an external impression of the business that is dramatically different from the internal version (2010).” H&M developed a “Business Integrity Hotline” that “provides employees, customers, vendors, subcontractors, and others with a confidential way to communicate issues, concerns, or questions” (HM). Although integrity is vital in all businesses, it is becoming the target of more focus and study recently as long-term monetary benefits and social capital are realized from integrity and corporate responsibility in the workplace.

#### **4. Discussion of Interview Comments**

Survey respondents agreed that German culture encouraged leadership traits such as social responsibility, employee-oriented business practices, punctuality, tradition, dedication, respect of hierarchy, and strict adherence to code. Comparatively, they described American business traits as empowering employees, adaptability, establishing accountability, encouraging innovation, planning for the future, rule flexibility, conflict avoidance, goal-oriented, and loud (verbally clarified to mean boisterous and pushy). All respondents were of different ages, political parties, and origins, but each one agreed regardless of the culture that integrity was a vital part of everything. In a survey taken on a much larger scale, European approval of American leadership was found to have slipped 11 points from last year to only 36% (Gallup, 2013, p. 7). Most of the survey respondents mirrored this sentiment with a negative reflection on American leadership and a general disapproval of many policies compared to a majority approval of German leadership. Although respondents agreed with certain traits for each country and disagreed with certain ones, the likeliest reason for the respondent overall approval or disapproval for each leadership style was whether or not they perceived the business to show integrity or lack it. American businesses repeatedly were perceived as lacking integrity among respondents, where German businesses were perceived as upholders of integrity.

One of the most repeated issues with German leadership was not integrity, but the inability or resistance to adapt. Dr. Quinn says, “Adaptability is less common and less valued in Asia and Europe. It will be needed everywhere soon enough (2005)” which was a sentiment that seemed to be shared by survey respondents. Contemporary leadership exists today through adaptations in the organizational environment and the way they should be approached. However, even though German leadership lacked the drive, innovation, and aggressive progression desired by survey participants, integrity and employee treatment ultimately mattered more in the end. However, in a capitalistic world, many of these contemporary traits will become more and more important in German leadership as competitive companies find ways to provide the same ethical and integral standards while gaining a competitive advantage through a willingness to adapt to the environment to provide the expected innovation, support, and accountability. Traditional leadership techniques will eventually have to make way for contemporary ones adapted to deal with modern-day obstacles.

Sandra Waddock suggests that “management education generates managers who have limited capacity to think broadly about the impacts of their decisions on stakeholders, societies, and the natural environment” which is destructive because “markets, market systems, and capitalism are built on trust and integrity (n.d.)”. Our respondents perceived German leadership as integral and American leadership as lacking integrity. Perhaps part of their perception comes from the way each country generally handles situations of questionable ethics. Recently in Germany, an egg scandal was uncovered where farmers were selling regular eggs under the label of organic. German values rely on a system of trust and many of these farms in question created their own labels and submitted their own paperwork to the supervisory agencies that approved them without question. The high value of the organic eggs and the unlikelihood of an actual audit resulted in the egg scandal. A massive investigation is still underway, but the German citizens can rest assured that the fraudulent chicken farms will likely face closure (Admin, 2013) and that “in case of wrong-doing, perpetrators could face hefty fines or even prison sentences” (DW, 2013). “The German Federal Ministry for Economic Cooperation and Development considers corruption to be a major handicap for economic development with devastating consequences for society, both economically and on political and social levels” and various other agencies such as GIZ and KfW work within Germany to establish, regulate, and enforce integrity in business to encourage a general sense of trust between business and consumer (Business Anti-Corruption Portal, 2013).

Germany is a founding member of the U4 Anti-Corruption Resource Centre, which was established in 2002 as a known resource center for anti-corruption (Business Anti-Corruption Portal, 2013, p. 7). The recent egg scandal was dealt with satisfactorily and swiftly due to the general consensus of the importance of integrity in Germany. The situation was already in the process of being handled and evaluated by the time German media became aware of the scandal. BMZ believes “Anti-corruption means strengthening transparency, participation, accountability and integrity. It therefore contributes toward good governance” (Business Anti-Corruption Portal, 2013, p. 4).

All respondents of the survey said if a company acted in an intentionally unethical manner that they would expect repercussions or would discontinue purchasing from that company. They also would show leniency for companies with integrity saying if an honest mistake had been made and appropriate measures had been taken to assuage the damages, they would continue to support and purchase from the company. In this case, the German agriculture officials acted with integrity and chose to publicize the problem and the steps being taken to correct the problem before the media was able to twist it. They made a mistake with their lax auditing techniques but showed sincerity, humility, and integrity. This likely resulted in consumer trust that the situation was going to be handled appropriately and prevented unnecessary backlash. There is no general sympathy, however, for the fraudulent chicken farms and the farmers who chose to make obvious unethical decisions.

Comparatively, it appears as if many American companies who conspire in deeds much more severe than mislabeling eggs are given minimal punishment for their unethical actions or are protected by the law regardless of public outcry. One example is this recent and ongoing financial crisis. “Even as the Securities and Exchange Commission has stepped up its investigations of Wall Street in the last decade, the agency has repeatedly allowed the biggest firms to avoid punishments specifically meant to apply to fraud cases” says Wyatt (2012). Untold numbers of fraudulent instances were written off, waived, or temporarily permitted by law for many of these financial giants (Wyatt, 2012). Also recently, the ex-CEO of Enron who contributed in ruin of unfathomable amounts was granted a ten-year sentence reduction in his jail sentence after his unethical and destructive acts (Huffington Post, 2013). Integrity is simply not seen as a part of American business, and the higher up the hierarchy, the less perceived integrity there is. It is apparent that respondents of the survey generally could not trust American leaders to exhibit integrity, show humility, and take appropriate actions when faced with a crisis.

Aside from the many negative stories commonly heard in the media, there are actually many examples of integrity being shown in the American organizational culture and the benefits to those trustworthy actions saved the companies in question. Johnson & Johnson swiftly handled a Tylenol-poising scare in the 1980’s which improved their reputation, credibility, and trustworthiness (Cohen, 2012). However, in 2010 when a similar but less severe claim was made regarding the Tylenol, the company chose denial instead of upholding their previous integrity, which “cost the company millions of dollars in real cash and a lot of goodwill even though no deaths were involved” (Cohen, 2012). This was the same company and same situation that had proven profitable in the past through improved reputation and trustworthiness, but when handled without integrity led to drastic and immediate losses. Public perception of integrity won the Chrysler Corporation a life-saving loan in 1979 (Cohen, 2012). Recently, BP was banned from U.S. business due to their inability and reluctance to accept accountability and show integrity for their actions (Russell, 2012), which further improved the image of the U.S. Environmental Protection Agency. All survey respondents said if a company made a mistake, even a mistake resulting in deaths that if the company showed integrity and grace, the mistake would be ultimately forgiven. The exhibition or lack of integrity was the ultimate deciding factor in the approval or disapproval of a company and strongly influenced survey participants’ willingness to continue supporting the company in question.

## **5. Conclusion**

In conclusion, it can be derived through the surveys submitted and outside resources that regardless of the varying cultural organizational needs, integrity is necessary in all business. Without trust, basic business functions could not be performed, especially in struggling or developing businesses. Many organizational faults are acceptable to consumers when the organization is otherwise integral and ethical whereas the most desirable of leadership traits are quickly overlooked in the absence of integrity. There are other traits that are unanimously desirable and undesirable, regardless of the participant origin, but ultimately integrity was the determining factor in overall approval or disapproval of a company. All survey participants were willing to overlook an organizational mishap resulting in death if the company showed humility, integrity, and took steps to correct the problem prior to being forced into exposure by the media.

All participants also had zero tolerance for a hypothetical company that kept harmful mistakes concealed until absolutely forced to act. These sentiments are shared time and time again in many notorious positive and negative historical scenarios such as Johnson & Johnson, Google, Chrysler, Enron, Dell, Martha Stewart, and Countrywide Financial. As Mark Twain said- "Always do right. This will gratify some people and astonish the rest" (n.d.).

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