An Institutional Perspective on Organizational Integrity

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Forthcoming as:
ABSTRACT

In this chapter, we propose an institutional perspective on organizational integrity. This perspective is based on the premise that organizations are fundamentally dependent on and influenced by their institutional environment. Drawing on the literature on organizational values and identity, we examine what integrity entails when organizations – as distinct social actors – face institutional pluralism and as a consequence have selves that comprise multiple and potentially contradictory goals, interests, values and identities. We present a conceptualization of organizational integrity that encompasses three distinct forms of organizational values – espoused, embedded, and enacted – and theorize how the wholeness of these values may become compromised when organizations face competing institutional demands.

Keywords: organizational integrity; values; identity; institutional pluralism; organizational actorhood
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Organizational integrity is commonly understood as organizational action that are in accordance with embraced moral or socially accepted values. Empirical studies suggest that an adherence to core values has a positive effect on employee commitment (Ostroff et al., 2005), the relationship with external constituents (Voss et al., 2000) and long-term firm profitability (Collins & Porras, 1994). In contrast, integrity failures that constitute a glaring disregard for accepted ethical, regulatory and normative principles, damage reputations, harm employee morale, increase regulatory costs, and evoke investor divestment (Bundy et al., 2021; Connelly et al., 2016; Paruchuri et al., 2021); as exemplified by Wells Fargo’s cross-selling practices, the Volkswagen emission scandal, and the BP Deepwater Horizon oil spill.

While modern organizations tend to portray themselves as internally consistent and integrated wholes (Bromley & Sharkey, 2017; King et al., 2010), scholars have highlighted how the increasingly pluralistic institutional environment has led many organizations to have multiple, and sometimes conflicting, goals, interests, values and identities (Greenwood et al., 2011; Kraatz & Block, 2008). Consequently, the inner life of many of these organizations has become characterized by a great many internal complexities and inconsistencies (Ashforth & Reingen, 2014; Battilana & Dorado, 2010; Smith & Besharov, 2019), “sometimes involving conflict, sometimes simple decoupling and hypocrisy” (Bromley & Meyer, 2015: 23). These internal tensions, if maintained unchecked, may lead to value subversion or mission drift (Grimes et al., 2019), may disrupt organizational institutions (Kraatz, 2009), and can thus make an enduring commitment to organizational integrity difficult to sustain (Besharov & Khurana, 2015; Gallagher & Goodstein, 2002).

Despite significant scholarly attention to individual integrity in relation to employee and leadership behavior (see Palanski & Yammarino, 2007; Simons et al., 2015), the concept of organizational integrity has largely been ignored in the organizational and management
literature (Dacin et al., 2002; Goodstein, 2015; Selznick, 2000). Notably, the literature is not clear what integrity entails when organizations are confronted with heterogenous institutional demands and, consequently, have selves that comprise multiple distinct goals, interests, values and identities. As scholars tend to view organizational values as unitary and collectively shared, we lack a conceptual understanding of how the increasingly complex environment may manifest itself in internal incoherence, which in turn can undermine a sustained commitment to organizational integrity. This research gap is troubling, considering that organizations as unique social actors are increasingly becoming the subject of moral scrutiny.

To better grasp the profound complexity of modern organizations, we suggest that research should explore how competing institutional pressures may impact a sustained commitment to organizational integrity. Accordingly, we pose the following research question: How is the integrity of organizations affected when they operate under institutional pluralism? We develop a conceptual model that allows us to better understand how field-level forces interact with intra-organizational dynamics in either strengthening or weakening organizational integrity. To do this, we move beyond the “view of organizations as unitary and tightly integrated entities making univocal decisions” (Pache & Santos, 2010: 456) and recognize the complexity of intra-organizational arrangements and social structures. Such an approach is based on the notion that organizations are deeply affected by their environments.

This chapter offers two theoretical insights. First, we offer renewed attention to the notion of organizational integrity. We believe that a theoretical endeavor to better understand this concept and its challenges is needed because organizational integrity as a “unified, cross disciplinary research subject [that] is only beginning to come of age” (Breakey et al., 2015: 37). By integrating the recently reinvigorated organizational scholarship on values (Gehman et al., 2013; Kraatz et al., 2020) with that of identity (Haslam et al., 2017; Whetten & Mackey, 2002) in our conceptualization of integrity, we acknowledge the potential dangers of
normative fragmentation within organizations. By conceptualizing integrity at the organizational level, we attempt to answer the recent calls by organizational scholars who underscore the need for “understanding, explicating and researching the enduring, noun-like qualities of the organization” (King et al., 2010: 290). Second, while institutional pluralism has become a vibrant research area (Kraatz & Block, 2019; Radoynovska et al., 2019; Yu, 2013), institutional plurality has seldom been explicitly discussed in research related to organizational morality and values (Heugens & Scherer, 2010). Therefore, we contribute to institutional theory by theorizing about how the increasingly pluralistic societal landscape may challenge a sustained commitment to organizational integrity.

**INTEGRITY AND THE ORGANIZATIONAL ACTOR**

In the following, we put forward the notion of “organizational actorhood” (Bromley & Sharkey, 2017; King et al., 2010) and tease out some of the central tenets of organizational integrity. Organizational scholars portray the modern institutional landscape as one in which organizations are socially constructed as actors in their own right, denoting bounded autonomy, decision-making capacity and sovereignty (Meyer & Bromley 2013; Scott, 2014). That is, organizations are increasingly treated as “human-like entities authorized to engage in social intercourse as a collective and possessing rights, obligations and responsibilities as if the collective were a single individual” (Whetten & Mackey, 2002: 395).

Perhaps the most elaborative interpretation of this social actor perspective of organizations is that proposed by King, Felin and Whetten (2010). According to these scholars, the social actor perspective incorporates two central assumptions. First, *the external attribution of action assumption* delineates how the properties that grant organizations actorhood – such as sovereignty, the capability for autonomous actions, and ascribed responsibility – are attributed to them by their principal constituents. We treat the
organizations we interact with as capable of deliberate and goal-oriented actions, while also holding them accountable for their behaviors. In other words, organizations are social actors because “society, not only legally but also practically and linguistically, grants them that status” (King et al., 2010: 292). Second, the internal attribution of intentionality assumption presumes that organizations have goals and intentions that are quasi-independent of the values, beliefs, and desires of their members and constituents. Organizations are not mere social aggregates of the members that comprise them, but possess unique properties, including distinct histories, cultures and decision-making structures, that guide members’ behaviors and thus conveys collective responsibility and agency (Steele & King, 2011).

Notably, both assumptions emphasize the centrality of identity in the treatment of organizations as social actors. Scholars have come to understand organizational identity as those self-defining characteristics that describe what is central, enduring, and distinctive about the organization (Albert & Whetten, 1985; Haslam et al., 2017). The social actor perspective of organizational identity is connected with the notion of organizational actorhood and broadly asserts that “organizational identity is a set of external legitimizing claims and behavioral commitments, which are path dependent and binding, and therefore provide organizations with central, enduring, and distinctive characteristics” (Haslam et al., 2017: 324). The identity of an organizational actor is essentially a collection of identity claims that explicitly articulate who the organization is, what it represents and how it will behave (Haslam et al., 2017; Whetten & Mackey, 2002) providing meaning for collective sensemaking, prioritization and interpretation among members and stakeholders, and thus binding the organization to a particular course of action.

Importantly, the two assumptions underlying the notion of organizational actorhood reflect the view of organizations as agentic as well as constrained by environmental opportunities, pressures and prescriptions. That is, the organization is both “real, semi-
autonomous, and independent of individual actors” who constitute it, and “legally and institutionally endowed with agency, rights and responsibilities” (Haslam et al., 2017: 325; Steele & King 2011). Such internal and external attribution also recognizes that the identity of organizations is an institutionalized accomplishment. Because the identities that constitute the organizational self comprise a blend of an organization’s unique beliefs, values and traits, as well as its distinct connection with and obligations to the society in which it is embedded, they are profoundly “value-based” (Kraatz & Block, 2017: 548; Selznick, 1992).

Consequently, identity claims of organizations provide moral agency, purpose and justification for action (Kraatz et al., 2020; Steele & King, 2011) as well as a reference point for judgement and evaluation by key constituents (Love & Kraatz, 2009; Mishina et al., 2012). Thus, organizations are considered to be not only social, but indeed also moral actors.

**Defining Organizational Integrity**

Having described the underlying assumptions for the treatment of organizations as both social and moral actors, in the following we present some of the commonly used definitions of organizational integrity. Selznick defined organizational integrity as “fidelity to self-defining principles” (1992: 322). Similarly to the notion of organizational actorhood, Selznick saw organizations as moral entities capable of purposive actions and asserted that integrity arises from their consistent commitment to moral values and purpose. Organizational integrity, in this view, presumes at least “a core of morally justifiable commitments” and is associated with moral coherence, both between actions and self-defining values and in terms of its connection to the external environment (Selznick, 1992: 322). The central features Selznick attributed to integrity are reflected in the various conceptualizations provided in organization and management literature, including 1) wholeness and integration; 2) behavioral consistency and authenticity; and 3) morality.
Organizational integrity as wholeness and integration

Applied to organizations, integrity as ‘wholeness’ relates to “a unity that makes a differentiated constellation of parts held together as one” (Srivastva & Cooperrider, 1988: 5). To the extent that an organization has integrity, it is a complete, rather than fragmented, whole in and of itself (Archer, 2017; Maak, 2008; Waddock et al., 2002). The maintenance of organizational integrity, in this sense, is expressed in the efforts localized in organizational policies and structures that lead to ‘wholeness’ and integration of the various values, norms, and ideals that motivate action, so that no part of the organizational self has an absolute primacy over the others (Bakker, 2007; Besharov & Khurana, 2015; Pratt & Kraatz, 2009). Such view is consistent with the Corporate Integrity Theory developed by Kaptein and Wempe (2002); according to these authors integrity denotes that the organization is predominately unfragmented and remains whole as members in their behavior are loyal to the multivalency of values that are constitutive of the identity of their organization.

Organizational integrity as behavioral consistency and authenticity

Others have extended the writings of Simons et al. (2002, 2015) on behavioral integrity and have applied their notion of behavioral consistency to the analysis of organizations. Such a perspective is consistent with the view of authenticity on the organizational level (Cording et al., 2014; Ibarra & Barbulescu, 2010). These studies consistently advance the idea that an organization that displays authenticity is one that is willing to take action based on the values it espouses (Paine, 1994). In this view, organizations are perceived as acting with integrity when their articulated values and commitments are followed through in organizational actions and decisions-making (Colquitt & Rodell, 2011; Eberl et al., 2015). For example, Cording et al. (2014: 38) defined organizational authenticity as “consistency between a firm’s espoused values and realized practices” and showed that a lack thereof reduces an organization’s trustworthiness and can consequently leads to lower productivity. Likewise, in their study of
trust repair following organizational-level integrity violations, Eberl et al. (2015: 1206) argue that “integrity is attributed if a party is consistent with its past actions and if these actions comply with preceding promises”.

**<c> Organizational integrity as morality**

Scholars have emphasized that integrity requires the organization to engage in value-attuned responsiveness towards the external environment (Selznick, 1992; Swanson, 1999). Such responsiveness is morally bounded and constrained through taking into account community and institutional values that are grounded in the organization’s implicit contract with society and the roles, duties and responsibilities the particular society confers on the organization (Gallagher & Goodstein, 2002 Heugens et al., 2008). As such, organizational integrity demands moral legitimacy (Goodstein, 2015; Selznick, 1992; Suchman, 1995). This moral responsiveness and integration of the self with the external environment precludes morally illegitimate values and mission as a base for organizational integrity. Only if the values of an organization are morally or socially acceptable will integrity be attributed. Thus, this integrated organizational self encompasses the coherence in “the sense of mission, its various stakeholder obligations and interests and its sense of social responsibility and social values” (Solomon, 2004: 1035).

**<b> Organizational Integrity and Values**

Organizational integrity assumes that consistent lines of action are reasonably aligned with accepted moral or socially prevalent values. This understanding of organizational integrity fits well with the growing number of studies that examine values within and surrounding organizations (Besharov, 2014; Gehman et al., 2013; Kraatz et al., 2020). Scholars have commonly referred to values as “conceptions of the good – ideals about what is worth having, doing, and being” (Kraatz & Block, 2017: 20). By virtue of their normative weight, values play an important role in the context of organizing in that they constitute, in part, the identities
of organizations, provide direction, meaning, and purpose for members, and function as reference points for social evaluation. Within the context of organizations, values can take various forms. Organizational values may refer to the values explicitly and formally espoused by the leadership (Bourne et al., 2019; Kabanoff et al., 1995), attributed to the organization or that it aspires for (Bourne & Jenkins, 2013), shared among organizational members (Parson, 1956; Schwartz, 1999), or reflected in strategic decision-making (Gehman et al., 2013; Gruys et al., 2008). In this section, we discuss the three forms of organizational values that we consider central to our conceptualization of organizational integrity.

**Espoused organizational values**

Organizations increasingly make normative commitments and claims regarding their beliefs, intentions and responsibilities (Bourne et al., 2019; Kraatz & Block, 2017; Meyer & Bromley, 2013). Espoused values can be understood as the values determined and sanctioned by top management (Bansal, 2003), often communicated verbally or written down in mission statements (Blair-Loy et al., 2011) and formal corporate documents, such as codes of conduct and corporate ethics statements (Bartkus & Glassman, 2008). Consequently, the espoused values embodied in such claims are what the organization, as a distinct social and moral actor, professes to stand for.

Internally, espoused values are intended to guide individual and organizational actions, to help employees make sense of and justify everyday interactions and behavior, and to ensure that alternative choices are on the basis of the organization’s value system. Externally, because “organizations enhance their legitimacy by espousing values that are in fact congruent with their cultural milieu” (Kabanoff & Daly, 2000: 286), espoused values play an important role in delineating the intentions, goals and purpose of the organization, communicating its identity, and thus for impression management, fostering reputation, legitimacy and image (Ashforth & Gibbs, 1990).
While scholars have questioned whether espoused values are actually shared by members (Bourne & Jenkins, 2013), these values make salient the organization’s embraced ethical commitments, obligations and responsibilities. Because of their explicit nature, espoused values are more costly to ignore, irreversible and are thus more likely to be perceived by audiences as characterizing the organization’s true self (King et al., 2010; Steele & King, 2011). Despite much cynicism concerning mission statements, the articulation of values has become commonplace in organizations (Bourne & Jenkins, 2013; Gehman et al., 2013; Kraatz et al., 2020). By espousing their values and principles, organizations create implicit contracts with key constituents (Cording et al., 2014; Heugens et al., 2008), and such claims thus become normative standards against which their subsequent actions are evaluated (Love & Kraatz, 2009; Mishina et al., 2012).

**Embedded organizational values**

The challenge for any organization attempting to stay true to their values is to find meaningful ways to embed their principles into the “driving systems” of the organization (Gruys et al., 2008; Paine, 1994). Organizational values are embedded when they are “expressed in the operational structures and systems of organizations, or when they are shared to the extent that that members are able to anticipate other members’ actions, behaviors and expectations” (Bourne & Jenkins, 2013: 502). Once values have been embedded, they tend to guide, motivate and steer organizational agents to act in accordance with such commitments and to restrain actions that might violate them (Goodstein, 2015; King, 2015; Selznick, 2000). With regard to our conceptualization of organizational integrity, we distinguish between those values that are embedded in organizational design and those in organizational culture.

First, values are formally embedded when they are reflected in substantive organizational systems and structures more typically associated with organizational design, such as reward and incentive systems; practices of recruitment, promotion, and removal; and
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decision-making processes and control mechanisms (Schein, 1985). Scholars suggest that the values embedded in these formal organizational structures, such as socialization and hiring policies (Battilana & Dorado, 2010) and governance mechanisms (Ebrahim et al., 2014) can determine who is admitted to and dismissed from the organization, control the behavior of members through rules, rewards and sanctions, and, consequently, shape the organization’s behavior towards their external environment. As organizational actors hold sovereignty and intentionality, the values embodied in organizational structures and systems are important drivers and predictors of organizational actions (Amis et al., 2002; Hinings et al., 1996; Perkmann & Spicer, 2014).

Second, values are informally embedded when they are shared among organizational members and reflected in beliefs, routines, symbols and ideals. Shared values are the aggregation of the values of the organization’s members and constitute an organizational value system (Parson, 1956). In this view, shared values are closely aligned with what many would describe as organizational culture (Rokeach, 1973; Schwartz, 1999), such that, when meaningfully internalized by the actors in a social system, shared values “should ensure that each actor wants what it should want, and acts as it should [wish to act]” (Nohria & Ghoshal, 1994: 493). Shared values may therefore function as a source of social control within organizational boundaries (Ouchi, 1980).

<ct> Enacted organizational values

Although espoused values denote the values that are formally communicated by the organization and its leadership, the enacted values are the values reflected in organizational actions and strategic decision-making (Bourne & Jenkins, 2013; Ostroff et al., 2005; Schein, 1985). Specifically, enacted values are understood as “the values and norms actually converted into employee, managerial and organizational behavior” (Howell et al., 2012: 734) and involve a “theory-in-use that explains behavior, which neither the institution nor the
individuals may explicitly understand” (Schuh & Miller, 2006: 721). Variation in values enactment therefore depends on how closely an organization’s specific actions aligns with a particular set of explicitly espoused organizational values (Gruys et al., 2008). In summary, organizational integrity then hinges on the extent to which the organization holds true to and enacts the values it has espoused.

AN INSTITUTIONAL PERSPECTIVE ON ORGANIZATIONAL INTEGRITY

In the previous section, we established that organizations are more likely to maintain their integrity when the values espoused by leadership and the values embedded in formal structures and shared among members are congruent. Research has suggested that a variety of institutional changes, such as corporate expansions, acquisitions and mergers (Marquis & Lounsbury, 2007), employee turnover (Morrell et al., 2004), changes in leadership (Kraatz & Moore, 2002) or shifts in the regulatory or competitive environments (Armanios & Eesley, 2021) are likely to affect the internal cohesion, composition and relative salience of values within organizational boundaries (Greenwood & Hinings, 1996; Oliver, 1991). Our focus on these complexities is consistent with recent theorizing by institutional scholars who highlight that external pressures may give rise to persistent intra-organizational contradictions (Ashforth & Reingen, 2014; Smith & Besharov, 2019), which in turn can lead to uncertainty, contestation and conflict (Fiol et al., 2009; Glynn, 2000). Figure 1 depicts how such institutional pressures impact the wholeness of different organizational values.

[Insert Figure 1 about here]

When institutional prescriptions lead organizations to adopt commitments, practices or structures that are seemingly incompatible with the dominant values, this may result in the
loss of normative consensus or agreement among members. This may subsequently challenge the alignment between the values formally espoused and communicated by the organization as a whole and the embedded values that motivate managerial and strategic decision-making (Amis, et al., 2002; Bourne & Jenkins, 2013). In the following, we explain that when organizations are confronted by institutional pluralism, they often hold multiple value-based identities, and theorize about their implications for a sustained commitment to organizational integrity.

**Institutional Pluralism and Organizational Identities**

The main premise of institutional theory is that organizations are fundamentally dependent on and affected by the social institutions in their environment. Institutional scholars have highlighted the degree to which organizational commitments, structures, processes and behaviors are driven by sets of socially constructed beliefs, norms and rules negotiated and enforced by institutional forces, including normative, regulative and cultural-cognitive elements (DiMaggio & Powell, 1983; Scott, 2014). Consequently, organizations and their members are understood to be working to secure status, legitimacy and access to resources which requires their conformity to social rules, norms and regulations established in fields, communities and societies (Meyer & Rowan, 1977; Suchman, 1995). Notably, this environment is constitutive of organizations and thus provides organizations with various prescriptions about what organizations should say (i.e. espouse), how they should be structured (i.e. embed) and what they should do (i.e. enact).

**Institutional pluralism**

The institutional environment has traditionally been characterized as homogenous, yet recent institutional studies have noted how the societal field has become increasingly heterogeneous with multiple – often mutually incompatible – prescriptions that result in competing pressures for conformity (Greenwood et al., 2011; Kraatz & Block, 2008). This environment is
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categorized by multiple institutional demands and stakeholder expectations, which requires organizations to pursue diverse and often conflicting goals, roles, commitments and responsibilities (Ashforth & Reingen, 2014; Pache & Santos, 2010; Smith & Besharov, 2019). Scholars have come to examine this phenomenon of multiple institutional pressures under the label of institutional pluralism, understood as the situation in which organizations “are subject to multiple regulatory regimes, embedded within multiple normative orders, and/or constituted by more than one cultural logic … [they] thus possesses multiple, institutionally derived identities which are conferred upon it by different segments of its pluralistic environment” (Kraatz & Block, 2008: 243).

Recent efforts to infuse institutional theory with organizational identity processes have popularized the idea that identities are in part derived from this increasingly pluralistic environment. The social actor perspective of organizational identity corresponds directly to the institutional literature in this regard, as it generally assumes that the normative, regulative and cognitive forces present in the institutional environment serve as identity templates, constraints or prescriptions.

Institutions thus enable identity construction by “supplying organizations and their leaders [with] a set of possible legitimate identity elements with which to construct, give meaning to, and legitimize identity claims and symbols” (Glynn, 2008: 413). Therefore, an organization’s identity is seen as formed through the process of “institutional bricolage”, in which an organization’s members, and in particular its leaders, actively draw on institutional material to construct organizational identity (Besharov & Brickson, 2016; Raffaeli & Glynn, 2014). Consequently, institutionally informed studies on organizational identity have elaborated on how organizations construct their identity through the adoption of commitments, public statements, and legitimizing claims to constituents within the external environment (Glynn, 2008; Haslam et al., 2017; Kraatz et al., 2016).
Multiple organizational identities

Acknowledging the basic idea that organizations are shaped in part by the institutions in their field, scholars have empirically demonstrated that institutional pluralism has the effect of imposing multiple identities on an organization and requiring it “to be multiple things to multiple people” (Kraatz & Block, 2008: 21). Consequently, identity scholars have gone on to emphasize that, as a result of such pluralism, organizational identities tend to include multiple, and sometimes incompatible, identity attributes, including “the values, goals, beliefs, traits, abilities that constitute an organization’s central, enduring, and distinct features” (Besharov, 2014: 1485).

When we acknowledge the moral dimension of the institutional landscape, it becomes evident that institutionally derived identities are not just representative of group membership or attachment. The various identities that society ascribes to organizations do not only direct them to demonstrate symbolic conformity to external prescriptions or adopt culturally appropriate practices and structures. Because these identities are profoundly value-based (Kraatz et al., 2020; Selznick, 1992), when an “organization admits a new member into its coalition of identities” (Kraatz & Block, 2017: 545), it is also accepts new responsibilities, new obligations and new objectives. Consequently, these role identities compel organizations to declare commitments to normative values and ideals, take on various new duties, and are expected to deliver upon these embraced ends in a meaningful way.

Extant scholarship has indicated how many modern organizations have hybrid identities that are “composed of two or more types that would not normally be expected to go together” (Albert & Whetten, 1985: 270). Empirical examples of such ‘multiple identity’ organizations abound. In the not-for-profit sector, many organizations have identities that combine societal values that emphasize cultural or ideological principles with economic values. In recent decades, identities that combine divergent values have also become common
in the for-profit sector, with the rise of business organizations that explicitly address social and environmental concerns (Margolis & Walsh, 2003; Smith et al., 2013). Even traditional corporations increasingly have identities that include multiple and potentially contradictory values, as they operate in global markets, have a diverse employee population, and engage in ongoing efforts to win the support of diverse constituents (Smith & Lewis, 2011).

Importantly, these disparate identities “are all present inside the organization” in the form of distinct subgroups, departments or divisions (Pratt & Kraatz, 2009: 394). Although there will be much overlap in these identity attributes within the same organization, contradictory interests, desires and (social) norms anchored in these identities are bound to prescribe diverging courses of action. Most leaders are capable of finding common ground, yet organizations will always experience some incoherence in these identities and their associated goals (Radoynovska et al., 2019; Raffaelli & Glynn, 2015; Selznick, 1957).

**The Complexities of Organizational Integrity**

Organizations that have adopted multiple identities are likely to face values-based complexity within their boundaries, characterized by “the prevalence of multiple, independent, yet interacting and continuously changing values” (Grimes et al., 2019: 821). Such values-based complexity evokes diverging courses of action and thus complicates consistent organizational behavior, problematizing the ‘wholeness’ of multiple selves as the central feature of organizational integrity (Kraatz, 2009; Raffaelli & Glynn, 2015). Although social values can function as a “cohesive force” within formal collectives (Kraatz et al., 2020: 491), scholars have embraced the study of this complexity and also the ensuing conflicts and ethical dilemmas (Grimes et al., 2019; Kraatz & Block, 2017; Smith et al., 2013).

Organizations are likely to strengthen organizational identification when they are able to adequately integrate their various identities so that associated values and beliefs “are widely shared and densely articulated among members” (Ashforth et al., 2008: 328). Such
strong identification with core identity attributes has been shown to guide, orient, and unify members in engaging in collective actions consistent with espoused values, and provides the means to interpret and prioritize competing institutional pressures (Besharov & Brickson, 2016; Greenwood et al., 2011). In contrast, when uncertainty and ambiguity are pervasive over which value-based identity and associated commitments to prioritize, this can cause conflict between internal subgroups that hold contradictory values, norms and interests (Glynn, 2000), precipitate or derail strategic change (Dutton & Dukerich, 1991) and challenge the sustained adherence to accepted ethical, regulatory and normative principles (Connelly et al., 2016).

Organizations with multiple identities must fulfill the expectations, responsibilities and obligations associated with each adopted identity in its entirety, as “anything less will be viewed as compromising [their] integrity” (Whetten et al., 2014: 487). When the mismanagement of multiple value-based identities causes actions that diverge from previously observable patterns of commitments and promises, organizations are likely to be perceived as having compromised their integrity (Bundy et al., 2021; Connelly et al., 2016; Paruchuri et al., 2021). Given that “obvious disconnects between rhetoric and subsequent actions is often regarded as the very antithesis of organizational integrity” (Kraatz & Block, 2008: 322), organizations that make identity claims to which their own behavior does not conform may be perceived as hypocritical in the eyes of stakeholders. Audiences are likely to perceive actions that are incongruent with stated missions as inauthentic, dishonest and morally illegitimate and to question the trustworthiness and integrity of such organizations (Love & Kraatz, 2009; Mishina et al., 2012).

**Organizational Leaders and Pluralism of Values**

The content of organizations’ espoused values tends to reflect the dual influence of both institutional pressures for conformity and the historical patterns of prior commitments,
promises and actions that make each organization distinctive (Bartkus & Glassman, 2008; Blair-Loy et al., 2011; Suchman, 1995). The congruence between the espoused values and the broader social system in which the organization operates can help in acquiring support, status and access to resources (Ashforth & Gibbs, 1990; Deephouse & Suchman, 2008). From this perspective, the espousal of values is primarily a matter of gaining legitimacy. Scholars have suggested that organizational leaders are of particular importance in securing legitimacy, as they are seen as symbolizing the organization in that they function “as key carriers of organizational actorhood” (Bromley & Sharkey, 2017: 24) and embody the strategic and normative stance of their organization (Selznick, 1957; Solinger et al., 2020). Yet, organizational leaders are also subject to institutional pluralism and may therefore hold contradicting values, which help in representing different value sets but may potentially weaken wholeness.

Leaders espousing contradicting values

For their organization to gain legitimacy, leaders must be responsive to the needs, expectations and pressures of both their members and other stakeholders. Such leaders often engage in symbolic and rhetorical work to attain and maintain support from investors, employees, customers and governmental regulators (Ashforth & Gibbs, 1990; Kraatz, 2009). For instance, organizations face increased societal pressures for environmental responsibility, transparency and ethical behavior. These normative pressures from the institutional environment have compelled many leaders to publicly espouse their commitment to engage on a wide range of societal issues. In this vein, pressures by activist groups to adopt sustainability principles and standards (Carlos & Lewis, 2017) and demands by regulators to demonstrate substantive compliance with requirements regarding environmental pollution (Armanios & Eesley, 2021) have led many corporations to make enduring commitments in these areas.
However, the adoption of such external mandated social rules, norms and principles tend to restrict managers’ discretion in organizations where economic values predominate. The pluralistic environment causes, at least on the surface, organizations to espouse values that are likely to contain elements of both compatibility and conflict (Bourne et al., 2019; Kabanoff et al., 1995). The coexistence of contradictory espoused values is bound to cause much confusion over which value claims to prioritize and, consequently, what constitutes legitimate behavior in the eyes of key audiences. The degree to which such values-based complexity is successfully managed and consistent organizational action is ensured, is to a large degree dependent on the individuals within the organization who have normative and motivational affinity for such embraced values (Battilana & Dorado, 2010; Pache & Santos, 2010). For instance, Almandoz (2014) shows that financial firms with founding teams that prioritize economic values were associated with the higher use of risky financial instruments in comparison with teams that had internalized community values. As organizations are said to, in part, reflect of their leadership, including their beliefs, traits and assumptions (Hambrick & Mason, 1984; Kraatz & Moore, 2002; Raffaelli & Glynn, 2015), the values internalized by top management and decision-makers are likely to be mirrored in the social structures of the organization.

**Leaders embedding contradicting values**

Leaders have the responsibility to recognize the external demands and to integrate multiple roles, responsibilities and obligations within the same collective entity. Such leaders are generally in the best position to manage conflicts between various social roles and find ways to redirect tensions between values to more productive ends (Besharov & Khurana, 2015; Kraatz, 2009; Raffaelli & Glynn, 2015; Selznick, 1957). Specifically, leaders must embed the multivalency of values within the social structures of their organization, so that members are provided with clear meaning, orientation and guidance to navigate critical decision-making
situations (Besharov & Khurana, 2015; Smith & Besharov, 2019). In this vein, Pratt and Kraatz (2009) emphasize leaders’ roles in portraying the organization as a consist, coherent entity through blending competing values in speech, symbols and narratives to secure support from competing subgroups. By granting the various identity groups sufficient influence and resources, leaders are able to construct a “constitutional system of checks and balances” (Kraatz, 2009: 76), while simultaneously preventing any subgroup from gaining control over the whole organization. This requires certain governance mechanisms that ensure that “representatives of each side of competing demands can keep one side from dominating” (Besharov & Smith, 2019: 28). Such boundary-defining work is an ongoing and evolutionary process, with leaders having to adapt to the ever-changing moral landscape and remodel governance arrangements accordingly as they take on new social roles and consider constituents’ demands. This integrative and responsive leadership, Solinger et al. (2020) suggest, involves continuously updating and adjusting the moral course of the organization as it espouses new values, adopts new commitments, and takes on new responsibilities.

In contrast, when leaders do not identify with the values of the organization, they may be reluctant to embed espoused values in the social structures of the organization. Such decoupling may especially be the case in situations of changes in leadership or board composition. In their study of executive migration, for instance, Kraatz and Moore (2002: 139) show that new leadership may forcefully advocate alternative values that “promote and facilitate the adoption of illegitimate, contra-normative changes” when their personal values are antithetical to those formally espoused or when they come from organizations with a history of nonconformity. The reluctance to embed may thus be a cynical ploy used by an unethical leadership to give off a false appearance of conformity to societal prescriptions or to “corrupt” the internal character of the organization by illegitimately prioritizing the demands of constituents at the expense of others.
Notably, some elements of organizational value statements are the product of firms’ need to secure external legitimacy but then only loosely couple these statements to their formal operations (Bartkus & Glassman, 2008; Bromley & Powell, 2012). While leaders may adopt values to appease specific stakeholders, the symbolic espousal of social values without corresponding embedding of these values in organizational structures is often perceived by audiences as window dressing (Carlos & Lewis, 2017; Weaver et al., 1999). While Wells Fargo’s espoused values statement included ‘what is right for customers’ and ‘ethics’, the 2016 cross-selling scandal revealed that management had implemented a compensation system that promoted cross-selling as a performance metric and thus rewarded behaviors that were incongruent with the bank’s espoused values. Moreover, even if leadership is representative of such espoused values sets, leaders will still need to resolve tensions arising from organizational members pluralistic interpretation of the embedded structures of the organization. Moreover, even if leaders are representative of such espoused values, they will still need to resolve tensions arising from organizational members pluralistic interpretation of the embedded structures of the organization.

**The Effect of Pluralism on Organizational Culture and Design**

Ensuring consistent organizational action requires that embraced values are embedded into both the culture and formal design of the organization. However, the pluralistic institutional environment has the tendency to create contradictions between the values espoused by leadership and those embedded in operational structures and shared by organizational members. As illustrated by Lencioni’s (2002) analysis of the ‘empty’ values statements used by the US energy conglomerate Enron, the espousal of values that are not shared among members nor supported by policies and procedures, have potentially destructive implications for the integrity of organizations. An organization’s identity filters perceptions about the relevance and appropriateness of practices (Raffaelli & Glynn, 2014). That is, practices and
structures that align with the organization’s identity are perceived to be more appealing and legitimate and, in turn, more likely to be adopted. Consequently, when members identify with values espoused by their organizations, they are more likely to adopt institutional practices and structures that reinforce these commitments. In contrast, disidentification or normative fragmentation are likely to lead to behavior that deviates from espoused values.

In the following, we therefore discuss how pluralism can both lead to resistance by identity subgroups with respect to organizational culture and to organizational members’ decoupling with respect to organizational design.

**Resistance by identity subgroups**

The distinctive feature of the modern organization is that it is often composed of multiple identity groups that hold different values, beliefs and ideals (Battilana & Dorado, 2010; Pache & Santos, 2010; Smith & Besharov, 2019). Such internal groups tend to reflect both the distinct values of organizational membership as well as external concerns, resulting in a “multiplicity of values” (Hinings et al., 1996: 888). Existing research suggests that goal disagreement, power struggles and competition over scarce resources between identity groups is the normal state of affairs in most organizations (Huy et al., 2014; King et al., 2010), yet their very integrity depends on members’ collective ability to resolve conflicts between values and mitigate the destructive tensions inherent in pursuing competing goals. Because the diverse roles, needs and interests of these subgroups are likely to elicit markedly different modes of behavior, the maintenance of integrity, in the sense of wholeness in disparate values, requires the socialization of organizational members (Battilana & Dorado, 2010; Besharov & Khurana, 2015) or finding common ground among the groups who hold potentially competing values (Ashforth & Reingen, 2014; Pratt & Kraatz, 2009). The creation of such “political compromise” is necessary if leaders are to establish social cohesions and come to a semi-
common view among members of what is distinct, central and enduring about their organizations.

Studies have highlighted that members’ identification increases their attention to and responsiveness toward matters related to the organization’s espoused values. In their study of reinsurance trading in Lloyd’s of London, for instance, Smets et al. (2015: 933) observed overt competition between brokers who held community values and those who prioritized market values, yet also discovered various balancing practices within the organization that led members to “show ‘gentlemanliness’ among competitors and prioritize long-term relationships over short-term profits”. Similarly, Dutton and Dukerich’s (1991) study of the Port Authority of New York and New Jersey revealed that organizational actors were more likely to respond to external pressures to address social concerns relating to the homeless when they identified with their organization’s espoused social commitments.

In contrast, when internal subgroups do not identify with subsets of espoused values or hold radically contrasting values to be important, tension is likely to be pervasive. Extant research suggests that such misalignment between the espoused values and the values shared by specific segments of the organization can signal an explicit lack of belonging (Smith & Lewis, 2011; Tracey & Phillips, 2016) or disidentification with specific features of an organizational identity (Ashforth et al., 2008; Besharov, 2014). When such intractable conflicts run rampant (Fiol et al., 2009; Glynn, 2000), powerful subgroups that do not identify with some subsets of their organization’s espoused values may purposefully resist their enactment in practice. Subgroups that hold sufficient power, status and authority may unobtrusively enact values that are antagonistic towards those espoused by their leadership. For instance, in their study of middle managers’ reactions to the implementation of a radical change program initiated by a recently appointed top management team, Huy et al. (2014)
show how shifting legitimacy judgement of the change agents elicited emotional responses that fueled mounting resistance to change efforts.

Although leaders can embed the values they envision for the organization in operational structures and processes to encourage or coerce members to enact the espoused values, they do not have complete control over all social processes and interactions within the organization. Organizational leadership is “reliant upon key members who possess the knowledge, skills or professional qualifications” to enact these embraced values in organizational actions (Bourne & Jenkins, 2013: 508). In contrast, when the espoused values are not sufficiently shared among members and leadership is unable to establish a shared purpose within the organization through finding common ground among internal subgroups that hold divergent values, organizational integrity is likely to be significantly at risk.

<ce> Decoupled organizational design

The institutional environment conveys to organizations specific prescriptions regarding the appropriate processes to enact espoused values, such as hiring procedures, incentive systems and decision-making processes. These institutionally derived structures, and the values embedded therein, have important implications for everyday organizational life in that they guide behavior and strategic decision-making. Existing research suggests that as these organizational structures become institutionalized and taken for-granted among members, they have the propensity to override individual perception of what constitutes appropriate behavior. For instance, while governance practices and incentive systems may reinforce an ethical culture by stimulating behaviors that are congruent with an organization’s self-defining principles (Gallagher & Goodstein, 2002; Paine, 1994), incentives can also work in opposition to culture, especially when they “reward employees for achieving a metric without regard to the actions they took to achieve that metric” (Graham et al., 2016: 19).
The bourgeoning literature on organizational misconduct has suggested that when unethical norms and values are embedded in formal routines, structures, and systems, boundedly rational members are likely to take them for granted and assume that misconduct provides an appropriate way to reach organizational goals (Greve et al., 2010).

When organizational decision-makers do not identify with their organization’s espoused values and, consequently, the associated duties, responsibilities and obligations, they are more likely to resist institutional pressures or the adoption of practices, processes and structures. This is illustrated by Kraatz et al. (2010), who demonstrate that the adoption of enrollment management systems in liberal arts colleges undermines the autonomy of organizational members charged with maintaining specific organizational values. Importantly, the systems’ adoption exposed the colleges to market values, which clashed with long-standing values associated with academic instruction and support. This example illustrates how the adoption of “mundane administrative arrangements” (Selznick, 1957: 14) that are ostensibly incongruent with espoused values have the potential to “override” individual behavior.

While many organizations adopt formal processes and policies to secure legitimacy, avoid sanctions and ensure that behavior is in accordance with espoused values, studies have suggested that such structures are often not fully implemented in day-to-day, task-related operations (Boxenbaum & Jonsson, 2017; Bromley & Powell, 2012). Since pressures to adopt externally legitimated structures and policies may be in direct conflict with their core goals, organizations often resort to decoupling by adopting visible structures that show attentiveness to constituents’ demands and values but avoid full implementation to protect the technical requirements of the organization. Such decoupling is ubiquitous in organizations and has been traditionally theorized as an important instrument to communicate adherence to institutional prescriptions.
However, in contrast to earlier depictions that decoupling has external legitimacy benefits, scholars have gone on to characterize decoupling between policy and practice as “a moral and operational failure” (Bromley and Powell, 2012: 498), especially when organizations have decoupled those structures that are externally imposed by important constituents (Deephouse & Suchman, 2008; Tilcsik, 2010). MacLean and Behnam (2010) provide an example of such illegitimate decoupling. In their study of widespread deceptive sales practices at a large financial services firm, the authors demonstrate how the decoupling between the organization’s formal compliance program and core business activities created a “legitimacy façade” towards key constituents. Such decoupling eventually enabled the institutionalization of misconduct within the organization.

Decoupling is not an inevitable response to institutional pressures that conflict with core goals. Indeed, studies have suggested how decoupling behavior is more likely when there is a lack of external monitoring and enforcement or when institutional norms, rules and laws are ambiguous. Important for our argument, the degree of decoupling is also influenced by the views, interests and values of powerful organizational members (Crilly et al., 2012; Westphal & Zajac, 2001). In other words, decoupling behavior is more likely when “adopted policies conflict with or are not central to the interests or beliefs of internal parties” (Bromley & Powell, 2012: 496).

**Interaction between identity subgroups and decoupling**

What is implied here is that for organizational members the integration of multiple identities, and thus shared values, may function as compensation for holding a decoupled system together and is likely to both resolve uncertainty and facilitate coordination among organizational insiders in soundly implement adopted policies and structures (Orton & Weick, 1990). Moreover, the degree to which members identify with their organization’s identity influences whether processes and policies are actually enacted in practice. Research suggests
that a coherent organizational identity, and consequently greater identification, is an important factor in determining members’ responsiveness to institutional pressures (Greenwood et al., 2011; Pache & Santos, 2010; Schilke, 2018). For instance, organizations are less likely to adopt controversial governance practices that are incongruent with an organization’s espoused values when members do not identify with specific subsets of espoused values (Bednar et al., 2015).

In contrast, a fractured organizational identity is likely to create normative fragmentation and weakened identification. Since internal power dynamics have been shown to be an important determinant in decoupling behavior (Boxenbaum & Jonsson, 2017; Westphal & Zajac, 2001), decoupling is more likely when powerful internal subgroups do not identify with a subset of espoused values. For example, Weaver et al. (1999) found that while corporations may experience external pressures for socially responsible business processes, formal corporate ethics programs may become decoupled from daily practices if there is a lack of management commitment. Similarly, in his study of a post-Communist government agency, Tilcsik (2010) observed that inconsistencies between the values embedded in formal structures and the values and ideological beliefs of powerful decision-makers about how the organization should be run may result in decoupling behavior. While leaders may embed values in formal structures, in the absence of shared values among organizational members then competing institutional pressures may result in decoupling behavior.

<a> DISCUSSION AND CONCLUSION

Major corporate scandals tend to cause society to question the integrity of the involved organizations, which in turn can lead to a range of negative consequences, including loss of reputation, sanctions, lawsuits and even the demise of the organization (Connelly et al., 2016; Greve et al., 2010; Heugens et al., 2008). In contrast, there are numerous positive outcomes
for organizations that live up to their embraced social values and commitments (Henderson, 2020; Mackey & Sisodia, 2014). However, there is still a lot of ambiguity and inconsistency surrounding the notion of organizational integrity. Organization and management scholars have not yet settled upon the meaning, determinants and processes of integrity in a unified and sustained way (Dacin et al., 2002; Goodstein, 2015). Notably, we observed that most studies on organizational integrity have treated the focal actor as isolated from its institutional context, while this increasingly complex and ever-changing environment creates unique challenges for organizations and their ability to consistently adhere to their self-defining principles.

In this chapter, we have re-visited the important concept of organizational integrity by proposing an institutional perspective. We defined integrity as the ‘wholeness’ of espoused, embedded, and enacted values. In our social actor approach to organizational analysis (King et al., 2010; Whetten & Mackey, 2002), we turned to the literature on values and identity to theorize about the complexities and challenges to maintaining integrity when organizations face institutional pluralism. We have developed a theoretical model that suggest the possible dynamics between competing institutional pressures and intra-organizational influences that may cause tension between the espoused, embedded and enacted values. In doing so, this chapter makes two primary contributions to the understand of integrity as it relates to existing scholarship on organizational values and identity (Gioia et al., 2013; Kraatz et al., 2020; Whetten & Mackey, 2002) and institutional pluralism (Kraatz & Block, 2008; Radoynovska et al., 2019; Yu, 2013).

The topic of organizational integrity is key not only because it draws attention to questions about the overlap or gaps between organizations’ espoused, embedded and enacted values, but also because this construct reflects scholars’ growing interest in how organizations behave, function, mature and are evaluated as unique social actors in their own right (Bromley
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& Sharkey, 2017; King et al., 2010). As we theorize on the integrity of organizational actors, we answer the recent calls by organizational scholars to better “understand, explicate and research the enduring, noun-like qualities of organizations” (King et al., 2010). The model we proposed resembles scholars have termed behavioral integrity (Leroy et al., 2012; Simons, 2002). We have taken this definition of integrity as our point of departure because integrity as consistency between talk and action has received the most scholarly attention at the individual level (Palanski & Yammarino, 2007; Simons et al., 2015). However, we are also consciously responsive to some alternative conceptions of integrity, including wholeness and soundness.

The very idea of integrity implies the wholeness of values, desires and actions. Although organizations increasingly portray themselves integrated wholes, institutional scholars have shown that organization are rarely unitary or tightly integrated entities, but rather consist of subgroups that hold competing needs, beliefs and interests. By incorporating the degree of fragmentation versus integration of organizations’ multiple identities in our conceptualization of integrity (Besharov & Brickson, 2016), we highlight the importance of understanding the degree to which important identity attributes, such as values, are actually embedded within the design and culture of organizations. While lofty mission statements may accrue organizations legitimacy and status benefits (Ehrenhard & Fiorito, 2018), when leaders are unable to manage and integrate a fractured organizational identity, they are unlikely to achieve consistent organizational actions that are in line with espoused values. This sensitivity to intra-organizational processes is an answer to the call for organizational theorists to “dig into the inner workings of organizations” (Greenwood et al., 2014: 1211).

When we consider how organizational values systematically affect how organizations adapt to external stimuli (Bansal, 2003; Perkmann & Spicer, 2014; Schilke, 2018), it becomes clear that their degree of embeddedness influences the nature of responsiveness to institutional pressures. Specifically, external demands to respond to environmental and social
concerns are more likely to result in substantive actions when such demands are congruent with the principles already embedded in the organization’s formal design and culture (Amis et al., 2002; Besharov & Khurana, 2015; Hinings et al., 1996). In contrast, due to much of the ceremonial symbolism inherent in the formal espousal of values (Bromley & Powell, 2012; Bourne et al., 2019), we propose that these are less likely to predict organizational responses to institutional pressures than are the values embedded in an integrated organizational identity.

Alternatively, when the values held by top management or among powerful internal subgroups advocate interests or goals that are diametrically opposed to external pressures in relation to a specific social concern, these “values may serve as anchors that bind the entity to its past and prevent needed change from occurring” (Kraatz et al., 2020: 500). In other words, profound changes in normative standards or governmental regulations that are incongruent with core organizational goals are likely to elicit a great deal of resistance and symbolic responsiveness (Bromley & Powell, 2012; Huy et al., 2014; Oliver, 1991).

Finally, our model suggests that when internal groups do not identify with or share the values that leadership has espoused for the organization, the sustained commitment to organizational integrity is at risk. This problem will be particularly salient when organizational subgroups are distanced from the corporate center, challenging direct steering or control, and holding values flowing from to their local cultures but that differ significantly from the values espoused by the organizational collective (Bourne et al., 2019). For instance, as organizations increasingly operate cross-border, cultural distance between subunits, functions and divisions and the corporate center has increased dramatically. Similarly, the growth or expansion of organizations through corporate acquisitions or mergers may result in a situation in which the acquired members hold radically different values than those espoused for the organization as a whole. When leaders are reluctant or unable to integrate multiple
identities into a coherent whole, members will not be guided, oriented, and unified to engage in collective action, nor have the normative means to interpret and prioritize institutional pressures that are inconstant with espoused values (Besharov & Brickson, 2016; Dutton & Dukerich, 1991; Greenwood et al., 2011).

Because organizational identities and values are in part institutionally derived, we are also attentive to the important moral component of integrity (Archer, 2017; Selznick, 1992). By building on the idea that organizations are capable of purposive, intentional and autonomous actions, the values-based commitments organizations adopt when they take on a new role identity imbues them with moral agency. Since these institutionally derived identities are profoundly value-based, the roles, responsibilities and obligations that organizations espouse are likely to create normative expectations that stakeholders will hold them to (Mishina et al., 2012; Love & Kraatz, 2009). Obvious departures from these moral duties are likely to be perceived by key constituents as failures of integrity and evoke distrust and disengagement.

Although we have argued that organization-specific expectations surface as organizations engage in values espousal to secure legitimacy, such expectations are also shaped by an organization’s historical pattern of previous actions and commitments. Indeed, organizational integrity is closely related to the notion of character, often understood as an organization’s clear commitments and distinctive approaches to meeting those commitments (King, 2015). Such organizational character tends to function as a normative backdrop, both internally, as a selection and deliberation device for managerial behavior, and externally, via audiences’ assessment of an organization’s actions. Importantly, constituents evaluate organizational actions as an indicator of the character of the organization. Consequently, when behaviors are profoundly inconsistent with an organization’s history of past commitments and actions, audiences are likely to perceive the organization as lacking
integrity and trustworthiness in its interaction with stakeholders, and they may come to question its character (Bundy et al., 2021; Love & Kraatz, 2009). Flagrant integrity failures that signal a discrepancy between espoused, embedded and enacted organizational values have the potential to “blemish” the character of an organization (Connolly et al., 2016; Paruchuri et al., 2021: 565). Importantly, obvious dissonance between espoused and enacted values is likely to lead members to dissociate themselves from the tainted organization and no longer identify with its espoused values (Ashforth et al., 2008; Besharov, 2014).
References


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Figure 1: An Institutional Perspective on Organizational Integrity