Organizational Integrity in German Companies: The Missing Link Between Individual Misconduct and the Legal Structure of Society

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Abstract

Currently there is a greater discussion in Germany about the misconduct of managers in different German organizations. As a case in point one can take the VW scandal which is probably well known in the US. But from a German point of view this story is only the tip of the iceberg.

We have got in Germany a larger number of scandals dealing with misconducting managers. Some managers of the Deutsche Bank manipulated, in cooperation with British bankers, special interest rates. Managers of Siemens AG bribed officials all over the world (a financial damage for Siemens about 4 Billion Euros in penalties). Even the German soccer association is accused of having gotten the hosting of the soccer world cup in 2006 only by bribery of the international committee. It seems like management in Germany is overflowed by criminals. As a matter of fact, we can recognize a difference between the legal system in Germany and the behavior of some German managers. And because of that, German prosecutors are currently seeking the handful of managers responsible for that catastrophic development at Volkswagen and the worldwide case of fraud. As they have done in the case of Siemens and in the case of the Deutsche Bank too. But is all that a problem of an absence of ethical orientation of a few individuals? Or is it the missing of compliance departments and missing internal rules in these specific organizations?

I will argue in my presentation that one cannot blame neither the individual nor the missing of formal regulation. One has to recognize the specific organizational situation of these scandals. Not the individual actor is less integrated and compliant, we have to talk about the organization itself. About organizational integrity, and especially about the possible lack of organizational integrity.

What is organizational integrity? Is it possible that respectable citizens without any evil intentions will lead their organizations to a behavior which an outsider like a prosecutor would describe as illegal? In my presentation, I will describe the results of a research project financed by the German government over the last three years. To pinpoint the specifics of organizational integrity, and with the intention to create a very theoretical framework, we have observed not the case of Siemens or Deutsche Bank but a very extreme version of organization: governmental organizations themselves. Why extreme? If we can find here a greater difference between formal legal structure and informal procedures, if we can find here a greater difference between “talk” and “action”, it will help us to recognize the organizational reasons of misconduct. Because of three reasons. Governmental institutions do have the duty to behave in a legal way, they do have the responsibility to control companies and other organizations and they don’t have the necessity to realize big profits.

In our project we have made a survey of the employees of four big German cities. We have conducted interviews with the personnel responsible for compliance in these cities. And we observed the administrative staff during their business and described the reality of processes and of decision making in these authorities.
At the end of my presentation I will discuss the correlation between less organizational integrity and some popular management tools.