VIRTUOUSNESS AND PERFORMANCE: A PRODUCTIVE PARTNERSHIP

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Virtuousness represents the best of the human condition, or the highest aspirations human beings hold for themselves. In organizations, you can see virtuousness in collective displays of moral excellence. Few leaders invest in practices or processes that do not produce higher returns to shareholders, profitability, productivity, and customer satisfaction. Without visible payoff, leaders of organizations tend to ignore virtuousness and consider it of little relevance to important stakeholders. But what if we could show direct associations between virtuousness and desired outcomes? Emerging evidence suggests that positive factors — virtuousness in particular — may provide an important arena for leaders to enhance their organizations' performance. This evidence also indicates that virtuous organizations significantly outshine normal organizations in performance.

So what is virtuousness? To begin, it's important to differentiate the concepts of "virtues" and "virtuousness":

- The term "virtues" refers to individual attributes that represent moral excellence and inherent goodness — traits that are indicative of humanity's very best qualities. Examples include displays of forgiveness, humility, wisdom, and compassion.
- "Virtuousness" refers to aggregates of virtues acting in combination, and manifests itself as behaviors, processes, and routines in organizational settings. Just as individuals may possess more than one virtue, organizations can also display and enable more than one virtue.

Virtuousness has at least three core attributes:

1. **The Eudaemonic Assumption:** Virtuousness is synonymous with the eudaemonic assumption — that an inclination exists in all human beings toward goodness for its intrinsic value. Several authors have provided evidence that the human inclination toward virtuousness is inherent and evolutionarily developed. Virtuousness differs from ethics in that it pursues the ultimate best — eudaemonism — rather than merely avoiding the negative.
2. **Inherent Value:** Virtuousness is not a means to obtain another end, but it is considered to be an end in itself. In fact, virtuousness in pursuit of another more attractive outcome ceases, by definition, to be virtuousness. For instance, if kindness toward employees in an organization is fostered solely to obtain a payback or an advantage, it ceases to be kindness and becomes manipulation. Virtuous actions create advantages for others in addition to — or even exclusive of — recognition, benefit, or advantage to the actor. Whereas some activities included in the corporate social responsibility and corporate citizenship domains may represent organizational virtuousness, these activities are frequently motivated by instrumental benefit or exchange relationships. Of course, virtuousness does not stand in opposition to concepts such as citizenship, social responsibility, or ethics; it extends beyond them.
3. **Amplifying Effect:** A third attribute of virtuousness is that it creates and fosters sustainable positive energy. As an ultimate end, and as an inherent attribute of human beings, virtuousness has an elevating effect. There's evidence that observing virtuousness in organizations creates upward spirals of positive dynamics. This amplifying quality is the heliotropic effect at work — the attraction of all living systems toward positive energy and away from negative energy. Observing virtuousness creates a self-reinforcing cycle toward more virtuousness.

Virtuousness in Organizations

A few studies have explored the relationship between virtousness and performance, and the key results are summarized below:

Virtuousness after Downsizing: A series of studies examined indicators of virtuousness and of performance outcomes in organizations:

- One study investigated eight independent business units randomly selected within a large corporation in the transportation industry. All eight units had recently downsized, and the negative effects of downsizing were likely to ensure deteriorating performance. Organizational virtuousness scores for each business unit were measured by survey items measuring compassion, integrity, forgiveness, trust, and optimism. Even in the wake of downsizing, units with higher virtuousness scores had significantly higher productivity, quality outputs, profitability, productivity, quality, customer retention, and lower employee turnover.

- A larger study was conducted across 16 industries, all of which had recently cut staff. The same measures of organizational virtuousness were obtained as in the smaller study. Profitability (net income relative to total sales), quality, innovation, employee turnover, and customer retention were all measured as outcomes. Findings from the smaller study were replicated in this larger sample of organizations. When controlling for factors such as size, industry, and amount of downsizing, organizations scoring higher in virtuousness were significantly more profitable, and — when compared to competitors, industry averages, stated goals, and past performance — also achieved significantly higher performance on the other outcome measures.

- A different kind of study was conducted in the U.S. airline industry after the tragedy of Sept. 11, 2001. This one investigated the relationships between virtuous downsizing strategies and financial return. Airlines suffered enormous financial losses after 9-11, and the study examined how different firms approached financial setbacks in virtuous ways. Virtuousness in this study was defined as preserving human dignity, investing in human capital, and providing an environment in which employee well-being was a priority. Eight of 10 U.S. airline companies downsized after this period, but some did so in ways that were more virtuous than others. Controlling for unionization, fuel price hedging, and financial reserves, the study found that virtuousness and financial return were again found to be positively and significantly related.

Virtuousness and Causality: None of the studies mentioned above provide evidence that a temporal or causal relationship exists between virtuousness and performance in organizations. But more recent studies looked at the impact of implementing virtuous practices in organizations over time:

- One study was conducted in the financial services industry. Stereotypically, it is among the least likely industries to be interested in virtuousness because of its high-pressure, win-at-all-costs climate. Forty business units within a large northeast financial services company were investigated. The firm had embarked on a systematic effort to incorporate virtuous practices into its corporate culture in early 2005, when the CEO declared that a virtuous culture would guide the strategic direction of the firm. One year later, strong, statistically significant relationships were found between virtuous practices and six measures of financial performance. The following year, similarly significant associations were found between virtuousness scores, employee turnover, and organizational climate scores. Implementing virtuous practices produced the desired results.

- Another study exploring causal associations between virtuousness and performance was carried out in 29 nursing units in a large healthcare system. A multi-year study was conducted to investigate the effects of organizational virtuousness on indicators of performance. Two findings of interest were produced:

1. Units exposed to virtuousness training improved their virtuous practice scores significantly over the 2005 to 2007 period. Units not exposed to virtuousness training did not improve.

2. Units improving the most in virtuousness also produced the most improvement in outcome measures. The two-year period saw double-digit improvements on most outcome measures included in the study. On each performance indicator, units that improved in overall virtuousness outperformed units that did not in subsequent years.

Conclusion

These studies provide evidence that virtuousness in organizations is associated with, and may even produce, desired performance in areas such as profitability, productivity, quality, customer satisfaction, climate, and employee retention. The value of virtuousness in organizations does not require that it be associated with other outcomes. But when faced with stockholder demands for measurable results, or when trying to lead an organization through trying times, leaders may find value in previously ignored virtuous practices. ■

Reference: Cameron, K.S. and Winn, B. (2012). *"Virtuousness in Organizations."* In Cameron, K.S. and Spreitzer, G.M. (Eds.) *Oxford Handbook of Positive Organizational Scholarship* (pp. 231-243). New York: Oxford University Press. Summarized by Penelope Mallinckrodt (Ross MBA Class of 2013).

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