White Paper

Exploring the Relationships Between Organizational Virtuousness and Performance

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How an organization's virtuousness can increase its performance:

While businesses must pay attention to their bottom line, research shows that emphasizing organizational virtuousness increases not only profit but other key organizational performance indicators such as quality, productivity, and customer retention. Virtuousness is defined as the attributes of individuals when they are at their best. Not only does virtuousness create individual and collective flourishing, but it results in resilience—the ability to overcome trauma or difficulty and to come back better.

Virtuousness includes three components: 1) moral goodness (what is good and worthy of cultivation), 2) human impact (positive impact on human beings), and 3) social betterment (social value beyond the interests of the individual or organization). Virtuousness in organizations is not only practiced in the organization by its members but is enabled and supported by the organization and its collective practices.

Cameron's study on organizational virtuousness shows that it has important links to both perceived and objective organizational performance indicators. He studied 18 organizations, most of which had undergone major organizational trauma, such as downsizing within the previous three years, and found that organizational virtuousness contributed to organizational thriving. Virtuousness served two important functions: amplifying and buffering. By amplifying, Cameron means the promotion of practices and behavior that enhance the well-being of the organization, its employees, and its performance. Buffering refers to the ability of virtuousness to protect a company against negative events and trauma.
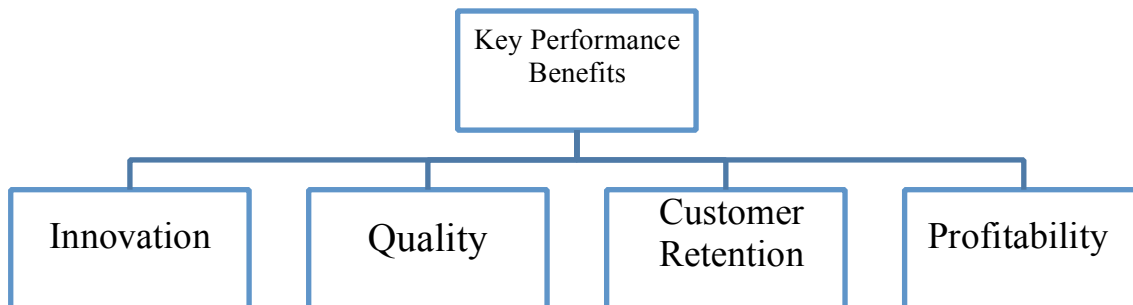
Organizations that practiced organizational virtuousness were associated with a number of key performance indicators. These organizations were found to be greater innovators, produce higher quality products and services, have higher customer retention, have reduced employee turnover, and have increased profitability.

Application: What practices promote organizational virtuousness?

While there are important benefits to organizational virtuousness, a key question that business leaders must ask is, *How do I, as a leader, promote organizational practices that enhance and support organizational virtuousness?* Here are five key values in Cameron's study that were found to promote organizational virtuousness.

Key Value 1: Contribution

- *Dedicate your organization to doing good in addition to doing well.* Boost camaraderie and give back to the community by offering employees opportunities to volunteer together at an organization that aligns with your business mission.

- *Be optimistic that you will succeed, even when faced with major changes.* After an organizational crisis, talk to employees about the issue and how your company will succeed and change to move past the crisis.

- *Identify a meaningful contribution that extends beyond individual reward.* Encourage employees to make a difference that will last beyond the immediate consequences of their actions.

Key Value 2: Trust

- *Create trust among employees in the company.* Create opportunities for employees to share both personal and work-related information with one another, like team huddles, so employees can form strong relationships.

- *Create trust for leadership and management within the organization.* Create opportunities to listen to employees and take their feedback into consideration.

Key Value 3: Compassion

- *Support compassionate practices and acts of compassion within the organization.* Create networks and communication chains to share information about employee suffering, so that supportive action can be taken.

- *Treat employees with courtesy, consideration, and respect.* Take opportunities to celebrate employees' achievements, reinforce their worth to the organization, and provide opportunities for them to flourish.

Key Value 4: Integrity

- *Make sure honesty and trustworthiness are hallmarks of the organization.* Keep your promises and insist that all organization members keep theirs—to customers and to one another.

- *Demonstrate integrity within your work.* Set an example of honesty so that you "walk the talk." When you fall short, acknowledge it.

Key Value 5: Forgiveness

- *Allow employees to learn from their mistakes and be forgiven for missteps.* Model forgiveness by responding constructively in the interest of personal development rather than punishing those who make mistakes.

- *Do not minimize, forget, or ignore mistakes in the name of forgiveness.* Rather, maintain high standards and help employees achieve them, knowing that false starts will occur.

About the Authors:

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