How integrity correlates with profitability
Corporate performance is stronger when employees feel that top executives are trustworthy and ethical

• Companies are more profitable when their employees think managers have integrity, rather than merely advertise it as one of their corporate values, according to research by Chicago Booth’s Luigi Zingales, with Luigi Guiso of the Einaudi Institute for Economics and Finance and Paola Sapienza of Northwestern University.

• The authors find no correlation between S&P 500 companies’ advertised values (see chart) and profitability.

• By contrast, a real culture of integrity—as perceived by employees—adds value to a company. The data on employees’ views come from the Great Place to Work Institute’s survey of more than 1,000 US firms.

• The researchers looked at responses to the statements: “Management’s actions match its words,” and “Management is honest and ethical in its business practices.”

• Management integrity is associated with higher productivity and profitability and better labor relations.

• Integrity is lower in publicly traded firms than in private firms. Public companies may have less of an incentive to focus on corporate values because investors tend to underappreciate their worth, at least in the short term, until profits come in, according to the researchers.


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Research suggests that advertised values are irrelevant for firm performance.