



INTEGRITY: ARE YOUR LEADERS UP TO IT?

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“In no area of corporate life is leadership commitment more important than creating an integrity culture.”

*Avoiding Integrity Land Mines,
Ben Heinman, Harvard Business Review, 2007/04*



INTEGRITY: ARE YOUR LEADERS UP TO IT?

Leaders almost everywhere are in the firing line over integrity. With the recent history of financial services malpractice around the globe, more local scandals in the UK over MPs expenses, and the growing demand for corporate social responsibility, few would try to deny the importance of leaders demonstrating integrity.

Yet while integrity is too important to ignore, is it also too vague to really matter? What do we really mean by integrity? Can we expect business leaders to do more than verbally subscribe to the idea, much as they have traditionally done in asserting that “people are our most important asset.” In other words, is integrity merely “nice to have”, rather than a “must have” for organisations and their leaders? Finally, is integrity something we can actually develop in our leaders, and if so, how?

In deciding what we mean by integrity, we enter a maze built for the unwary by philosophers over the centuries. Superficially, most of us can probably subscribe to the idea that our leaders’ should demonstrate one obvious version of integrity, namely that we expect them to be honest and law abiding.

However, on closer inspection, integrity proves more complex than mere honesty. As the Conservative party leader David Cameron commented about his own MPs’ expenses claims: “Politicians have done things that are unethical and wrong. I don’t care if they were within the rules — they were wrong.”

So apart from staying honest, integrity is also about morality and for a company leader this can be a moveable feast. It is easy to be sanctimonious about the importance of integrity while simultaneously acting in ways entirely inconsistent with it.

Most leaders of oil companies for example, would be horrified to be accused of lacking personal integrity—when Lord Brown of BP was shown to be guilty of publicly lying, it



cost him the CEO role. Yet in terms of showing respect for the environment, in exploitation of weak and underdeveloped nations, and by actively lobbying against adverse climate change legislation as they see it, oil companies' behaviour would surely be regarded by most people as lacking in integrity, which so far mainly goes unpunished.

Leadership is often also described as ultimately being about character. To make sense of character though, we judge this more by what leaders do than what they say. Therefore, in this sense, leadership integrity can be defined as commitment to specific forms of action—doing what is right, rather than doing things the right way.

To make sense of this multiplicity of explanations of Integrity, we can view it rather like a precious diamond, something almost immutable, hard to alter and yet an essential part of oneself or one's organisation. Few diamonds are utterly flawless and much the same applies to integrity. When we examine it closely in the real world, it too has many facets and not just a single side or interpretation.

LEADER'S INTEGRITY DIAMOND



The various facets have their own implications for how leaders may choose to act when faced with different situations in life and within their organisations. This





“Integrity requires us to be impervious to the persistent demands of our appetites and to the desire to be popular with others.”

Managing With Integrity, Charles Watson, Business Book Review, Vol 8 No 4



multi-sided aspect of integrity explains why leaders may simultaneously find the whole concept both frustratingly vague intellectually, whilst also compellingly important in practice.

Moral or Ethical Purpose consists of doing what is right, such as being accountable, taking responsibility for one's action, showing compassion, trust and treating people with respect. Since each of these in turn has implications for action, we can treat them as further facets of the Integrity Diamond.

That integrity is also concerned with being law abiding is hardly in dispute. Yet, what is legal may not necessarily also be what is ethical. For example, companies may be acting within local laws in paying overseas workers minimal wages, while still acting unethically in knowing these levels are cruel and exploitative.

We also associate leadership integrity with acting consistently. For example, we expect leaders to walk the talk, saying what they mean and meaning what they say. While apparently straightforward, consistency offers its own further facets such as the need for leaders to show courage and be willing to promote openness and demonstrate it in action.

Leadership integrity is also closely linked with personal identity and therefore with core values. For leaders, this means establishing some kind of harmony between their own inner values and those outer ones associated with the organisation they manage. Again, we can make sense of values not through just talking about them, but by observing how they show up in terms of actual behaviour and actions.

This requirement to demonstrate integrity in its various forms, partly explains why in development activities there tends to be an emphasis on making sure potential leaders acquire a strong sense of who they are and what they stand for. In some people, this sense of self comes ready-made. In others, it must be nurtured through exposure to different situations and experiences.





“The bigger the organisation gets the less easy it becomes to keep it honest.”

Future Files: The 5 Trends that will shape the next 50 years, Richard Watson, N.Brealey Publications 2008



The word “Integrity” stems from Latin meaning whole or complete. What the Integrity diamond highlights is that leadership integrity, as expressed in observable behaviour, has several important dimensions. It is the combination and integration of behaviours that eventually determines whether a leader, and indeed an entire organisation, is acting with integrity.

Using the Integrity Diamond as a starting point, we can start to nail down this elusive concept into specific behaviours that can guide both those who must develop leadership capability, and leaders themselves. Integrity is:

- Discerning what is right and wrong
- Acting on what you have discerned, even at personal cost
- Saying openly that you are acting on and what you understand to be right or wrong.

In terms of practical action, these may imply a personal and organisational commitment.

INTEGRITY IN ACTION

A commitment to:

- Character over personal gain**
- People over things**
- Service over power**
- Discipline over impulse**
- Mission over convenience**
- The long view over the immediate**

maynardleigh
associates

Source: Where's Your Integrity, by Patrick Smythe in Human Resources Management, 2007





“Nearly half of the employees (46%) reported that what they observed could cause a significant loss of public trust if discovered.”

KPMG [US] Integrity Survey of 5000 non- KPMG employees, 2008-2009



As we saw in the BP example above, while we can associate individual leaders as exercising integrity, their behaviour does not exist in isolation. Leaders are part of the organisation and help to define how it performs. Therefore, in making sense of leadership integrity we need also to be able to determine how this plays out in their organisations. To do this, we might use a mix of self-leadership and organisational leadership questions such as these:

FIVE SELF-LEADERSHIP QUESTIONS

- Am I willing to say what I think and risk being wrong?
- Does this conduct make me a better person?
- Would I want someone I love to do that?
- Am I leading by example by taking 100% responsibility?
- Do I tackle crises with integrity?

TEN ORGANISATIONAL LEADERSHIP QUESTIONS

- Is integrity part of the vision, mission and values of the organisation?
- Do I set appropriate goals
- Are high ethical standards built into all processes and systems, with effective controls?
- Do I search for and welcome the truth
- Are there channels for reporting issues through openness, internal audit, ombudsman etc?
- Is integrity built into senior managers' job descriptions
- Do appraisals hold people to account for lapses in integrity?
- Do we benchmark practices internally and externally, using independent help to review company governance?
- Are there regular staff surveys on ethics and regular checks on how leadership is perceived?
- Is decision making consistent with organisational values?

Even though integrity is multi faceted, it can still be nailed down enough to form a definite part of ongoing leadership development. Like many other leadership abilities though, some facets may need developing over time, rather than emerging fully fledged when leaders first take up their role in the organisation.

For example, while a person may have a built in sense of what is right and wrong, it may take practice and regular feedback before they reach sufficient levels of consistency in their leadership behaviour.





**“Integrity simply means
a willingness not to
violate one's identity.”**

*Eric Fromm
Psychotherapist and academician*



Similarly, while a person may be personally averse to breaking the law of the land, it may require experience to develop the ability to trust others sufficiently, or to learn what it really means in organisational terms to take full responsibility for one's actions.

THE ROLE OF DEVELOPERS

Integrity provides developers and HR professionals with an exceptional opportunity that may not immediately be recognised for what it is. Here is a vital area of people development that demands both good judgement and personal leadership from the professional adviser.

Tough times can result in leaders losing sight of integrity and how to apply it. This is where developers can play such a vital role. First, how advisers conduct themselves within the organisation can shape the way that it responds to integrity issues. This goes beyond supporting compliance systems, devising or ensuring enforcement of rules of behaviour. It requires advisers to personally demonstrate integrity in their own behaviour, to know for instance what they stand for and be able to go beyond the rules to guide company leaders in their own attitudes towards integrity.

Secondly, integrity poses HR and professional developers with a personal challenge of how to frame and make effective arguments regarding its importance. Furthermore, they need to identify what needs to happen to promote it amongst the leadership and the organisation as a whole.

There are some purely commercial arguments for developers to espouse and promote integrity and learning about it within their organisations. For example, the 2008-2009 KPMG Integrity Survey¹ found that three out of four employees (74%) had observed or had first-hand knowledge of wrong doing within their organisation during the previous 12 months. "Pressures, incentives, inadequate resources and job uncertainty continue to be main drivers of fraud and misconduct."





“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently.”

Warren Buffet, CEO Berkshire Hathaway



Consumers are also important drivers of company integrity that leaders simply cannot ignore. “Customers expect the company to do the right thing” is how the UK managing director of Mars puts it ² and many other companies have found that in purely commercial terms it pays to be ethical, for example through cutting costs or sustaining supplies or allowing their customers to regard themselves as ethical.

Developers need to acquire the assurance to explain to policy makers how an organisation that demonstrates integrity contributes to employees’ pride, engagement with their jobs and customer loyalty. Integrity has also been shown to enhance the company brand or reputation, improve efficiency, attract staff, conserve and sustain resources and mitigate business risk.

For example, the KPMG survey found that the percentage of respondents who reported working in an environment in which people feel motivated and empowered to do the right thing doubles amongst employees who work in companies with comprehensive ethics and compliance programmes.³

Because integrity touches on such a person’s character, there is a danger that in raising the issue developers might be regarded as somehow attacking or even challenging their leader’s personal integrity. Ethical issues can be downplayed or ignored simply because nobody in a senior role will raise them. The issue therefore may need to be framed more as a series of questions in a wider organisational context, and as Professor Wright at Cornell University puts it: “the HR director needs to become a kind of “chief integrity officer” who could avoid being penalised in the chief executive’s appetite if integrity turns out to be limited.⁴

- How do we treat people who disagree with us?
- How much transparency is there in decision making?
- Does our culture demand high levels of integrity?
- How far do we articulate and actual demonstrate our core values?
- Are our managers willing to risk being wrong?





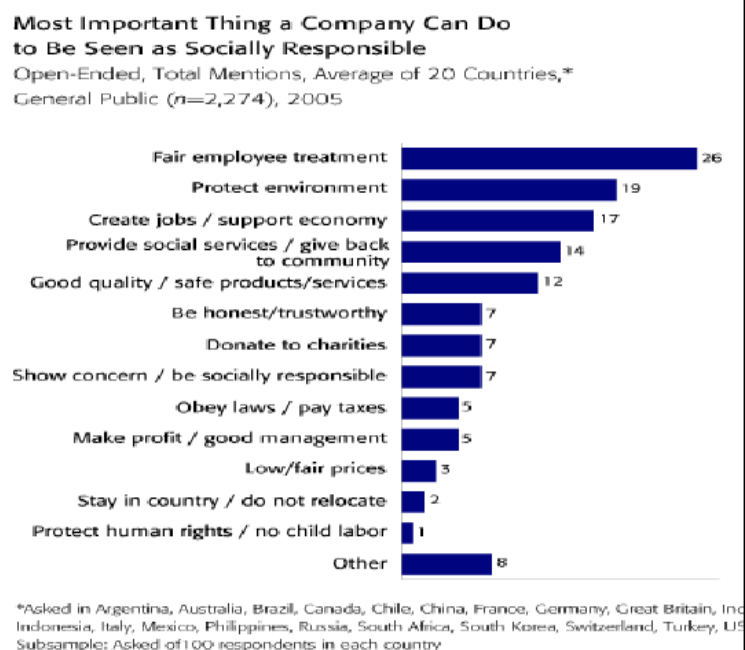
“Just being honest is not enough. The essential ingredient is executive integrity.”

Quality is Free, Philip Crosby, consultant and author



When developers show their passion for integrity, their determination to speak up about what they see as right or wrong in the organisation, their respect for others or that they care deeply about the company's reputation they will be making a strong case for integrity and its central role in the company's culture.

Looking to the future, expectations about integrity amongst both leaders and companies are undergoing change. In 2007 for example, Mckinsey found that society had higher expectations of companies today and tomorrow than in the previous five years. Nor is there anything particularly vague about what integrity means in terms of social responsibility in practice:



Source: Globescan, 2005

Developers concerned with actively promoting integrity within their companies can also look to the growing trend to convert sometimes indistinct corporate responsibility issues into more specific financial goals.

In communicating the importance of integrity and offering ways to help leaders develop their performance in this area, it makes sense to focus on what is





**“Preserve your integrity.
It is more precious than
diamonds or rubies.”**

PT Barnum, circus owner



productive for both the individual and the organisation. In terms of the latter, it will probably be about promoting integrity through the company's behaviours that align with the company's mission, underpin core values, create sustainability using long term thinking, enable transparency, ensure the respectful, inclusive and diverse treatment of others, and clarify expectations around honesty.

Discovering how far these are actually happening may require more than just a gut reaction. In our 2009 study of Talent Management ⁵ in the UK for example, the best companies at managing talent all revealed the considerable importance they attached to staff surveys for tapping into what people feel about different aspects of the company.

CONCLUSION

As specialists in behavioural and cultural change, we work regularly on issues of leadership and particularly inspirational leadership. Integrity is also one of our company's core values. ⁶

We also recognise that our colleagues and clients often wrestle with this whole issue and how to pursue it within their organisations, which is why we have produced this report. We offer it as work in progress and if you would care to discuss any aspects of this report please do get in touch

**“Integrity is the essence
of everything successful”**

R. Buckminster Fuller inventor, architect, engineer,
mathematician, poet and cosmologist



Sources

- ¹ KPMG Integrity Survey 2008-2009
- ² Why Corporate Social Responsibility is a survivor, by Michael Skapinker, Financial Times 2009
- ³ See for example: Corporate Responsibility Contributes to the Bottom Line and Improves Worker Engagement, by Sal Vittole, CSR Release 050207.pdf, at HR.Com *
- ⁴ Resources are Limited and HR must raise its game, by Stefan Stern, Financial Times Feb 17th 2009
- ⁵ Talent Management at the Crossroads, Maynard Leigh Associates 2009, available as a free download at www.maynardleigh.co.uk

Suggestions for further reading:

- KPMG Integrity Survey 2008-2009**
- World Class Bull, HBR Case Study May 2009-05-05**
- Corporate Responsibility Contributes to the Bottom Line and Improves Worker Engagement, by Sal Vittole, CSR Release 050207.pdf, at HR.Com ***
- Has Enron Made Companies more ethical? ISR Surveys, June 12 2006 at HR.Com**
- Leading With Integrity—have we forgotten what it means? September 8 2003 HR.com ***
- Where is Your Integrity? Patrick Smyth 08/03/2007 HR.com**
- Personal Integrity: A self Diagnostic, Feb 6 2006, HR.com**
- Avoiding Integrity Landmines by Ben Heineman, Harvard Business Review 17/02/09**
- Stanford Encyclopedia of Philosophy <http://plato.stannford.edu/entries/integrity>**
- Managing With Integrity by Charles Watson, Business Book Review**
- Visit: <http://www.businessrespect.net> for a useful wide perspective on this topic**

* Strongly recommended



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⁶ See for example: <http://www.maynardleigh.co.uk/our-company/mission-values/>

