

INTEGRITY – The New Leadership Story

(this the 1st chapter of a forthcoming book “Simple Stories for Leadership Insight” to be published by University Press of America/Hamilton Books)

This is a book about stories. The stories tell how leaders dealt with people, complex issues, and tough decisions. Some of the stories are sad, others uplifting and some are funny. Some stories involve a few people others involve thousands. All gave us important leadership insights. They all are real and you might find that a few relate to your own experience.

We both went through many leadership programs, seminars, books, articles and other leadership products. We found many of these well meaning but lacked capturing the complex context in which leaders live. We agree with Manfred Kets de Vries one of today’s top Leadership Thought Leaders who said, “The literature we find on leadership, though vast, isn’t always helpful.”

We found that the best leadership lessons were learned from experience. We lived these stories and learned many lessons about leadership. But the key lesson and the one that seems to be a part of most of our stories is the absolute importance of Leadership Integrity. We learned that if leaders don’t have Integrity, nothing else matters much. (We use Integrity synonymously with Authenticity, Credibility and Trust.)

A quick search for the definition of Integrity surfaced this --“Integrity comprises the personal inner sense of "wholeness" deriving from honesty and consistent uprightness of character” This seems to fit, but the following from Howard Adamsky, from his article “A New Day for American Leadership” captures what Integrity means for Leadership, “...leadership is part vision, part art, part science, part experience, part faith and part know-how, all bound together in an ironclad package called integrity.”

Leadership is always important for Business success, but now Leadership with Integrity is critical. We are in the midst of a seminal change in the business environment -- from the Information Age to the New or Knowledge Economy. Key for business success is leadership and organizational culture. And yet the news is filled with CEOs who are falling from grace and there is talk of a “leadership crisis” and of “toxic cultures”.

There has been a continuing erosion of trust across numerous business sectors in America according to the Golin/Harris Trust Survey.

Nearly 70 percent of survey respondents said, “I don’t know whom to trust anymore,” and said they will “hold businesses to a higher standard in their behavior and communications.”

February 2002.

But for those of us who have worked in corporate America, we’ve seen poor leaders in action daily. It just wasn’t news worthy in the past.

Despite much advice from the \$15 Billion Leadership Industry (business schools, seminars, books, tapes, journals), it seems that many so called leadership experts; business books and publications failed us.

- ❑ A major Business School had a business case on the success of Enron
- ❑ Bernie Ebbers and Ken Lay are profiled in a book on the best leaders
- ❑ In a major business magazine's list of most admired companies for 2000, Enron ranked first in quality of management -- ahead of even GE. That ranking came from the votes of its peers.
- ❑ And look at what some management gurus said about Enron, before and after its collapse

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- Professor 1

Before:

"Leadership is not a solo act...it is a shared responsibility, a chorus of diverse and complimentary voices. To an unusual degree, [Enron] is chock-full o' leaders"

After:

"Egg all over the face is an understatement. As embarrassing as it is, we basically took the word of Lay and his people. Was there a way to spot that the emperor was wearing no clothes? I don't think so."

- Professor 2

Before:

"Skilling and Lay created `a hotbed of entrepreneurial activity and an engine of growth."

After:

"There are absolutely some strong, helpful lessons to learn by what they did right. Unfortunately, all those are trumped by the mistakes they made."

- Top Consultant 1

Before:

"Enron isn't in the business of eking the last penny out of a dying business but of continuously creating radical new business concepts with huge

upside."

After:

"Do I feel like an idiot? No. If I misread the company in some way, I was one of a hell of a lot of people who did that."

- Professor 3

Before:

"Skilling and others have led a transformation in Enron that is as significant as any in business today. This is brand new thinking, and there are broad implications for other companies."

After:

"History can't be very kind to it. It's sad: The innovation and ideas and what was good about what they did may be lost in the demise of the company."

Source *BusinessWeek*

We may be seeing the results of Business School-Media-Corporate complex. Perhaps in concept similar to the once Military-Industrial complex former President Eisenhower warned about in the 1960s –

"This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence -- economic, political, even spiritual -- is felt in every city, every State house, every office of the Federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources and livelihood are all involved; so is the very structure of our society. In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.

Public Papers of the Presidents, Dwight D. Eisenhower, 1960, p. 1035- 1040

This *Business School-Media-Corporate complex* seems to have engaged in a group think of enormous proportions – professors, consultants, journalists, students and executives all feeding on their own diets of best practices, theories and what defines leadership.

- Business schools taught Ethics as a sideline.
- Many companies have lofty Mission Statements and Operating Practices statements that address ethics, but do little to enforce them
- Journalists give interviews to glitzy executives who brag about what they are doing to improve profits
- Executives courted Wall Street analysts who might improve their stock ratings

Business is at a crossroads. Capitalism is facing a crisis. All of us who believe in business -- from CEOs to business-school professors -- must recognize that we have contributed to this crisis.

FastCompany "Memo to: CEOs", June, 2002

Not since the days of the insider-trading poster boy Ivan F. Boesky and the junk-bond king Michael R. Milken have M.B.A. programs been so assailed for their role in preparing future corporate executives. Many of the schools are scrambling to rewrite case studies, dust off their ethics lessons, and defend professors who have worked for the very companies now under scrutiny.

The Chronicle of Higher Education September 20, 2002

The image of business leaders has been declining for some time. Starting in the early 1980s we began to see a seemingly endless parade of mindless downsizing, reengineering, reorganizing and inauthentic PR all focused on satisfying the investment community. Corporate leaders seem to excel at Investor relations and fail in the vital relationships with their own people and their customers.

The damage caused by these poor leaders is too often hidden until it is too late. We need to examine business practices that lead to how these scoundrels got to their high office and identify the true characteristics of real authentic Leaders. After all some how these scoundrels got to the top, whether by promotion or approval by the Board of Directors.

This is the darker side of leadership. Manfred Kets de Vries has identified several of those shadows that leaders fail to recognize. One of these is "mirroring, or the tendency to see themselves as they are perceived by their followers and to feel they must act to satisfy the projections or fantasies of followers. A certain amount of mirroring is part of human existence. Our understanding of the world will always reflect some shared perceptions of what is real. But, in a crisis, even the best of us is likely to engage in distorted mirroring. The impact is most serious when leaders use their authority and power to initiate actions that have serious, negative consequences for the organization."

Be careful of your "Mirror".

We observed that as people moved up the corporate hierarchy, and received more and more perks, they became consumed with their own importance. Their position and rank became more important than just about anything else. I remember one of my bosses who said, "you know why the guys at the top have such large offices? It is to house their huge egos." Very few were able to resist the temptations and seductions of power. And they didn't last long.

It takes real courage to be an authentic leader. You have to be willing to honestly look at and acknowledge your own weaknesses. To use Kets deVries metaphor, look at yourself in a clear not a distorted mirror.

LEADERSHIP INTEGRITY LOST AND FOUND

LOST

In a survey by Lou Harris and Associates, only 40 per cent of US office workers believed that it was "very true" that the management is "honest, upright and ethical", with 85 per cent of them saying that it was "very important" for management to be so.

Louis Harris

Never extraordinarily high, trust levels between employees and senior managers are falling. Only 39 percent of employees at U.S. companies say they trust the senior leaders at their firms.

Between 2000 and 2002, there was a five point drop in both the percentage of employees (45 percent) who say they have confidence in the job being done by senior management and the percentage of workers (63 percent) who believe their companies conduct business with honesty and integrity.

Watson Wyatt

Inauthentic leadership and poor relationships can cause great damage to an organization. Perhaps the most telling, for us, was a multiple \$Billion merger that was ill conceived and motivated more by bravado than business sense. It was a failure of colossal proportions that severely damaged the company's financials and the lives of tens of thousands of good people.

- The head of a failing business unit was pushing the merger. Instead of being authentic and admit his BU couldn't be profitable, he convinced the CEO and the leadership team to go ahead with the merger. The strategic planning team knew that the business we were buying wasn't all that Unit Head thought it should be. One of our Graduate School professors once told us, after a case study was completed, "all the Business Development strategic analyses are meaningless, what matters is who has the strongest guts in the Boardroom." The activity turned hostile. We did the acquisition anyway. It didn't take long for the financials to become a major disaster. Cultures clashed, people were downsized. The culprits responsible for this disaster moved on leaving bodies in their wake.

More insidious and perhaps just as damaging than this example are the smaller but more numerous examples of ineffective. inauthentic practices that we saw each day carried by so called leaders. Some of these are told as stories in this book.

- In the story "To Leadership And Back" we tell the story of Tim, who was a true leader during a unique project. When the project was completed he yielded to the seductions that leaders face and regressed to an autocratic style.

Many would-be authentic leaders are out there pleading, trotting, temporizing, putting out fires, trying to avoid too much heat. They're peering at a landscape of bottom lines. They're money changers lost in a narrow orbit. The resign. They burn out. They decide not to run or serve. They're organization Houdinis, surrounded by sharks or shackled in a water cage, always managing to escape, miraculously, to make more money via the escape clauses than they made in several years of work. They motivate people through fear, by following trends or by posing as advocates of "reality" which they cynically make up as they go along. They are leading characters in the dreamless society, given now almost exclusively to solo turns.

Warren Bennis (*Forward in Counterfeit Leadership*)

- In the story "Phil The Terrible", read about an abusive leader and what happens to him in the end.

FOUND

GE Chairman & CEO Jeff Immelt's Message to Employees

As GE learns and grows in the 21st century, three traditions of Our company become more important. Along with commitment to performance and thirst for change, we must always display total, unyielding integrity.

Despite the news about leader scandals, we find some examples of leadership integrity.

- At Enron it was Sherron Watkins who had the courage to do a "skip level" and go right to Ken Lay with the bad news. This was dangerous because her boss, Jeff Skilling, was notorious for not wanting to hear bad news. She wasn't in on the complex, off balance sheet partnerships that were starting to unravel, but she knew that there was trouble and she let Ken Lay know what it was.

In one of her earlier memos that have become public her heroic efforts seemed to be ignored, *"The viewpoint is that I can effectively play devil's advocate on the accounting issues and be sure we anticipate the tough questions answers. My personal opinion is that it's very hard to know who in the organization is giving us good answers and who is covering their prior work."* Too bad for Enron's employees and shareowners that her warnings were unheeded.

- Here's a great leadership story that didn't get the same news attention as the classic J&J Tylenol case. Merck & Co.'s development of a drug for human river blindness is an

example of leading with integrity. In West Africa, river blindness had affected millions of villagers and for years the disease was controlled with pesticides. However spraying could not be done on a large scale and river blindness continued unabated.

In 1978, a research scientist at Merck & Co. believed he found an agent that successfully combated similar disease-causing parasites in livestock. He asked the laboratory director, Roy Vagelos, for approval to develop a form of the drug for human use. This effort would cost millions of dollars and require extensive testing in African villages. And even if the drug was able to cure human river blindness, there was virtually no chance that there would ever be consumers who could afford to pay for the drug.

For Vagelos, denying the request, even knowing the financial risk, would conflict with the company ethic that health precedes wealth. So he approved the request and the drug, named Mectizan, was developed. One of his greatest challenges yet lay ahead - distributing the drug that took a decade to produce. Although Merck's credo made health its first priority, freely offering and distributing the drug was without precedent.

Ultimately, Vagelos, who eventually became CEO, decided to provide the drug to all who needed it, free of charge and for as long as the need remained. "Sometimes in your life," he said, "you've got to take a leadership position and make a decision.

(Adapted from a speech by Christopher P.A. Komisarjevsky

President and Chief Executive Officer-Burson-Marsteller Worldwide Ball State University October 3, 2002)

- In our story "Wise Women Leaders", we chronicle the leadership of an innovative woman executive whose vision saw that the real route to competitive advantage was through the hearts and minds of people.

Max De Pree in his book "leaders Without Power, addresses authenticity, "Vital organizations don't grant their members authenticity, they acknowledge that people come already wrapped in authentic humanness. When an organization truly acknowledges the a priori authenticity of each person and acts accordingly, how many ways open up for people to reach their potential!"

Authentic leaders in certain companies understand this vital relationship. It might be helpful to look at a list of the Top Authentic Leaders. Seems that people like "Lists Of The Top (You Name It). Well, there isn't any list of the Top Authentic Leaders. This didn't get press because authentic leaders are hard to find. We have a suggestion for how we might find authentic leaders. Take a look at a list of The Best Companies To Work For. Compiled by Robert Levering's Great Places To Work Institute. Here are the Top 20 US and UK Companies.

2002 Best Companies To Work For

USA Companies	British Companies
Edward Jones	Cisco
Container Store	Microsoft
SAS Institute	Capital One
TDIndustries	Timpson
Synovus Financial	Asda
Xilinx	Intel
Plante & Moran	Abbott Mead Vickers
QUALCOMM	Bacardi Martini
Alston & Bird	Morgan Stanley
Baptist Health Care	Pret a Manger
Frank Russell	Sun Microsystems
Hypertherm	Bettys & Taylors
CDW Computer Centers	Agilent
Fenwick & West	Wragge & Co
Cisco Systems	Hewlett-Packard
Graniterock	DLA
Beck Group	MBNA
East Alabama Medical Center	Pearson
Goldman Sachs	Churchill Insurance
JM Family Enterprises	Mondial Assistance

We should look at the leaders in these companies to find Authentic Leaders. “A company doesn’t become a Great Place to Work® by accident. It is the result of the attitudes and actions of a management that seeks to develop trust and co-operation. Good workplaces are not just about tangible staff benefits. The culture counts, too.”

Look at the Organizational Culture statement of SAS “If you treat employees as if they make a difference to the company, they will make a difference to the company. That’s been the employee-focused philosophy behind SAS’ corporate culture since the company’s founding in 1976. At the heart of this unique business model is a simple idea: satisfied employees create satisfied customers. From managers who work on projects alongside their staff members, to flexible scheduling that allows employees to work hard and play hard on the job, the environment at SAS is designed to enable employees to do great work and to have a life outside of work, as well.

It is also interesting to note that there aren’t many Fortune 500 companies on this List. Why don’t more big companies appear on this list? Because these organizations can’t seem to develop leaders that understand the vital relationships they need to develop with people and customers, and to inspire and align a compelling organizational culture.

PROFILE OF THE 21st CENTURY LEADER

While leadership is always important to corporate performance, there is a growing realization that effective leaders with integrity are absolutely crucial to successfully navigating the New Economy of

the 21st Century. In addition there is also a growing realization that the characteristics of the Leader of the 21st century are dramatically different than the leader of the past, even the recent past.

Command and control is out, organizations are getting flatter, the competitive landscape is chaotic, people are looking for meaningful work, customers are in control, these and more demands are being placed on today's leaders. Transition to the New Economy are frequently compared to movement to the Industrial Economy, the Information Economy, but the breadth of developments and changes in the New Economy are so dramatic that there is little precedent.

The real job of leaders is to inspire and create meaning and direction in the midst of drastic change and even chaos. In such a world of change and ambiguity, a new leadership style is needed. This involves the need to grasp the paradoxes inherent in the New Economy and to master the competencies required by the business environment now being created. This new leadership relies on the leader acting as an authentic and inspirational force developing effective relationships with people in the company, partners, customers, competitors and any other stakeholders

We developed a Profile of the 21st Century Leader. Through our experience and research we defined the characteristics that will be needed to lead in an increasingly changing business landscape. This not to say that there is a definitive leadership model. Rather, we believe that leaders need to continuously adapt and change their approach as needs dictate. Leaders will need to apply these characteristics in an artful rather than a rigid scientific manner.



While all these leadership characteristics are needed, the most important is Integrity. We've seen too many leaders who lack Integrity. While most companies are not ethically (and now financially) bankrupt like Enron, there still exist leaders whose credibility is in question. Lack of Integrity must not be tolerated since they will undermine everything else that contributes to corporate success.

A U.S. agency said the bankrupt telephone company could no longer compete for new U.S. government contracts after finding it lacked proper internal controls and **business ethics**. Reuters 7/31/03

LEADERSHIP INTEGRITY GUIDELINES

Integrity is a delicate jewel. Building integrity in leaders and their organizations takes time, continuous effort and cannot be feigned. You must feel it in your gut, in your core beliefs that being honest and trustworthy is the right business practice. If you feel that integrity is the route to financial success you are doomed to failure.

Accountability is the foundation for authentic business relationships. At least it forces the process of identifying and resolving issues. Authentic people take full and complete ownership for their lives, their choices, thoughts, feelings and actions, without blame or faultfinding.

Not financial acumen. Not vision. Not creativity. What employees want most from their business leaders are basic principles in practice such as honesty, integrity, ethics and caring, according to the results of a survey conducted by Right Management Consultants.

Authentic people know their deepest values without hesitation and fulfill them in thought, word and deed. Integrity is their nature. They do not depend on their position for power. A leader with Integrity

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- ❑ delivers their message clearly and don't worry about revealing themselves
- ❑ must have a clear vision of who they are and what they stand for
- ❑ creates clear intention by knowing the right questions to ask to create clarity and commitment
- ❑ firmly believes that doing the right and ethical thing is the overarching way to do business

So can integrity become as much a part of a company's daily existence as turning on the lights and answering the telephone?

Shouldn't that be the goal?

PricewaterhouseCoopers "stand and be counted"

SUGGESTIONS FOR BUILDING LEADERSHIP INTEGRITY

We offer some suggestions you might want to consider as you build integrity within your leadership team. The suggestions are aimed at integrating Integrity within the underlying organizational culture. You must address "the way we do things here in company x", or the norms that govern how people make decisions each day.

- ❑ Integrity starts with Board of Directors who develops a statement of ethical practices and demand adherence. Anyone guilty of violating these practices must be publicly "beheaded" in a manner similar to what Jack Welch did at GE.
- ❑ Senior leaders insure that these practices flow easily throughout the culture and embedded in the formal and informal company practices
- ❑ Stop the scoundrels at the gate – when you are hiring people for leadership positions use new approaches to reviews and assessments that are designed to surface integrity issues. Companies such as Bristol-Myers, Pfizer and even smaller companies such as Spartan Stores are using innovative approaches to filter out candidates with Integrity issues.
- ❑ Put Integrity components in your compensation and incentives programs for all not just executives.
- ❑ Communication between leaders and people in the organization has deteriorated despite polished multimedia techniques. Your message may be lost in the technology. Try a proven old technique. Tell stories about authentic leaders at company meetings, publish these stories in company newsletters.
- ❑ If you have Leader development programs, make sure the first course or seminar includes Integrity.
- ❑ Be seen by the people in your company. Let them see you and talk with you in a relaxed place. If you "hide" in your office, it will be more difficult to build Integrity. In our story "Leaders Need To Be Seen", we tell about how a simple change of venue can make a big difference in establishing a leader's integrity.
 - ❑ Turn bureaucracy on its head. In our story "Leadership By Not Getting in the Way", a leader shows how to delegate and let people in his group really show their stuff.
- ❑ Communicate with your people. Let them know how the company is performing. If you are a publicly traded company, ensure they know about insider trading rules. Limit use of fancy slides, just tell them the facts.
- ❑ Establish a "safe haven" approach that permits employees to surface integrity problems without them fearing retribution.

- Tough decisions will always be a challenge to Integrity. At such times it takes courage to do the right things. Leadership with integrity acknowledges accountability and responsibility. Step up to the task, don't waste time over analyzing. If you embrace integrity you will know what to do.
- Get rid of the "yes men/women". Surround yourself with a trusted team of people with diverse viewpoints who will tell you what they really think about your ideas. In our story "Leadership by Devil's Advocate", we explain the dangers of falling in love with your own approach.

Building Integrity takes time and continuous vigilance to ensure that ensure that it is maintained.

We admit that these guidelines are not conclusive. We of course don't know the business context in which you live. But if you follow our suggestions you will be off to a good start.