

Curtis C. Verschoor, CMA, Editor

# Strong Ethics Is a Critical Quality of Leadership

To determine important leadership qualities, *Fast Company* magazine conducted a Fast Track Leadership Survey along with IMD, the Switzerland-based business school, and Egon Zehnder International, the executive-recruiting firm. Of the 1,665 respondents, 71% live in

the United States. The survey, titled “The Fast Track Leadership Survey on Business Ethics and Integrity,” was designed to gather perceptions about specific qualities of leaders in five categories of organizations: large companies, small companies, government, the media, and the respondent’s own company.

Two Americans, Jack Welch and Steve Jobs, were named as most exemplifying great leadership. Nelson Mandela and Colin Powell placed third and fourth. The individual’s integrity was one reason frequently cited as why respondents admired that particular person. As Sean Meehan, professor of marketing and director of IMD’s MBA program, notes, “Integrity matters a lot to respondents.”

The survey respondents overwhelmingly (95%) said “yes” or “absolutely” that the ethics of the CEO play a meaningful role in the way

business gets done. Leadership, they said, starts at the top, and ethical leadership filters throughout the organization. In other words, while personal ethics are important, organizational culture is critical. It appears that the emphasis on building ethically strong individuals seems to be shifting toward creating wholesale cultures of integrity across entire businesses. Supporting a focus on organizational ethics, many survey respondents also said that good ethics is good business because it builds brands, draws customers, and saves money in the long run.

Respondents perceived their own companies as having the highest integrity, followed by small companies. Large companies scored just above average. Government and the media had substantially lower average perception scores.

Another important quality of admired leaders is unselfishness, but

actual perceptions of leaders on this dimension is low in all five categories. Again, the two categories that fared best were the respondents’ own companies and small companies.

In overall terms, leaders in the three business groups scored significantly higher than the media, with government in last place. Also, there were differences in the qualities that leaders in each group are perceived to possess:

- **Large company** leaders have an international mind-set, are ruthless in the pursuit of success, and embody strategic and visionary thinking.
- **Small company** leaders are passionate about their work and have integrity, stamina, and perseverance.
- **Government** leaders empathize with people from different backgrounds, are ruthless in the pursuit of success, and have stamina and perseverance.
- **Media** leaders are ruthless in the pursuit of success, passionate about their work, and have stamina and perseverance.
- Leaders in a **respondent’s own company** are passionate about their work and have integrity, stamina, and perseverance.

A majority of respondents indi-

cated that CEOs should reshape their roles to get closer to employees and customers by listening to them and better understanding the core issues of the business and the people involved. Specific individuals were cited as leaders because they:

- Demonstrate entrepreneurship,
- Have a core belief and work tirelessly to achieve its goal, or
- Demonstrate a high level of personal integrity and tenacity.

An earlier survey contained in the Ethics Monitor of *Fast Company* showed how extensive specific unethical and illegal acts have become. Activities include inflating forecast numbers (12%), taking office supplies home (69%), inflating company sales to win a client (13%), putting a personal cost on an expense report or corporate credit card (19%), or booking an order that wasn't yet contracted (6%). The rationalizations for these acts included: "I do so much for the company [that] they never notice, so they owe me these little things," "I needed a loan," "[I did it] to buy some time and keep my job," and "[I did it because of] pressure from senior executives to perform or gray areas of company policy."

Robert Levering performed research in the same area for his 1983 book, *The 100 Best Companies to Work for in America*, and came to similar conclusions concerning the importance of ethics to effective leadership. Levering, with Amy Lyman, went on to establish The Great Place to Work® (GPTW) Institute, which creates both *Fortune's* annual "100 Best Companies to Work for®" in America and *HR* magazine's "Best Small & Medium Companies to Work for in America" lists. The GPTW Institute has com-

plied the best workplace practices in these award-winning companies and published *Best Practices of the Best Companies: Cultural Practices Report 2005*. This report provides examples of the practices that these best-in-class companies utilize to create their renowned workplaces.

Of particular interest is the fact that all five of the leadership dimensions of the GPTW Model® involve qualities of ethics and integrity. The Institute believes that trust is the foundation of every great workplace. According to the GPTW Model, the five necessary dimensions of a GPTW are credibility, respect, fairness, pride, and camaraderie.

The following excerpts from the *Cultural Practices Report 2005* (available for purchase at [www.greatplacetowork.com](http://www.greatplacetowork.com)) describe how managers exhibit the five dimensions needed in a GPTW environment and how these bring about great organizations in which to work.

**Credibility.** "In great workplaces, managers build their credibility by regularly communicating with employees about the company's direction and plan. They efficiently and effectively coordinate people and resources and clarify to employees how their work relates to the company's goals. Managers set an example of integrity in the business and follow their words with actions."

**Respect.** "Managers [in great workplaces] convey their respect to employees by providing people with the equipment, resources, and training they need to do their jobs. Through formal programs and informal practices, managers show their appreciation for individuals' good work and extra effort. In great workplaces, managers partner with employees, have multiple avenues for soliciting and acting upon feed-

back, and foster a spirit of collaboration across departments. Employees are assured that their environment is safe and healthy and that managers care about them as people."

**Fairness.** "In great workplaces, leaders generously share the company's financial success with employees through equitable compensation and benefit programs. Regardless of position in the organization, everyone has an opportunity for recognition. Promotion and hiring decisions are handled impartially and without discrimination, and clear processes for appealing and adjudicating disputes are in place."

**Pride.** "Managers in great workplaces help to build employees' pride in their work and the work of the company. Employees know that their jobs make a difference. Teamwork is cause for pride, and people feel good about the company's image and its contribution to the community."

**Camaraderie.** "Employees at great workplaces feel they can be themselves at work. Managers encourage people to celebrate the successes of their peers and cooperate with others throughout the organization. People in great workplaces take pleasure in their work—and in the people they work with—in a deep and lasting way."

What needs to be done at your organization to make it a Great Place to Work®? What can you do personally to help build a culture of trust that will enable it to take place? ■

*Curtis C. Verschoor is the Ledger & Quill Research Professor, School of Accountancy and MIS, DePaul University, Chicago, and Research Scholar in the Center for Business Ethics at Bentley College, Waltham, Mass. His e-mail address is [cverscho@condor.depaul.edu](mailto:cverscho@condor.depaul.edu).*