

[ ANNUAL CONFERENCE TOPIC ]

# Leading with Your SOUL

**The Comprehensive  
Ethical Leadership Model™  
shows you how to create  
an ethical workplace that  
will lead to sustainability  
for your company.**

By Kasthuri Henry, CTP

One of the fundamental challenges of our time is ethical leadership. It has been discouraging to see the parade of corporate executives epitomizing corruption and wrongdoing in the recent past. The breach of trust brought about by Enron, Tyco, Arthur Andersen, WorldCom, and others exposed the degree of corporate and social risk in our modern capitalist society. The Sarbanes-Oxley Act (SOX) was supposed to be the magic pill to guard against the culture of short-term profits at all costs that was turning its back on long-term value creation for sustainability. But what followed was the subprime mortgage crisis, fueled by questionable hedge fund strategies and the weakening of the financial system. Our recent history has illustrated that legislation can't fix moral lapses and impaired judgment. Instead, the fix needs to address the source of our dilemma—the lack of leadership values rooted in ethical choices.

The United States has evolved from an industrial economy into an information economy, causing a shift from laborers to knowledge workers. This shift calls for a caliber of leader different from those in the past. The age of globalization demands we recognize international interdependencies of resources and stakeholders. This interconnectedness requires mutual respect for societal impacts and mindfulness of the collective ramifications. Effectively balancing all these considerations with a social conscience to create value for corporate sustainability is at the heart of value-centric leadership.

Finance professionals are key strategic partners in creating value. Today, understanding the need for character development, ethics, and value-centric behavior is as important as technical skills. When technical skills and value-centric leadership are employed in concert, a sustainable professional capable of commanding a viable team emerges. The presence of such a finance team will be valuable to a corporation that relies on fair disclosure of business results to raise capital, do business, and sustain growth. The Comprehensive Ethical Leadership Model™ for sustainability depicts the blueprints for building an ethical foundation.

## Character in Ethical Decision Making

It's a natural human tendency to seek happiness. Obviously, what constitutes happiness for one individual will differ from another. What an individual will do to obtain happiness, however, is reflective of the person's essence, which the Greek philosopher Aristotle and 19th Century utilitarian philosopher John Stuart Mill referred to as the

“soul.” From that soul emanates character that is an embodiment of who a person is—the foundation of the choices the person makes leading to the consequences that follow. It would serve us all well to keep in mind the words of the anonymous author who said, “Who we are speaks so loud that no one hears what we are saying.”

Many believe business ethics somehow differs from everyday ethics. In *There's No Such Thing As "Business" Ethics: There's Only One Rule For Making Decisions*, John Maxwell addresses this notion by explaining that “There is no such thing as business ethics; one is ethical or not.” There's also an opinion in business that compliance with the letter of the law is all that's necessary to be an ethical entity. We are a nation of laws where individuals and institutions are bound by legal agreements and contracts. Almost every aspect of human life—including birth, marriage, employment, organized leisure activity, healthcare, and even pet ownership—involves some form of agreement execution. But we must remain cognizant of the difference between legal and ethical grounds. The former is contract-based, open to interpretation, and has loopholes. The latter is covenant-based, driven by a moral compass representing integrity. Founded in self-governance, ethics is rooted in doing the right thing.

Individuals struggle with ethics in the professional arena. Some of the reasons they cite are not having the emotional strength to stand up for what is right, not willing to confront issues, and not willing to sacrifice the impending personal material gain. The conscious choice to walk away from ethical decisions includes the following rationale:

1. It's easy to take the course of least resistance and do what's convenient.
2. You can fall into the trap of believing that winning is the goal and, hence, you must do what's needed to win.

Irrespective of the reasoning, what is right is always right, and what is wrong is always wrong. Aristotle was quite emphatic about “courage being a character virtue” integral for leading a moral life. Lack of courage will inevitably hinder an individual's ability to lead a life in keeping with their duty—to humanity and the workplace.

It isn't always easy to lead a moral life. It takes effort and a keen sense of self-awareness in the context of society. The Josephson Institute of Ethics illustrates this difficulty in its definition of ethics: “Ethics is about how we meet the challenge of doing the right thing when it will cost more than we want to pay.” The choice to act ethically is imperative to sustain society, making moral behavior socially responsible

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and necessary. How an individual touches the lives of others is the true measure of the person, not the position held, income earned, or power exerted.

### **Roadblocks to Ethical Decisions**

Like all things in life, ethics has its set of hindrances. For example, consider a finance department run by a CFO motivated by showing strong financial results to promote personal monetary gains and quick career ascent. This CFO will be inclined to overwork the team, reward results beneficial to that cause, and exert power to further the personal agenda. This will unequivocally breed a toxic work environment for finance professionals on the team and place an enormous risk on the corporation. If the company hasn't adjusted to the paradigm shift of managing the knowledge worker, embracing empowerment, and giving the voice of reason a venue to be heard, the situation won't bode well for long-term viability. Such a toxic environment will pressure reasonable financial professionals to do the expedient thing and earn the kudos in the interest of meeting the team goals and seeking professional recognition. An overworked team won't have the work-life balance or the time to contemplate what's right; they will automatically follow orders. Self-interest and career survival will take the front seat in such situations. Corporate sustainability, social interest, and the greater good become sacrificial lambs. Thus, the hindrances to ethical actions can be summarized as:

1. Professional and social pressures,
2. Pursuit of pleasure,
3. Desire for power,

4. Pride and the need to be a winner at any cost, and
5. Conflicting priorities.

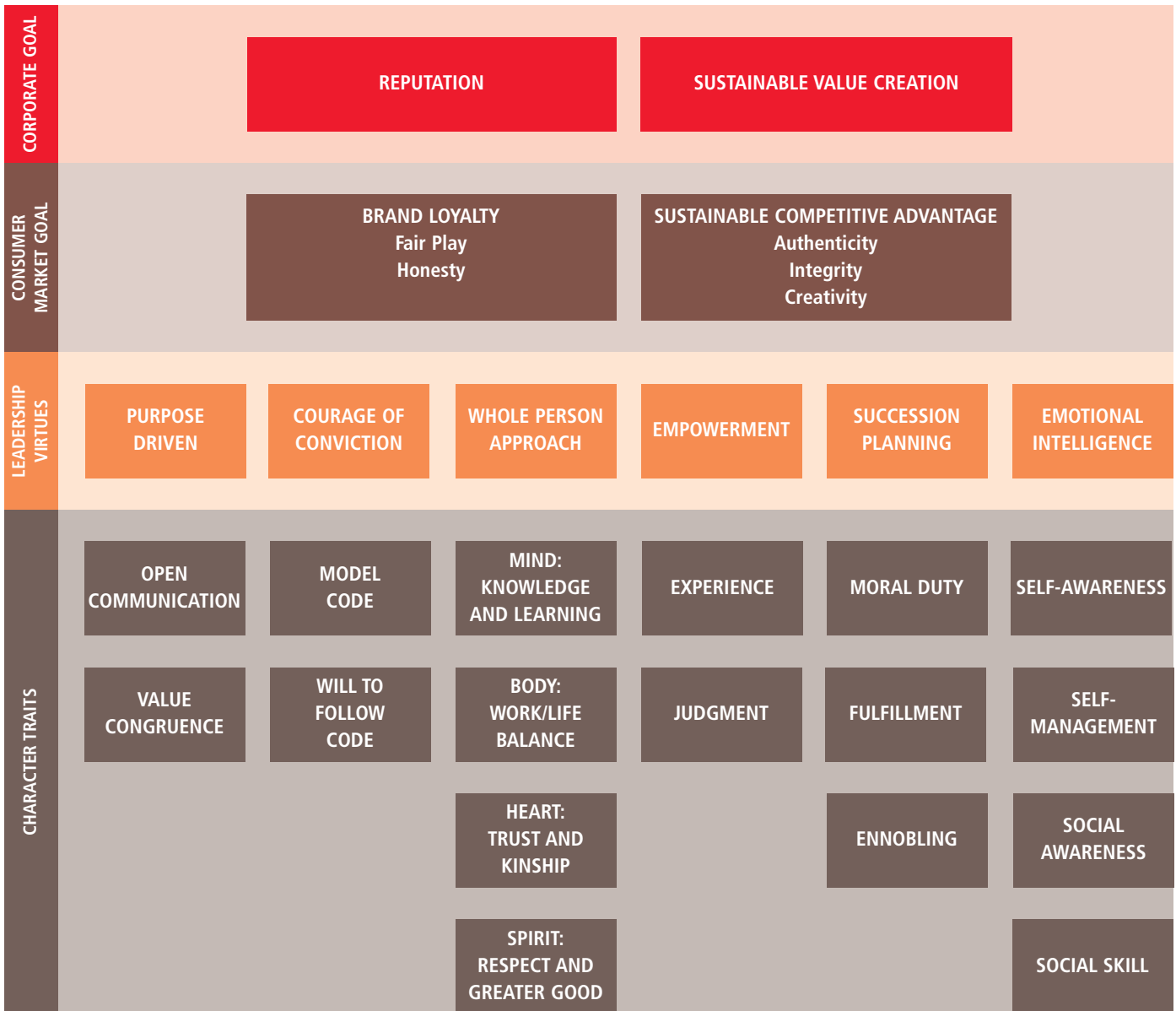
The viable antidote to the pressures is for individuals to tap into their humanity to ask themselves, "How would I like to be treated in this situation?" This Golden Rule has a proven track record of being a win-win philosophy. It transcends culture and generations because it is universally acceptable, easily understood, and reliable as a directional compass. Corporations can certainly apply it to the workplace. It ensures the top-of-mind awareness that actions of one person impact others, for better or worse.

### **Relationship Between Ethical Leadership and Sustainability**

Business doesn't thrive in spite of ethical leadership but because of it. Organically embedding character virtues in businesses allows values to guide decision making. Any entity that doesn't conduct itself with honesty and a sense of fair play will be vulnerable to competition and lose its customer base. Such a firm will lose its ability to command loyalty from its stakeholders. Trade is predicated on fair play and honesty; market share is rooted in loyalty. At a time when the motto of "profit at all costs" has made the business world seem at crossroads with society, embracing trustworthiness and a sense of fair play gives organizations a strategic competitive advantage that leads to sustainability.

A prime example of this concept is apparent in the choices Johnson & Johnson made in 1982. When the company determined its Extra-Strength Tylenol was laced with cyanide, CEO James Burke took a stand that the

Figure 1: **Comprehensive Ethical Leadership Model™**



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company’s commitment to its customers across all walks of life took precedence over corporate profits. In an extraordinary move, he backed up J&J’s value proposition with a 31-million-bottle recall that cost the company more than \$100 million. In the long run, this move sustained brand loyalty and boosted consumer confidence, proving corporations that stand the test of time are those that see themselves as part of the society while systematically exhibiting moral virtues.

### Ethical Leadership Traits

The Comprehensive Ethical Leadership Model™ in Figure

1 is a blueprint to drive the strategic vision of ethical leadership. Let’s look at the six ethical leadership traits (Leadership Virtues) in the model.

#### 1. Purpose Driven

Purpose lays the foundation for pursuing the defined greater good, the corporate vision. Far loftier than just going after corporate profits, purpose stifles an individual’s tendency to move toward greed and worldly pleasures. The corporate vision provides an anchor and acts as a beacon when we’re navigating the high seas of corporate decision making. Vision clearly taps into what is

good in everyone and leads to prosperity through a moral course. Vision will also challenge individuals and entities to make the choice between living with purpose and pursuing profits for profit's sake.

In the Spring 2007 issue of *Leader to Leader*, Nikos Mourkogiannis, senior partner at Panthea, a global consulting firm, says, "For any organization, the starting point of greatness is not in meeting expectations, but in fulfilling a purpose that fits the identity of the organization." In such an organization, purpose-driven leaders will create an environment of open communication and value congruence to promote moral choices. Lack of purpose leads to socio-economic degradation, as we have seen. The credit crisis, stock market decline, corporate corruptions, and leadership lapses are all clear indicators of how important purpose-driven leadership is for sustainability.

## 2. Courage of Conviction

Ethics has two key components: having a standard to follow and the courage to follow that standard. Courage in a person's values and moral convictions is symbolized by guts, which enables some leaders to walk their talk while others merely talk. People gravitate toward courageous leaders. Based on their research on gutsy leaders, Kevin and Jackie Freiberg pointed out in the Summer 2004 issue of *Leader to Leader* that courageous leaders must do the following:

*"You have to be gutsy enough to stand up to those who stand in your way. You have to be big enough to admit your mistakes. You have to be vulnerable enough to say 'I don't know.' You have to care enough to lead with love and trust, rather than power and fear. You have to be humble enough to surround yourself with people smarter and more capable than you, and then have the faith to get out of their way. You have to be open and flexible enough to adjust to ever-changing circumstances. You have to do what is right even when it's not politically correct."*

Courage gives us the will to execute and stay the course. In the leader's willingness to be vulnerable lies the source of strength, power of charisma, and spirit worthy of emulation.

## 3. Whole Person Approach

In the Summer 2006 issue of *Leader to Leader*, Stephen Covey made the case for a paradigm shift in management philosophy corresponding to the shift of workforce from laborer to knowledge worker. He reasoned that "The fundamental reality is, human beings are not

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things needing to be motivated and controlled; they are four-dimensional—body, mind, heart, and spirit." Covey conveyed the message of respect for individuals as complete human beings, recognizing their need for survival (body), relationships (heart), continued learning (mind), and social contribution (spirit). This endeavor, if not followed through with utmost commitment, has the potential to cripple individuals and society because sustaining individuals is at the heart of sustaining the global society. Covey also said, "A new era is for greatness. It's for fulfillment, passionate execution, and significant contribution....Leadership in the knowledge worker age will be characterized by those who find their own voice and who, regardless of formal position, inspire others to find theirs."

## 4. Empowerment

Different organizational situations demand different combinations of skills to take the reins. It's also true that supporting leadership roles emerge across all corporate initiatives. Stephen Guastello of Marquette University has conducted research to understand "how leaders really emerge." His findings, which were published in the September 2007 issue of *American Psychologist*, indicate that "more than leaders emerging from leaderless groups, a whole social structure emerges that consists of primary leaders, secondary leaders, and non-leaders."

In practice, the main individual leading a financial process-improvement effort will have in the team secondary leaders from treasury, financial systems, and financial reporting. The same finance leader could

become a secondary leader in the subsequent financial system implementation initiative. This line of thinking presents an intriguing perspective of the need to arm all employees with the set of tools to be effective leaders via empowerment. Experiences gained by collaboration of empowered leaders will yield prudent business judgment, paving the way for long-term viability.

### 5. Succession Planning

Succession planning enables leaders and organizations to attract, nurture, retain, and develop talent. It also presents the opportunity to build a community of empowered individuals who are value centric. Such an environment of lifelong learning creates an atmosphere conducive for both technical and principles-based development. Without a succession plan, the organization's sustainability loses viability. Simon Hollington, director of Values Based Leadership Ltd, echoed this sentiment in the February 2007 issue of *Engineering Management*, saying, "Succession planning is vital to ensure that business success will continue when the current management structure is no longer there." Failure to take responsibility for succession planning, according to Hollington, results in two primary negative impacts: "the failure of the individual to realize his or her potential and the failure of the organization to look forward."

It's highly irresponsible to fail in this leadership responsibility and foolish to turn a blind eye to the opportunity to mentor, coach, and develop future leaders who will carry the torch by leveraging their developmental experience. This aspect of ensuring propagation of leaders, mentors, and coaches is an ethical responsibility of every leader in every organization. Like planting a tree, nurturing and developing individuals with talent and potential pays back over time. The succession-planning process is an ideal venue for honing moral leadership qualities and ethical decision-making abilities.

Another way to acquire ethical values and decision-making capabilities as part of succession planning is through a structured teaching methodology—a methodology that doesn't merely target the technical skill development in a specialized field or area of concentration, laying the foundation for professional goal attainment, but one that challenges the mind, empowers the mentees, and evokes them through "ennobling." Ennobling represents the process through which the mentor makes the mentee become noble. Many successful world-class companies, such as GE and Kimberly-Clark, have structured in-house holistic training programs to harness the bene-

fits of the ennobling process as part of their succession planning. They also partner with universities and translate this practice of ennobling for succession planning into building a renewable pipeline of young talent. This collective effort of pursuing leadership duty to fulfill the promise of a future will strengthen the societal-corporate interconnectedness, fulfilling all those who are actively engaged.

### 6. Emotional Intelligence

Albert Bandura, Stanford University professor of psychology and author of *Self Efficacy: The Exercise of Control*, said that "modeling is the first step in developing competencies." Expanding on Bandura's reasoning, James M. Kouzes and Barry Z. Posner pointed out in the Spring 2003 issue of *Leader to Leader* that "To increase the quality and supply of exemplary leaders in the world, it's essential to give aspiring talent the chance to observe models of exemplary leadership. To develop ethical leaders, allow aspiring talent to observe leaders behaving ethically." They also highlighted that "Leadership is a relationship. If leaders are going to emerge, grow, and thrive in these disquieting times, they must become socially competent." This social competence is predicated on emotional intelligence comprising self-awareness, self-management, social awareness, and social skills. It's easy to understand how emotional intelligence embodying a sense of self and being in tune with those around us becomes an ingredient for ethical leadership. It makes possible empathy, care, consideration, and a whole host of character virtues that breed loyalty and sense of fair play much needed in commercial success.

### Applying the Model

The Comprehensive Ethical Leadership Model™ is a tangible way to institutionalize the six leadership virtues. When I had my own finance organization, every subgroup and its members within my team had career paths. Developed in partnership with the employees and their respective manager, career paths identified strengths and opportunities for professional growth. The manager nurtured their team members to progress along the path, recognizing that employees are "whole people," while delivering business results. This career path then became the basis of the performance management plan, which contains four sections that influence the ethical leadership model.

**1. Knowledge Development and Relationship Development:** This component recognized the whole



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person approach. Relationship building was vital—not just for driving results through collaborative partnership with other teams, but for developing the emotional intelligence of the members and helping them along in career path pursuits. This area of development also integrated the following virtues: communicating in an open and honest way, commanding respect through the work process, and having the courage to make decisions to keep deliverables on track.

**2. Process Development:** The plan empowered employees to continuously improve their processes by leveraging technology. The improved processes were quicker and less prone to errors, effectively reducing work hours and resulting in work-life balance. Managers also encouraged employees to partner with one another to join forces on improvements and ensure synergy without duplicating efforts across different parts of the finance value chain.

**3. Team Development and Succession Plan Realization:** This was a project approach to targeted employee development. A viable succession plan would come out of a systematic process of weekly team lunch-and-learn sessions, cross training, vacation planning with resource back-up, and job rotation. When opportunities within the firm opened up, the members were able to move up and along because executing the succession plan backfilled the position of the promoted employee. The plan wasn't an entitlement; employees had to earn positions with internal competition built into the process. But the process was collaborative and not divisive because everyone had a stake in the growth and success of the others.

**4. Process Delivery:** This included activities such as accounting, analysis, planning, management reporting, cash management, and disclosure reporting to develop

technical skills. Routine accounting, close activity, SOX compliance, cash management, planning, and financial analysis for decision support were standard processes. The business unit had the goal of delivering revenue growth and profits; the compliance requirements necessitated adherence to policy guidelines regardless of growth implications; accounting regulations have to be followed for reporting and audit purposes. These competing goals existed in a matrix organization where dual reporting to a business executive and CFO was the norm. The only way to successfully execute our role was to do the right thing and ennoble each other in the process.

The finance organization that was built on this foundation continues to be supportive of its members, even though the members have grown into roles with more responsibility across various parts of the organization.

## Ethics Leads to Success and Sustainability

The Comprehensive Ethical Leadership Model™ presented here provides a road map for practitioners. Teams should spend quality time discussing these traits in relation to their own environment and develop a personalized game plan that's transferable into practice. This model will also add value to the process of performance management where value-centric leadership is embraced as an organizational success trait. Needless to say, ethical leadership will create an environment that cares about its employees in a holistic manner. In such an exemplary organization, employees will proudly and willingly take care of business and processes, realizing fulfillment. This approach of leading with your soul establishes a collective purpose through kinship, making the greater good front and center. This ultimately leads to marketplace loyalty, business growth, financial profits, and corporate sustainability. An organization of this caliber will be a market leader engaged in business alongside being an exemplary member of our civil society. **SF**

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Ethics is a topic at IMA's Annual Conference, June 6-10, 2009, in Denver, Colo. For information, visit [www.imaconference.org](http://www.imaconference.org).

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