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The Integrity Dividend: How Excellent Hospitality Leadership Drives Bottom-Line Results

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Keywords

Cornell, capitalism, true engagement, motivation, human behavior, Maritz

Disciplines

Hospitality Administration and Management

Comments

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Hospitality Leadership Through Learning



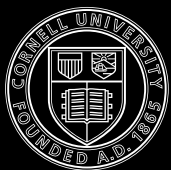
The Integrity Dividend: How Excellent Hospitality Leadership Drives Bottom-line Results

Cornell Hospitality Industry Perspectives

Vol. 2 No.1, February 2012

by Tony Simons, Ph.D.

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Cornell Hospitality Industry Perspectives,
Vol. 2 No. 1 (February 2012)

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Cornell Hospitality Report is produced for the benefit of the hospitality industry by The Center for Hospitality Research at Cornell University

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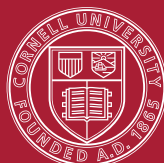
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The Integrity Dividend:

How Excellent Hospitality Leadership Drives Bottom-Line Results

by Tony Simons

ABOUT THE AUTHOR



Tony Simons, Ph.D., is an associate professor in management and organizational behavior at the Cornell University School of Hotel Administration (tls11@cornell.edu). He teaches organizational behavior, negotiation and leadership. His research examines trust—employee trust in leaders, executive team member trust, and trust in supply chain relationships. In particular, he has focused on how well people are seen as keeping their word—delivering on their promises and living espoused values. This simple perception has huge practical consequence and is very challenging to maintain impeccably. His research and consulting work supports managers in meeting this challenge. He speaks, trains, consults and designs surveys for organizations both within and beyond the hospitality industry. He has written numerous articles on the importance of integrity in organizational function, and a book *The Integrity Dividend: Leading by the Power of Your Word*.



EXECUTIVE SUMMARY

A study of 6,800 employees at 76 franchised Holiday Inn properties found a strong correlation between the behavioral integrity scores of each hotel's manager and that hotel's profit. Managers who earned the highest integrity scores from their employees also recorded noticeably higher profits. An analysis of these hotels' financial results measured the increased profit that was obtained from higher integrity scores. Further, it revealed a chain of favorable outcomes stemming from managers' behavioral integrity, including increased employee trust and commitment, improved discretionary service behavior, lower employee turnover, and greater customer satisfaction—all of which led to profit. Interviews with corporate leaders in various industries confirmed and further developed these links between integrity and the bottom line. One mechanism for the link from behavioral integrity to engaged employees is the fact that leaders offer clear direction and behave in the same way. Such consistent congruence between words and actions permeates an organization to create an effective culture and permit successful organizational change.

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When most hospitality managers think about ways to enhance their company's bottom line, they tend to think in terms of branding, marketing, and location. Those factors must be considered, of course, but in this article, I explain the importance of management integrity to a firm's success. My research shows that the way employees feel about their managers throughout the company has a huge impact on the proportion of each revenue dollar that becomes profit. I call this link between employee perceptions and the financial bottom line "the integrity dividend." As I explain here, I find evidence of the integrity dividend not just in terms of leadership, but also in connection with supply chain management, labor relations, and customer loyalty.

Usually people use the word integrity to describe a general quality of acting ethically. Ethics are important, to be sure, but I use the word integrity to mean the fit between a person's words and actions, as seen by others. It means ensuring that your words line up with your actions—that is, keeping promises and living by the same values you talk about.¹ I have interviewed numerous executives regarding the value of integrity—that is, having an impeccable word—and the cost of lacking one. Here are two views, and I present more of them throughout this paper.

Good leadership is, “Whatever I say I’m going to do, I’m going to do.” That means I have to know what my limitations are and what I’m capable of delivering. As a leader if you don’t fulfill your commitments, I can’t think of anything that can hurt you more than that.

—Frank Guidara, president and CEO, Uno’s Chicago Grill

If your staff sees you cutting corners, then they’re not going to take you seriously. And then they’re not going to take the values you’re trying to instill seriously—because you’re not taking the values seriously.

—Deirdre Wallace, President, The Ambrose Collection

Definition

To be clear, behavioral integrity is not about what a person values, but rather how well a person follows through on the values he or she claims to hold. I might consider someone despicable for what they value, but if they walk their talk and keep their promises, I will—grudgingly—concede that they have behavioral integrity. A former colleague of mine once announced at a department meeting that his decisions would be guided strictly by self-interest and that he had no concern for what the department or the school needed. I did not like working with him, and I did not trust him. But he lived up (or down) to his word, and I had to give him credit for behavioral integrity.

The second element in this equation is that it is not enough to keep your word; others have to be aware that you are doing so. As challenging as it is to consistently keep promises and live by your stated principles, getting others to see that you are consistently doing these things is harder still. The people we manage spend a lot of time watching us and trying to figure us out. They generally notice and understand more than we realize, but they also make all their observations through their own personal filters. Their judgments about our integrity are colored by everything from their upbringing and background to their personality and the particular management moments they happen to witness. As effective leaders

¹ R. Mayer, J. Davis, and J. Schoorman, “An Integrative Model of Organizational Trust,” *Academy of Management Review*, Vol. 20 (1995), pp. 709–734.

Good leadership is, “Whatever I say I’m going to do, I’m going to do.” That means I have to know what my limitations are and what I’m capable of delivering. As a leader if you don’t fulfill your commitments, I can’t think of anything that can hurt you more than that.

—Frank Guidara, president and CEO, Uno’s Chicago Grill

(or business partners, suppliers, or board members), our challenge is to penetrate the veil of others’ subjective perceptual processes and convey integrity regardless of those subjective processes. Building an impeccable word requires both excellent follow-through and excellent communication skills. Fortunately, both of those skill sets can be developed with training, coaching and practice.

Measuring The Integrity Dividend

Numerous studies have validated the idea that trust improves organizational performance without tying that to specific financial results. As I explain below, my analysis of the integrity dividend has quantified the financial value of leadership integrity. As it happens, we see these kinds of connections operating in other frameworks. A study of NCAA basketball teams, for example, found that players’ trust in leadership drives the quality and consistency of team performance.² Several studies have shown that trust in leadership drives subordinates’ positive attitudes and their willingness to expend effort beyond formal job definitions. Fairness perceptions and perceived violations of “psychological contracts” have also been shown to affect employees’ attitudes, discretionary effort, and retention. Those studies provide important clues to the nature of the integrity dividend.

² Kurt T. Dirks, “Trust in Leadership and Team Performance: Evidence from NCAA Basketball,” *Journal of Applied Psychology*, Vol 85, No. 6 (Dec. 2000), pp. 1004–1012.

If your staff sees you cutting corners, then they're not going to take you seriously. And then they're not going to take the values you're trying to instill seriously—because you're not taking the values seriously.

—Deirdre Wallace, President, The Ambrose Collection

Discovering the Integrity Dividend

A few years ago, the CEO of a company that managed roughly 120 hotel properties invited me to develop their companywide employee climate survey. This management company operated hotels under several different flags, and among them were 76 Holiday Inn franchises in the United States. Surveying these hotels with a shared flag allowed me to compare the financial and operational numbers between hotels more directly, because much of the “noise” of unrelated performance factors could be filtered out.

Like most employee climate surveys, this one asked how happy employees were with their pay, benefits, and supervision. But it also asked questions like, “When your boss says something is going to happen, how sure are you that it is going to happen?”; “How often does your boss keep promises?”; and “How well does your boss conduct himself or her-

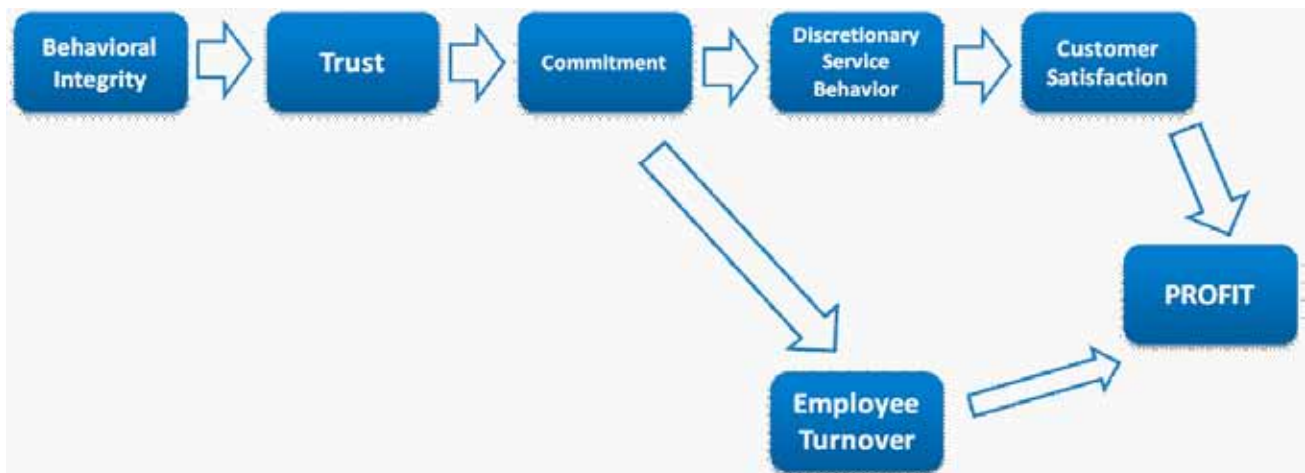
self by the same values he or she talks about?” It also asked about employees’ trust in their bosses, their commitment to the company, the extent to which they see their peers going the extra mile for service, and their intention to stay with the company. By allowing employees to use company time for the survey and offering small incentives, we received surveys from 6,800 employees, which was around 80 per hotel, or about two-thirds of the entire staff.

I averaged the employee scores for each hotel, and then considered each hotel’s score against guest satisfaction scores, actual employee turnover, and profitability. The results were astonishing. The hotels I studied varied considerably in their profitability, with differences in their conversion rate of revenue to profit as high as ten cents of each dollar. Much of that variation could be explained by differences in managers’ behavioral integrity. Hotels with high integrity scores typically reported higher guest satisfaction, lower employee turnover, and higher profitability. So powerful was the overall impact of integrity scores on the bottom line that a mere quarter-point difference between two hotels on the ten-point integrity scale translated into a profit difference of \$250,000 per year (on gross revenues of around \$10 million). This finding suggests that if your company improves its average manager integrity score by a mere half point on the 10-point scale, it stands to improve its profit margins by 5 percent of gross revenues.

What these calculations show is that we should not think of integrity as merely a “people” issue. Instead, integrity is connected both to people and the bottom line. As a scientist, I am professionally skeptical, so for sake of argument, let’s say that these numbers overestimate the integrity dividend. Even if the dividend is just half as big as this survey result suggests, then training and coaching to develop

EXHIBIT 1

Integrity dividend chain of impact



the managers' integrity skills and habits still represents an investment that pays for itself many times over.

Exhibit 1 shows part of the chain that links employee perceptions of leaders' integrity to a company's financial bottom line. Behavioral integrity, or the extent to which employees saw their managers living by their word, was the single strongest predictor of hotel financial performance in this model. As Exhibit 2 shows, the average employee perception of how much the employee's manager kept promises and lived by stated values drove hotel profitability more strongly than all other attitudes measured by the survey.

Here are the details of the chain of impact as documented in this study:

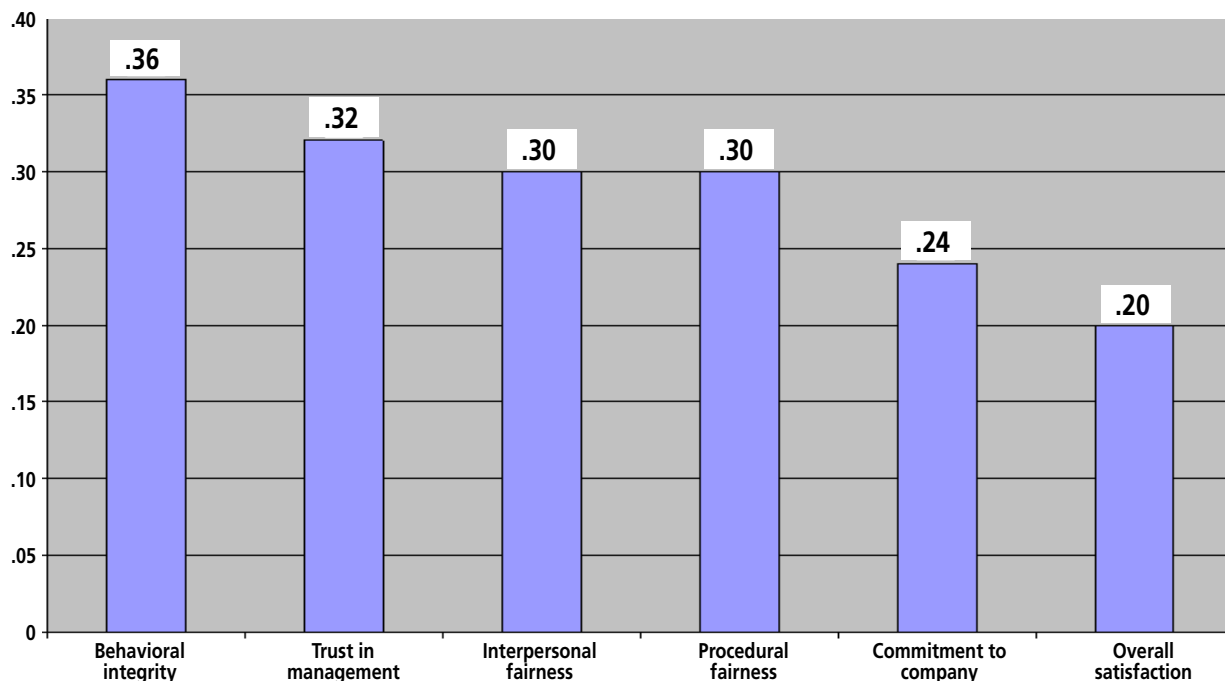
- Where employees feel their managers keep promises and live by the values they describe, they trust their managers more.
- Where employees trust their managers more, they become more emotionally committed to the company—caring more deeply about its mission and taking pride in working for it.
- Where employees feel greater emotional commitment to the company, they are more willing to stay in their jobs and to go beyond their formal job descriptions by providing discretionary service to satisfy guest requests.

It's all about results time. It ain't about feeling good. It ain't about being a nice place to come to work. It's that heightened levels of trust produce heightened levels of results. Because people feel better, work better, are better, in a trusting environment than in one where distrust saps their energy.
—Michael Kay, former president and CEO of LSG SkyChefs

- Guests who experience discretionary service from hotel employees like it and feel more satisfied.
- Satisfied guests translate to repeat business, which boosts profits. Employee retention boosts profits as well.

EXHIBIT 2

Strength of association between hotel profitability and different employee attitudes and perceptions



Genuine leadership incorporates a number of attributes, but none of them works until there is trust. If as a leader—as a leader of a restaurant unit or the leader of a \$4.5 billion chain like Applebee’s—people can’t trust my integrity, in the smallest sense, it creates problems. And I think that goes to an issue so small that if I say, “I’m going to call you at ten o’clock,” and I am unprepared to call you at ten o’clock, or if I’ve had an accident and can’t call you, I better have someone call you and say, “Lloyd cannot call you and he wants to reschedule.” Or, I better call you at ten o’clock and say, “I don’t have the information.”
—Lloyd Hill, former chairman of Applebee’s International

Stated more directly, where employees reported high integrity on the part of their managers, I found:

- Deeper employee commitment, *leading to*
- Lower employee turnover *and*
- Superior customer service; *both leading to*
- Higher profitability.

As final point regarding this study, I want to emphasize that the integrity dividend describes differences between average managers and great ones. Most of the managers scored fairly well among their employees. The average manager scored around 7 on the 10-point scale, and the lowest was just below 6. This work is not about weeding out sleazy managers: it is about developing good managers into great ones.

The Integrity Dividend in Practice: Checking with Executives

My next step was to test my quantitative results with qualitative data. To do this, I started collecting stories and insights from interviews with about a hundred successful executives in several industries to learn more about how behavioral integrity works. I spoke mostly with hospitality leaders, but I also talked with leaders in high-tech manufacturing, health care, real estate, and nonprofit enterprises, as well as union leaders and a handful of executive coaches and consultants.

I conducted hour-long interviews, usually by telephone. The result was over two thousand pages of transcripts, which my research team and I broke down into discussion themes. We looked for patterns, extracted and developed stories that related to those patterns, and massaged the pooled insights of these many executives to yield conceptual understandings and practical recommendations.

I summarized the findings in my book on the integrity dividend, from which this article is drawn.³ I found numerous executives who recognized the importance of integrity. Michael Kay, who was president and CEO of LSG SkyChefs, summed it up:

It’s all about results time. It ain’t about feeling good. It ain’t about being a nice place to come to work. It’s that heightened levels of trust produce heightened levels of results. Because people feel better, work better, are better, in a trusting environment than in one where distrust saps their energy.

Trust is a critical outcome of integrity, but trust entails a certain amount of vulnerability. If you trust a person, you are counting on that person to deliver, and you leave yourself open to disappointment (or worse). If, as a leader, you are asking employees to try something new, to work harder, or to focus on particular values, you are really asking for their trust. We know trust must be earned, and this research shows that consistently delivering on your word is part of earning that trust.

There are many more elements of trust, such as showing that you care about your employees, but my point here is that you won’t even be able to get to those other factors if people cannot rely on your word.

Lloyd Hill, who was then chairman of Applebee’s International (which employs over 28,000 employees in 3,300 restaurants worldwide), summarized the role of behavioral integrity in trust this way:

Genuine leadership incorporates a number of attributes, but none of them works until there is trust. If as a leader—as a leader of a restaurant unit or the leader of a \$4.5 billion chain

³ Tony Simons, *The Integrity Dividend: Leading by the Power of Your Word* (San Francisco: Jossey-Bass, 2008).

like Applebee's—people can't trust my integrity, in the smallest sense, it creates problems. And I think that goes to an issue so small that if I say, "I'm going to call you at ten o'clock," and I am unprepared to call you at ten o'clock, or if I've had an accident and can't call you, I better have someone call you and say, "Lloyd cannot call you and he wants to reschedule." Or, I better call you at ten o'clock and say, "I don't have the information."

Two or three of those missed appointments erode trust in an organization. Then, if I'm going to ask the organization to go somewhere that it might be frightened to go, if I'm going to ask an individual to step up and take on a job that he or she doesn't feel qualified to take, or I may be asking you to take a family risk. ... You may see it as a career risk. And if you do not trust me, you will not do it. You just will not.

Having a strong word is essential for any respectful relationship, and many managers are coming to the realization that relationships are essential to their business model. Paul Hortobagyi is the general manager at a Marriott resort in Santa Monica, California. Paul has consistently outperformed his competition, due mostly to the service that he elicits from his employees. He does this in part through a deep well of trust between himself and his staff. He knows every one of their names and their stories. He considers that his work is building and maintaining relationships. Here is how he says it:

In my opinion, we are not in the hotel business. We are in the relationship business. A relationship with your front desk agent, a relationship with your bellmen, a relationship with the high roller who comes in and gives hundred-dollar tips to the bellmen, or the road warrior who comes in on a per diem. It doesn't really matter. It should never, ever change. You have to project the same style and the same relationship-building process with all those people. I don't know why, but it's going to come back to you twofold, threefold, a hundredfold. In so many different ways.

Integrity Drives Effectiveness

Leaders' behavioral integrity also affects the culture of the organization and its managers. It determines the effectiveness of change efforts. It profoundly colors relationships with organized labor. It shapes supplier relationships and their potential contribution to your bottom line. It determines the efficiency of negotiations and problem solving with all stakeholders. And integrity goes to the heart of the value of your brand. In short, this issue touches every aspect of your business. Managed properly, behavioral integrity stands to enhance value at each of these critical strategic relationships. This relationship is depicted in Exhibit 3, on the next page.

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—Paul Hortobagyi, general manager, Marriott resort, Santa Monica, California

The Dividend and Leading

We have already seen that integrity allows a leader to build deep, trusting relationships with followers. It also allows that leader to send clear, unambiguous signals to guide people. In combination these two leadership attributes promote workers' willingness to work hard and to go the extra mile to get the job done with excellence.

Integrity and Clear Direction

It wasn't hard to see how integrity drives trust. However, just as important, integrity means you are not sending mixed messages. Consequently, your followers better understand what you want from them. That makes them better able to deliver it. As Michael Kay put it: "When it's easy for the people who work for you to figure you out, when you're clear about who you are, it is easier for the people who work for you to decide how most effectively to work with you." You are

The laying out of consequences, good and bad, is fundamental to leadership. When, as a leader, you say you're going to do something and you don't do it, it's not going to destroy your leadership status, but each time there will be a little bit more erosion, and a little more, until finally you really can't lead any longer.—*Frank Guidara, president and CEO of UNO's Chicago Grill*

telling people how to succeed and how best to support you and your company. Since your actions have supported your words, the message is unified—and therefore potent.

Clear direction goes hand in hand with credibility, particularly when a leader is setting a company's direction. President and CEO of the UNO's Chicago Grill chain Frank Guidara describes how this direction-setting aspect of leadership depends on behavioral integrity.

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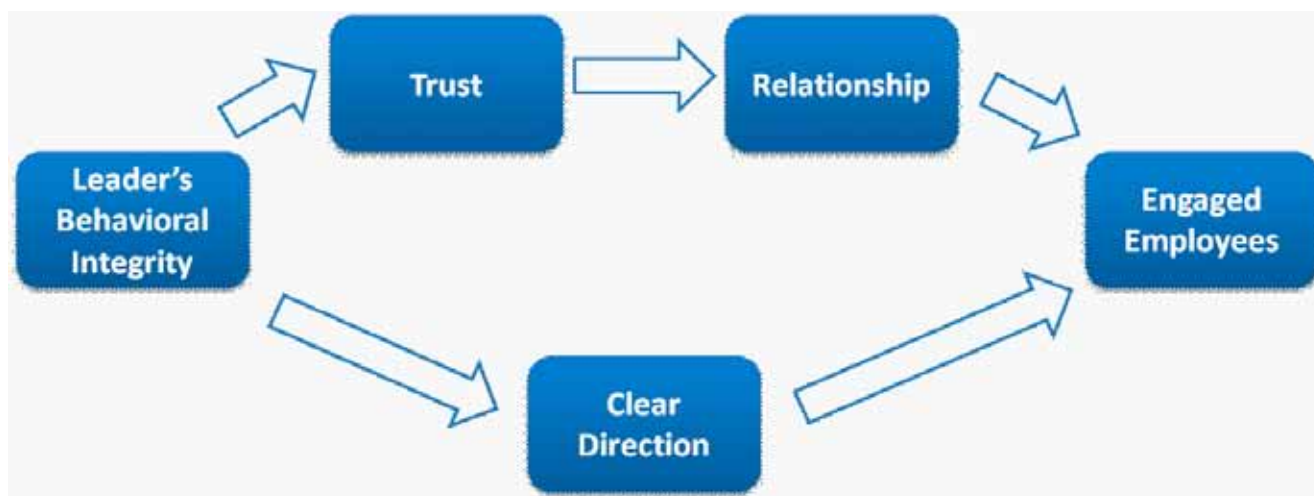
something and you don't do it, it's not going to destroy your leadership status, but each time there will be a little bit more erosion, and a little more, until finally you really can't lead any longer.

Here is a story that illustrates why some leaders' words get followed while others' do not. Consultant Darryl Stickell is a principal for Trust Unlimited, a trust-oriented consulting firm. Early in his career, Darryl worked in a drop-in center for troubled street teens. The center had policies, of course, against kids' bringing in weapons, fighting, intimidating others, drug use, swearing, and so on. However, many of the staff did not always enforce these policies because they wanted kids to like them, and they feared upsetting the kids. In contrast to that approach, Darryl earned respect precisely because of his consistency. The center was open from noon until eleven o'clock at night, so there were two shifts:

If I came in for the noon shift, as I came in guys would drop off their weapons with me. If I came in for the late shift, when I came in, there'd be a lineup of guys who would drop off their weapons with me. I'd say, "You guys have been here for hours." They'd say, "Well, yeah. But you weren't here." Folks got so that they knew "if you show up stoned, he's not going to let you in." There was this incredible power to being overwhelmingly consistent, and never making a statement that I didn't intend to follow up on. So if I would see someone doing something, I would say, "You know you're not allowed to do that. Stop it, or you'll have to leave." And they would stop.

EXHIBIT 3

Trusting, well-directed employees are more engaged



This story demonstrates the simple power of keeping one's word consistently. I am surprised at how few people capitalize on it. When managers compromise their credibility and clarity by failing to follow their word, they are blunting their most useful tool.

Integrity and Engagement

So far I have argued that integrity fosters emotional connection and that it allows a leader to send clear signals to employees. This combination of strong connection and clear communication also engages followers' hearts. I have also pointed out that employees become more willing to go an extra mile to satisfy a customer, solve a problem, or get the job done right. This outcome of integrity ensues because employees (or others) whose hearts are fully engaged in their task bring everything they have to it. Contrast that approach to one more typically seen when employees are more concerned with following rules, staying out of trouble, or keeping their head low. When you walk into some hospitality establishments, you feel genuinely welcomed by workers who bring their full emotional and intellectual resources to their jobs. When you walk into others, you are greeted (or not!) by workers who make it clear that they would rather be elsewhere.

From time to time, a business writer will suggest that charisma is an essential leadership ability. Perhaps so, but I submit that the engagement workers feel when they are in a trust-based relationship with their leader and have a clear sense of direction trumps even the inspiration that charismatic leaders can generate. Celebrity and charisma are not bad things, but they cannot substitute for behavioral integrity and its fruits. Kerry Miller, an executive search consultant and former vice president of people development for Bertucci's Restaurants, explains:

People have grown accustomed to celebrity. And they aren't as engaged under celebrity leaders: they're more into what goes on inside the four walls of their house. That being said, when you find true leadership—and true integrity in leadership—that, to them, is an aphrodisiac more than celebrity leadership. I think that when you get behind a true leader, you're more jazzed up to get into work every day because you know that person is supportive of what you're doing. It's more about the team than it is about the individual.

The relationship that emerges from strong word-action alignment has the potential to generate deep enthusiasm and stir the soul. Workers who feel that way have the potential to work miracles. Some leaders witness such miracles on a regular basis, when they are able to excite people, get them to accept ownership of the success or failure of the company's endeavor, and engage them deeply. Frank Heinz is the former president of Baltimore Gas and Electric. He de-

People have grown accustomed to celebrity. And they aren't as engaged under celebrity leaders: they're more into what goes on inside the four walls of their house. That being said, when you find true leadership—and true integrity in leadership—that, to them, is an aphrodisiac more than celebrity leadership. I think that when you get behind a true leader, you're more jazzed up to get into work every day because you know that person is supportive of what you're doing. It's more about the team than it is about the individual.

—Kerry Miller, executive search consultant

scribes engagement in terms of employees' taking initiative in the service of the company:

I think that employees who trust management are just more likely to take positive initiative. They see an issue, and they know they are part of the team that remedies issues. Or they see an opportunity—they know they are part of a team that seizes opportunities. And that initiative—cumulatively, among many employees, over time—can make a big difference in the effectiveness of the use of human resources, of capital resources, and the effectiveness, if you will, of the cohesion of the total team.... I've seen it occur in ideas about software, I've seen it occur in ideas about how to refurbish or underline gas pipe in a more productive way. And I've seen it occur in areas of customer interface and how to craft messages that are clearer or more understandable for customers, to be used by telephone or in the monthly mailings to customers.

When your people are engaged, they take initiative to solve problems and capitalize on opportunities. You cannot force or require them to take initiative. You can only lead

If your actions fall short of your ideals, your employees just don't take you seriously. And then they just don't care. Then they're just there for the paycheck. I'm in the service industry. If my employees don't care, then that affects my guests directly. And believe me, guests don't tell you when they're happy. They tell you when they're mad. So you want your employees to be behind the product and your philosophy, or else your guest is going to react to that, because disgruntled employees—they don't smile.

—*Deirdre Wallace*, president of the Ambrose Collection

in a way that engages their hearts and inspires them to care and go beyond their formal job description in helping the company excel.

The initiative of engaged employees does not just drive problem solving; it drives customer service as well. Deirdre Wallace is president of the Ambrose Collection, a green hotel operator. She presents the link between behavioral integrity and customer service in a way that closely reflects the chain of impact shown in my study of hotel employees and performance:

If your actions fall short of your ideals, your employees just don't take you seriously. And then they just don't care. Then they're just there for the paycheck. I'm in the service industry. If my employees don't care, then that affects my guests directly. And believe me, guests don't tell you when they're happy. They tell you when they're mad. So you want your employees to be behind the product and your philosophy, or else your guest is going to react to that, because disgruntled employees—they don't smile.

Uninspired, mistrustful, and disengaged employees can still perform their jobs, but the likelihood is slim that they will provide warm and impeccable service. Bob Fox is the vice president of human resources for Carlson Hotels Worldwide. He says leaders who fail to maintain trusting relationships drive workers to operate in what he terms, “survival mode,” the polar opposite of engagement:

If the leader doesn't have trust, respect, authenticity, [and] credibility, the level of followership is going to be much lower. Workers and managers will do stuff, but their level of commitment, their willingness to appropriately do whatever it takes, is going to be lower. People are going to survive. They're not going to go the extra mile on behalf of that person because that person doesn't deserve it. The survival strategy is, “I'm just going to do my job, keep my head down, not raise any issues, and just try to help out the team and other people in the organization as best I can.” Most people in most companies operate like that because that's the situation.

How many people in most companies operate in survival mode? Bob Fox would argue, and I agree, that most employees carry some element of survival mode through their daily work lives, even though we know that survival mode is incompatible with excellent, gracious service.

I believe that the reason so many employees operate in survival mode, and the reason so few people report impeccable integrity on the part of their managers, is that well-meaning and thoughtful managers make integrity mistakes. Managers are almost never evil—they can simply fail to prioritize and build skills for maintaining this kind of credibility. The challenge, then, is one of discipline and skill, not character. R.J. Dourney is president of Hearthstone Associates, a restaurant franchisee, and the former head of operations for Au Bon Pain Restaurants. He points out how difficult it is for managers to get this right:

One of the things I think leadership all too often misses is that there is no malice aforesight on the part of a manager when he doesn't walk the talk. I think very often, he either doesn't know how, or is afraid to.

For instance, one of the keys in our industry—possibly in any industry—is getting your arms around your people to help them grow. When your people are happy and they feel like their careers are moving forward, they do amazing things. Very often as leaders, we say those things. But when it comes to taking the time to do one-on-ones, and helping somebody grow, and getting them into a development program, we fall down. If the person is a manager, maybe you're just spending quality time with them. If he or she is an executive, you push them into an M.B.A. program.

You start the flywheel when you tell that individual that his development is important to you. So you do their review. But then you fail to follow up. I think, all too often, that lack of follow-up is linked to the fact that either you're afraid to or you don't know how. The net result is where you see that sense of betrayal: "My boss says that he cares about me, but he really doesn't. He just wants me to go in and do a job."

"My boss just wants me to go in and do a job" is not the language of a fiercely engaged spirit. It is rather the voice of survival mode. As managers and as leaders, too often we unwittingly break the spirit of those who might otherwise propel our companies to excel, and employees' spirit is perhaps a leader's most important charge and most effective service resource.

The Dividend in the Organization: Building a Culture and Managing Change

As I spoke with executives, it became clear that behavioral integrity is an aspect of the organization's culture. In addition to forming part of culture, integrity is also essential for instilling that culture in employees. High integrity managers are better able to shape the culture toward professed values because they model those values and workers trust them. Workers will respond more nimbly to new directives when they are fully confident that leaders' words lead to action.

In this final section, I examine integrity as an influence on general company culture and the effect of integrity on organizational change efforts.

Integrity and Company Culture

Executives' integrity affects the culture of their organizations as aspiring managers imitate their bosses' approaches to management. Thus, executives who routinely enact the culture do far more to convey and reinforce that culture than any exhortations they might offer. Integrity also enhances corporate culture because it allows potential employees to better self-select in terms of whether they will buy into the culture, or seek employment with a particular company at all.

Executives set the tone for those around them. Ed Evans, executive vice president for human resources and organizational development at Allied Waste Industries, points out how leaders' poor choices can affect integrity throughout the company:

You can't pick and choose when behavioral integrity is key. You can't say, "Well, it's a white lie; it didn't hurt anybody, didn't materially change the financial reporting, didn't hurt the customer..." Once you start making excuses, the slip or slide starts. And in most organizations, everybody looks up to see how the next level of executive behaves—not necessarily with regard to them, but on issues that may have no impact directly on them or their customers.

It doesn't matter what you write down on a piece of paper for your vision statement or your mission statement. It doesn't matter what you list for your values. It matters what you do. This gets down to execution, and that's why it gets so complicated. It's not just execution in the sense of "I walked over and cleaned the carpet," or "I walked over and picked up the piece of paper." It gets down to whether you embody the values of the organization. Do you embody the mission and vision of the organization? Do you do what you say you're going to do? Actions that are trustworthy in nature build trust. —Jay Witzel, president and CEO of Carlson Hotels Worldwide

Skip Sack, founding partner of Classic Restaurant Concepts and former executive vice president of Applebee's International, believes integrity "starts at the top. The type and the style of leadership permeate an organization. If I'm the number-one guy and I am truthful to my subordinates, honest, and tactful, then they will be truthful, honest, and tactful to the people they have reporting to them." The climate of trust that I discussed above is a strong factor in allowing the values that management models to permeate the company. Jay Witzel, president and CEO of Carlson Hotels Worldwide, expands on this idea:

It doesn't matter what you write down on a piece of paper for your vision statement or your mission statement. It doesn't matter what you list for your values. It matters what you do. This gets down to execution, and that's why it gets so complicated. It's not just execution in the sense of "I walked over and cleaned the carpet," or "I walked over and picked up

the piece of paper.” It gets down to whether you embody the values of the organization. Do you embody the mission and vision of the organization? Do you do what you say you’re going to do? Actions that are trustworthy in nature build trust.

As in other aspects of management, culture is more surely shaped by managers’ actions than by their words.

Integrity and Change Efforts

The idea that followers respond to leaders’ actions more than to their exhortations applies even more critically to a company’s change efforts. Peter Kline, former CEO of Bristol Hotels and Resorts and current managing partner of Seneca Advisors, offers this perspective on change:

One of the biggest mistakes that happens over and over again, particularly in big companies, is that senior management expects behavioral patterns or attitudes to originate in the middle of the company, as opposed to from the top of the company. They try to operate with two different sets of rules. But the behavior of the entire company is going to reflect the behavioral pattern of the people at the very top. At Enron those problems didn’t start in the middle of the company. There is a tendency, when people reach the executive suite, to say they have already paid their dues and they can live a different existence from the people who are doing the real work. Leading by example is probably the cornerstone of any behavioral pattern that you are trying to put into place within a company.

Peter proudly describes how Bristol Hotels implemented a substantial change (an open-office policy) by starting with the senior executives. The cultural message was transmitted and the change effort was successful in large part because the company started it at the top.

Anyone who has attempted or observed organizational change efforts knows that conceiving a change is one thing and realizing it is quite another. One reason that so many change efforts fail is that the team at the top is unwilling to change the way it operates. Trust Unlimited principal Darryl Stickell provides a good metaphor related to connection:

The analogy I heard in one of the mutual fund companies that I was working with was that upper management felt that they were in a Porsche. They had these great ideas and were ready to drive! But everyone else was in a trailer behind them, and they had a faulty hitch. So they couldn’t drive too fast or take too many sharp curves because they would lose everyone.

Summary

In summary, employee perceptions of their leaders’ word-action consistency—their behavioral integrity, their promise-keeping, the extent to which they “walk their talk”—demonstrated extremely high impact on hotels’ bottom-line financial performance. In the hotels I studied, this single perception had more effect on profit as a percentage of revenue than commitment, satisfaction, justice, or even trust. Leadership integrity goes beyond driving employees’ engagement (although it does that); it creates an unambiguous direction for action and corporate culture.

As I spoke with executives about the benefits and challenges of behavioral integrity, the mechanism for the integrity dividend became clear. It fosters employee trust, provides clear direction, and promotes engaged employees. These factors in turn support enhanced initiative taking, problem solving, loyalty, and customer service. It permeates the organization to create a culture of integrity where people are happily accountable to each other. It may be the only way to implement espoused values throughout an organization and to ensure the success of change efforts. In short, integrity is an unmatched source of organizational success.

However, there are many challenges that render it difficult to implement and maintain. Future installments will explore those challenges, many of which are built into our organizations and our selling and procurement processes, and will formulate effective responses to them. ■

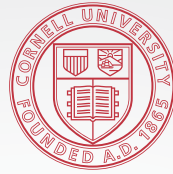
Join In!

You can discuss the effects of management trust on the CHR management blog: “Managing a Hotel’s Reputation: Join the Conversation,” started by Cornell faculty members Amy Newman, Judi Brownell, and Bill Carroll.

Here are suggested topics:

- (a)** behavioral integrity challenges and pitfalls encountered by managers or executives
- (b)** suggestions for managing those challenges and pitfalls
- (c)** suggestions for enhancing behavioral integrity for individuals, teams, and companies

Find the blog at www.hotelschool.cornell.edu/research/chr/pubs/tools/tooldetails-15939.html



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