

“Character is destiny.”

– Hericlitus

One element lies at the heart of leadership: character. Who you are impacts on how you lead. Successful leaders can tap into key character attributes to convey a compelling vision of the future. Leaders with character build organisations that are both competitive and supportive environments in which to work. Leaders with character not only touch hearts but are essential building blocks to socially responsible organisations and ethical management decision making processes.

By *James C. Sarros, Brian Cooper and Joseph C. Santora.*

What is it that sets one manager or leader apart in the capacity to achieve outcomes, inspire staff and sustain and energise corporate cultures? What are the secret ingredients that make up a successful leader’s “character”?

“Leadership Character” is an important but as yet untapped dimension of leader effectiveness. Leadership character promotes sustainable organisational cultures that balance economic and moral imperatives as part of their overall strategic missions.

Theresa Gattung, CEO of New Zealand telecommunications company Telecom NZ, and admired among her colleagues not only for her philosophy on leadership, but also for being candid about her vulnerabilities, recognises that good leadership consists of character ahead of personality.

“When I went to management school 20 years ago, I thought it was about personality, desire, determination and a little bit of technique. I didn’t actually realise it was about character and that struck me more as I have gone along...The leaders whom people respect and will follow have the characteristics of being themselves, of being passionate about what they are doing, communicating that in a heartfelt way that touches hearts,” Gattung says.¹

Leaders with character not only touch hearts, but are essential building blocks to socially responsible organisations and ethical management decision-making processes.

Character originates from the Greek word *charassein*, which means to scratch or engrave. Referring to a person’s character is a way of recognising that person’s idiosyncratic attributes or features. A key definition identifies character as an individual set of attributes that deal with “doing the right thing

despite outside pressure to the contrary.”² Without character, actions can become routine and meaningless. Character helps identify who we really are on the inside.

Integrity is a key character attribute. Our survey of more than 200 executives in Australia across the major industry groupings in public, private and not-for-profit organisations cited integrity as a basic component of ethical leadership. As a test of moral good and ethical behavior, integrity is the cornerstone of good citizenship, social responsibility, and psychologically healthy organisations and societies. Decisions based on integrity instead of economics should be associated with more sustainable and defensible organisational outcomes.

Writing in *Organisational Dynamics*, Gavin, Quick, Cooper and Quick (2003) agree that integrity is the core aspect of character. “We define character as personal integrity...the individual is undivided in his or her fundamental beliefs and attitudes, presenting those values to everyone...it is the strength and conviction to stand one’s ground and make the morally right decision even when it is difficult.”

The content of a person’s character significantly influences his or her legacy of leadership. Research indicates that leaders with character build organisations that are both competitive and supportive environments in which to work. For instance, the character attribute of integrity is highlighted when a leader aligns deeds with words and thereby reinforces followers’ views of his or her leadership approach. Other studies show how ethical behavior in leaders accounts for corporate well-being.

Our study of Australian executives was 57 per cent male, 70 per cent 30-49 years, 59 per cent with bachelor or graduate degrees, 23 per cent at top or executive levels of management, 36 per cent in the public

**“I have a dream today...
I have a dream that my four little
children will one day live in a nation
where they will not be judged by
the colour of their skin but by the
content of their character. I have a
dream today.”**

Martin Luther King Jr, 23 August 1963

sector (government, education), 50 per cent in private, share-listed, corporations, and the remainder in not-for-profit companies. (We also interviewed another 45 managers around Australia who participated in a larger and unrelated survey of leadership and organisational culture.) About 20 per cent of the managers had more than 10 year’s executive experience. From our results, we identified 17 character attributes, which we ranked from most prominent to least prominent (see panel). (Note: 12 of the character attributes originate in the 2003 study by Barlow, Jordan and Hendrix of US air force personnel).

THREE INGREDIENTS

In analysing the 17 character attributes, we identified three factors, Universalism, Transformation and Benevolence which we called Leadership Character and attached to them associated attributes (over page).

Universalism

Represents an understanding, appreciation and tolerance for the welfare of people generally and is a macro perspective approach to work and life. Universalism is manifested through the actions of respectfulness for others, fairness, cooperativeness, compassion, spiritual respect, and humility.

Respectfulness: Juliana Chugg, the former MD of General Mills Australasia, illustrated respect for her workers by dramatically altering the time employees needed to spend at the workplace by closing the doors at 1pm every Friday. Against the board's advice, this decision allowed the company's executives and factory workers to enjoy their weekends earlier. This action resulted in no job losses or salary reductions, no drop in productivity and no increase in working hours on other days during the week. Chugg, who now heads up General Mills' head office in Minneapolis, Minnesota, is the new face of home baking giant Betty Crocker, a \$1 billion business in the US alone. As a relatively young mother in charge of a diverse international company, Chugg understands the need to balance her personal and work demands. "The role of a managing director is not to make all the decisions. It is to get the people who have access to the right information together so that, collectively, they are able to make better decisions than they would on their own."³ Chugg received the Victorian Businesswoman of the Year award in 2000 for her visionary and caring approach to business.

Fairness: Fairness is treating people equitably and in a just manner. Max De Pree, the former CEO of furniture maker Herman Miller, is guided by a deep concern for others. His approach to life manifests itself in his approach to work and the way in which Herman Miller conducts its business affairs. De Pree believes a corporation is a community of people, all of whom are valued. His main contention is that when you look after your people with care and consideration, they in turn look after you.

Cooperativeness: The ability to work as a team has been praised as a strategic advantage. Unfortunately, many corporations frustrate good teamwork through complex organisational structures and protocols. One way of influencing attitudinal change is by appealing to individuals' sense of identity in the organisation's destiny. The more a leader assists workers in defining their work identities, the greater the chance of encouraging worker commitment, and building a cooperative workplace. Merck, a leading pharmaceutical products and services company in the US, promotes teamwork by providing employees with work that is meaningful in a safe and dynamic workplace.

Compassion: Compassion refers to showing concern for the suffering or welfare of others. In a com-

Benevolence
 Respectfulness
 Fairness
 Cooperativeness
 Compassion
 Spiritual respect
 Humility

Universalism
 Organisation loyalty
 Selflessness
 Integrity
 Honesty

pany sense, compassion manifests itself when leaders make an effort to understand the needs of their employees and take steps to address those needs and concerns. Linda Nicholls, Chairperson of Australia Post, argues that recent terrorist activities and the spate of corporate collapses around the globe have given rise to widespread social concerns for safety, security, and certainty. Nicholls argues leaders need to show compassion because of the fears such events have generated and to appropriately balance the drive for innovation, risk and growth with the human need for safety and security.⁴

Spiritual Respect: Today's organisations are multidimensional, achieving extraordinary outcomes through a multicultural and diverse workforce. Leaders who respect differences in workers' backgrounds, cul-

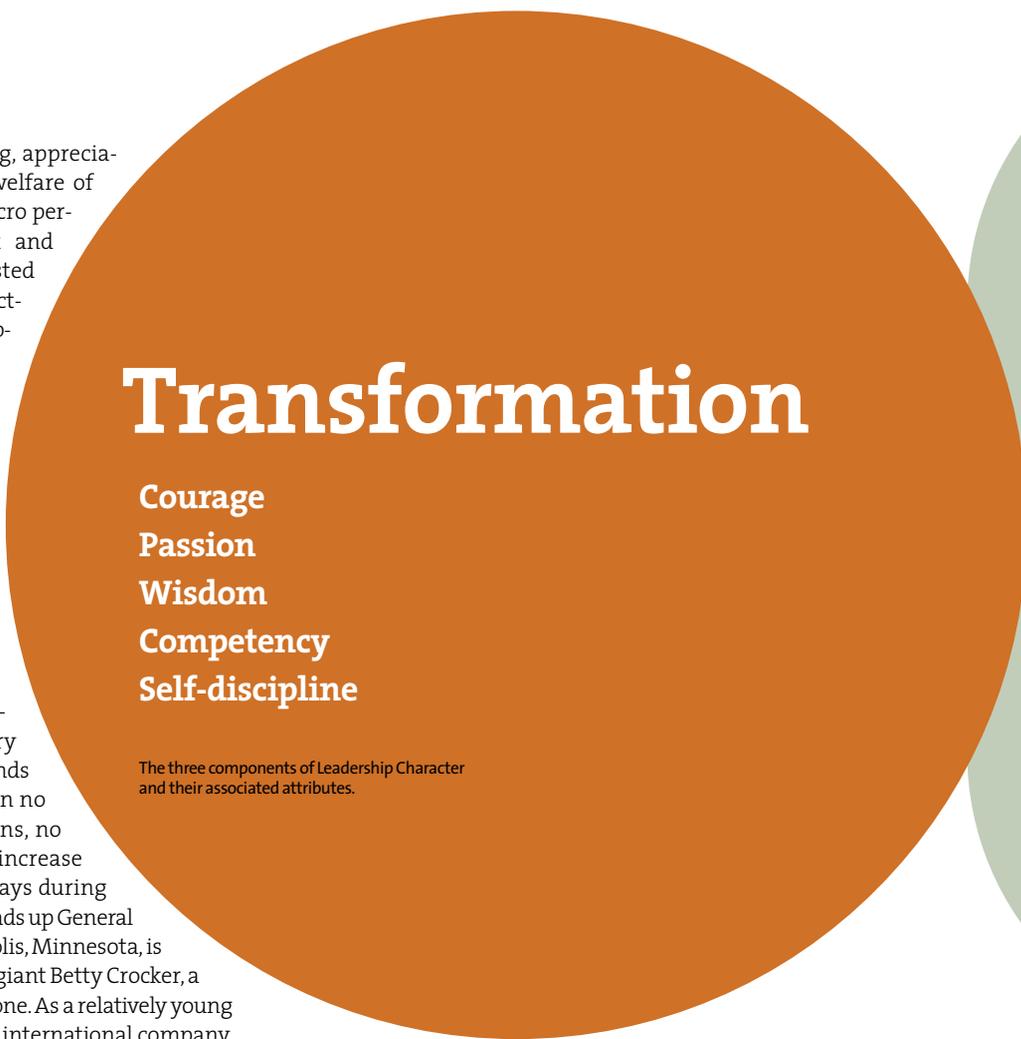
tures, and beliefs help build vibrant and relevant workplaces. Respect for individual beliefs and customs has a long pedigree. In Athenian society, Plato viewed leadership as "an activity with utility for the polis, the activity of giving direction to the community of citizens in the management of their common affairs, especially with a view to the training and improvement of their souls."⁵ The reference to soul suggests that leaders engage the full person and help make them a productive and morally strong member of society through their contributions in the workplace.

Humility: Fifth Century BC Chinese Taoist philosopher Lao-Tzu described humility as the capacity to keep yourself from putting self before others and argued that in doing so, "you can become a leader among men."⁶ However, humility may be an anachronism in a world recognised by the combat of commerce rather than by co-operative and collegial workplaces. Many western business leaders may reject humility as a desirable or useful attribute in today's fast moving, competitive world. Nonetheless, the common characteristics of company leaders who have achieved outstanding and sustainable financial performance in this dynamic environment include modesty, humility, quietness, and self-effacing behaviour. These attributes are indicators of leaders quietly aware of their roles in the overall scheme of things.

Transformation

Is how leaders achieve universal and benevolent outcomes. Transformational leaders with character have courage, passion, wisdom, competency, and self-discipline in their leadership repertoire.

Courage: From a business perspective, courage is having strong convictions in the strategic objectives of the company and being prepared to harness the minds of workers and company resources to achieve those objectives. Managerial courage includes the willingness to do what is right in the face of risk. Michelle Peluso, CEO of US travel company Travelocity, exemplifies courage. She knows that being innovative requires risk and facing the possibility of failure. Peluso proposed an innovative business model, "seamless connectivity", to assist Travelocity regain lost ground. The model focuses on customer and supplier satisfaction but it required an investment in technology and training. Investors expressed concern about the approach, however, Peluso didn't yield to these pressures. Instead, she worked hard



to influence investors by developing a strong rapport with employees and encouraging them to be innovative and passionate about their work. She introduced a weekly prize for outstanding and innovative work by staff. Her courage and conviction paid off. Travelocity has recently been certified as an official third-party distributor for the Intercontinental Hotels Group because of its supplier-friendly policies. The company is expected to return a \$10 to \$15 million adjusted operating profit in the 2004 to 2005 financial year, which is a significant turnaround from the \$28 million loss in 2003.⁷

Passion: Passion is about energy and deeply committed enthusiasm to producing the best one can. Passion is an indicator of a company's guiding principles, its *raison d'être*, and helps others identify the underlying culture of the organisation. John McFarlane, CEO of ANZ bank, Australia, believes leadership is about choosing to make a difference and that when you reflect on making a difference it must be in

areas about which one is passionate. A leader's passion can make a significant difference to the degree to which she inspires others or provides focus and motivation for the organisation. Leadership guru Warren Bennis thinks passion is inherent in effective leadership: "We are productive when we do what we love to do."⁸ If passion or love of your work or vocation is missing, then choose another vocation.

Wisdom: Wisdom is the ability to draw on knowledge and experience to make well-formed judgments. Wisdom underpins major decisions. BP's CEO John Browne was the first CEO in the oil industry to openly acknowledge the impact the industry was having on the environment and to highlight the ways of reducing green-house gas emissions. Browne advocated a responsible approach to limiting the energy industry's impact on the environment through BP's "Beyond Petroleum" campaign. This approach could have impacted on the company's bottom line, but the

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wisdom of the decision was that it tapped into the moral conscience of society at the time.

Competence: Competent leaders generate confidence in others. According to the former Australian Governor-General, Sir Ninian Stephens: "The first and most important ingredient of leadership seems to me to be to possess a rounded and comprehensive knowledge of the subject matter with which you are dealing and about which you want others to act in a particular way."⁹ FedEx's founder and CEO Fred Smith illustrates the power of competence. Awarded Chief Executive Magazine's 2004 CEO of the Year prize, Smith was recognised for his ability to take FedEx from being "just an idea to being a great company". Smith says that his vision for creating FedEx was the result of studying a mathematical discipline called topology. Through this study he realised that if you connected all points on a network through a central hub, the resulting efficiencies could be huge.¹⁰

Self-discipline: Leaders with self-discipline exercise appropriate personal control over their thoughts and actions and are able to manage and express emotions in constructive ways. Through self-discipline, leaders show they can be relied upon to make rational and logical decisions. Self-discipline requires the maturity to do what is needed, not always what is desired in the present moment. Amy Brinkley, Chief Risk Officer of Bank of America, exhibits such maturity. Brinkley includes self-discipline as a key component of her personal equation for success and in order to maintain the right balance between her roles as bank executive, wife, mother and as a member of her church and community. "I try very hard to be fully in the zone I am in at the moment. I give everything I have at that moment to what I am focusing on. I also abide by my own operating principles like staying away from voice mails and emails when I am with my kids and my husband."¹¹

Feelings matter, too *By Dr Simon Albrecht.*

There has been little research into the distinction between how employees feel about senior leaders and what they actually think about them. Although some preliminary research has been conducted on how the display of emotion by leaders impacts on the thoughts, feelings and behaviour of employees, very little research has been conducted on the consequences of how employees feel about their designated leaders. This is surprising considering that leadership success is inextricably linked to successfully generating employee commitment and motivation.

Much attention in recent leadership research has focused on transformational leadership theory. According to Bass and Avolio, transformational leaders inspire and motivate employees, help them view their work from new perspectives, help them become aware of the 'bigger picture', and motivate them to transcend personal self-interest in the interests of their organisation. Transformational leaders pay attention to the concerns and individual needs of their employees and influence how employees feel about their organisation. In support of this connection, Shamir, House and Arthur (1993), drawing from four independent studies of more than

2,000 employees, reported a mean-corrected correlation coefficient of .46 between transformational leadership and affective commitment.

Consistent with attitude theory, it is important to acknowledge that employees' reactions to their environment play an important role in determining behaviour. Not only is it important to know what employees think about their organisation, it is also important to know how employees feel about their organisation. Although distinctions between cognitively and affectively framed assessments of organisational experience have empirical support, measures of cognitive and affective organisational experience are often highly correlated. Within the organisational trust literature, for example, McAllister (1996), Clark and Payne (1997) and Cummings and Bromiley (1995) all reported very high correlations between cognitive and affective dimensions of trust.

My research findings are based on questionnaire data collected from a large private sector organisation operating within the entertainment and service sector. Questionnaires were attached to employees' pay slips, accompanied by a cover

letter, a participant information sheet and a return envelope addressed to the researcher. Of the surveys distributed to all full-time, part-time and casual employees, 654 (25 per cent) were returned. A subset of 256 responses, drawn from full-time employees, who reported they had from "moderate" to "a lot" of contact with senior management was used in the present analysis. Full-time employees and those who have contact with senior management would be more likely to have more fully informed perceptions about the leadership climate of their organisation.

The results suggest employees are able to reliably distinguish between the leadership constructs and that the constructs can be aggregated to a climate level of analysis. Also, both the affectively and cognitively framed assessments of leadership climate were found to influence affective commitment, cynicism toward change and intention to turn over. Given that these outcomes are widely regarded as critical indicators of organisational effectiveness, the results reinforce the important role that leadership plays in determining organisational success. The results also support the increasing importance that is

being placed on researching the affective dimensions of leadership.

At a practical level the results showed that leadership perceptions influence important organisational outcomes. Both affectively and cognitively framed transformational leadership dimensions were shown to influence the extent to which employees feel emotionally committed to their organisation and the extent to which employees are cynical toward change. Clearly, senior management, who have the ultimate responsibility for initiating and managing change, will be interested to know that by managing how employees think and feel they can influence employee predispositions toward change. By assisting senior management develop a broader repertoire of leadership practices within their organisations, organisation development consultants can thus contribute to developing a work force which is more proactive, more committed and more positively predisposed toward organisational change.

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Benevolence

Benevolence is a micro approach to work and focuses on concern for the welfare of others through one's daily interactions. It is an internal facet of leadership character and is associated with organisation loyalty, selflessness, integrity, and honesty.

Organisation Loyalty: Leaders who demonstrate loyalty to their organisation show a deep commitment to building organisational sustainability. Anne Mulcahy, CEO of Xerox, has exhibited a deep loyalty to her organisation. When she was asked by the board to take on the role of CEO, Xerox was in financial crisis, with a \$17.1 billion debt and \$154 million in cash. In 2000 the stock fell from \$63.69 a share to \$4.43. While Mulcahy had an excellent reputation within Xerox, she had no CEO experience. Despite the dire financial position of the company, the board recognised Mulcahy was straightforward, hard-working, disciplined and fiercely loyal. Mulcahy accepted the CEO role based on a sense of duty and loyalty. When Xerox's external financial advisors suggested Mulcahy consider filing for bankruptcy – the easier way out – she refused to do so. In her efforts to achieve an extraordinary corporate turnaround, it is claimed that Mulcahy did not take a single weekend off in two years. Timothy R. Coleman, a senior managing director at Blackstone, said of Mulcahy at the time: "She was leading by example. Everybody at Xerox knew she was working hard, and that she was working hard for them."¹²

Selflessness: Selflessness requires leaders to put others' interests ahead of their own. Selflessness is akin to servant leadership, according to E.B. Habecker (1987): "The true leader serves. Serves people. Serves their best interests, and in so doing will not always be popular, may not always impress. But because true leaders are motivated by loving concern rather than a desire for personal glory, they are willing to pay the price." David Maxwell, CEO of Fannie Mae, transformed a company that was losing \$1 million per day in 1981 to a highly effective company earning \$4 million per day in 2001. Maxwell's outstanding success at turning Fannie Mae's financial performance around saw him accrue a retirement package worth \$20 million. Believing this package would create public controversy, Maxwell instructed his successor to pay the balance of his package into the Fannie Mae foundation for low income housing. Leaders with character show concern for the interests of the company over personal gain or kudos.

Integrity: The word integrity comes from the Latin word *integritas*, meaning wholeness, coherence, rightness, or purity. Integrity has been defined as consistency between word and deed or as S. Woden (2003) wrote: "the perceived degree of congruence between the values expressed by words and those expressed through action." Roger Corbett, CEO and Managing Director of Woolworths, Australia's largest supermarket chain consisting of more than 150,000 employees and 1,500 stores, believes integrity is the glue that holds his values and the organisation's success together. "The closer you can get the business towards integrity and the further away from cynicism, then that really is a good measure of the effectiveness of your business ... integrity of purpose and example, of lifestyle and attitude, are probably the most important cultural contributions a leader can make to the business."¹³ Integrity manifests itself through speech as well as through behavior. We readily recognise people with integrity and those without. The need to appoint leaders with integrity indicates a new awareness that organisational results rely as much on personal attributes as they do on business acumen.

Honesty: Honesty is absolutely essential to leadership, according to S.A. Kirkpatrick and E.A. Locke (1991). People value working for leaders they can trust. Lindsay Cane is the CEO of an Australian national sporting body, Netball Australia. Her views on honesty and integrity testify to their important role in building leadership character. Netball Australia receives public funds and is involved with more than a million people nationally. Cane believes her ability to win the confidence of others is critical to the success of the organisation and relies on her capacity to be honest and direct. "I think it's really important I be seen as a very sound, honest person with high integrity and I need people to want to do business with me. The capacity to build relationships which relates to trust and listening and respect and empathy, those are very important things because they absolutely affect sponsorship outcomes, business financial outcomes, what money we get from the government, from corporate Australia, what money we might get in the future from our members."¹⁴

Greg Dooley, the Australian General Manager of international financial services and technology company Computershare, rates honesty as

the most important character attribute of leadership: "If you're dishonest as a leader then you've got no chance."¹⁵ Employees prefer leaders who they trust can be honest with them about the reality of their circumstances. The best leaders are respected, in part, because they level with people and tell it like it is.

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17 character attributes

10 Passion is having a source of energy or enthusiasm from one's soul that enables that person to produce extraordinary results.

11 Competency is being capable of performing tasks assigned in a superior fashion, excelling in all task assignments, and being effective and efficient.

12 Organisation loyalty is being devoted and committed to one's organisation.

13 Courage is setting a direction for the long term and taking people along without being hampered by fear.

14 Compassion is showing concern for the suffering or welfare of others and provides aid or shows mercy for others.

15 Selflessness is being genuinely concerned about the welfare of others and willing to sacrifice one's personal interest for others and their organisation.

16 Wisdom is possessing the experience and knowledge together with the power of applying them critically or practically.

17 Humility is the quality of being humble or a modest sense of one's own significance.

1 Integrity is adhering consistently to a moral or ethical code or standard. A person with integrity consistently chooses to do the right thing when faced with alternate choices.

2 Cooperativeness is the willingness to work or act together with others in accomplishing a task or some common end or purpose.

3 Fairness is treating people in an equitable, impartial and just manner.

4 Self-discipline is being depended on to make rational and logical decisions and to do tasks assigned.

5 Honesty is consistently being truthful with others.

6 Spiritual respect is valuing the spiritual diversity among individuals with different backgrounds and cultures and respecting all individuals' rights to differ from others in their beliefs.

7 Respectfulness is showing esteem for and consideration and appreciation of other people.

8 Employee loyalty is being devoted and committed to one's co-workers and subordinates.

9 Humour is having the ability to invoke laughter or see the funny side of a painful predicament.