SPIRITUAL-BASED LEADERSHIP AND CORPORATE REPUTATION:
The True Source Of High Integrity And Responsibility

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Leaders in world business are the first true planetary citizens. They have worldwide capability and responsibility; their domains transcend national boundaries. Their decisions affect not just economies, but societies; and not just direct concerns of business, but world problems of poverty, environment, and security. World business will be a key actor in the ultimate resolution of the macro-problem. It crosses national boundaries with much more ease than do political institutions and the business corporation is far more flexible and adaptive organization than the bureaucratic structures of government. [1]

Willis Harman, author of *Global Mind Change*

The Search, and the Benefits, For Responsible Business

Contemporary social research unmistakably shows that people everywhere are starving for leadership... starving to connect with leaders who are believable, trustworthy, and capable of actualizing the changes we need in this chaotic world.[2] Sure, we've had "leaders"... but what we need now are business people who can take the lead in transforming the character of organizations that have contributed to today's world trade turmoil… today's exploitation of people and natural resources… today's inequalities of educational and economic access… and today's global stress from an impossible pursuit of happiness through unlimited desires and acquisitiveness.

Indeed, people are looking – albeit skeptically – for business leaders to exercise true leadership. Research suggests that "the Western consumer has begun to expect more than high quality products and services from corporations. We are, for instance, increasingly concerned about the environment. We worry about the expanding gulf between the 'have's' and the 'have not's' around the world. The public is looking for corporations to demonstrate higher values."[3]

Is this a call for more "visionary" leaders in business? No – it's much more than that. More than just being visionary, true leaders must inspire courage, integrity, trust, and personal brilliance in their colleagues. In short, their leadership must be based on their personal character, and must build integrity and character throughout the organization.

The benefits of high-integrity and high-responsibility business fall into three arenas:

1. At the individual level, it is simply soul-satisfying, an exercise of our inherently

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[1] Harman, Global Mind Change, Knowledge Systems, Inc., Indianapolis, 1988
[2] Pearce, Leading Out Loud, Harper San Francisco, 1995
[3] Maio, "The Next Wave: Soul Branding," Design Management Journal, Winter, 1999

spiritual nature
2. At the corporate and community level, it leads to attracting more investors, more business, and more talented people
3. At the human society level, it increases our confidence and competence in the power of goodness

For example, at the corporate level, does it really attract a greater number of investors? "Socially responsible investing" surged impressively from 1995 to 1997 in the USA. " The assets in screened portfolios – that is, portfolios that exclude, for instance, tobacco and weapons companies or firms that are criticized for their labor practices – rose 227% in two years, from $162 billion to $529 billion. That's impressive, considering that during the same period the overall market grew only 84% and the S&P grew by only 60%."[4]

The case of Charles Schwab & Co. demonstrates the attraction of more business and more talented people. In the 1970's, Charles had a keen ethical insight that inspired a business breakthrough. He saw that Wall Street brokers were in an untenable conflict of interest: they were supposed to look out for their customers' investment interests, ye they made more commissions by convincing their customers to make more trades. He realized that hordes of well-educated investors didn't really need advice; they needed reliable transactions. Doubly armed, he set up his company to (1) not to pay any commissions, and (2) not to give any advice. His is a transaction company for informed investors, which has kept its position on top of its industry even though it's not the lowest-cost provider! Its reputation for integrity attracts customers who are willing to pay for the extra trustworthiness.

Today, the company attracts employees who are themselves dedicated to this "high road" strength of character. Indeed, by the mid-1990's, customers began clamoring for advice on what investment vehicles were best for them. An internal debate raged at Schwab about how to respond. Employees were adamant that the company should not compromise its integrity -- that the company's ethics were the very thing that had attracted them to working at Schwab! Finally they found the right formula for offering information that could help customers make more informed decisions without advising them.

The Call for Spiritually-Based Leadership

So how do business leaders develop and exercise this level of character? As we shall explore, it springs most deeply and most directly from our spiritual nature! *And therefore, the real call is for transformational leaders who base their leadership on their spiritual roots and values.*

You might be thinking that "spirituality" is much too soft for the hard world of business leadership. Or that the world is just not ready for spiritual-based leadership, even if it is "practical." Yet the evidence is compelling… from research around the world, and 17 years of experience by this author/ consultant on corporate innovation, having worked with 100+ companies on three continents.

When Motorola was a client of mine, Bob Galvin was chairman of the executive committee on Motorola's board of directors. To one group of executives, he described the primary job of leaders as "inspiring acts of faith ('things are do-able that are not necessarily provable'), spreading hope, and building trust." When asked how these values relate to the "real world

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[4] Ibid.

of business," he replied that executives must develop more than good technical or financial skills. They must develop character in themselves and others. He concluded, "Faith, hope, and trust... Theology is very practical business."

We've known that leadership depends on character for many millenniums. Kautilya's Arthashastra is a classic treatise from India on management written during the 4th century B.C. He insisted on a leader who had a long-term vision and who was upheld values such as piety, truthfulness, reliability, gratefulness, liberality, promptness, freedom from vices, and avoidance of harming others.[5]

Even in this century, we've sung the same song. For example, in 1955, management guru Peter Drucker stated that leaders should lead not only through knowledge and skill but through courage, responsibility, and integrity."[6] But recently, in the well-hyped focus on "visionary leadership," we have under-estimated or under-valued the relative importance of the character dimension. A study by the Stanford Research Institute gives the real weighting: only 12% of effective leadership is based on knowledge and vision; the other 88% is dealing appropriately with people![7]

Character impacts the leader's effectiveness with both vision and people. Character expands our horizons to include the interests of those beyond ourselves; thus it can illumine knowledge and convert it into wiser and more compelling visions. Character also creates resonance between the leader and others; by this the leader moves beyond "compliance" and inspires inner-driven *commitment.* In fact, given today's pace and chaos, *a true leader is one who can inspire people to take the initiative, based on their own intrinsic values, to implement a noble vision of change.*

Can leaders with a spiritual basis to their character really succeed in the business world? Take William George as another example. He is currently Chairman and CEO of Medtronic, a hi-tech corporation specializing in products and services to meet the needs of heart patients. He says:

> *At Medtronic we believe that if we first serve our customers well, provide products and services of unsurpassed quality, and empower our employees to fulfill themselves and the company's mission, we will indeed provide an outstanding return for our shareholders. (Note: Their stock has gown at more than a 25% annual, compounded growth over the past 40 years, compared to the Dow Jones or S&P 500 average growth of 10-12%.).[8]*

As George points out, this does not mean introducing religion into the workplace:
> *We are all spiritual beings. To unleash the whole capability of the individual -- mind, body, and spirit -- gives enormous power to the organization. That's what I believe is 'spirituality in the workplace,' to unlock the real sense of significance of the organization's purpose. This has nothing to do with religion. People of many faiths, or no faith at all for that matter, can join together in a common cause of service to others through their work.[9]*

Spiritual character is different from religious observance. Religions are institutions each with

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[5] Kumar and Rao, Guidelines for Value Based Management, Journal of Business Ethics, 15:415-423, 1996
[6] Drucker, The Principles of Management, 1955
[7] Chibber, Sai Baba's Mahavakya On Leadership, Thomson Press, Faridabad, 1994
[8] Renesch and DeFoore, The New Bottom Line, New Leaders Press, 1995
[9] ibid.

their own sets of beliefs, rituals, and codes of conduct. When Jesus was asked, "Which of the Ten Commandments is the greatest?" it was a question of religion. When He answered, "Love God... and love your neighbor..." His answer was one of spirituality.

Love as the Basis for High Integrity Reputations

As stated by Sathya Sai Baba, the global spiritual leader from India, the essence of spirituality is anything that evokes or expresses Divine Love -- love that is fearless, unconditional, and selfless. Religions have in common that they were originally formed to lead people to a greater evocation and expression of spiritual love. Love is the basis for all other spiritual values and for character. For example, love in speech is Truth, love in behavior is Right Action (responsible action), love in thought is Inner Peace, and love in understanding/wisdom is Non-Violence. These five core values -- love, truth, responsible action, inner peace, and non-violation – are found in all spiritual traditions. These values are also "built in" to our spiritual-human nature.

Sai Baba goes on to say that character is expressed at three levels: individual, organizational/national, and humankind. How do these values show up individually? A clerical person would do his or her best quality work, even if no one were watching. It means a professional would tell the truth about errors or delays, even if it meant a temporary reprimand. It means an executive would continually strive to find creative new ways to deliver goods faster, without costly delays to his or her customers. It means a sales person would not over-promise what a product would do, or overcharge for them. It means a manager would actively seek to serve people rather than hide behind bureaucratic rules.

Demonstrating the impact of these values at an organizational level is an ongoing study of the "100 Best Companies to Work For" in the USA. Fortune Magazine assesses corporations based on five dimensions (with Sai Baba values in parentheses): credibility/trustworthiness (truth, peace), respect (love), fairness (right action, non-violation), meaning of work (right action), sense of family/community (love). Southwest Airlines (#4), PeopleSoft (#6), Goldman Sachs (#7), and Hewlett-Packard (#10) are some of the well-recognized names in the top ten. Overall, these top 100 companies that adhere firmly to high-integrity character have an average growth rate more than 50% higher than the 2,000 or so competitors in their industries! Love, and related values, can actually be synonymous, and synchronous, with great business success. Indeed, the reputations for living by noble values help attract top talent, who then contribute to outstanding growth and performance.

At the level of humankind, these values create the atmosphere to bring people together to heal conflict and enrich community. They are, for example, the spiritual common ground amidst the diversity of religions. In Stephen Covey's words, "If we live and lead by principles, we gain the moral authority to unify divisive factions within our circles of influence and our areas of responsibility."[10] For example, why did Isaac Tigrett start the Hard Rock Cafés? He states:

> In England in those days, the social classes were still completely separated. There was literally no place in London where a baker and a banker could meet to talk. I wanted to break that system.

Isaac decided to open an "absolutely classless" restaurant with a friend, and rented a space in the ultra-fancy Mayfair. He opened the first overtly-American restaurant in England connected with the youth-movement of those times. With his timing, his concept, and the

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[10] Covey, "Moral Leadership," in Executive Excellence, October 1999, page 3

location - it was a smashing success from the very first day. Standing in line were those bankers and bakers, Labor politicians and laborers. And his employees were just as transformed by working there as the society by eating there. His formula for success? In every kitchen, on every menu, in every staff meeting, on every T-shirt, the mantra was the same: "Love All, Serve All."

> *All I did was put spirit and business together in that big mixing bowl and add love. I didn't care about anything but people. Just cherish them, look after them, and be sensitive to them and their lives.*

For the business boomed worldwide as it did, it took many inspiring leaders, not just Isaac himself. Isaac helped develop these next generations of his business leaders by imbuing business goals and the means of attaining them with noble values, and his leadership actually built character in the process. The reputation of the Hard Rock Café spurred its amazing growth, attracted the right talent, and ultimately became a huge "asset" that turn Isaac's initial $60,000 investment into a $108 million sale of the business 20+ years later.

The Readiness for Spiritually-Based Leadership

Are consumers and employees spiritual enough to accept business leaders who are more spiritual in their values? They themselves are becoming more spiritual and wanting more and more of it everywhere in their lives. A survey by the Gallup Organization in America found:[11]

- 79% say they have no doubts that God exists
- 60% say they have absolute trust in God
- 48% had occasion to talk about their religious faith in the workplace in the previous 24 hours
- 78% felt the need in their life to experience spiritual growth (up from 20% five years earlier)

Are our model leaders ready to exercise spiritually-based, transformative leadership? A panel of distinguished leaders, including the presidents of Notre Dame and the University of California, plus a NATO ambassador, identified a list of "transformational leaders who not only get the job done, but in a way that creates trust, creativity, commitment, and ethical behavior." Those selected to be interviewed included a former governor, a US senator, a college president, a CEO in healthcare, and other successful leaders who " Their findings include:[12]

- 72% spoke in strong and clear terms of the importance to them of their spiritual traditions.
- 77% said there is a strong and vital relationship between spirituality and leadership practices;
- 59% commented that spirituality into the workplace is essential to organizational health and productivity.

"At least two lessons emerge from this study:
> 1. There may be a profound link between the ability to be a transformational leader and a personal sense of spirituality. Spirituality tends to ground us in a greater good beyond the self, helps us value other people, creates in us an aspiration towards ethical behavior, and teaches us that we cannot know or control everything ourselves. When

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[11] "Religion in the Workplace," in Business Week, New York, Nov.8, 1999

[12] Jacobson, "Spirit matters: 22 Transformational Leaders Reflect on the Role of Spirituality in Their Life and Work," in Renesch and DeFoore, The new Bottom Line, new Leaders Press, 1996

matched with the right skills, discipline, and dedication, a leader can have much more depth and sensitivity.

2. The project suggests that there is a great desire to integrate spirituality into the workplace but also a keen awareness of the problems involved. Not everyone speaks the same spiritual language. Not everyone is nurtured by the same tradition. Failure to live up to proclaimed spiritual values can lead to skepticism and cynicism."

Ultimately, spiritual values take us beyond ourselves to a realm larger than our own interests, as Isaac Tigrett and others demonstrate. And THAT is what people are looking for today, and what the world needs today. Peter Drucker speaks of the responsibility we have as business leaders to stretch our interests 'beyond the walls' of our organizations.

How to balance the common good and the special purpose of the institution is the question we must answer. We know that this integration can be achieved when leaders take responsibility beyond the walls. They have to lead their organizations to performance. At the same time, members of the organization have to take community responsibility.[13]

Any company that successfully integrates performance and community responsibility will thrive. This can occur best when (1) leadership is firmly grounded in spiritual principles, (2) business skills are applied with excellence, and (3) and people strive to "walk the talk" and apply high values to its products, its communications, and its internal management practices. Then the brands of that company take on an allure to anyone interested in high integrity. That reputation will return multiple dividends for corporations and communities in terms of greater investment, greater growth, and greater abundance of top quality talent. And beyond that, as stated at the beginning, for the individual it is deeply soul satisfying. And for humanity, we all gain greater confidence in the power of love and character to provide for our material as well as spiritual well-being.

In Conclusion…

It's too late to argue about whether spirituality belongs in the workplace. Our spiritual values go to work with us, and it's time we exercise leadership based on them. We are all called to lead the way to a new story about leadership and spiritual values in business. As stated by Michael Ray, professor at Stanford University's Graduate School of Business:

The real heroes of today are people dealing with the challenges of a world in chaotic transition. They know the difficulty and suffering that is part of this world. But they also have full faith in their inner creativity or spirit with its infinite intuition, will, joy, strength, and compassion. They know that the joy and promise of life is taking these inner qualities and bringing them forth in a constant quest for the highest for themselves and everyone around them.[14]

When we step up to this challenge, this call, to be business leaders steeped in our spiritual values, our companies will take the lead in building the character -- and thus the reputation -- required for sustainable growth in this new millennium.

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[13] Drucker, "Creating Community," in Executive Excellence, October 1999, p.5
[14] Ray, "The New Entrepreneurship: A Heroic Path in a Time of Transition," Renesch and Ray, The New Entrepreneurs, New Leaders Press, 1994