2019

The State of Moral Leadership in Business

HOW Metrics®: New Metrics for a Reshaped World —Rethinking the Source of Resiliency, Innovation, and Growth

LRN® *Inspiring Principled Performance®*

Table of Contents

A Message from
Dov Seidman

I am delighted to share our second report on *The State of Moral Leadership in Business*. This is the latest volume of HOW Metrics®, our ongoing effort to analyze how governance, culture, and leadership influence behavior and impact performance. The results of our 2019 research provide further proof that the imperative for moral leadership is more urgent than ever.

Never before have individuals had such power to do good or harm. With one swipe, we can put ourselves into intimate proximity with one another, regardless of our differences or our physical distance. We can form richer connections, join new communities, encounter life-changing ideas. We can see deep into once-opaque institutions and into the character of those in charge of them. These connections can deepen our empathy. But they can also be used to spread vitriol with breathtaking speed, undermining the truth and trust that are the foundations of vibrant democracies, dynamic economies, and healthy societies.

At the same time, with the rise of intelligent machines, we are beginning to experience dramatic disruption in how work itself is defined and performed. Increasingly, machines are not just outproducing and outprocessing us, they are even beginning to outthink us. We are being challenged to focus on and scale the unique ways in which humans contribute and create value.

Together, these unprecedented forces are radically reshaping our world, compelling business executives to reimagine how they manage and lead. The imperative is no longer to do the next things right—tasks that are easily transferred to machines—but rather to do the next right things.

In a top-down world, formal authority, armed with carrots and sticks, was sufficient to get people to do the next thing right, exactly as specified. But in our now-interdependent world formal authority is less potent. Only moral authority can build trust, inspire colleagues, create meaning, or help people imagine a different and better future—in other words, enabling them to do the next right things.

Human systems can't function without formal authority, whether it's the Commander in Chief, a CEO, or a school principal. But what makes organizations really work is when leaders occupying those formal positions have moral authority, too. While formal authority can be seized, won, or bestowed, moral authority must be earned by who you are and how you lead.

Moral leadership is not about moralizing. It's not simply taking a stand on social or political issues, although that can be part of it. Moral leadership is rooted in and guided by a moral framework and set of principles that inform how leaders approach everything they do: how they interact with others, how they make decisions, how they manage and conduct themselves. Above all, moral leadership is about how leaders touch hearts, not just minds—how they enlist others in a shared and significant endeavor, and create the conditions where everyone can contribute their fullest talent and realize their deepest humanity.

In this report, we focus extensively on the behaviors moral leaders demonstrate—how they earn their moral authority every day—and the resulting impact on performance. We then offer a set of suggestions for how to scale these behaviors across an organization, so that all colleagues, regardless of role, can embrace and embody moral leadership.

It is my sincere hope that this report will encourage leaders to take the deliberate and necessary steps to build their own moral authority, scale moral leadership across their organizations, and seize the opportunities of our reshaped world.

Dov Seidman

Dov Seidman
Founder and CEO, LRN
Author of *HOW: Why HOW We Do Anything Means Everything*

Executive Summary

The research in the 2019 *State of Moral Leadership in Business* report confirms that the case for moral leadership is growing stronger. We see both a growing desire by employees to work with moral leaders and stronger conviction that leading with moral authority helps both individuals and companies perform better.

In this year's report, we provide evidence that moral leaders are more effective at achieving business goals than their peers. They are better at encouraging creativity and imagination, they make people feel like they matter, they are trusted by their colleagues, and they inspire individuals to contribute their best. These leaders foster ethical workplaces and are more resilient in the face of obstacles.

Despite the demand and the growing evidence of the benefits, however, this year's data once again show that moral leadership remains a rarity in business. This report describes what moral leaders do and offers insights into how to scale moral leadership throughout an organization.

The imperative for moral leadership grows stronger.

Employees are hungering for moral leadership. In our survey of more than 1,100 executives, managers, and employees in companies across industries in the United States, 87% of respondents say that the need for moral leadership is greater than ever. They also believe that moral leadership will enable them and their organizations to perform better. For example, 72% of respondents said their companies would be more successful in taking on their biggest challenges if their management led with moral authority. This compares with only 59% in 2018.

The link to improved performance is clear.

According to the survey data, 94% of managers and executives who lead with moral authority, rather than relying solely on the formal authority of their roles, are viewed as effective at achieving business goals. This compares with 14% of managers who do not demonstrate moral leadership. Moral leaders were also regarded as more effective at encouraging innovation (90% vs. 11%). Overall, managers and executives who adopt the behaviors of moral leadership are seen as setting up the conditions for success; they remove barriers and free employees to contribute their best efforts.

Moral leadership remains in short supply.

The data, however, also show that few executives and managers have earned moral authority by adopting the needed behaviors. Only 7% of survey respondents said their managers consistently exhibit the behaviors of moral leadership. Alarmingly, 59% of respondents say their managers exhibit few or none of the behaviors of moral leadership. These managers are ten times more likely to treat people unfairly, eight times more likely to hoard information, and five times more likely to prioritize short-term results over the long-term mission.

What moral leaders do.

We identified seven practices that employees almost always see moral leaders doing. They start with a pause, see employees as people, foster freedom, demonstrate humility, act with courage, seek the truth, and uphold ethical standards. Each of these practices has a unique impact, but they have the greatest effect when used together.

CEO activism is only part of the story.

In the survey, 45% of respondents said they saw their CEO taking a stand on social and political issues on behalf of their company. This reflects the blurring lines between public and private spheres and a recognition of shifting expectations from customers, employees, and others. But, activism by itself does not make a CEO a moral leader. Only one in four respondents say their CEO consistently exhibits the key behaviors of moral leadership.

Executives make or break moral leadership.

Our study validates that one of the greatest determinants of whether moral leadership takes root across an organization is the degree to which senior executives model moral leadership behaviors. When CEOs do not consistently behave as moral leaders, 89% of managers under them fail to lead with moral authority. The research shows that respondents surrounded by managers who fail to lead with moral authority are 42 times more likely to believe that individuals will be ignored if they take a stand for doing the right thing, and 34 times more likely to believe that they will be punished for doing so.

The takeaway of this research is simple: the time for moral leadership is now. Moral leadership is well-adapted to the particular challenges that companies face today—whether it's the never-ending demand for growth, innovation, and better performance; the disruption of business models and the changing nature of work; or the reverberations of the ongoing moral challenges in society. Importantly, moral leadership is not only for top management. Everyone has the power to behave like a moral leader, regardless of their role or rank, and when they do, the entire organization can move forward and outperform peers in a reshaped world.

The Foundations of Moral Leadership

In his work, Dov Seidman describes four pillars that guide behavior and help build and sustain moral authority:

Let purpose lead.

Leaders gain moral authority when they define a worthy and noble purpose for their organizations, one connected to human progress. They see the path ahead as a journey, one with ups and downs, and create space and opportunity for others to join them on it.

Inspire and elevate others.

Moral leaders help others succeed by creating an atmosphere where people feel trusted and are willing to take the risks that go with trying big things. They create space for others to lead and give teams the freedom to carry out their work in ways that they believe will be most effective.

Be animated by values and virtues.

Instead of focusing on doing the next things right, moral leaders focus on doing the next right things. They speak up for their principles, even when it makes them uncomfortable, or is difficult or inconvenient. They move forward with both courage and patience.

Keep building "moral muscle."

Being a moral leader requires constant wrestling with questions of right and wrong, fairness and justice, and with ethical dilemmas. Leaders should never stop asking if what they and the company are doing is compatible with their purpose and mission, and should regularly invite everyone to join in with these discussions.

Figure 1

Demand for Moral Leadership

■ 2019
☐ 2018

87%
Say that today, the need for real moral leadership in business is more urgent than ever.

73%
62%
Think their colleagues would do a better job if managers at their company relied more on moral authority as opposed to their formal authority.

72%
59%
Think their company would be more successful in taking on their biggest challenges if their leadership had more moral authority.

82%
Think their company is exposed to risk when they fail to consider the ethical or moral implications of what we do.

% of respondents who answered "yes."

The Case for Moral Leadership

In the 2018 *State of Moral Leadership in Business* report, we found strong demand for moral leadership and a conviction that leading with moral authority helps managers and companies outperform their peers. This year, those findings have been validated and we have expanded our insights into the impact of moral leadership. This year's results—based on a survey of 1,105 U.S. employees from a cross-section of industries and representing all levels of responsibility, from individual contributors to CEOs—show that demand for moral leadership has risen and that there is more recognition of the performance benefits. (See Methodology for more detail about respondents).

The Imperative for Moral Leadership Is Growing Stronger

By an overwhelming margin (87%), respondents said that the need for moral leadership in business is more urgent than it has ever been. Respondents believe that moral leadership will help them and their companies perform better. This year, for example, 73% of respondents said that their colleagues would do better if their managers and executives led with moral authority, rather than relying solely on formal authority. This is an 11-point increase from 2018. The share who said that leading with moral authority would help the company succeed in tackling its biggest challenges rose from 59% to 72%, a 13-point increase.

Moral Leadership Mitigates Risk

In the study, 82% of respondents said their companies face greater risks when they fail to consider the moral and ethical implications of what they do. This sentiment rises to 92% among respondents from the largest companies (with $10 billion in revenue or more) and in heavily regulated industries, such as finance and pharmaceuticals, likely reflecting the increased scrutiny these organizations face.
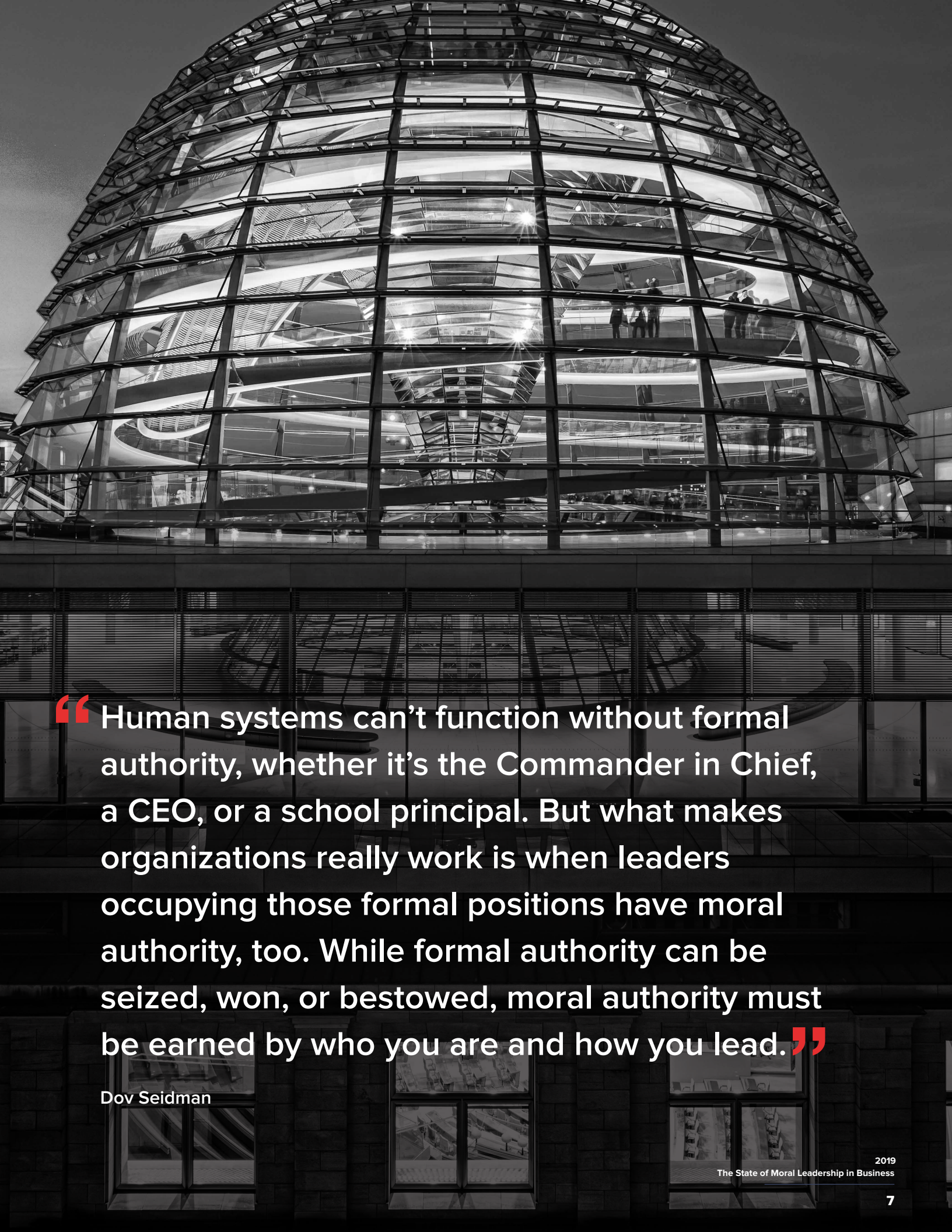
> **"** Human systems can't function without formal authority, whether it's the Commander in Chief, a CEO, or a school principal. But what makes organizations really work is when leaders occupying those formal positions have moral authority, too. While formal authority can be seized, won, or bestowed, moral authority must be earned by who you are and how you lead. **"**

Dov Seidman

The Link to Improved Performance Is Clear

Our data clearly show that moral leaders significantly outperform their peers. In this year's study, we asked respondents to indicate how often they see their managers and executives exhibiting the behaviors of moral leadership. We looked at a total of 43 behaviors, ranging from treating everybody with respect to wrestling with difficult ethical questions. The managers and executives who scored highest on these behaviors—those who consistently demonstrate at least 75% of the behaviors—also appear to be better performers: 94% of respondents said that these leaders are effective at achieving their company's business goals, compared with 14% of managers and executives who fail to consistently exhibit moral leadership behaviors (Figure 2).

The top performers on moral leadership behaviors also rated highly on key management objectives, such as increasing discretionary performance, unleashing creativity, and fostering more ethical workplaces. For example, 94% of those who consistently demonstrate moral leadership encourage creativity and 90% enable innovation. They also rated highly on key management attributes: 94% were trusted by their peers and 81% were considered more resilient in the face of obstacles and challenges.

The research also examined the extent to which managers and executives who exhibit moral leadership create the conditions for others to excel. We found that 90% of the people who work for moral leaders say they feel seen, heard, and respected, 89% say they feel like they matter, and 95% say they are inspired to contribute their best efforts when they work for these leaders. This illustrates that moral leaders recognize that humanity must be at the heart of their endeavors. They connect with the people they work with and elevate performance by inspiring others to give their best.

Figure 2
Performance Impact of Moral Leadership

Legend: Bottom Tier · Second Tier · Third Tier · Top Tier

Achieve Business Goals
- 14%
- 57%
- 73%
- 94%

Encourage Creativity and Imagination
- 13%
- 50%
- 70%
- 94%

Enable Innovation
- 11%
- 44%
- 68%
- 90%

Foster Ethical Workplaces
- 9%
- 47%
- 76%
- 84%

Trusted by Colleagues
- 12%
- 48%
- 70%
- 94%

Resilient in the Face of Obstacles
- 12%
- 46%
- 64%
- 81%

Employees Feel Seen, Heard, and Respected
- 9%
- 49%
- 70%
- 90%

Employees Feel Like They Matter
- 10%
- 47%
- 72%
- 89%

Inspire Best Efforts
- 11%
- 51%
- 69%
- 95%
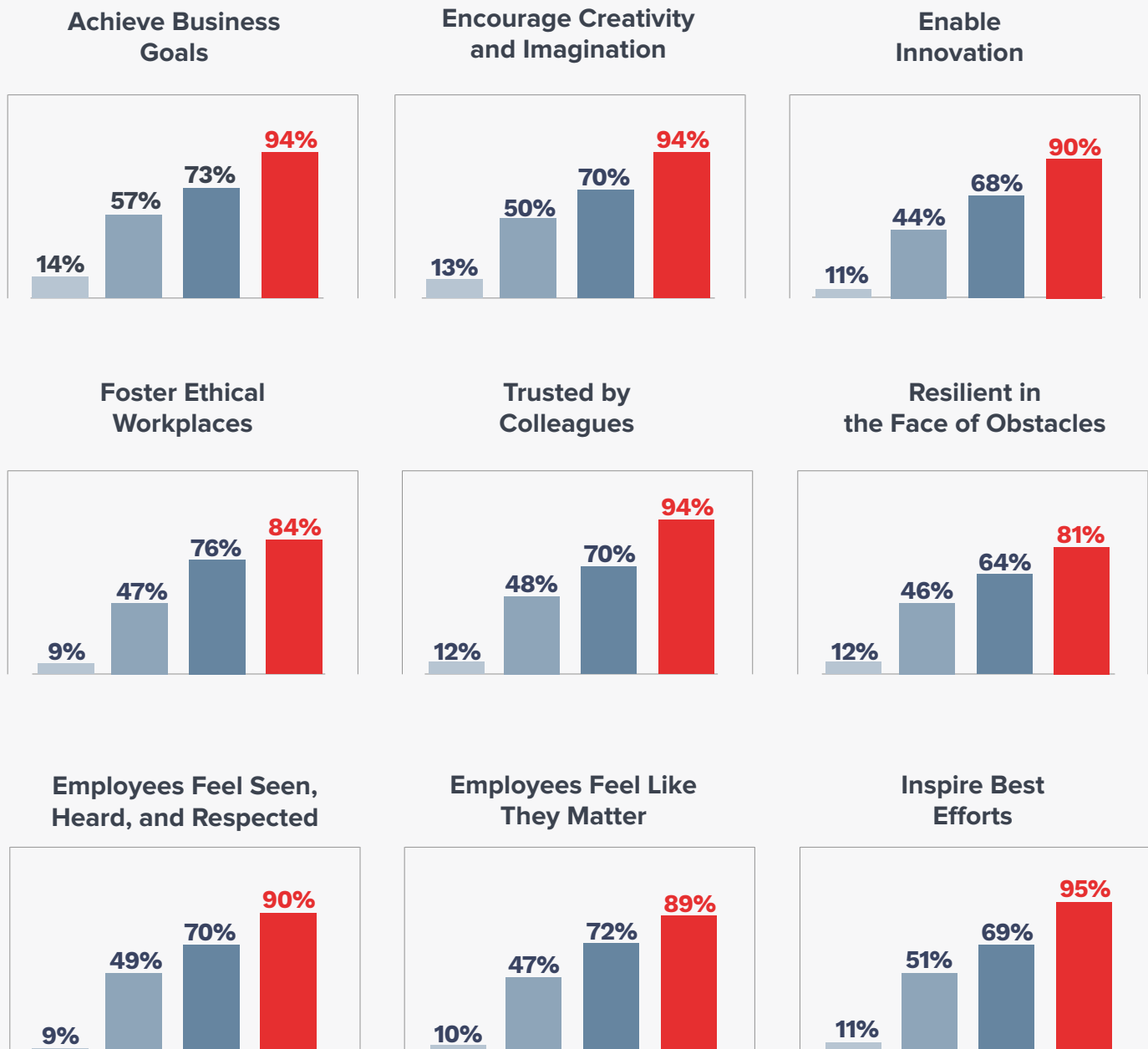
% of respondents who answered "almost always true" about their managers or executives, organized by tiers representing how consistently their managers demonstrate moral leadership behaviors. See Methodology for a full explanation of how the tiers are determined.

Moral Leadership
Is in Short Supply

Despite the demand for moral leadership and its effectiveness, only 7% of managers and executives consistently demonstrate moral leadership behaviors (Figure 3). Indeed, 41% of respondents said that their managers and executives exhibited less than a quarter of the moral leadership behaviors we tracked. And 18% said they have not seen managers and executives closest to them (including their own boss) consistently demonstrate a single moral leadership behavior.

Figure 3

Prevalence of Moral Leadership Among Managers

7%

Consistently demonstrate 76–100% of behaviors.
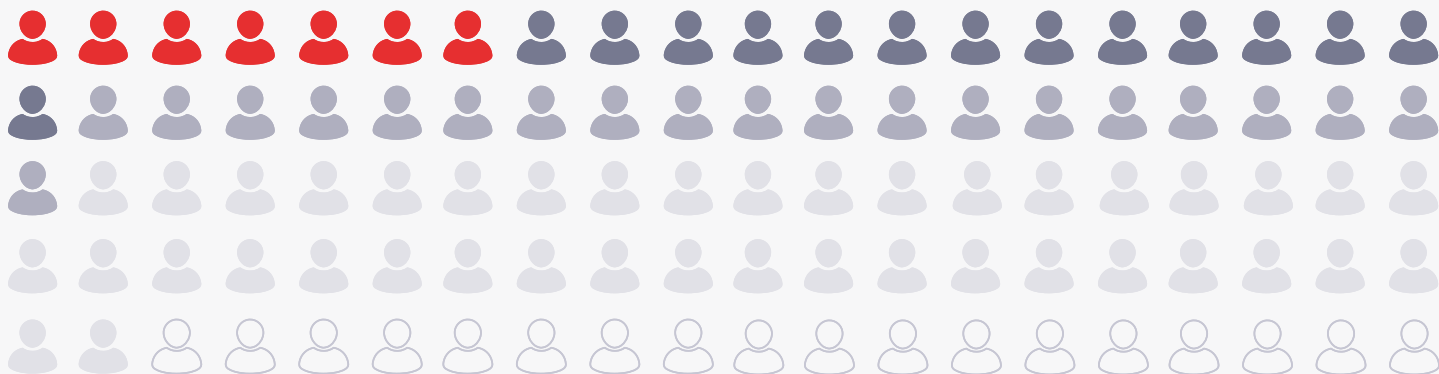
14%
Consistently demonstrate 51-75% of behaviors.

20%
Consistently demonstrate 26-50% of behaviors.

41%
Consistently demonstrate 1-25% of behaviors.

18%
Do not consistently demonstrate any moral leadership behaviors.

% of managers and executives.

Figure 4

Moral Leadership in CEOs

26%
20%

Pursue a significant and noble purpose, one that will make the world a better place.

26%
15%

Elevate others by demonstrating empathy and building connection.

29%
22%

Animated by virtue and principle, with high integrity and committed to doing the right thing.

27%
20%

Help others to develop the wisdom to make the right call.

% of respondents who answered "almost always true" about their CEOs, benchmarked against LRN's *The State of Moral Leadership in Business 2018.*

CEO Activism Is Only Part of the Story

One of the important trends we see in the private sector is an increasing number of top leaders taking strong moral stands on social and political issues—immigration, for example. We believe this reflects the blurring of lines between public and private spheres in an interconnected world and an acknowledgment that customers, employees, and other stakeholders expect corporations to take moral stands. Increasing the pressure on CEOs to act, 37% of respondents say that the heightened divisions on social and political issues have started to affect relationships in the workplace.

But, activism by itself does not make a CEO a moral leader. While 45% of respondents say they have seen their CEOs take a public stand on an important issue, only a quarter describe their CEOs as consistently embodying any of the four pillars of moral leadership.
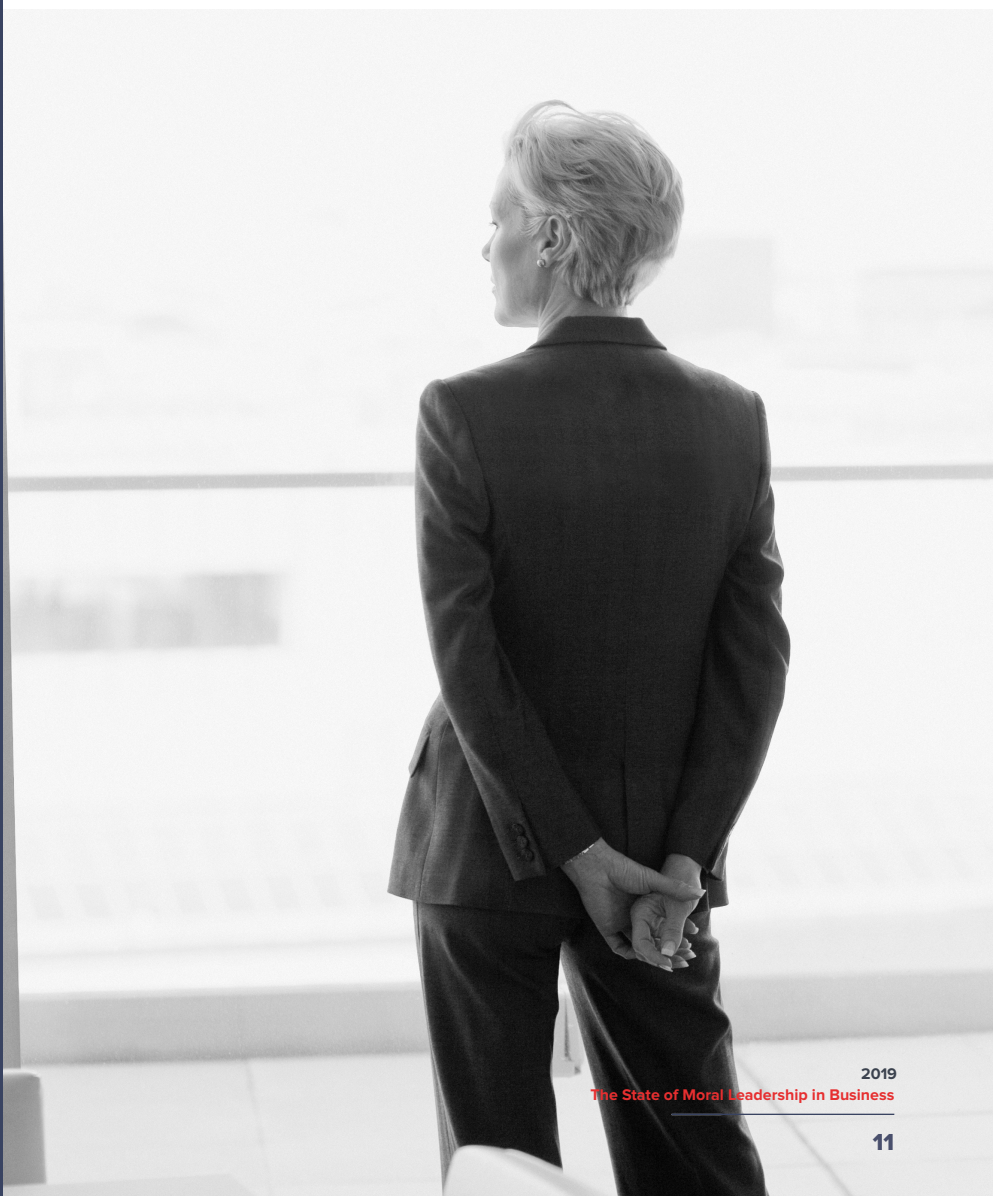
What Moral Leaders Do

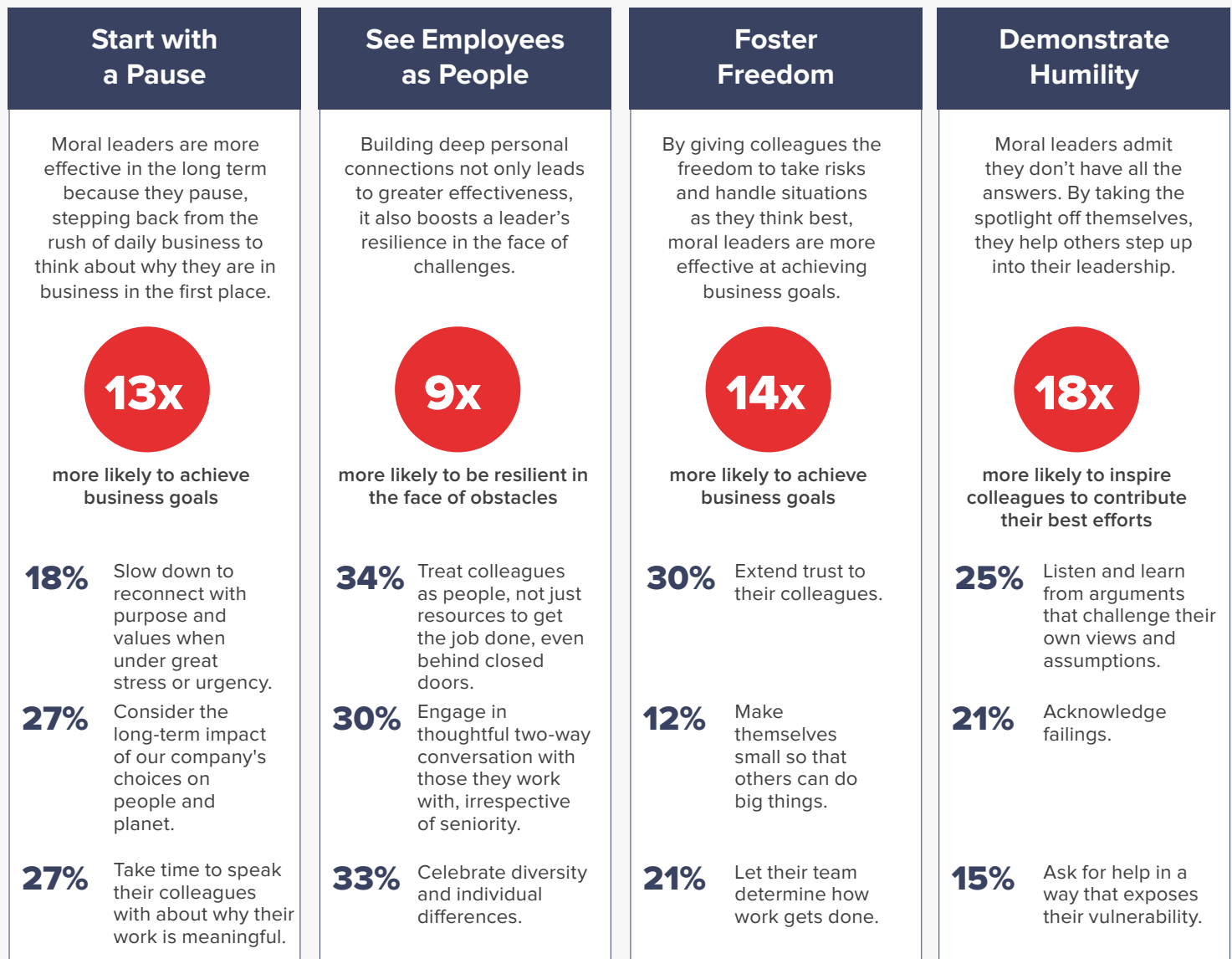You don't become a moral leader by being granted a title or a position. Leaders do not accrue moral authority automatically by being promoted into a higher position or by delivering blockbuster results. Moral authority is earned every day in how you show up and the ways in which you behave.

To develop a clearer understanding of what moral authority looks like in action, we identified seven practices that are based on clusters of behaviors and are almost always demonstrated by moral leaders in our study. While each practice yields desirable outcomes, when they are used in concert, they provide a platform that enables moral leaders to outperform. This underscores the breadth and multidimensionality of moral leadership. Managers and executives who are rated in the top tier of moral leadership consistently demonstrate these practices almost all the time. Most survey respondents see their managers and executives demonstrate some of these practices some of the time.

Figure 5
Moral Leadership Practices

Start with a Pause	See Employees as People	Foster Freedom	Demonstrate Humility
Moral leaders are more effective in the long term because they pause, stepping back from the rush of daily business to think about why they are in business in the first place.	Building deep personal connections not only leads to greater effectiveness, it also boosts a leader's resilience in the face of challenges.	By giving colleagues the freedom to take risks and handle situations as they think best, moral leaders are more effective at achieving business goals.	Moral leaders admit they don't have all the answers. By taking the spotlight off themselves, they help others step up into their leadership.
13x	**9x**	**14x**	**18x**
more likely to achieve business goals	more likely to be resilient in the face of obstacles	more likely to achieve business goals	more likely to inspire colleagues to contribute their best efforts
18% Slow down to reconnect with purpose and values when under great stress or urgency.	**34%** Treat colleagues as people, not just resources to get the job done, even behind closed doors.	**30%** Extend trust to their colleagues.	**25%** Listen and learn from arguments that challenge their own views and assumptions.
27% Consider the long-term impact of our company's choices on people and planet.	**30%** Engage in thoughtful two-way conversation with those they work with, irrespective of seniority.	**12%** Make themselves small so that others can do big things.	**21%** Acknowledge failings.
27% Take time to speak their colleagues with about why their work is meaningful.	**33%** Celebrate diversity and individual differences.	**21%** Let their team determine how work gets done.	**15%** Ask for help in a way that exposes their vulnerability.

Act with Courage

By having the courage to stand up for what is right, moral leaders build ethical workplaces.

20x

more likely to foster an ethical workplace

19% Call out issues of right and wrong, even if outside of their managerial purview.

27% Stand up for people who are being treated unfairly, even at risk to personal relationships or standing.

22% Make amends when they get it wrong.

Seek the Truth

When moral leaders insist on seeking the truth of every situation, they earn the trust of their colleagues.

18x

more likely to be trusted by their colleagues

22% Go out of their way to seek the truth.

20% Ask difficult questions about right, wrong, justice, and fairness.

22% Change their minds when they realize they were wrong.

Uphold Ethical Standards

By holding the highest ethical standards, moral leaders impose the constraints that spur even more creative thinking.

10x

more likely to encourage creativity and imagination

36% Behave in accordance with company values, even when nobody is watching.

24% Explain the ethical considerations behind their decisions.

34% Make it clear that bypassing rules or policies to reach targets or deadlines is not acceptable.

% of respondents who answered "almost always true." Statements are illustrative of a broader set of behaviors that, together, provides a statistically valid measure of each moral leadership practice. Impact numbers compare the performance of managers and executives who consistently demonstrate each practice against those who rarely demonstrate that practice.

When Moral Leadership Is Missing

A small share of managers and executives stand out for engaging in all the practices we have highlighted. But 59% of respondents say their managers exhibit few or none of the behaviors of moral leadership consistently. These individuals have not earned moral authority and, according to the survey, are ten times more likely to treat people unfairly (61% vs. 6% for top-tier leaders), eight times more likely to give orders and commands (59% vs. 7%), eight times more likely to keep relevant information to themselves (55% vs. 7%), and five times more likely to emphasize profit and short-term objectives (50% vs. 10%). Even more distressing, these leaders account for 70% of the abuses of power and 67% of the unethical behavior that respondents observed.

Figure 6

Managers Who Fail to Practice Moral Leadership

10x more likely to treat people differently and unfairly

8x more likely to give orders and commands

8x more likely to keep relevant information to themselves

5x more likely to emphasize profit and short-term objectives

Comparing the responses of those whose managers and executives who are in the bottom tier relative to top tier of moral leadership.

Figure 7
Role Modeling

89% of managers and executives in the bottom tier of moral leadership have a CEO who does not lead with moral authority.

When managers are not modeling moral leadership, respondents believe there are negative consequences when leaders take a stand for doing the right thing.

42x more likely to be ignored

34x more likely to be held back or fired

34x more likely to lose credibility

30x more likely to be criticized

Analysis looked at participant responses to the question "What happens when leaders take a stand for doing the right thing at your company?" and compared answers of respondents whose managers and executives are in the top and bottom tiers of moral leadership.

Scaling Moral Leadership

It is natural to assume that moral leadership is about how people who hold the highest positions of formal authority behave. In reality, moral authority can and should be exercised by everyone in an organization. But creating the conditions in which all employees can behave as moral leaders requires deliberate action and specific choices. It may start with role modeling at the top, but it must ultimately be designed into the systems and processes that govern how an organization operates.

Executives Make or Break Moral Leadership

One of the greatest determinants of whether or not moral authority takes root and scales across an organization is the degree to which people at the top model it. When moral authority is absent at the top, it will be absent throughout an organization. Having executives and managers who do not lead with moral authority not only inhibits performance, but also prevents others from embracing moral leadership and adopting the appropriate behaviors. On the other hand, our study found that having a CEO who commits to moral leadership is very powerful: three-quarters of the managers and executives who exhibit moral leadership serve CEOs who are described as leading with moral authority. Not surprisingly, 89% of leaders who seldom demonstrate moral leadership have a CEO who fails to lead with moral authority (Figure 7).

People take their cues from what they see happening around them: if they believe that moral leadership is rewarded, they are much more likely to try it. So, the consequences of behaving like a moral leader (or failing to do so) matter a great deal. Three-quarters of respondents believe that when leaders in their companies take a stand for doing the right thing at work, the consequences are positive. They believe moral leaders are respected, praised, held up as models, and eventually they are promoted. The research also shows that if people don't see moral leadership around them, they assume that there's nothing for them in moral leadership.

According to our survey, if the managers and executives with whom respondents work most closely (including their direct manager and peers) demonstrate few or none of the moral leadership behaviors, they are 35 times more likely to believe that bad things happen to leaders who take a stand for doing the right thing. Organizations, therefore, should think hard about what to do with the 59% of managers and executives who fail to consistently exhibit the behaviors of moral leadership. They are not only likely to underperform, they are also likely to discourage the would-be moral leaders (and potential outperformers) who work with them.

Figure 8

Gaps Between What Is Said and What Is Done

When managers and executives are not moral leaders, respondents are more likely to see a say-do gap between:

9x how their company says they value their people and how they actually treat them.

9x how their company talks about purpose and what they actually do.

8x what their company expects from leaders and how they are held accountable by management.

8x their company's stated commitment to do the right thing and the effort they put into getting things right.

Comparing the responses of those whose managers and executives are in the bottom tier relative to top tier of moral leadership.

The Say-Do Gaps of Moral Leadership

Employees are quick to see any gaps between what the company says about its commitment to moral leadership and what actually goes on. Approximately one in four respondents in our survey see a gap between how their company talks about purpose and how it conducts business. The same share of respondents sees gaps between how companies say they treat people and how employees feel they are treated; between what their organizations say they expect from leaders and how they are held accountable; and between their organization's stated commitment to do the right thing and the amount of effort devoted to getting things right. People who work for leaders who demonstrate few moral leadership behaviors consistently are more than eight times more likely to observe these say-do gaps and seven times more likely to see abuses of power and unethical behavior. Companies that commit to leading with moral authority but fail to "walk the talk" could wind up with demoralized, frustrated employees and deteriorating performance.

Focus on Development

An essential way to scale moral authority is to include moral leadership mindsets, skills, and practices in development programs. Today, moral leadership is not often included in these programs. For example, only half of our survey respondents said their company's leaders receive training on how to discuss the complex moral issues that arise in workplaces today. And 27% of respondents who are in HR roles said leadership development efforts do not adequately teach leaders to inspire colleagues to do the right thing.

Organizations that want to seed moral leadership should invest in both formal and informal opportunities to help leaders build the habits, practices, and capabilities we have described in this report. They can do so by designing programs that give leaders the opportunity to pause and really think about the nature of their responsibilities and what it means to be a moral leader. Leaders also need a chance to dedicate time to wrestling with the moral issues facing their organizations. In a learning context, leaders can be exposed to new frameworks of behavior that can translate directly into their roles. They can work through moral challenges with guidance and coaching and learn to create the ecosystems of support they can rely on to remain resilient as they exercise moral courage and pursue principled performance. In this way, development efforts designed at the system level will drive the needed behavioral change at the individual level, offering leaders pathways for building the moral muscle required in today's reshaped world.

> **Moral leaders don't stop learning and growing just because they've accumulated formal authority. They continue to build knowledge and wisdom—and in doing so generate moral authority.** "

Dov Seidman

Reshaping an Organization's Operating System

Organizations need systems that expect moral leadership, rather than protect against it. For moral leadership to take root, systems must focus on shared human values, emphasize purpose and freedom, and assume employees can be trusted to act in accordance with purpose. This means looking at all of the systems and processes that govern how an organization operates. It also means enabling anyone in the organization to challenge leaders when they fail to prioritize doing the right thing and hold them accountable.

A more human operating system cannot be shaped without the help of people who must live within it. Typically, systems designers working alone fail to think through what moral leadership can evoke and the risks its absence creates. They seek to manage tensions as opposed to finding ways to transcend them. They prioritize a control mindset as opposed to encouraging freedom, and they perpetuate limiting beliefs about what people can and should do. To overcome this, senior management must co-create and embed new systems that encourage moral authority at all levels of the organization.

In our work, we have found that three systems influence individual and organizational behavior: governance, culture, and leadership (GCL). Governance refers to formal structures, rules, and policies. Culture refers to norms, traditions, habits, and mindsets. Leadership is defined by how managers behave, the source of their authority, and how they exercise authority. Using the GCL lens, we have identified three dominant archetypes and assessed the impact of each on organizational performance.

The HOW Report

In the HOW Report, based on data collected from 16,000 employees in 17 countries, we found organizations fall loosely into one of three dominant archetypes with distinct patterns of organizational and individual behavior. Self-governing organizations produce better business outcomes by all meaningful measures.

Blind Obedience	Informed Acquiescence	Self-Governance
Power-based, task-driven organizations that operate through command-and control-based principles and policing, and that place little emphasis on building enduring relationships among colleagues, with customers, or within society. Employees are coerced to do as they are told under the threat of punishment or adverse consequences. Such organizations focus on short-term goals.	Rules-based, process-driven organizations that operate through hierarchy, policy, and 20th-century "good management" practices. Employees are motivated by performance-based rewards and expected to fulfill the expectations of their roles. Long-term goals are identified, but are often set aside in favor of short-term success.	Purpose-inspired, values-based organizations that are led with moral authority and operate with a set of core principles and social imperatives. Employees are inspired by a desire for significance and encouraged to act as leaders regardless of role. Such organizations are focused on long-term legacy and sustainable performance.

What You Can Do Today: Habits to Build Moral Muscle

If you have taken the messages in this report to heart, you may be asking how you might begin to build your own moral authority. It starts with a look inward and reflection about your own nature and beliefs, followed by a deliberate effort to develop and use the habits and practices of moral leaders. If you're keen to take this journey, below are a few suggestions to help you get started.

Start with a pause to consider the deep and noble mission that truly inspires you—the kind of mission that can only be achieved over the long term. Envision the opportunities for inspiration that might be just around the next corner and use these insights to enlist your colleagues.

See employees as people and remember that each communication is an opportunity to truly connect. Even if you are conveying detailed technical information, how you communicate makes a difference. Moral leaders connect with hearts as well as minds.
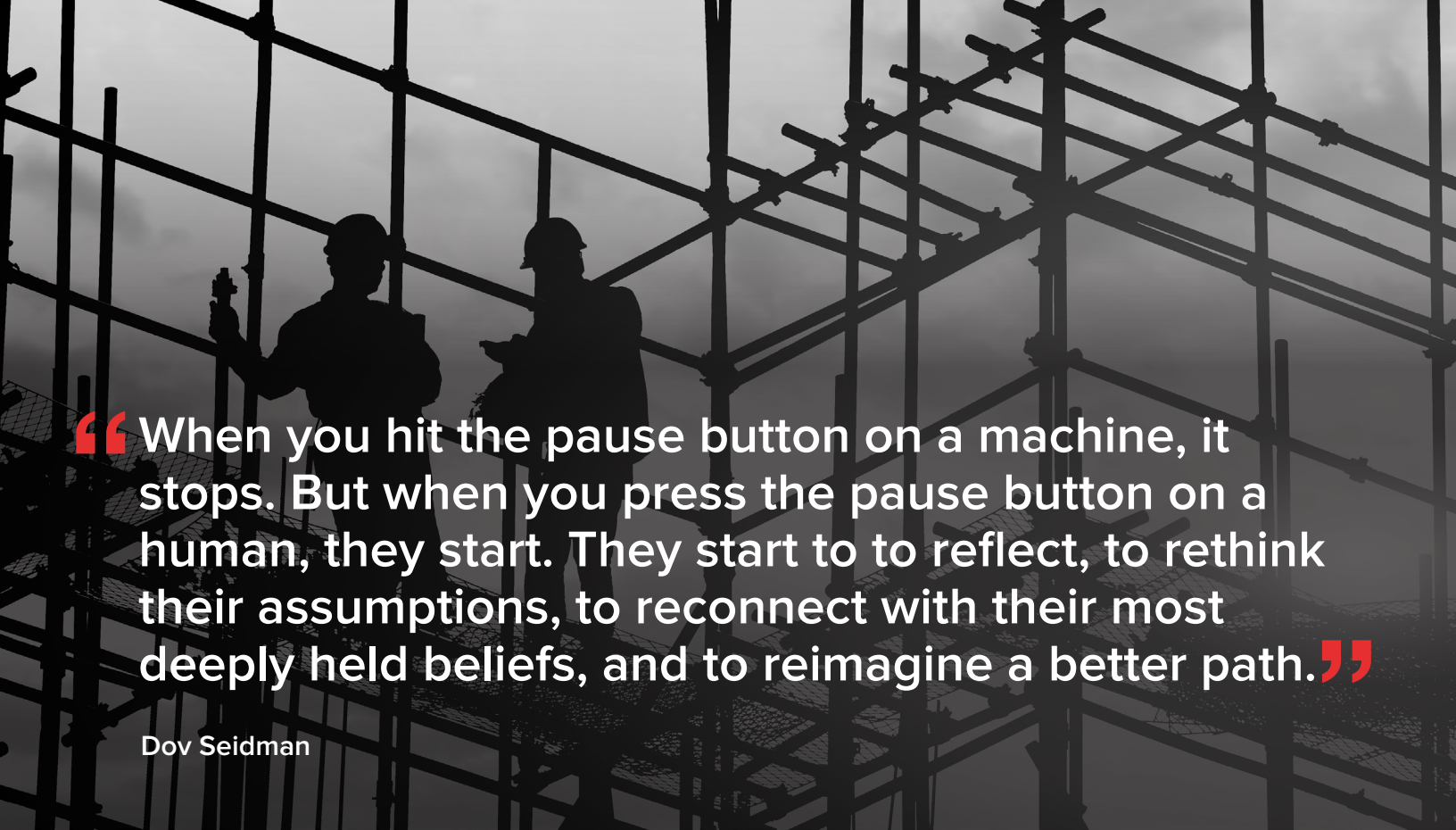
Foster freedom by inviting new voices and participants into the conversation, and shine the spotlight of recognition on those who step in. Diversity of perspective is good in its own right, but when used to provide opportunities for others to shine, it multiplies the benefits.

Demonstrate humility by asking for—and listening to—tough feedback. It can be hard to receive feedback but do so with curiosity about the impact of your actions, which may not be at all what you intended. Never leave a feedback conversation without aligning on what will be different in the future.

Act with courage by taking a stand on a moral issue, even if it's unrelated to your direct business objectives or might entail personal risk. Others may not know how much courage it takes, but you will develop confidence in your ability to act from moral conviction.

Seek the truth by learning the art of a graceful challenge. Use respectful questions to probe whether a decision or action is the most fair and just thing to do, and ask colleagues to join you in reflecting on different paths and their implications.

Uphold ethical standards by explaining the moral considerations embedded in your actions. When you do, you help others understand how you've upheld ethical standards and help them learn how to elevate their own behavior. To encourage others, remember to use effective praise to acknowledge ethical behavior when you see it.

> **When you hit the pause button on a machine, it stops. But when you press the pause button on a human, they start. They start to to reflect, to rethink their assumptions, to reconnect with their most deeply held beliefs, and to reimagine a better path.**
>
> Dov Seidman

Conclusion: The Time Is Now

The goal of this research is to show the state of moral leadership—how much demand and adoption there is, how moral leadership affects employees, and how leading with purpose and acting on ethical principles enhances organizational performance. We believe that the case for moral leadership continues to gain credibility. In addition to the evidence of rising demand for moral leadership that we present, we also know that there is a push from consumers and investors.

If the reasons to embrace moral leadership continue to grow, why are so few managers, executives, and CEOs choosing it? Why are they reluctant to commit to a pursuit of significance? Reasons include inertia and fear of change. Many leaders must "unlearn" what they learned in business school. For example, it's outside the comfort zone of most leaders to regularly pause and reflect deeply on their most fundamental values and hopes for the future, then align the business with them. Having the humility to ask for advice and help—and possibly exposing vulnerability—feels like weakness. But it's a key way to build trust. And it feels good, too. Leaders who adopt the behaviors we describe in this report quickly discover that really connecting with colleagues and sharing a commitment to a meaningful purpose is energizing and exciting.

We do not minimize the effort involved in the personal and organizational journey to moral leadership. It's hard work. Like the best performers in any field, true moral leaders go to the gym and practice their skills every day. They tone, strengthen, and stretch their moral muscles by wrestling with questions of right and wrong, fairness and justice, sustainability, and long-term benefit for all stakeholders.

The effort to infuse moral leadership across the organization is an even greater undertaking. It requires muscle building on a large scale, detailed planning, investment, and time. This journey should be recognized as a significant culture change. However, we also know that the more we practice moral leadership, the more knowledge is gained, the more effective an organization becomes at deploying these powerful behaviors. This creates a positive feedback loop.

The takeaway from this research is simple: the time for moral leadership is now. This is true not only because the challenges and opportunities of our reshaped world already make the case for moral leadership stronger, but also because moral leadership is so well-adapted to the future of work, in which employees and intelligent machines collaborate. Moral leadership will help companies make the transition and unleash the uniquely human traits and capabilities that will differentiate competitors in the age of intelligent machines. Companies that embrace moral leadership now will reap the largest rewards.

Methodology

The theoretical foundation of this study was developed by Dov Seidman in his book, *HOW: Why HOW We Do Anything Means Everything.*

A total of 1,105 full-time, white collar, private-sector employees in the United States participated in this study (see Participant Demographics for full breakdown). The survey asked participants to rate the extent to which their direct managers and executives demonstrate 43 behaviors of moral leadership on a five-point Likert scale (almost always true to almost never true). Participants were then asked to rate those same managers and executives across six business performance markers and three perception items (five-point Likert scale of strongly agree to strongly disagree).

To establish the presence of moral leadership in managers and executives, we applied a tier method to the 43 behaviors. That is, managers and executives were characterized as demonstrating moral leadership if participants responded "almost always true" to more than 75% of the 43 behaviors. Managers and executives for whom participants answered "almost always true" for 25% or fewer behaviors were characterized as least demonstrative of moral leadership, and so on.

Moral leadership in CEOs was measured by the extent to which CEOs demonstrated each of the four pillars of moral leadership (five-point Likert scale of almost always true to almost never true).

Respondents were asked to answer each of the questions based upon their personal observations and direct experiences in their work environment. To minimize bias, survey items were randomly presented, and the final sample excluded anyone whose survey-taking behavior demonstrated low engagement.

We created seven composite indices to measure various dimensions of moral leadership—termed moral leadership practices—in managers and executives, the accuracy of which was validated using statistical reliability testing. We took the average of participants' responses to each question within an index and converted to a 1–100 scale. Participants were categorized as having leaders who scored high on an index if the average score was greater than 70. An average score of 40–70 was considered medium, and an average score of less than 40 was considered low. We then quantified the difference in performance between participants scoring their managers and executives high, and those scoring their managers and executives low for each moral leadership practice.

Participant Demographics

Category	Item	%
Company Size (# employees)	1,000–1,999	**11%**
	2,000–4,999	**18%**
	5,000–9,999	**25%**
	10,000 or more	**47%**
Company Size (Revenue)	$500MM to $1.5BN	**27%**
	$1.5 MM to $5BN	**37%**
	$5 MM to $10BN	**26%**
	$10BN or higher	**26%**
Position	Executive Leadership	**11%**
	Senior Management	**18%**
	Individual Contributor	**25%**
Tenure	6 months to 1 year	**6%**
	1 year to 3 years	**18%**
	3 years to 5 years	**19%**
	5 years to 10 years	**27%**
	More than 10 years	**30%**
Gender	Female	**57%**
	Male	**43%**
Age	18–24	**9%**
	25–34	**33%**
	35–44	**30%**
	45–54	**16%**
	55–64	**12%**
Industry	Business Services	**5%**
	Consumer Products and Services	**6%**
	Education	**9%**
	Energy & Utilities	**2%**
	Financial Services	**2%**
	Hospital, Health, and Social Services	**5%**
	Manufacturing (including Aerospace and Defense)	**9%**
	Pharmaceuticals and Biotech	**9%**
	Real Estate and Construction	**2%**
	Retail	**14%**
	Software and Internet	**9%**
	Telecommunications	**3%**
	Transport and Storage	**3%**
	Travel, Recreation, and Leisure	**2%**
	Wholesale and Distribution	**2%**
	Other	**8%**

About HOW Metrics®

HOW Metrics® is a suite of cutting-edge assessment solutions that enables organizations to better understand behaviors and forces that animate behavior across their systems. The 20th-century adage that "you manage what you measure" remains as valid as ever, and in a globally interdependent world, the choice of what you measure matters more than ever before. HOW Metrics helps leaders rethink the fundamentals of how they lead, govern, and operate companies and institutions. The frameworks and models used in HOW Metrics are discussed more fully in Dov Seidman's book *HOW: Why HOW We Do Anything Means Everything*. Visit www.HOWMetrics.com to explore our research.

About LRN

Since 1994, LRN has helped more than 20 million people at 700-plus companies worldwide simultaneously navigate complex legal and regulatory environments, meet and exceed compliance obligations, and foster ethical cultures. LRN's combination of practical tools, education, and strategic advice helps companies translate their values into concrete corporate practices and tangible leadership behaviors that create sustainable competitive advantage. In partnership with LRN, companies need not choose between living principles and maximizing profits or enhancing reputation and growing revenue: all are a product of principled performance. As a global company, LRN works with organizations in more than 100 countries. For more information, visit www.LRN.com or find us on Twitter @LRN.