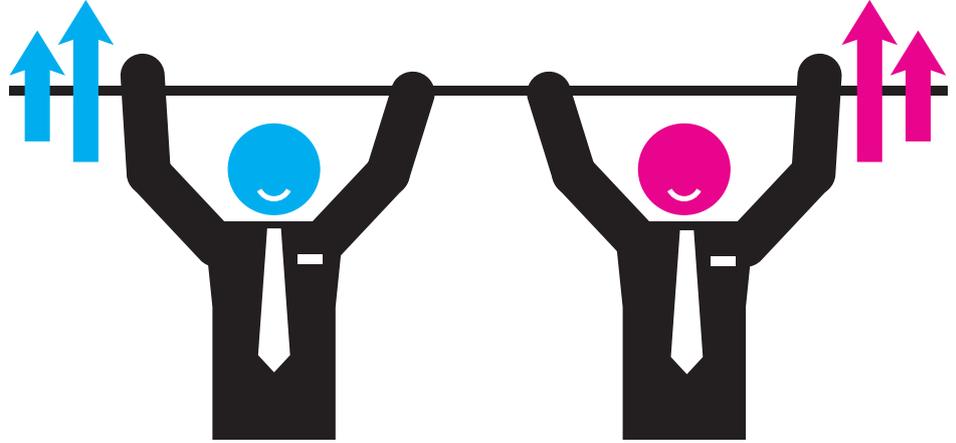




THE MORALDNA OF PERFORMANCE.

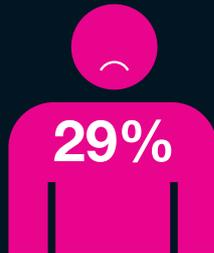
Better values, better decisions,
better outcomes.

Strong management ethics and strong organisational performance go hand in hand with improved performance in areas such as...



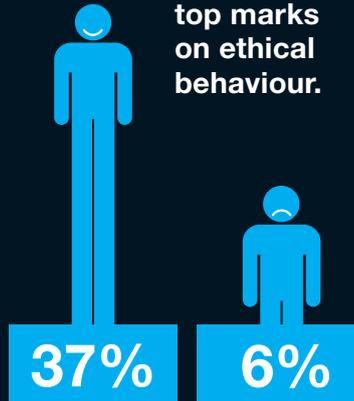
- Staff and customer satisfaction
- Risk attitudes
- Management effectiveness
- Financial performance
- Community engagement

29% of managers rate their organisation as mediocre or worse on ethical behaviour...



...that's nearly 1 million managers across the UK.

37% of managers give themselves top marks on ethical behaviour.



GROWING ORGANISATIONS

22% of managers in declining organisations say theirs isn't ethical at all.



DECLINING ORGANISATIONS

Coaching and visionary leadership



Commanding and controlling leadership

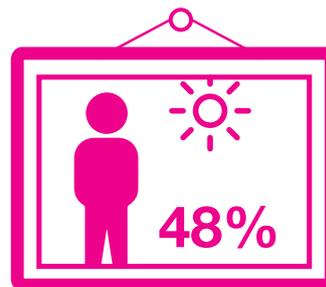


75%

Of managers say management effectiveness in their organisation is excellent

18%

Senior managers have a rosier picture of ethical standards. They're more than twice as likely to rate them as good or excellent...



...compared with their more junior colleagues.

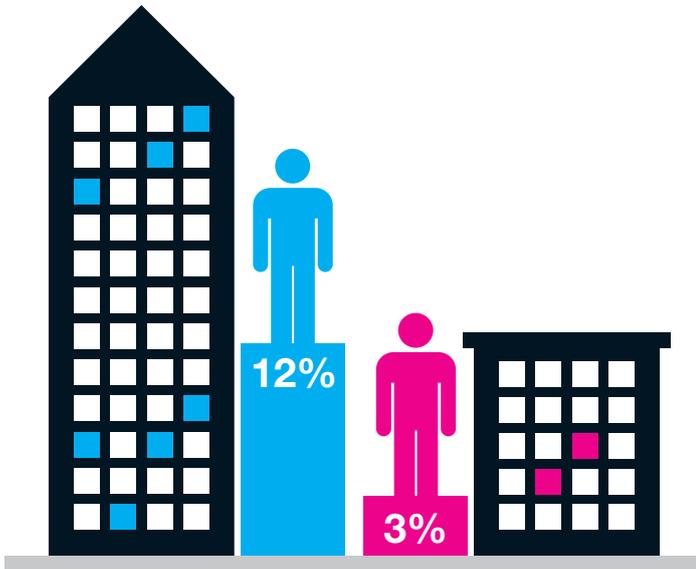
To find out more visit:
www.managers.org.uk/moralDNA
or join the conversation at #CMIethics

MORALDNA™



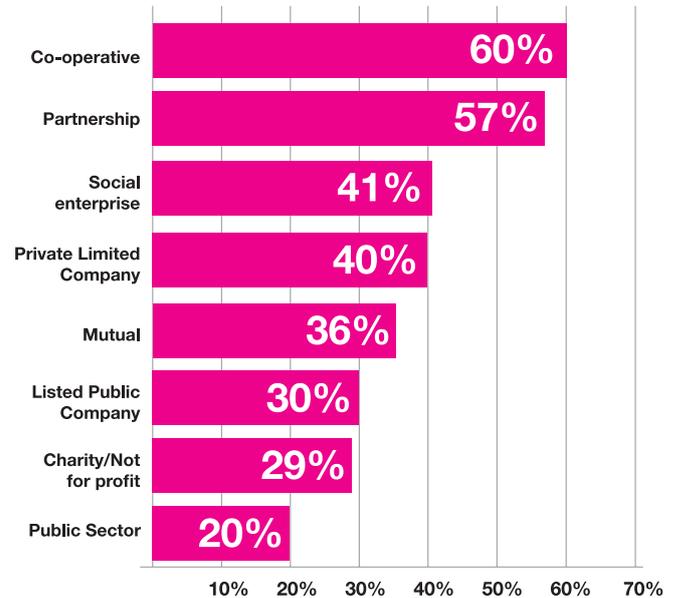
Size matters...

Managers in large organisations are 4 times more likely to say their organisation shows poor ethical behaviour



...and sector too

only 20% of managers in the public sector give their organisation top marks for ethical behaviour



TOP TEN STEPS TO AN ETHICAL ORGANISATION

WHERE TO START?

Follow our Top Ten Tips and you'll be well on the way to having stronger ethics and outperforming your competitors.

1. FOCUS ON PURPOSE AND VALUES

The best organisations have a purpose that serves others and strong values that inform better decisions.

2. LIVE YOUR VALUES EVERY DAY

Just writing down some values somewhere doesn't do the trick; they need to be lived every day. Leadership needs to set the example of the behaviour they'd like to see, and set the standard.

3. INVEST IN LEADERSHIP AND DECISION MAKING

Many large organisations invest billions in new technology – but only a small fraction of that investment to help leaders and followers understand their purpose, their values and how they make better decisions.

4. BUILD A SUSTAINABLE CULTURE

To make an organisational culture last and bring the best out of employees, create a non-hierarchical, open environment that encourages constructive dissent.

5. AVOID TOO MANY RULES AND REGULATIONS

Values and principles should drive management decision-making. Avoid knee-jerk regulatory reactions to problems: too many rules lead to more, not fewer, ethical breakdowns.

6. HARNESS DIVERSITY TO CHALLENGE 'GROUP-THINK'

Most organisations remain immune to democracy, and in too many organisations, hierarchical practices stifle argument and dissent. How can you do more to encourage diversity of outlook, experience and behaviour?

7. WIN HEARTS AS WELL AS MINDS – ENGAGE & EMPOWER

Why do employees leave the ethic of care at home? Employers need to do far more to engage the hearts and minds of employees.

8. KEEP YOUR CUSTOMERS AND CLIENTS HAPPY

Go the extra mile for customers, by empowering staff to help using their humanity rather than a strict rulebook.

9. MEASURE WHAT REALLY MATTERS

Short-term, quantitative targets based on easy to measure indicators don't fully reflect the true value of an enterprise and don't encourage the right culture or behaviours over the longer term.

10. REWARD AND RECOGNISE VALUES-BASED BEHAVIOURS

A focus on narrow financial targets and incentives can too easily lead to unethical behaviour: don't just focus on achieving objectives, do look at how they are achieved.

To find out more visit:

www.managers.org.uk/moralDNA
or join the conversation at [#CMIethics](https://twitter.com/CMIethics)

MORALDNA™

CMI
Chartered
Management
Institute



THE MORALDNA OF PERFORMANCE.

Better values, better decisions, better outcomes.

Professor Roger Steare, Pavlos Stamboulides, Peter Neville Lewis,
Lysbeth Plas, Petra Wilton and Patrick Woodman

October 2014

MORALDNA™



ACKNOWLEDGEMENTS

This paper was written primarily by **Professor Roger Steare**, Corporate Philosopher in Residence at Cass Business School and psychologist **Pavlos Stamboulides** of Psycholate, with contributions from independent consultant Peter Neville Lewis, and by Lysbeth Plas, Patrick Woodman and Petra Wilton at CMI.

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- **Richard Anderson**
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- **Bridget Blow CCMi**
Non-Executive Director, Coventry Building Society
- **Karen Daber**
Former Senior Responsible Officer Integrity Programme, College of Policing

- **Philippa Dixon**
Director, Ethics in Business
- **Robin Field-Smith CCMi CMgr**
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- **Brigadier Ian Huntley RM**
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- **Robert Wilson**
Student and entrepreneur, University of the West of England

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- **ACC Karen Daber**
Former Head of Integrity, SRO Integrity Programme, College of Policing
- **Joe Garner**
CEO, Openreach and former CEO of HSBC UK
- **Alex Hindson**
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Senior leader in the investment industry
- **Simon Topman**
CEO, Acme Whistles
- **Air Marshall Sir David Walker KVC OBE**
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1. FOREWORDS

“Get the culture right – and the rest will follow”



Ann Francke

Winning hearts and minds is not just an empty strap line: doing the right thing is in every organisation's interest.

Good management cares about morals and values and this research shows why – because they bring clear benefits to organisations. They're fundamental to the decisions employees make, the actions they take, and the business outcomes that follow.

Our first report with MoralDNA™ focused on managers as individuals, exploring how approaches to ethical matters change between home and work, change over time, and vary between different groups of people. In this report, the focus shifts to the organisation and how organisations can support better management decisions.

That means it addresses topics at the very heart of what good management and leadership means today. Because management and leadership isn't about delivering short term results, maximising margin to meet market expectations, or hitting delivery targets. It's about how we do business. It's about how leaders define an organisation's social purpose and live by it, how they develop and inspire their people, and the steps they take to maximise the potential of the next generation.

In each of these three dimensions, managers need to act ethically and professionally, and bring their organisation's values to life.

CMI is committed to playing its part, supporting managers who want to do the right thing and helping them deliver results for their employers. CMI's revised Code of Conduct and Practice lays down the standards we expect of professional managers. Overhauled during 2014 after extensive consultation with our members, with experts and with other institutes, it sets out – via six clear principles – the behaviour and values that every manager should live by in their work.

The empirical evidence and the leaders interviewed in this report agree. A stronger sense of ethics at work brings better results for business. The ultimate message? Get the culture right – and the rest will follow.

Ann Francke CCMi FIC CMgr
Chief Executive, CMI

“Organisations need to create an environment in which ordinary people can do extraordinary things.”



Robin Field-Smith

In our first report earlier this year we concentrated on the behaviour and attitudes in individual leaders or managers. This report moves from a focus on the fish swimming in the tank to the tank itself: to explore the space in which people work, to see how well it serves them, their customers, and society itself.

Anyone who takes the time to reflect on human behaviour will observe the impact, both actual and perceived, of different styles of leadership and management on organisational performance. Organisations are very simply collections of people, ideally sharing a common purpose, a set of values, a thoughtful decision-making approach and a will to succeed. If leadership is “getting ordinary people to do extraordinary things” care needs to be taken by leaders and managers to espouse the ethical behaviours which inspire confidence, trust, and followership.

I urge all who read this report not only to do so thoroughly, but to reflect on their own approach, including what they do, what they believe, and what example they set for those they lead. Further, they should take time to engage with their own teams, listen to them, and give them space to reflect. This is not easy in our busy world, but the alternative is being stuck with robotic compliance and ignoring the crucial human dimension of the world of work.

Again, I owe thanks to colleagues on the Advisory Group who have brought to bear a wide range of experiences and perspectives. These have helped to produce a high quality, compelling report with clear and timely conclusions and recommendations.

This report is not saying that “one size fits all”, or explaining what is the right thing to do. Rather it describes what works well in leaders’ behaviours not only for achieving outcomes but also in taking people along as well. It is about generating intelligent trust and mutual respect. I commend it to all in the world of work especially those who lead and manage others.

Robin Field-Smith CCMi CMgr

Chair of the Ethics Research Advisory Group

2. SUMMARY OF KEY FINDINGS



Stronger management ethics are linked to better organisational performance

Strong ethics and high levels of organisational performance go hand in hand. Across all 11 performance indicators explored in our survey, high levels of performance were associated with higher ethical scores.

Almost a third of managers rate their organisation as mediocre or worse on ethical behaviour

Despite evidence of links between good ethics and business performance, almost a third of managers (29%) say their organisation is mediocre or plain poor when it comes to standards of ethical behaviour. This equates to nearly one million (928,000) managers across the UK.

The public sector and large organisations face the biggest challenges

Large employers face the biggest challenges when it comes to ethics: managers in big organisations are four times more likely than those in small firms to rate their organisation as poor (12% vs. 3%). Big organisations are also less than half as likely as small firms to be rated as excellent (23% vs. 59%).

When it comes to different economic sectors, it's clear that the public sector faces the biggest challenges. Some 13% of managers in the public sector rate their organisation as poor, and only 20% give top marks for ethics, which is half as many as those in PLCs (40%).

Managers in growing organisations score higher on ethical behaviour than their colleagues in declining ones

37% of managers in growing organisations give themselves top marks for ethical behaviour, compared to 19% in declining organisations. Those in declining organisations are also much more likely to say that their organisation behaves unethically (22% vs. 6%).



Junior managers don't share senior managers' outlook on ethics

There are also significant differences between junior and senior managers. Senior managers have a rosier picture of current standards than those in junior roles – 48% believes their organisation has excellent ethical behaviour, compared to only 22% of junior managers, who clearly tend to believe their organisation could do a lot better.

Coaching, visionary and democratic leadership delivers results

Managers in organisations with coaching, visionary and democratic leadership styles report that their organisations perform better on all performance measures than those organisations where command and control or pacesetter styles are adopted. Only 18% of managers working in a commanding and controlling environment rate the effectiveness of their organisation's management as 'excellent', compared to 75% in coaching environments.





Ethics helps to engage employees

A more ethical culture is linked to higher levels of employee engagement, especially the ethic of care, where individuals think about ethical decisions primarily in terms of the impact of action on others. Managers in organisations with excellent staff satisfaction levels score 13% higher on the ethic of care. The ability to attract new staff is also linked to an 8% difference in the level of care.

Better ethics means happier customers

Managers in organisations with excellent customer satisfaction score 9% higher on the ethics of care and reason than those who admit their organisation does a poor job for customers. This may seem obvious, but it does warrant the question of why almost a third of managers (30%) say their organisation is performing either in a mediocre way or just plain poorly when it comes to customer satisfaction. If caring more means higher customer satisfaction scores, why is not everyone doing it?



Being ethical pays off when it comes to managing risk

More ethical attitudes can pay off when it comes to risk management too. Excellent risk management is associated with higher scores across each of the three ethics measured by MoralDNA, including the ethic of reason (8% higher), care (10%) and obedience (14%).

Read these recommendations in full – plus our tips for individual managers – on pages 32-33.

Putting it into practice

Based on the empirical research and the leader interviews conducted for this report, we recommend that organisations act to improve their ethics and support better performance with seven key areas.

- 1 Focus on purpose, values, leadership and culture
- 2 Develop leaders
- 3 Make decisions that are values-based and show you really care
- 4 Harness diversity to challenge 'group-think' with constructive dissent
- 5 Win hearts as well as minds – engage customers and empower colleagues
- 6 Measure what really matters: escape the unintended consequences of short-term targets
- 7 Reward and recognise values-based behaviours

3. INTRODUCTION

We hear, see and read about unethical behaviour at work every day. Why are customers ripped off so that people can achieve their sales targets? Why do hospital patients suffer and die whilst clinical staff are ticking boxes in their offices? Why do people mis-report accounts so that they can “hit the numbers”?

In *Managers and their MoralDNA*, the predecessor to this report, we examined the moral character and judgement of managers as individuals, to help us understand why people do the right or wrong things at work. We found that too many managers are suppressing their human empathy and risk becoming robotically compliant with rules and regulations. Whilst older managers demonstrate greater wisdom, they are also more arrogant. Female leaders demonstrate more empathy, and those with religious faith demonstrate greater ethical awareness.

Political beliefs also have an impact. When we looked at the impact of leadership styles¹ we found that the best performing styles are consistent with higher MoralDNA scores for reason and empathy.

In this second report, we look at how the morality of managers relates to a range of performance outcomes and how organisations can create more ethical cultures. To return to one analogy we used, if our first report was about the fish, then this report is about the fish tank they swim in – and whether the water is clean or toxic². In looking at the link to performance, we look well beyond simple financial and quantitative measures. In many ways those measures are at the root of many of the ethical challenges we face today: as we established in the first report, robotic compliance in pursuit of a sales, cost or profit target is a key motivator for unethical conduct.

And yet this one-dimensional financial approach to measuring organisational success persists, not only in the private sector, but also in the public and third sectors. It persists not only in the face of major research studies such as *Firms of Endearment* by Raj Sisodia and his colleagues³, but also despite the requirements of company law. The Companies Act 2006⁴ and the Charities Act 2011⁵, are explicit in requiring directors to pay attention to their duty to serve the interests of a wide range of stakeholders, including customers, suppliers, society and the environment. The Nolan Principles on Conduct in Public Life⁶ are also explicit that leaders “should act solely in terms of the public interest”. It is therefore ironic that robotic compliance to short-term financial targets can itself result in a more serious breach of a much greater duty for managers to serve society.

We need to improve the culture of the workplace and allow people to stop and think about how they can make better decisions – using their heads and their hearts as well as their respect for the law.



In *The MoralDNA of Performance*, we look at the decision-making of more than 2,500 managers using the MoralDNA Profile, which measures our preferences in terms of the ethics of obedience, care and reason. This research is important because the leadership qualities of managers are crucial to improving our thinking and behaviours at work. Managers need to shape the true purpose of their workplaces, which is to serve others: customers, patients, shareholders and fellow citizens alike. They need to think deeply about the values that will guide the decisions they make that impact all these stakeholders. They must become more mindful of how they think and make “good” decisions, in every sense. And they must lead by example, engaging their colleagues in debate and constructive dissent rather than imposing the dictatorship of fear that colludes in the systematic fraud of PPI or puts vulnerable people at risk of being let down by those with a duty to protect them, such as the police and social services.

The findings of this research are not prescriptive. We are not saying that some groups are more or less ethical than others, nor are we claiming any causal links between ethical behaviour and business outcomes. Instead, these findings are descriptive. Using proven statistical techniques we are able to show significant links between the MoralDNA of managers and the performance, prosperity and sustainability of their organisations.

For policy makers at Westminster, we demonstrate yet again that adding more rules and regulations to the thousands already in place increases bureaucracy and complexity without fixing the underlying ethical challenges. Perversely, our research strongly suggests that such over-regulation makes things worse. We need less red tape and fewer rules, but we do need to enforce them properly. Even more importantly, we need to improve the culture of the workplace and allow people to stop and think about how they can make better decisions using their heads and their hearts as well as their respect for the law.

We hope that this research will continue to stimulate debate about the role of ethics in management and leadership. We also hope it will prompt changes in how managers and leaders think about their own behaviour and the risks that increase within workplace cultures where people are forced to work in a robotically compliant way. And finally, we hope it encourages managers and leaders to take time to stop and think about how ethics can help them take better decisions and achieve better outcomes.

¹ <http://hbr.org/2000/03/leadership-that-gets-results/ar/1>

² [http://www.londonmet.ac.uk/media/london-metropolitan-university/london-met-documents/faculties/london-metropolitan-business-school/research-centres/cpl/publications/CPL-WP---Managing-leadership-from-a-systemic-perspective---\(William-Tate\).pdf](http://www.londonmet.ac.uk/media/london-metropolitan-university/london-met-documents/faculties/london-metropolitan-business-school/research-centres/cpl/publications/CPL-WP---Managing-leadership-from-a-systemic-perspective---(William-Tate).pdf)

³ <http://www.firmsofendearment.com/>

⁴ <http://www.legislation.gov.uk/ukpga/2006/46/contents>

⁵ <http://www.legislation.gov.uk/ukpga/2011/>

⁶ <http://www.public-standards.gov.uk/>

4. ABOUT THE RESEARCH

4.1 WHAT IS MORALDNA™?

This is the second of two closely related CMI reports based on research using an adapted version of MoralDNA™. MoralDNA⁷ is a psychometric tool that measures our thinking preferences when making moral decisions. It is built around three ethical decision-making philosophies:



Professor Roger Steare



The ethic of reason or logic



The ethic of care or love and empathy



The ethic of obedience or compliance and the law

These three ethics are the cornerstone of the results presented in this report.

MoralDNA also measures our preferences for ten moral values in the decisions we take: love, excellence, courage, fairness, hope, humility, wisdom, trust, honesty and self-control.

The three ethics and the values incorporated in MoralDNA are based on the accumulated wisdom and research of moral philosophers and religious faiths over the last 5,000 years

and psychologists over the last century. In total, over 100,000 profiles have been completed by people in over 200 countries working across every major occupation.

MoralDNA does not make positive or negative value judgements and is descriptive rather than prescriptive. This means that no particular outcome is 'better' or 'worse' than any other outcome; it merely shows differences and similarities between measures.

⁷ <http://www.moraldna.org>



4.2 RESEARCH METHODOLOGY

The empirical research for this report was conducted by moral philosopher Professor Roger Steare, psychologist Pavlos Stamboulides and leadership consultant Peter Neville Lewis in partnership with CMI. A total of 2,542 CMI members across private, public and not-for-profit sectors completed an adapted version of the online MoralDNA Profile, in two waves, in November 2013 and June 2014.

Originally designed by Steare and Stamboulides, MoralDNA was adapted for this research through the addition of questions relating to respondents' experience as professional managers. The research was done in two waves: the first report was published in March 2014⁸ and explored managers' individual ethical preferences. We found that managers use different decision-making processes at home than in the workplace. They turn off their care and turn up the obedience; in other words, they become less ethical at work.

The research for this report included questions on the performance of the respondent's employer, and on the dominant leadership style within the

organisation as defined by psychologist Daniel Goleman⁹. This report examines the links between those measures of performance and the moral preferences of individual managers, exploring the connection between corporate culture and performance.

This report also incorporates summaries from a series of structured face-to-face and telephone interviews undertaken by CMI's senior researcher Lysbeth Plas.

Drawing on the experiences of businesses and individual leaders working in a wide range of contexts, including businesses large and small, and public services, these interviews provide insights into the practicalities of improving the ethics of an organisation to support sustainable performance. It is important to recognise that neither we nor the interviewees are holding these organisations out to be paragons of virtue. In fact in some cases the organisations they represent have been involved in very public ethical failures, but they provide practical insights about how employers can tackle the important issues at stake.

4.3 STATISTICAL SCORING

We comment on statistically significant correlations for these values using scores calculated using the "Pearson product-moment correlation coefficient"¹⁰. However, as the scores themselves are somewhat esoteric, we provide a scoring system from 0-9 to represent the strength of correlation, as shown on page 17 – and when we report a relationship between an organisational performance factor and MoralDNA scores, we indicate the strength of this relationship using a range of adjectives and phrases such as "significant" or "strongly suggests".

Further details on the methodology and analysis can be found in the Appendices.

⁸ Managers and their MoralDNA, Chartered Management Institute, March 2014 – www.managers.org.uk/moraldna

⁹ Leadership that gets results, Goleman, D., Harvard Business Review, March-April 2000, pp 76-90

¹⁰ http://en.wikipedia.org/wiki/Pearson_product-moment_correlation_coefficient

5. ORGANISATIONAL PROFILES: HOW ETHICAL BEHAVIOUR VARIES

We asked respondents to rate their organisation for ethical behaviour.

The results are, in many ways, encouraging. The majority of managers (70%) rate their organisation as good or excellent for ethical behaviour. Just under a third (32%) of managers gave their organisation top marks.

But a significant minority, 9% rate their employer as poor, giving them a score of just one or two out of five. A further 20% give their organisation a distinctly lukewarm mark of three out of five.

This means that a significant minority (29%) rate the ethics of their organisation as mediocre or poor.

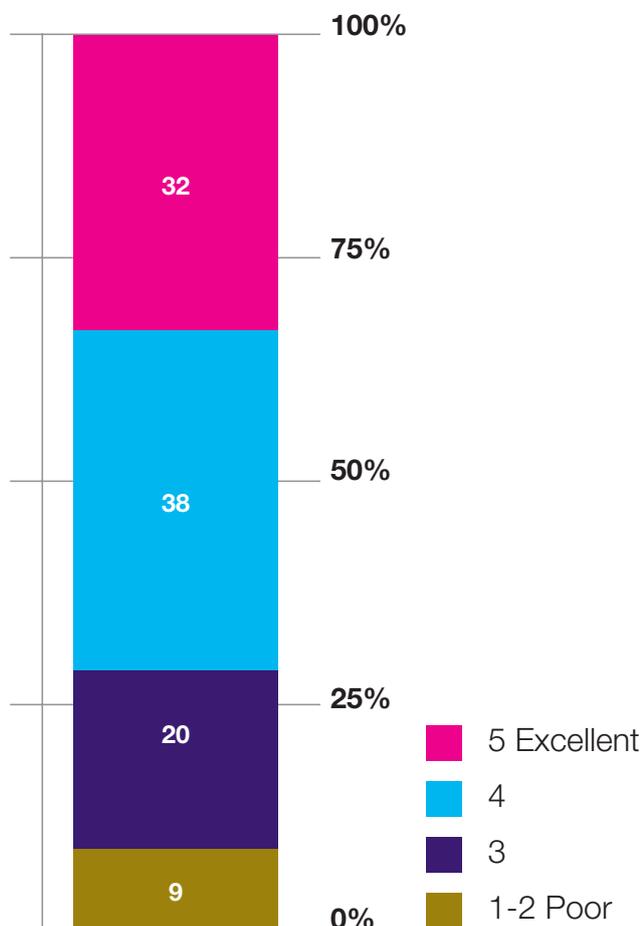


Figure 1: Organisations' ethical behaviour as rated by managers

SECTOR

The overall scores conceal substantial differences between sectors as Figure 2, below, shows.

By far the lowest scores were recorded by public sector managers, only 20% of whom give their organisation top marks – while they were also the most likely to score their organisation as poor

(13%). For organisations that might be hoped to have a strong sense of social purpose and values of service, this represents a substantial challenge and raises questions about the impact of bureaucratic processes upon behaviour.

The highest scores on ethical behaviour were given by managers working in

cooperatives (60%), partnerships (57%) and private limited companies (40%). In these types of organisations managers are more likely to be owners, and the scores suggest that sense of ownership has an effect on ethical behaviour. The converse is true of large listed companies and the public sector.

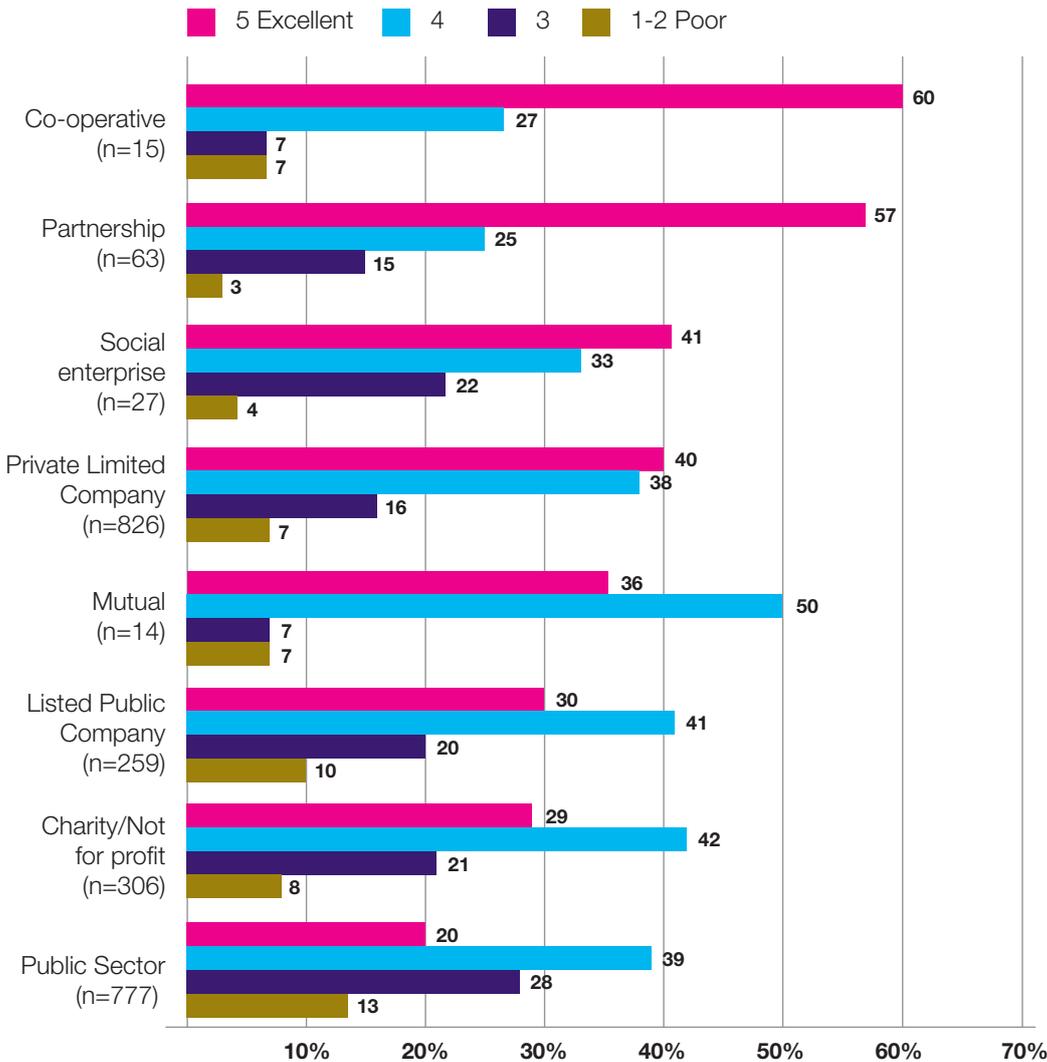


Figure 2: Organisations' ethical behaviour by sector

SENIORITY

There are also significant differences between junior and senior levels of management: those who are at the start of their career are more critical of their organisations than those who have made it to higher levels of management. Senior managers have a rosier picture of current standards than those in junior roles: 48% of senior managers give their organisation an

'excellent' rating, compared to only 22% of junior managers. These figures clearly show that junior managers tend to believe their organisation could do a lot better when it comes to ethical behaviour.

Perhaps junior managers have higher ethical expectations – or perhaps they do not see the ethical

aspirations of senior management lived out in the day-to-day business of the organisation. As our case study interviews emphasise, creating a culture that is consistent across an organisation poses substantial challenges.

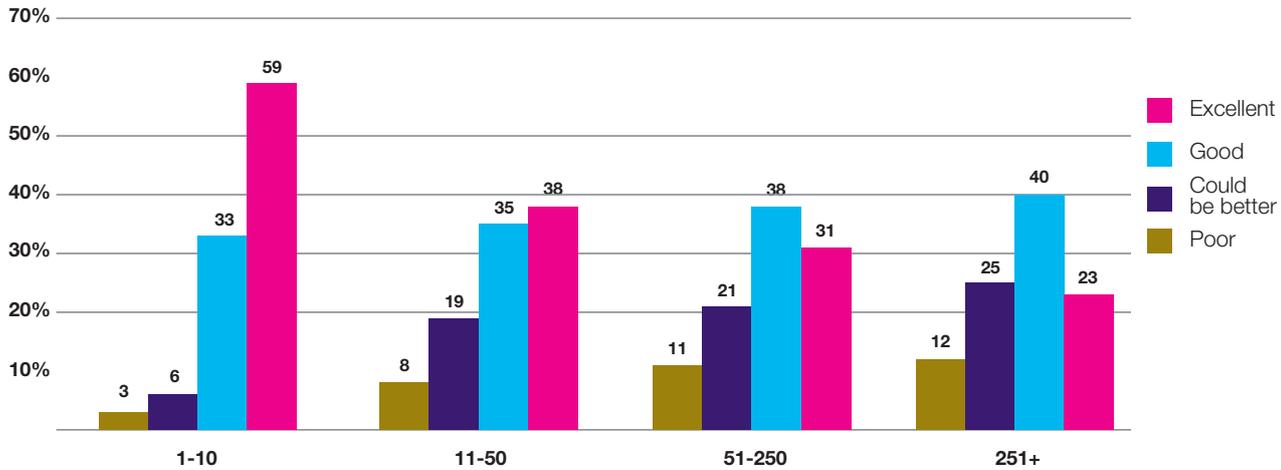


Figure 3: Organisations' ethical behaviour – by organisation size

ORGANISATION SIZE

The evidence is clear: larger organisations are perceived as less ethical in their behaviour. Only 23% of managers in large organisations (more than 250 employees) give the organisation top marks for ethical behaviour, compared to 59% in organisations with fewer than 10 employees and 38% in those with between 11 and 50 employees. The percentage of 'poor' scores is correspondingly higher for larger organisations.

Clearly, large and small organisations face different challenges in ensuring ethical behaviour. Establishing a sense of shared values and expectations for staff behaviour may be harder in a big company, where relationships may be relatively impersonal and distant, than in a small business where everyone knows each other closely. Consistency of values and behaviour can be a challenge for larger organisations comprised of different units, and the

risk is that bureaucracy and hierarchy replace human relationships. Read more about SMEs in the case study on page 15 where Tom Curran, CEO of probate company Kings Court Trust, talks about his experiences.

One response that has been tried by some organisations is to impose rules in an effort to standardise – but as our research has shown, there is a risk that this means managers become robotically compliant. The ethic of obedience to rules can override the ethic of care for other people. This poses something of a conundrum for managers: not only could this be a problem from an ethical point of view but, as we show in the following pages, the ethic of obedience is least closely associated with high levels of performance.

The evidence suggests that large organisations have particularly far to go in solving this conundrum.

GROWTH

Managers who report working in declining organisations score them much lower on ethical behaviour than those who work in growing organisations: 19% of managers in declining organisations score their organisation as 'excellent' compared to 37% of their colleagues in thriving workplaces. Equally, they are also much more likely to say that their organisation behaves unethically (22% vs. 6%).

We can't draw any causal links but the results are further evidence of a connection between performance and ethical behaviour.



FROM AN SME'S POINT OF VIEW

Leader Case Study

Tom Curran, CEO, Kings Court Trust

Kings Court Trust is a regulated probate company that provides probate and estate administration services to bereaved families. Their aim is to make things simple and straightforward for families as they are going through a difficult time. The company is based in Bath and currently employs around 70 people.

CEO Tom Curran has extensive experience in starting and leading business having successfully started and grown and sold two enterprises before. In every case, a lot of his focus is on "building cultures" and the role of leadership: in simple terms, this can often be as straight-forward as putting the effort into remembering everyone's names, taking the time to talk to them about their work and staying in touch with customers.

From Curran's perspective, the days of leaders just "shouting out visions and values and expecting people to follow" are gone. "The role of the leader and the executive team is to create, sustain and set an example of the culture we want to be known for, make tough decisions in the best interest of the business, work together, and lead by example. The culture, values and purpose are the foundations of how we act for which we are 100% responsible. It really isn't anything clever: it's simply doing the right thing all the time."

One of their ways of making sure Kings Court Trust are taking on the right people is an extensive recruitment process and probation period. As Curran explains: "We have a very thorough recruitment process; we're ruthless about cultural fits in people's probation periods. The people working here are genuinely interested in helping people through a difficult time, and get a lot of satisfaction out of that."

"The days of leaders just shouting out visions and values and expecting people to follow are gone"

"We don't set ridiculous targets; there are no silly bonus schemes in place. We are taking the long-term view all the time"

He believes that his company can make more money, pay people better salaries and give them more rewarding careers over the long run by behaving responsibly and doing business ethically. "Profit isn't a bad word, and is essential as long as it's undertaken in a commercially fair and responsible way. In our view, consumers will see through any attempt to pull the wool over their eyes."

To Kings Court Trust, commercial fairness is paramount in everything they do. Curran: "It's the only way to build a long-term, profitable, sustainable enterprise. There is no need to be greedy or take unnecessary risks if you eliminate the causes of people doing something that would create problems that would damage your ethical reputation." Seeing as a lot of Kings Court Trust's customers are acquired through word of mouth, reputation is everything. There simply is no place for misbehaviour.

Curran's way of eliminating some of these causes is simple: "We don't set ridiculous targets; there are no silly bonus schemes in place. We are taking the long-term view all the time and we are transparent with all the people we work with at all times. We give our customers fair pricing and make enough money to reinvest to keep improving our service. All those things are consistent with building an ethical and profitable business."

6. THE LINKS TO PERFORMANCE

6.1 OVERVIEW

Before completing their personal MoralDNA profile, we asked managers to rate their organisation on a basket of 11 performance measures, ranging from overall financial performance to ‘softer’ measures such as employee engagement, customer satisfaction and risk awareness.

The MoralDNA research has shown that there are differences between individuals’ sense of ethics at home and at work, meaning that organisational cultures affect how individuals think and act in the workplace. We therefore analysed the results of these questions about performance to assess how they correlated to managers’ self-reported ethical preferences at work, to understand whether there is a connection between different ethical approaches and organisational success.

The heat map on the right shows the correlations we found in the results, with the stronger colours and higher numbers indicating stronger statistical significance. To summarise, it illustrates that the ethics of reason and care are more strongly associated with high levels of business performance than the ethic of obedience and compliance.

In the following sections we will unpack these findings in more detail.

The MoralDNA research has shown that there are differences between individuals’ sense of ethics at home and at work, meaning that organisational cultures affect how individuals think and act in the workplace

ETHICS

	Ethic of reason	Ethic of care	Ethic of obedience
Financial performance			1
Management effectiveness	4	5	1
Customer satisfaction	8	4	
Ability to attract new staff	6	2	
Staff satisfaction	4	4	
Quality of products/ services	9	5	
Development of products/ services	5	5	3
Community engagement	4	4	1
Environmental sustainability	5	5	3
Attitudes to risk	5	3	5
Goleman score and leadership style	1	3	
Ethical behaviour	9	2	
Total MoralDNA	62	42	14

VALUES

Figure 4: Correlation heat map

	Trust	Hope	Excellence	Honesty	Courage	Fairness	Love	Self control	Wisdom	Humility
1				1						
2	4	1	2				1			
2	2	2	2	2	2	1				
2	2	2								
3	6	1	1							
2	2	4	1	2	1					
2	2	3	1	3	2	1				
1	2			1	1	2				
4	1	1	3							
2	1	3	5	1						
	3						1	1		
5	2	2	1	1						
28	27	19	17	10	5	4	3	0	0	

KEY:

Correlation strength	9	8	7	6	5	4	3	2	1	No correlation

6.2 EFFECTIVE MANAGEMENT AND LEADERSHIP STYLES

Our research strongly suggests that management effectiveness is associated with each of the ethical perspectives of reason, empathy and obedience – and in this order of preference, as the heat map slice shows.



	Ethic of reason	Ethic of care	Ethic of obedience
Management effectiveness	4	5	1

Figure 5 shows how managers who rate their organisation highly in terms of management effectiveness also score far more highly on the ethics of reason and care themselves. The biggest gap between organisations rated as high and low-performing is found on the ethic of care: a 9 point or 14% difference. This suggests that in order to improve management effectiveness, organisations should find a healthy balance between reason, care and obedience, with a stronger focus on reason and care. In order to achieve that balance managers should focus more on the consequences of their actions on others and think their decisions through in terms of the ripple effect they may have.

What of leadership styles? We asked managers which of the six styles described by Daniel Goleman¹¹ are dominant in their organisation: Visionary, Democratic, Pacesetter, Affiliative, Coaching or Coercive. Managers working in coaching, visionary and democratic – what we might call ‘positive’ management environments – consistently rate their organisations as better performing on all performance measures than those working in commanding and controlling or ‘negative’ environments. In terms of management effectiveness, there is a 57 percentage point difference in how managers in coaching (75%) vs. commanding (18%) organisations rate their organisations – see Figure 6.

While the results cannot prove cause and effect, the findings certainly suggest that adopting a more positive management style that supports and coaches employees, sets out a clear

The findings show that adopting a more positive and supporting management style reaps rewards.

vision and purpose, and encourages and welcomes the input of all employees, reaps rewards.

The values of hope, love and self-control were also associated with the highest scoring leadership styles.

Our interviews with managers working on the practical questions of how to improve ethics in their organisations highlighted the importance of leadership. Role modelling and active reinforcement of ethical behaviour from senior management, and personal accountability for when things go wrong, are both essential.

Raj Sisodia, FW Olin Distinguished Professor of Global Business at Babson College and co-author of *Firms of Endearment*, has done extensive research on how to create ethical and sustainable organisations. His own research has shown that the most successful organisations (initially identified in his research by looking for companies that spent a lot less than their industry peers on marketing but had much higher levels of customer loyalty and trust) are those “not with your traditional hired-gun type CEOs who manage by the numbers and are driven by the bottom-line, where everything is seen through the lens of economic value. They were individuals who were passionate about the purpose of the business. They cared

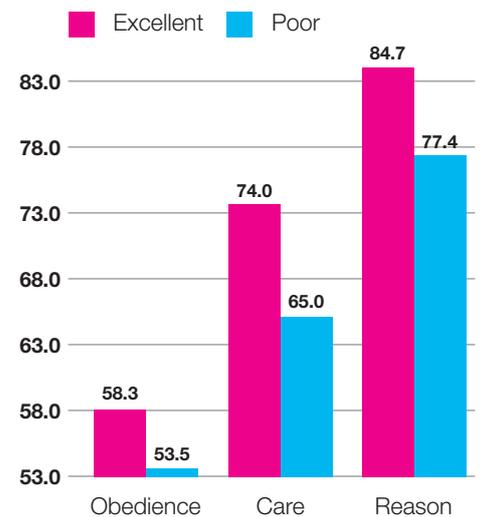


Figure 5: Average MoralDNA scores of managers working in organisations rated ‘excellent’ or ‘poor’ on management effectiveness

about what they were trying to do, and more importantly, about the people. They weren’t driven by power or personal enrichment but by the purpose of their organisation to their people and society as a whole.”

Sisodia describes these individuals as “conscious leaders”, whose success rests on traits such as “the capacity for love and care”, alongside “high levels of spiritual, systems and emotional intelligence”.

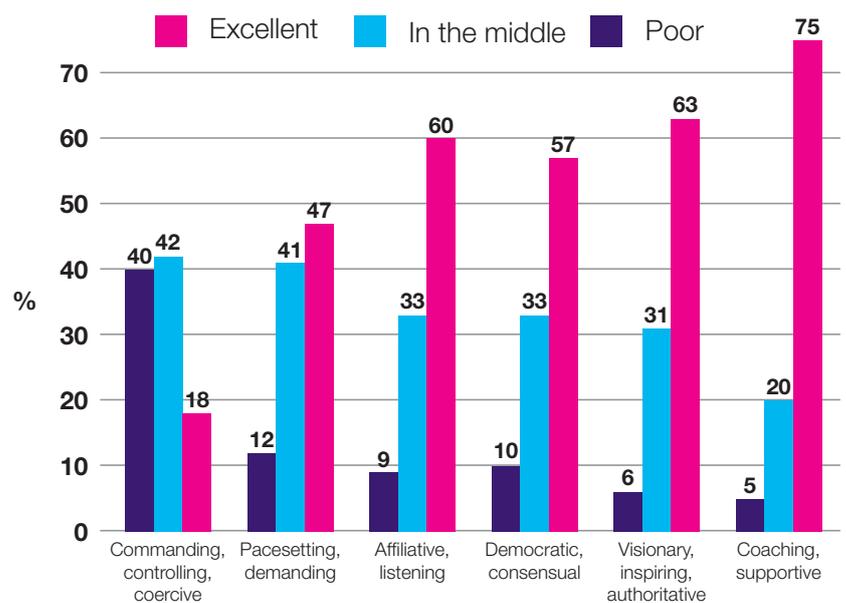


Figure 6: Management effectiveness by Goleman's management styles

¹¹ Leadership that gets results, Goleman, D., Harvard Business Review, March-April 2000, pp 76-90



DEVELOPING VALUES-BASED LEADERSHIP

Leader Case Study

Joe Garner, CEO of Openreach and former Head of HSBC UK, explains how he has tried to put Principles and People at the heart of corporate decision making.

In the spring of 2007 Joe Garner, as head of the UK bank, was leading changes to the pension provision for HSBC employees. Although there was nothing ‘wrong’ with the pension provision per se, grappling with the changes prompted questions about fairness. How do you decide what is right?

He decided to do some research to help him gain more understanding of the topic. He embarked on a two-year arrangement, working with Roger Steare as a consultant advising on values-based leadership and culture programmes. They looked into the ethics of banking and those of HSBC in particular, with the ultimate goal of understanding how to do the right thing.

The challenge

As a starting point, Garner and his team began mapping out HSBC’s ethical profile. They used a variety of tools including MoralDNA. As Garner puts it, they found that “people were driven very much by the ethics of rule compliance, and there was some fear in the background. What was lacking most was consideration and care for customers and people in the workplace.”

He concluded that “the blindingly simple insight is that in our personal lives we make decisions guided by principles as well as the consideration of rules. But when we come to work we create an environment where we can disable the human part.”

In response, he started a campaign aimed at bringing more humanity into the workplace by working with what was termed “courageous integrity”.

How did they go about it?

The executive team led by Garner looked at how the company’s vision, mission and values should be reflected in everything the company does, from governance to evaluations and reward. They developed a decision-making framework, which consisted of four parts: Profits, Policy, Principles and People:

“It starts with Profits. We will keep asking what a certain decision will do for the profits, and that’s appropriate. Then there’s Policy – we need to keep asking whether or not something we do is within the rules. But then there’s Principles: ask ourselves whether this is a loyal, fair, trusting, prudent thing to do. And finally the critical question that is not being asked enough: how will People feel about this decision? We wanted employees to ask themselves all four questions, not just the first two.”

This framework was communicated across the business through a variety of methods. Garner identifies “the most

powerful intervention” as “a two-day training course where we really started to explore how we make decisions differently in our home life and our professional life.”

Like many financial institutions, HSBC has faced censure for failings in recent years. Garner believes that the efforts made to build a culture of courageous integrity will pay dividends in the long term. One tangible impact was greater employee self-awareness and “richness” of discussions. “It’s making the change from deciding based on an instinctive reaction, to an understanding of how you make a decision. What is it that is making me believe that this is the right or wrong thing to do?”

Openreach

Appointed in January 2014 as Chief Executive of BT’s Openreach division, Garner is now working with a senior team keen to embrace ‘values-based leadership’ to improve its customer service, in recognition that customer loyalty is at the heart of “sustainable profitable growth”.

They have begun the process by mapping the organisation’s values: “Our most senior people came together for a day and I explained about me and my values. I believe that the combination of a clear strategy and the right values leads to successful outcomes. We are doing all the obvious things, like recruiting 1,600 more engineers, reviewing systems, processes, operating models etc. But as CEO, I focus on those two areas: do we have a clear strategy and are we living our values? Openreach is a very practical, logical, successful organisation but there is room for improvement when it comes to customer service. That’s what we need to focus on.”

Garner and his team are now focusing on making the new strategy ready to use on a day-to-day basis: “Our challenge is to bring more humanity into the workplace because that’s what our customers are asking for and that’s what we need to filter through our daily decision-making. We need rules and processes, but rules alone are not enough.”

“I’m asking people to ask themselves if they’re hiding behind the rule or standing in front of it.”

“It’s about bringing humanity into the workplace.”

6.3 ENGAGED EMPLOYEES

Leadership styles and management effectiveness have some clear links to a more ethical approach, but how does this link through to employee engagement?

We found that managers who rated their organisations highly in terms of staff satisfaction and their ability to attract new staff also had higher MoralDNA scores themselves against the ethics of reason and care. It suggests that employee engagement is supported by an ethical approach to doing business.

Figure 8 shows how managers who rate their organisation highly in terms of staff satisfaction also score far higher on the ethics of care (13%) and reason (9%) themselves. Equally, when it comes to the ability to attract new staff, these differences are 8% for both care and reason.

There are many variables that may have an influence on these outcomes: managers might have higher MoralDNA scores because they work in a nurturing and positive environment, or their individual nature may have led them to a more caring workplace in the first

place. While we can't draw any causal links we are able to conclude that if organisations want to improve their staff satisfaction and recruitment scores, they should be looking to create a caring environment, where it is the norm rather than the exception for managers to think about the impact of their decisions and actions on others.

The importance of 'purpose' to an organisation in relation to staff recruitment and satisfaction was highlighted in the Management 2020+ report from the Commission on the Future of Management and Leadership and CMI¹². It chimes with the research

in this area that suggests that managers are much more likely to stay in jobs where they enjoy what they do and feel they are doing something aligned with who they are.

As Raj Sisodia puts it, "Work can be a great source of joy and satisfaction, if you are doing something that aligns with who you are and that relates to a purpose that is beyond yourself." It is therefore in any organisation's interest to make clear their purpose and their values so that employees can understand how it relates to their values, and how they can contribute to the organisation's purpose.



	Ethic of reason	Ethic of care	Ethic of obedience
Staff satisfaction	4	4	
Ability to attract new staff	6	2	

Staff satisfaction

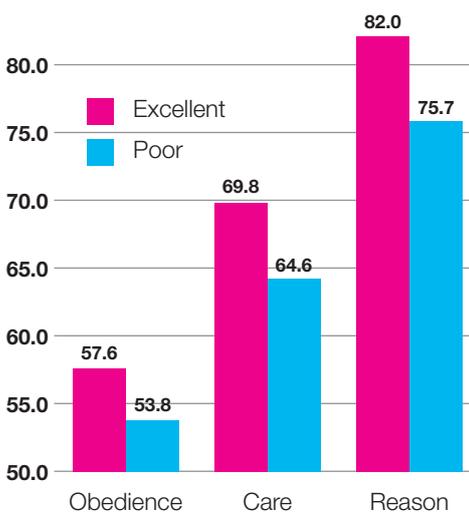


Figure 7: Average MoralDNA scores of managers working in organisations rated 'excellent' or 'poor' on staff satisfaction

Ability to attract new staff

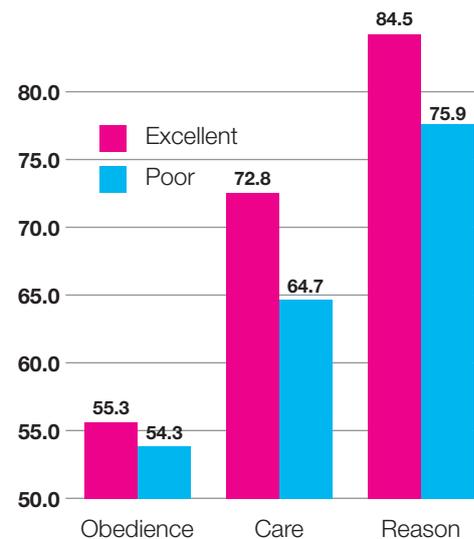


Figure 8: Average MoralDNA scores of managers working in organisations rated 'excellent' or 'poor' on their ability to attract new staff

¹² Management 2020 – Leadership to unlock long-term growth, Chartered Management Institute, July 2014 (www.managers.org.uk/management2020)



CARING ABOUT YOUR STAFF

Leader Case Study

Simon Topman, CEO, Acme Whistles

Acme Whistles was founded 145 years ago in Birmingham and is the world's largest manufacturer of whistles. The company employs around 50 people and has an annual turnover of £10 million. We spoke with CEO Simon Topman about corporate social responsibility, how to be sustainable, and the benefits of having a strong relationship with the local community.

Acme Whistles is firmly rooted in the community of north-west Birmingham. For the past 145 years the company has been led by and employed many local families. It also works closely with over 20 local schools and is involved in many local events. It has always had a strong sense of corporate social responsibility, which is woven into the DNA of the company.

Topman: "Acme has always seen itself as being part of the local community. Underpinning this is a sense of wanting to be a good corporate citizen, and play the game in a decent way. We are still a business and we need to make money, but there clearly are right ways and wrong ways of going about things.

"The idea of doing the right thing exists very strongly in the corporate culture here, from paying our bills dead on time to being actively involved in our local area." The fact that Acme is a successful, sustainable and popular company is partly due to their relationship with the community, says Topman.

Seeing as the company employs people living in three specific postcodes in Birmingham where they can, it is not uncommon for more than one member of the same family to be working for Acme. Topman explains why he thinks that is: "If people recommend us to their family members and friends, it must be because they see it as a decent place to work. That kind of reaction to a business shows affection. I believe this to be borne out of the fact that the business has affection for them, takes interest in them as individuals and tries to work with them to make their lives more comfortable."

Topman believes that caring for your employees results in a better attitude from the workforce: "In return you get more loyalty and commitment out of them. We don't put an economic value on that; loyalty and commitment are benefits in themselves." Another benefit is that the money earned in the community, stays in the community: "We employ people in an area where unemployment is high. We want them to earn and spend their money here."

In terms of leadership, he is a firm believer in leading by example. "This means that you communicate to everyone in the business that you are doing the best you can in the interest of the business. And if you get things wrong, don't try and conceal it, own up to it. It doesn't work by saying it; you have to live it. It's what people see going on that registers."

"The reason for Acme's success is partly due to its relationship with the community."

6.4 HAPPY CUSTOMERS AND CLIENTS

The relationship between ethics and customer trust and satisfaction highlighted by Joe Garner is borne out in the empirical evidence.

The results show correlation between levels of customer and client satisfaction and the MoralDNA scores for the ethics of reason and care – and no relationship with the ethic of obedience and compliance.

When it comes to reason and care, the gap between organisations rated as high and low-performing is 9% for both ethics. The Little Britain epithet, “computer says no”, says it all: rigid systems and compliance with rules are the antithesis of what it takes to satisfy customers. A culture of care for customers’ interests and reason about the implications of the business’s actions is a far stronger basis for good customer service.

This may seem obvious, but given that customers are what keeps many organisations afloat and caring for them is the way to make sure they come back, it warrants the question of why almost a third of managers (30%) say that their organisation is performing somewhere in the middle or just plain poorly when it comes to customer satisfaction. Joe Garner comments: “I believe that customers reward you with their loyalty, and loyalty leads to

sustainable profitable growth. If that is true, then the better you serve the customers, the more money that you make. People often seem to think that it works the other way round, but in my experience it doesn’t – the customer pays for everything.” Research by the Chartered Institute of Insurance¹³ echoes this view by concluding that “all businesses rely on the trust of their customers”, and if organisations want to restore their reputation “being seen to have integrity is an essential element of that”.

In terms of values, the strongest relationships were with excellence, trust, honesty, fairness, courage and hope.

These findings suggest that managers working in a positive and caring environment reflect these values in their work and interaction with others, resulting in better customer and client care. Raj Sisodia’s work has shown that high-performing organisations with high levels of customer satisfaction are the ones that show a greater level of trust towards their employees – and a similar approach to all their stakeholders. “They had high levels of loyalty and trust among their employees, but also among their suppliers. They were deeply embedded in their communities. They treated all of their stakeholders in the way that customers should be treated.”



	Ethic of reason	Ethic of care	Ethic of obedience
Customer satisfaction	8	4	

Customer satisfaction

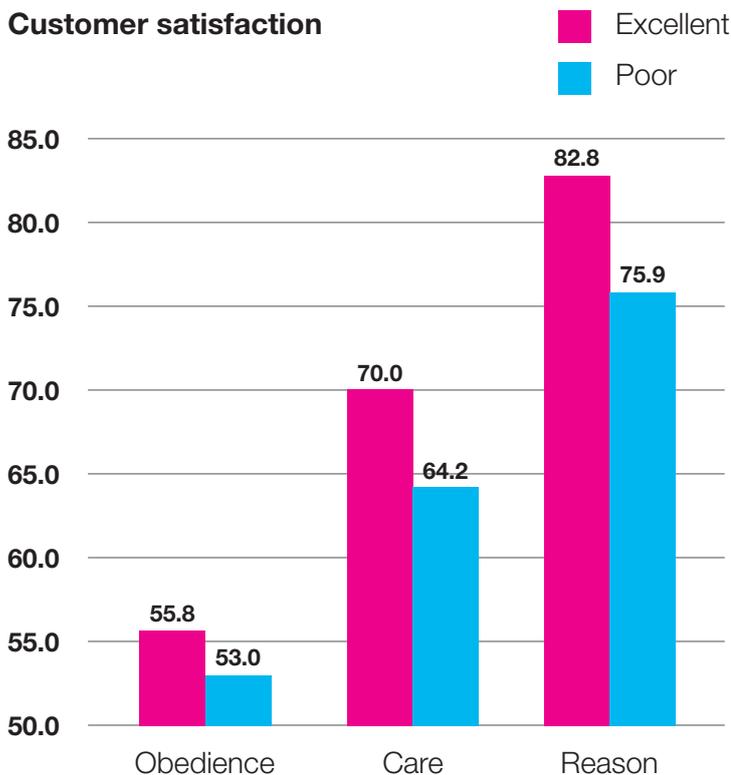


Figure 9: Average MoralDNA scores of managers working in organisations rated ‘excellent’ or ‘poor’ on customer satisfaction

¹³ Ethical culture: Building a culture of integrity – The right thing to do by definition, CII guidance series on ethical culture, The Chartered Insurance Institute, 2014



CHANGING THE CORPORATE CULTURE

Leader Case Study

Alex Rickard, former Head of Employee Proposition

In the spring of 2013, the leadership team at Towry – a 750-strong financial planning and investment management company with around £5 billion in assets under management – decided to launch an in-depth investigation into the company's culture, core values and conduct. We spoke with Alex Rickard, who headed up the development and execution of Towry's review as Head of Employee Proposition.

The starting point was plain. "Ethics within financial services has got very lost along the way", says Rickard. The problem was exemplified by a loss of focus on the customer. "The driver for the financial institutions had become how much money they could possibly make, as opposed to what is the best thing for the client."

For Towry, the driver was not a specific incident, but a climate in the wake of the financial crash of 2007-08 that risked harming customer trust. "We wanted to look at it from the client's perspective. We were looking to build a long-term business built on trust. There is much scepticism and mistrust in brands and businesses. We work on the basis that people want to trust but you've got to give them a reason to do so."

It was also something that employees wanted. "People feel much happier working in an organisation they feel is doing the right thing, and where they feel trusted. That means they'll do great work; the productivity goes up and guess what? The company is successful, clients, employees and shareholders are happy."

In addition, the new regulator, the Financial Conduct Authority (FCA) had started focusing on the way that companies create and shape their culture, which was also an important regulatory driver. Towry's senior managers had to think about how they would communicate about their culture and their decision-making processes. As Rickard puts it, while their culture "was definitely not broken", Towry wanted "to be a step ahead and be different".

How did they go about it?

Over a period of three months Towry carried out an extensive assessment of its company culture. They used the MoralDNA online personality profile, working with leadership consultant Peter Neville Lewis, to gain insights into how employees make decisions. Some 85% of Towry employees completed the online tool. They also conducted

interviews with a complete cross-section of the organisation, incorporating a customised Risk and Ethics Pulse Survey. Rickard explains: "We were able to understand how people in Towry make their decisions, why they do it that way and how all our 700 staff members are involved." The resulting insights helped show where change was needed. "Using this framework showed us where we had too many processes, too many rules in place – in other words, where we weren't enabling employees to use their reason and make decisions for themselves."

Towry also reviewed its governance, inviting PricewaterhouseCoopers to look closely at its products and complaints function in particular. The auditor assessed the robustness of Towry's decision making processes and whether they reflected the company's core values.

The result was a comprehensive report, Shaping our Culture, with practical recommendations for action, as well as supporting evidence in a themed summary of the interviews and the auditors' report. "It enabled us to put into place what we wanted to do: celebrate what we were good at, not fix what wasn't broken and change what we weren't so good at. You can't do anything about anything unless you know about it. And it was our people and our clients that were giving us that feedback."

What changes have been made?

The review identified a number of areas for improvement. One outcome was a coaching programme focused on having courageous conversations with peers, superiors and the team to create and keep an open, honest and transparent environment. The programme was part of a response to specific feedback that some members of the senior team who were not always living the company's values. "Changing a company culture is massively influenced from the top down, because if the chief executive is promoting and believing in ethical behaviour, and more importantly actually doing it, people will get behind it. If it's just words, it doesn't last. You have to hold the top team's feet to the fire."

Rickard has also built a network of 'Cultural Architects', volunteers who actively support

and promote Towry's values and "shape our culture". There are currently around 45 such 'architects' and they help employees at all levels understand and live the values of the company. As Rickard points out, "If you talk to people about culture and ethics they will interpret that in very different ways. The trick is to understand which audience you're talking to, and talk their language." The architects also serve as a valuable feedback mechanism and have "fantastic, grounded ideas to bring the culture to life".

Towry also developed a Code of Ethics called *Doing the Right Thing*: a set of guidelines to consider when making decisions, rather than a list of do's and don'ts. Alex and her team designed, wrote and rolled out the Code across the wider business: "We're looking at... how we can make it come alive to different people and are thinking about doing it through an interactive blended learning programme."

Finally, Towry also changed its whistle-blowing policy. More staff members were added into the process to create a diverse group of people that staff could escalate issues to, making it easier for them to speak up.

Embedding the changes

Rickard says that their new and conscious approach to ethical decision-making is being woven into the DNA of the company.

"Change doesn't happen overnight, but it is tangible in that it is part of our dialogue in the business, which is most certainly a success. The changes we've made and keep making are a continuation of what we've already put in place, which, ultimately, will mean that clients will stay with us and recommend us because they like how we do business.

The customer perspective is key. "We want to keep building a business that you can trust, by always looking at things from the client's perspective. What does the client see, feel and hear? That's the way to go forward. And because Towry's client retention is really strong I think we're doing a good job."

"Unless you lead the culture, the culture will lead you."

*Alex has now moved on from Towry to start up her own consultancy firm, where she is doing similar work helping other organisations embed more ethical cultures using her extensive experience from the inside out. Alex has always had a passion for working with leaders helping them define their culture to strengthen their relationship and trust with their customers.

6.5 RISK AWARENESS IS ETHICAL AWARENESS

Reason, obedience and care are each significantly related to risk awareness, illustrating the importance of how not only reason and care, but also obedience impact upon risk awareness. Risk management has traditionally been very technical: you either comply or you don't, and with compliance come rules.

However, a strong focus on both rules and care are not mutually exclusive. Whilst some compliance is essential to risk mitigation, we also need empathy and reason, and to be values-led in our decision-making about risk. Our findings show that managers in organisations rated as high-performing on risk awareness score 14% higher on obedience, 10% higher on care and 8% higher on reason, suggesting that it pays off focusing strongly on all three ethics as a 'trinity'. As far as values are concerned, honesty, excellence, trust, courage and hope were correlated with risk management.



	Ethic of reason	Ethic of care	Ethic of obedience
Attitudes to risk	5	3	5

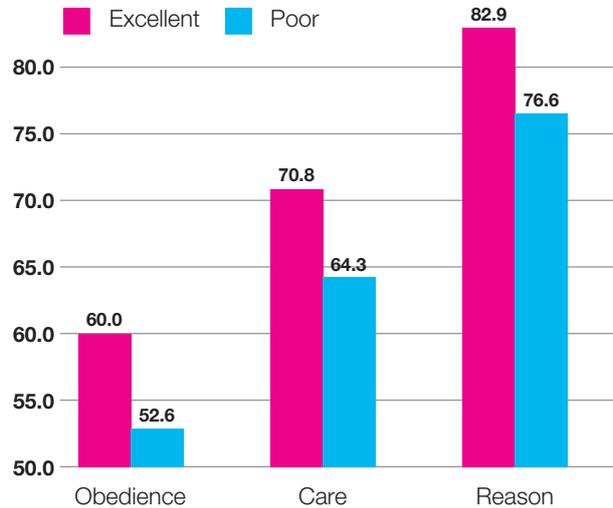


Figure 10: Average MoralDNA scores of managers working in organisations rated 'excellent' or 'poor' on attitudes to risk.



LEADER INTERVIEW

“In many ways, risk functions are the conscience of an organisation”

Alex Hindson, former Chair at the Institute of Risk Management, explained the downside of the traditional compliance-based approach to risk. “If risk professionals are seen as people who are in a back-office, compliance function that ticks boxes, they’re not necessarily armed for those moments that matter. They also need knowledge on the subject, and support to feel empowered to speak up when they feel something is wrong.”

He acknowledges that work on risk cultures currently has a lot of traction as a result of the financial crisis, because “where were the risk managers then?” Particularly in the financial sector risk functions have a lot of catching up to do when it comes to integrating ethical decision-making as well as purely technical decision-making. Hindson believes that in many ways, risk functions are the conscience of an organisation, and therefore they need to work together with other parts of the company rather than in isolation. “If the risk profession sticks at presenting the outcome of its analysis but leaving the interpretation and the decisions to management, we’re not adding value. But if we recommend actions based on our analysis and are prepared to stand up for that, that’s a totally different thing.”

In the end, he says, “rules can only get you so far. What do you do when there are no rules? You can regulate the requirement to have a risk manager but you can’t regulate people managing their risks.” Values-based decision-making is therefore critical.



DIAGNOSING THE PROBLEMS IN THE NHS

Leader Case Study

Elisabeth Buggins, Chairman of the Birmingham Women's NHS Foundation Trust

Elisabeth Buggins, Chairman of the Birmingham Women's NHS Foundation Trust, has given evidence to the Public Inquiry related to the Mid Staffordshire scandal in the late 2000s. With over 40 years' experience in the NHS, she identifies an obsession with risk and compliance as crowding out a more balanced approach to patient care in the NHS.

Buggins has seen throughout her career that the typical reaction to NHS scandal or failure is to put more rules and regulations in place – often counter-productively. “If there are more rules, regulations and guidelines than anyone can remember, you stop people thinking for themselves. You get a target culture – people think that as long as they've ticked the boxes their bosses won't criticise them. They focus on that and forget why they're actually there. Even if what they're doing is not good for the patient, at least they can say they've ticked that box and nobody can tell them off.”

Not only does a culture of obedience increase risks, it also perpetuates the idea that following rules is all that matters. This, Buggins argues, is the essence of many of the problems facing the NHS. The government seem to be relying on increasing regulation to solve the problems, but in doing so they are creating even more anxiety: “You have all these inspectors and different regulators coming in and looking over your shoulder to check up on what you're doing and whether you're doing it right. Ironically, this actually makes it harder to do the right thing.”

Buggins observes that politically, the attitude is to crank up the demands without increasing the resource in order to drive innovation. The difficulty is that innovating is difficult in a field where risk can't be tolerated because more often than not, people's lives are at stake “What worries me is that in a business where emotional vulnerability is part of what you're dealing with every day, they make people so afraid they can't think. That makes any innovation really difficult. If tolerating risk is not an option, like in health care, then people can't invent new things – because failure comes with the territory of innovation. So this attitude of forcing innovation by increasing demands isn't going to work in the NHS, because it is robbing staff of time to think.”

Buggins has observed that stable leadership is essential to success and is concerned about the NHS' tactic of removing a senior team when there are issues, and the knock-on effect on the rest of the organisation. Highlighting the emotionally stressful nature of the NHS's work, she believes that a nurturing team environment is essential “to help you feel good about what you're doing” and avoid the pressure “emotionally damaging” staff who feel unable to discuss their feelings. That

supportive, nurturing environment is hard to achieve when teams keep changing. The other problem with a culture of emotional suppression, which has taken the view that “talking about problems was unprofessional”, has been the difficulty in raising and confronting problems. “The whole organisational construct is to say that ‘we'll make it all right’. We keep burying all of our emotional anxiety, which damages individuals as well as organisations in the end.”

Current pressure on NHS resources, she adds, “causes anxiety levels, and their harmful effects on people and the organisation, to go up. It makes objective ethical thinking more difficult, but all the more necessary.”

Open and transparent leadership is also paramount – but Buggins feels that the strong hierarchies in the NHS will have to be broken in order to improve the situation. “We need a more adult-adult relationship with our staff and our patients, rather than an adult-child relationship.”

Nevertheless, Buggins says that improvements have been evident during her career, in particular in much increased transparency.

“If I look back over 40 years, the NHS is immeasurably better than it was. Increasing transparency is helping that to happen. It's surfacing some of the really difficult conversations that only happened behind closed doors in the past, or were too difficult to have altogether. They now have to be addressed. Transparency, wisely used, is driving improvement.”

“If there are more rules, regulations and guidelines than anyone can remember, you stop people thinking for themselves.”

6.6 BUILDING TRUST

Customer and stakeholder trust is essential to the operations of any organisation. Loss of trust – and the need to rebuild it – was a theme in several of our interviews. As Lindsay Tomlinson, a senior leader in the investment industry puts it: “The fastest way to blow your business up is to lose trust and to behave badly.”

The rise of social media has intensified the risks that businesses face. “The only way through the continuous firestorm of media content is to take your position, explain what you’re about and what your values are, and then live and demonstrate them all the time.” Tomlinson identifies Legal & General’s CEO Nigel Wilson as a good example in this regard. He “is regularly on the news saying what he thinks, what the business is up to – and he

firmly believes in it. He believes the organisation has got a social purpose, too.” According to Lindsay there is still “a massive amount of trust happening in business in day-to-day interactions all the time. To say trust has gone is a bit simplistic. It goes a bit deeper than that. I think the concern that the populous world has is that the business community is not working on their behalf; it’s actually all of the time looking to exploit them.”

Trust shouldn’t just be external though, it should be internal too. Trust within an organisation is vital for building an ethical, open working culture, and has an effect on customers and clients too. In his research into organisations that outperformed their peers in terms of customer loyalty and trust, Raj Sisodia has found that working cultures built

on a foundation of love and care rather than fear and stress are much more likely to have higher levels of trust, both among employees and customers. He explains: “Most businesses tend to use fear and stress to motivate people. They think that’s what they need to do to get people to perform. But that creates toxic conditions. It is a statistical fact that heart attacks go up significantly on Monday mornings.”

Rebuilding people’s trust could therefore be crucial for companies if they want to succeed in the long run.



SETTING NEW STANDARDS

Leader Case Study

ACC Karen Daber and ACC Richard Bennett, College of Policing

The police have endured numerous blows to public trust in the wake of revelations about Hillsborough, 'Plebgate', the relationship between senior officers and the media, claims of institutional racism and sexism and their track record in policing child abuse historically and more recently in places such as in Rotherham. Yet trust is an essential asset to the police as a public service. We interviewed Assistant Chief Constable (ACC) Karen Daber, Former Head of Integrity Programme at the College of Policing, and ACC Richard Bennett, who is currently heading up the Programme, about how the police are looking to set new standards.

Bennett acknowledges the challenge. "Trust in the police has been running around the 75% mark for some time now. It is relatively high, but not high enough for us to be confident that we're serving all of the public, which is what our role is."

The police intend to adopt a proactive rather than reactive approach to professionalism and integrity, focusing on what good policing looks like rather than simply on managing misconduct. It was a key task for the College of Policing, the creation of which was announced in December 2011 by Home Secretary Theresa May, to help develop common, evidence-based approaches to policing for the UK's 43 police services. Daber says: "We needed to actively demonstrate our ethics, rather than assuming that everyone in the police will behave ethically – which without a doubt the majority do."

The approach adopted has been to develop a Code of Ethics which is publicly available. The police have had a long-standing Code of Conduct, but it was not a public document. Daber admits "it was always a document that we would reach for when something went wrong". By contrast, with the new Code of Ethics, "we are now publicly saying that this is how we will behave, and if we don't, we can and should be challenged." Bennett, who is now responsible for rolling out and embedding the Code, says that "it is taking in a lot of different perspectives and tries to be as encompassing as possible".

The Code was developed through consultation led by the College of Policing from April 2013 onwards. It involved the public, every police force, all main staff associations and trade unions and a comprehensive range of external stakeholders.

Daber wanted to ensure that the Code would not simply be another piece of paper, but would be at the heart of every policy, procedure, decision and action in policing. In other words, she wanted it to "become part of the DNA of policing". To this end, the Code consists of nine policing principles and ten standards of professional behaviour, accompanied by practical examples that can be applied to everyday situations. It therefore aims to set expectations of all officers, staff and anyone else working in policing. It reminds them that unprofessional behaviour damages the reputation of the police, and that officers and staff have a duty to challenge those whose behaviour does not measure up to the Code and must not condone, tolerate or ignore it.

Everyone is expected to take ownership of the Code; individual Chief Constables decide the practicalities of how it will be embedded in their forces. The College developed an assessment framework and encouraged all of the forces to benchmark their own ethical

attitudes and integrity-related activities, and identify areas for improvement. "They then had to come up with a plan: this is how we're going to embed the Code into our day-to-day activities and tackle our issues", says Daber. "Everybody can say they've seen, read and understood the Code, however actually applying it is a different matter. It needs to become part of everyday policing."

The Code of Ethics was published in July 2014 and the College of Policing has developed a number of resources to help bring it to life, such as training days, an assessment guide, an organisational model and a reading list. The College is also organising events to bring together the people who are leading the changes, focusing on sharing good practice and learning lessons. Bennett: "Those responsible for communicating the Code to their forces are encouraged to talk to their employees about how it features in their day-to-day duties and how they should use it when making decisions."

Daber explains that one of the future roles of the College is to design scenarios to ensure that everyone in the Police not only knows the principles that guide their work, but are also able to give practical examples of how they apply them. "Once you get to a point where any individual can articulate how and when they've applied the Code, you know that the awareness is there. Then it starts to become second nature, and influences the culture of an organisation." Bennett believes that this iteration of the Code will develop as the Police start to understand better and better what the needs of the profession are in terms of guidance around behaviour.

Ultimately, it is believed that the embedding of the Code and the subsequent culture change will result in fewer complaints from the public and better 'customer service'. It should produce a confident and therefore more productive workforce, allowing all to feel secure, supported and able to stand up for themselves irrespective of rank, role or position. That should be reflected in the work that they do and the service they provide to the public.

"The Code allows the public to assess what they should expect from every single person in the policing profession. Ultimately, this should improve the interaction between the police and the public."

6.7 THE FINANCIAL SIDE OF THINGS

Our research serves as a reminder that financial results should not be the only measure of success. It could be argued that apparent financial success – at least in the short-term – could be driven by sacrificing ethical standards. In other words, that being ethical could be costly.

Our results suggest this needn't be the case. Those managers who rated their organisation highly for financial performance show higher MoralDNA scores compared to their counterparts in poorly-performing organisations:

there is a 6% gap on the ethic of care and a 4% gap on the ethic of reason between organisations rated as 'excellent' and those rated as 'poor'. Equally, managers who indicate they work in a growing organisation score 5% higher on the ethic of care than managers in declining organisations. Managers with higher scores on the ethic of obedience and with the values of trust and honesty are more likely to "hit the numbers".

The figures show that organisational success isn't just a case of making sure the money comes in. A broader view of success could include creating and maintaining jobs for its employees, the quality of their working life – and the impact of the organisation's activities on those it serves and the wider community. Simon Topman, CEO of Acme Whistles, talks about the benefits of being part of the community in the case study on page 21.



	Ethic of reason	Ethic of care	Ethic of obedience
Financial performance	5	3	1

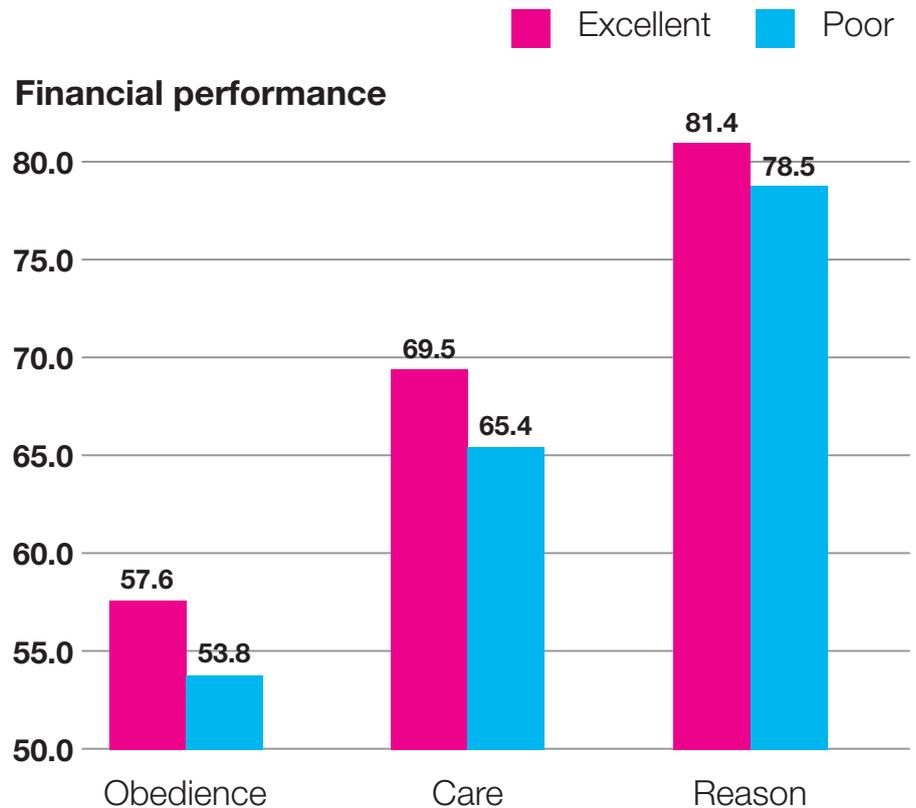


Figure 11. Average MoralDNA scores of managers working in organisations rated 'excellent' or 'poor' on financial performance

Prioritisation of narrow financial measures can have perverse effects, leading to a target culture that results in employees prioritising the wrong things – and in scandals such as PPI mis-selling or the prioritisation of financial measures before patient care.

According to Sir David Walker, former advisor to the Board at HSBC and former Air Officer commanding the RAF training group, short-term financial and sales targets were “part of the reason things went wrong in

2008” – as has been made clear by, for example, the Salz review of business practices at Barclays¹⁴. He thinks that “a target-focused culture breeds helplessness”, leaving people unable to make judgments and form opinions themselves. The prioritisation of such targets can ultimately result in a breach of a much greater duty for organisations, and their managers, to serve society.

Sir David stresses the importance of “strong and active dissent”, and

says that the ability to challenge both peers and superiors is essential in creating a strong workforce that is capable of thinking for itself. Without that, the danger is that a “Narcissus in the boardroom” can deeply harm the company.

“A target-focused culture breeds helplessness.”

Sir David Walker, former advisor to the Board at HSBC



LEADER INTERVIEW

Lindsay Tomlinson, a senior leader in the investment industry, explains that quantitative performance targets can never give a complete picture of an organisation's performance. “The problem with quantitative performance targets is that you're putting in front of people some incentives which are almost invariably going to be skewed because measuring the value of values is difficult. You put all this effort into measuring financials, but then you probably end up over-rewarding short-term performance.”

He also believes that having too strong a focus on making money can produce negative outcomes.

“The financial bubble encourages people into bad behaviours. You get rewarded if you take on more and more risk until the bubble bursts and everybody else suffers.”

¹⁴ <http://www.barclays.com/content/dam/barclayspublic/documents/news/875-269-salz-review-04-2013.pdf>



A SUSTAINABLE CULTURE FOR LONG-TERM SUCCESS

Leader Case Study

Ian Powell, Chairman of PwC

“The only way to build or restore trust in the long term is by transparency, good communication and, most importantly, the way an organisation behaves.”

Ian Powell, Chairman of PwC – the multinational professional services firm – explains how PwC has gone about understanding the company’s DNA and how it can be sustained.

“PwC is a people business, we have great people and great clients, and from this we have knowledge. We don’t have a huge balance sheet or capital or hard assets. We are an organisation that works extensively on the basis of trust; our principal asset is our reputation. So what really matters in a firm like PwC is its purpose and vision, and the steps necessary to actually achieve that purpose and vision. Everything we do within PwC has got to be grounded in ethical behaviour that preserves and enhances the overall integrity and reputation of the organisation.”

Appointed as Chair of the PwC Board in 2008, Powell set in motion a project to review the company’s strategy and vision. “About a year in, I realised there was a gap: what was missing was a definition of the DNA of the organisation. What behaviour makes us who we are? We talked about the way we expected all PwC people to behave, and realised that if you expect people to adhere to the company’s values and principles, but you don’t actually set out what that behaviour is, you can’t be surprised if people interpret it in different ways.”

To answer that question, Powell asked himself and many others what they thought made PwC the company that it is, and how it could be defined for the long term. “If you came back to this organisation in 25 years’ time and there wasn’t a single person still there who is here today, what would be the key elements of our DNA that would make it feel like ‘your’ organisation even after all that time?”

The two key features Powell identified were personal responsibility and a culture where unacceptable

behaviour can be challenged. According to PwC, they form the basis of the sustainable culture that the company wants to be known and recognised for, and are seen as material to the long-term success and survival of the organisation.

The belief is that values and principles alone will not change or sustain a culture if they are not lived out every day. As Powell puts it, “The only long-term competitive advantage any organisation has is its social architecture – or the organisation’s culture. If you don’t define or seek to develop that, how do you know you’re going to be successful in the long run?”

Leadership was identified as one of the vital ingredients of promoting and encouraging ethical behaviour within the organisation. Powell says that it is the personal responsibility of the leadership team to communicate it to the rest of the organisation: “A strategy doesn’t work because a leader stands on stage and says it will. It happens through thousands and thousands of little interactions every day amongst all PwC people and with all of the people we interact with. And to make it work you need to set out some guidance as to what is expected.”

He also believes that it is not enough to state an ethical commitment; you also have to bring it alive with behaviours.

The benefits of being ethical as an organisation

Powell pinpoints several advantages in relation to the company’s approach to ethics. One is in recruitment, where the company’s principles and values provide a reference point for selection decisions – as well as giving potential recruits an understanding of the company and its aims, which supports engagement, loyalty and retention.

Powell is also clear that it supports customer satisfaction, arguing that where customers feel an ethical connection with the organisation and share its values, they are likely to be more loyal, having a direct commercial impact on business performance. In short, being ethical is better for sustainable business.

Senior management monitor measures of PwC’s brand health and perception alongside typical business indicators like revenue. Do people think PwC is an ethical organisation? Is the company considered a trusted commentator? “When clients, potential clients, recruits and potential recruits are marking and valuing us, they tell us about their perception of the organisation and whether they think it is ethical or not. We measure their experiences with PwC very carefully.”

That approach extends to people and client surveys, where the company gathers “a lot of information around how our people and our clients feel about the organisation.” We aim to understand whether they believe that PwC behaves in accordance with the company’s values and principles, and how the relationship with the company makes them feel.

Ian believes that ethical conduct and sustainable performance will become even more connected in the future: “It is important to realise that in the connected world the way an organisation acts is subjected to the most intense scrutiny. Every interaction today can be reported and visible in an instant and to all stakeholders at the same time. That’s why consistency and authenticity in ethical conduct is so important. If a company can’t demonstrate and respond with clarity on the ethical way in which their business runs, the long-term value of the organisation will come under threat.”

7. CONCLUSIONS AND RECOMMENDATIONS FOR ACTION

As we look more closely at the morality of managers through the lens of MoralDNA, we see that being good and doing things right is mostly about our empathy, our reason and our values. It is much less about the achievement of narrow financial targets; or our robotic compliance with rules and regulations. And yet governments, businesses, public services and charities still persist in a focus on quantitative targets and bureaucratic red-tape that drive dysfunctional and unethical workplace cultures. This has to change.

We therefore offer the following recommendations.

FOR POLICY MAKERS, REGULATORS, BOARDS AND SENIOR EXECUTIVES

Focus on purpose, values, leadership and culture

The best performing organisations have a purpose that serves others, not one that is self-serving for senior executives. They have strong moral values that inform better decisions. They encourage leaders to take time to develop their ability to inspire and lead customers as well as colleagues. Their leaders are human, self-aware, empathic and rational: they create cultures which are non-hierarchical, open and which encourage constructive dissent. They work with and amongst their colleagues, rather than above them. They are coaching rather than commanding.

Invest in leadership development

Many large organisations are investing billions in new technology. Yet these same organisations invest a small fraction of these budgets in helping leaders and followers understand their purpose, their values, how they make better decisions and how their behaviour inspires others – as role models of behaviour, good or bad. Our interviews, and those presented in other research¹⁵, clearly demonstrate that investing in people in this way generates substantial and sustainable returns.

Make decisions more on the basis of values, not just rules

Values and principles should drive management decision-making. Avoid knee-jerk regulatory reactions to problems: too many rules lead to more, not fewer, ethical breakdowns. The Financial Service Authority increased its rulebook by 27% between 2005 and 2008, but – as they have publicly recognised – this didn't prevent the mis-selling of PPI, interest-rate swaps or the fraudulent manipulation of Libor and other market indices¹⁶.

This also means that values and principles, not rules, need to shape codes of conduct. Many senior executives assume that writing and publishing a code of conduct will result in better behaviours but they are not a panacea and must be socialised within the culture, supporting a broader values-based leadership and culture programme. Codes should embody principles that help as a decision-making framework, rather than being a set of rules or regulations which are far more likely to drive a compliance culture. CMI's new Code of Conduct and Practice sets out six key principles that apply to managers working in any context.

¹⁵ Firms of Endearment, Sisodia, R., Wolfe, D., Sheth, J., 2007, 2014

¹⁶ <http://www.fca.org.uk/news/speeches/ethics-and-economics>

Harness diversity to challenge 'group-think'

Democracy isn't perfect: as Churchill once wryly described it, it is the least worst form of government yet tried. Yet most organisations remain immune to democracy, and in too many organisations, hierarchical practices stifle argument and dissent.

Yet this research clearly demonstrates that the ethic of obedience is less strongly associated with high performance than reason and care, so employers must encourage consideration and care about other people's interests and perspectives. Differences in gender, age and seniority clearly affect ethical biases which can enable more balanced decision-making, so in order to make the right decisions, promote constructive dissent and encourage reasoning. The lack of diversity in the boardroom has been identified as a major threat to companies so explore how your organisation challenges "group-think" – how can you do more to include a diversity of outlook, experience or behaviour at the top?

Win hearts as well as minds – engage and empower colleagues

Why do employees leave the ethic of care at home? Employers need to do far more to engage the hearts and minds of employees. Review your levels of employee engagement. Seek ways to provide more autonomy and devolve responsibility. Where employees can make decisions for themselves they are far more likely to start thinking for themselves and consider the impact of their actions on others.

Measure what really matters: escape the unintended consequences of short-term targets

Whilst short-term, quantitative targets may be easy to measure, they do not fully reflect the true value of an enterprise and they do not encourage the right culture or behaviours over the longer term. They also do not make for a sustainable business that

is successful in the long run. Recent examples in the banking and healthcare sector have demonstrated quite clearly that the pursuit of narrow quantitative targets has destroyed not only the long-term value and sustainability of these institutions, it has also destroyed lives. We therefore encourage government and professional institutes to adopt the integrated reporting standards being developed by the International Integrated Reporting Council¹⁷.

Reward and recognise values-based behaviours

Do your reward and recognition schemes focus on achieving objectives, as opposed to how objectives are achieved? A focus on narrow financial targets and incentives can too easily lead to unethical behaviour. It is just as important to recognise and reward behaviours that embody your key values and purpose.

FOR INDIVIDUAL MANAGERS

Care more

Make time to look at how you make decisions. What are your ethical preferences? What example do you set? Are you open to challenge? Do you listen to others? Taking a step back to reflect is a critical component in moral reasoning. One way of doing this is using the MoralDNA tool, which allows you to receive instant feedback on your ethics and to reflect on your decision-making.

Stand up for the values you believe in

Be authentic and be yourself. If you see something you do not agree with, speak up and challenge it.

Take the MoralDNA Profile and ask your team to do the same

The MoralDNA Profile is now being used across several organisations, large and small, to help people stop and think about their values and the way they can make better decisions

for all. Reading and sharing profiles is a great way to focus on these issues and then use the insights gained to make better decisions.

Ask yourself the RIGHT¹⁸ questions

These are key questions that can help you better understand ethical dilemmas include:

- What are the **Rules** and what's our duty?
- How do we act with **Integrity** and with which values?
- Who is this **Good** for and how might they benefit?
- How might we **Harm** and would this be fair?
- What's the **Truth** and can we sleep at night?

Be a leader.

Provide values-based leadership. People will follow you because of your character and values, not because of the size of your job title. You need to set the example through your attitude, your tone, your behaviours and your actions.

Be inclusive.

Be open to challenge and dissent. Diversity of thought is critical, so make difficult decisions with others. They will bring different views, ideas and opinions. Deciding on the right ethical course is often the easy part: finding the courage to actually do it is something else, and getting challenge and then buy-in from others will help.

Be professional.

Use the good practice that's already out there. Use your professional body's standards of practice as a reference point. CMI's Code of Conduct and Practice is one example, but there are others relevant to other professions. This information is there to help and guide you.

¹⁷ www.iirc.org

¹⁸ <http://www.thecorporatephilosopher.org/book/>

8. ADDITIONAL RESOURCES

- Take the MoralDNA Profile for yourself at MoralDNA.org to receive instant feedback on your ethics: www.moraldna.org.
- It's free for personal use. If you want to use it in your workplace, you will need to apply for a commercial license – in which case, please email research@managers.org.uk
- CMI's management and leadership resources provide practical guidance on many of the challenges identified in this report. Content available on demand through Management Direct – free to all CMI members – includes checklists, research, articles and learning packages. Examples include checklists on Developing and Implementing a Code of Ethics, Developing Trust, and Employee Engagement. www.managers.org.uk/MD
- Download our practical one-pager with Top Ten Tips for Creating an Ethical Organisation and you'll be well on the way to having stronger ethics and outperforming your competitors. You can find them at www.managers.org.uk/moralDNA
- Selected resources including checklists and an in-depth reading list are available to members and non-members alike – download our free 'management ethics toolkit' via www.managers.org.uk/moralDNA
- Information on Chartered Manager, the most prestigious professional award for managers – which also includes a commitment to CMI's Code of Conduct and Practice – is available at www.managers.org.uk/CMgr
- Take part in one of the upcoming CMI/MoralDNA Ethics masterclasses in late 2014. This intensive half-day session provides leaders at all levels and in all sectors the opportunity to be actively involved in a powerful values-based leadership and culture change session. To find out more and to sign up, please contact CMI on 01536 207404 or at insidesales@managers.org.uk



RECOMMENDED FURTHER READING INCLUDES:

- Managers and their MoralDNA (CMI, 2014) – the predecessor to this report, focusing on managers’ individual ethics and the challenges that managers may face at work. www.managers.org.uk/moralDNA
- ethicability: how to decide what’s right and find the courage to do it (2013), Roger Steare’s book on ethical decision-making, which includes scenario-based explanations of the RIGHT model and other key questions to support ethical decision-making. Find out more at www.thecorporatephilosopher.org/book
- Firms of Endearment (2007, 2014), by Raj Sisodia, David Wolfe and Jag Sheth. They argue that today’s greatest companies are fuelled by passion and purpose, not cash, and that they earn large profits by helping all their stakeholders thrive. The book offers tips and information on how to build a firm of endearment. A significantly revised second edition of the book was published earlier this year.
- Daniel Goleman, whose Leadership Styles are referenced in the research, has a number of resources available at www.danielgoleman.info
- The Search for Leadership: An Organisational Perspective (2009), by William Tate, a comprehensive study of the way leadership operates in organisations that shows why conventional leadership models miss the point and waste money.
- Managers and the Moral Maze, a short CMI paper on managers and employees’ standards of behaviour at work and attitudes to ethical issues – available at www.managers.org.uk/moralDNA
- Roads to Ruin (2011), Airmic. A report highlighting the link between culture and corporate downfall and the damage done by inadequate leadership. www.airmic.com
- A range of ideas, tools and other resources focused on building employee engagement are available through the Engage for Success movement, established in the wake of the MacLeod Review on employee engagement. www.engageforsuccess.org
- CMI’s Code of Conduct and Practice consists of six principles. As a member of the Institute, members are expected to demonstrate the highest standards of ethics and professionalism, by:
 - behaving in an open, honest and trustworthy manner;
 - acting in the best interests of your organisation, customers, clients and/or partners;
 - continually developing and maintaining your professional knowledge and competence;
 - respecting the people with whom you work;
 - creating a positive impact on society; and
 - upholding the reputation of the profession and the Institute.

For more information go to www.managers.org.uk/code.

APPENDIX 1.

The history and detailed design of MoralDNA

The first version of MoralDNA was developed in 2008 as a research project to measure how we prefer to make moral decisions. This model is based on Laurence Kohlberg's six-stage developmental model (Harper & Row, 1981, 1984). However, one of Kohlberg's students, Professor Carol Gilligan (Harvard, 1982) had also strongly argued that gender as well as age, were fundamental to our understanding of morality. Drawing on his own studies into moral philosophy under Bertrand Russell's son, the late Professor Conrad Russell at London University, Steare proposed a three-factor model of moral conscience in his book *ethicability* (2006). These are the Ethic of Obedience, the Ethic of Care and the Ethic of Reason.

Ethic of Obedience

In the earliest of Kohlberg's stages, moral decisions are based on obeying or disobeying instructions and predicting the likely consequences to the individual in terms of discovery, reward or punishment. It is widely accepted by contemporary moral psychologists that this stage of moral development is fully formed by the time a child is about four years old, provided they have been properly parented. It is primarily a self-serving decision process, and a very simplistic one. The Ethic of Obedience has been the assumed foundation for the proper regulation of mature adult behaviour, even though experience and evidence points to the opposite being the case. It is now widely accepted by moral psychologists (Milgram et al) that obedience to authority is at best morally neutral, at worst encourages the worst human atrocities by those who claim that they were simply "following orders". Evidence also clearly demonstrates that the sheer volume of laws, rules and regulations in today's workplace both overwhelm the individual while simultaneously removing from them the requirement to think about their actions and to take any moral decisions themselves.

Ethic of Care

Kohlberg's middle stages of moral development were redefined by Gilligan as a female "ethic of care". This ethic is based on our experience and expectation that well-being, both for the individual and for the group, will result from making decisions based on empathy. Kohlberg assumed this stage is completed by the

time we become young adults, although Gilligan's research and ours, suggests that the Ethic of Care is an end in itself. In fact, our latest research into moral values (see below) suggests that several moral values map strongly to the Ethic of Care and to a female gender preference. In practical terms, the evidence strongly suggests that the Ethic of Care is generally suppressed or ignored in the corporate workplace. We – and others – now argue that the Ethic of Care is crucial to the sustainability of any human community, as a safe place of belonging. It is crucial to real engagement with all stakeholders in any enterprise. And in economic terms, it is crucial to the fair distribution of scarce resources.

Ethic of Reason

Kohlberg's final stages of moral formation focus on the development of critical reasoning by the individual. This he expressed as moral principles, self determination and what is inherently the right choice based on these principles, irrespective of rules or consequences. However, Gilligan saw this as a male gender preference, which our latest research supports.

It also became clear that as people get older, the Ethic of Obedience decreases and the Ethic of Reason increases. In other words, the more people make mindful, thoughtful, good decisions, the less you need compliance with rules. The converse is also true. The more that people blindly comply with rules, the less they will think about their actions.

In the 2012 version of MoralDNA these three factors of moral conscience have been further fine-tuned to distinguish between how we prefer to make ethical decisions both in our personal lives and at work. Our hypothesis being that how we prefer to make these decisions and behave may vary substantially in each case. Initial results strongly support this hypothesis, with the key finding that within the work place the Ethic of Obedience is significantly elevated and the Ethic of Care is significantly suppressed. Our hypothesis is that each of our three ethical dimensions or factors is important when making decisions. The balance of factors varies by individual and group and some variation is to be expected according to cultural and environmental contexts. But significant imbalances suggest weakness and can predict ethical failures.

In the new 2014 version of MoralDNA and the upcoming MoralDNA for Friends, these three ethics are now being more simply referred to as "the Law, Logic and Love".

Moral Values

We have described how the three factor model of MoralDNA is a good model for the process of ethical decision-making. However, it has been argued by many philosophers and psychologists that moral values are the drivers of the three ethical preferences. But how can our assumption that people make decisions based on moral values be demonstrated? Which moral values should we measure? How do they correlate with our 3-factor decisioning model? Consequently in April 2010, it was decided to enhance MoralDNA with a set of ten moral values. These values would provide a more detailed insight about the moral composition of a specific individual. Roger Steare's choice of these ten values was based on his study of "virtue" as a moral philosopher, but also on his experience with other instruments, as well as substantial time facilitating ethical decisioning with groups in various organisations and corporations.

The ten values were:

- **Wisdom**
I think through my decisions carefully
- **Fairness**
I treat others fairly and with respect
- **Courage**
I stand up for my beliefs and do what's right
- **Self Control**
I am patient and self-disciplined
- **Trust**
I am trustworthy, reliable and also trusting of others
- **Hope**
I encourage others to be positive
- **Humility**
I am less important than the team
- **Love**
I am empathic and care about other people
- **Honesty**
I speak the truth and encourage others to be open
- **Excellence**
I try to do my best in everything I do

APPENDIX 2.

Background to the statistical analysis

The research task undertaken in this second report was challenging. We were initially slightly apprehensive about being able to find significant statistical relationships between managers' MoralDNA and the performance outcomes and metrics we were measuring. However, we did find positive correlations. In this section we explain the reasons for our initial doubt of finding any correlations.

The measures of performance were asked in 1 to 5 ratings, ranging from "Poor" to "Excellent". In other words, there was little granularity.

Performance ratings by managers

RATING	POOR				EXCELLENT	
	1	2	3	4	5	n/a
Financial performance	3.98	11.86	29.08	38.63	16.45	3.15
Environmental sustainability	2.17	11.98	36.67	35.65	13.53	3.78
Quality of products/services	0.36	3.56	17.63	45.92	32.53	1.57
Development of products/services	1.90	10.96	29.34	42.85	14.96	4.80
Customer satisfaction	1.05	4.77	24.09	45.43	24.66	2.68
Staff satisfaction	5.21	17.19	34.30	32.21	11.08	4.13
Attitudes to risk	4.25	15.36	30.63	33.80	15.96	1.89
Management effectiveness	3.73	14.12	34.46	36.82	10.87	1.93
Ethical behaviour	2.42	6.92	20.20	38.08	32.48	1.65
Ability to attract new staff	2.08	10.29	27.47	38.80	21.37	9.05
Community engagement	3.76	12.04	26.63	34.95	22.62	5.90

The values were skewed. More managers gave a favourable rating of the effectiveness of their companies.

The sample wasn't random. By definition, we have a self-selected sample of managers interested in taking an ethics profile.

We did not have access to "hard" data. For example, managers self-reported their organisation's financial performance.

We wondered if the comparison of personal values of a single individual could be related to the performance of an entire corporation or organisation.

We were concerned whether the correlations were due to a general level of positive bias in managers. However, we were able to test this because we had a moral value about positivity and optimism: we measured the value of hope, which we extracted from the rest of the correlations. Still, they didn't change.

Next we established that the correlations are not random. In the findings we reported, all significant correlations are positive.

Our findings were calculated using the "Pearson product-moment correlation coefficient"²⁰. Where we report the relationship between a workplace performance factor and our MoralDNA scores, we report only on significance corrected for multiple comparisons correlations – above a Pearson r score of 0.075 up to a score of 0.250. Although these Pearson scores are low, we think we can realistically expect much stronger correlations in future studies that would compare objectively collected company metrics with ethics measured in wider managerial samples within these companies.

In order to calculate the scale of 1-9 shown in our results table, we divided this range of 0.075-0.250 into 9 equal bands as follows:

	FROM	TO
1	0.075	0.092184939
2	0.092184939	0.109369878
3	0.109369878	0.126554816
4	0.126554816	0.143739755
5	0.143739755	0.160924694
6	0.160924694	0.178109633
7	0.178109633	0.195294571
8	0.195294571	0.21247951
9	0.21247951	0.229664449

If you have any questions or comments on the analysis presented in this study, please email pavlos@psycholate.com

²⁰ http://en.wikipedia.org/wiki/Pearson_product-moment_correlation_coefficient

NOTES

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