

# Why High Character Matters in a High-Compliance, Digital World

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## THE CHALLENGE OF DE-CENTRALISED DECISION MAKING

Agility, flexibility, innovation—these words used to be aspirational nice-to-haves, but today a company's survival depends on its ability to be creative and nimble. The best ideas need to percolate quickly through the organisation, failing fast—or driving success. Access to meaningful data and business intelligence is now readily available, facilitating decentralised decision making and often requiring leaders to loosen the reins. Client-facing employees must make decisions that in the past were reserved for senior leaders or the company will fall behind quickly.

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This would be difficult for many senior leaders at the best of times, but today, increasing compliance requirements and the importance of reputation management for a globally linked client base make decentralisation even more frightening. One wrong step by one of your employees can be broadcast widely and immediately, resulting in legal implications that no one wants on their plate. Pushing key decisions down the organisation often becomes a leap of faith few leaders are ready to take.

## SETTING AN EXAMPLE AT THE TOP

If you are ready to move to a more decentralised, agile organisation, how do you ensure that your people are doing the

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right thing? How do you reduce the risk of being in the headlines with a reputation-killing story? Creating a strong corporate culture that serves as a guide, a checklist, or a barometer for each dilemma is a powerful force for reducing these risks without reducing innovation or agility. It tells employees you trust them to

make their own decisions, while making it very uncomfortable for them to break the “way things are done around here” and go in a different direction.

There are no recipe books for creating a corporate culture, but without setting the example from the top, a culture that encourages people to do the right thing is only a mirage. When the senior team leads with High Character and holds people accountable for aligning to their expectations, research shows that the impact can be significant.

## THE LINK BETWEEN CHARACTER AND PERFORMANCE

Fred Kiel, in his book *Return on Character*, found a link between High-Character leadership teams and business performance.

Companies with High-Character leadership teams had *five times* higher return on assets than what he calls the “self-interested” leadership teams. The study also showed that these organisations had reduced risk. High-Character leadership teams guided and encouraged employees to do what was right—following compliance guidelines and making decisions that built the business in the long term and walking the talk around corporate values.

To understand how Character translated into performance, Kiel tested over 300 micro-behaviours to identify the 28 most associated with higher performance. These behaviours fall into four habits that Kiel uses to define Character—integrity, responsibility, forgiveness, and compassion—that either supercharge or undermine leaders' ability to successfully execute skills they have acquired. When leadership teams had a strong reputation for leading with Character, Kiel saw reduced risk of compliance challenges and a significant boost in the bottom line.

## REPUTATION IS REALITY

But is it even possible for people to change their Character to leverage this? Our Character is formed both through pre-dispositions that we are born with and the experiences that shape us throughout our lives. That part is, in effect, hard to change. But that's only part of the equation.

People form an opinion about our Character based on how we act—our micro-behaviours or habitual responses to situations. And reputation is reality. When this reputation does not match our intent, when our response patterns are not sending the messages we mean to send, then there is a gap between our Character intent and what Kiel calls our “Character Reputation.”

When this gap is large, it's like leading an organisation blindfolded. People mirror your actions, not your words, and if you don't clearly see the message in your actions, then you don't know where you are taking them. The more you understand about that gap, the more you can work to reduce it. This awareness doesn't change your Character but enables you to become more of the person you wish to be, and through that, to create the corporate culture needed to drive business results and reduce risk.

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## TAKING OFF THE BLINDFOLDS

When the top team is self-aware and cognisant of their Character Reputation, they can close the gap between their intent and how they are perceived, setting a virtuous circle in motion. When employees can trust that their leaders tell them the truth, they begin to realise that they will be held accountable as promised. When their boss takes responsibility for her mistakes, they trust her more and work harder to take responsibility for making her successful. When well-intentioned mistakes are forgiven, people become less afraid and more innovative. And finally, when the leadership culture supports coaching and developing people to attain their career goals, it is easier for them to collaborate from a position of confidence.

In this type of High-Character culture, senior leaders can have greater confidence that their employees will make decisions based on their own examples—to stay within compliance requirements, protect the reputation of the organisation, and do what is right for the business—even when no one is looking over their shoulders.

Only when leaders can trust their organisations to do what is right can they then leverage the

creativity and innovation that will impact the bottom line. Pushing decision making down in the organisation will never feel easy or comfortable to leaders used to running the show, but with the right culture in place, the opportunities are significant. Take the blindfolds off, create the organisation you want to lead, and give your employees the freedom they need to do the right thing for the business.

### Creating a Culture of Character starts at the top. What can you and your team do to get started?

- **Build clarity and alignment** in the top team around why culture matters for the bottom line.
- **Get feedback**—what is your reputation for integrity, responsibility, forgiveness, and compassion, and where are the biggest gaps with your intentions?
- **Don't jump to a long list of actions**—take your time to really understand what might be causing the disconnect.
- **Find the one thing**—that single behaviour that if everyone on the team can do consistently, will positively impact everything else on your list. Don't do 50 things; find one and become best in class. This, people will notice.
- **Measure success**—you get what you measure and reward.