

Measuring moral intelligence in your organisation – the Moral Intelligence Quotient (MQ)



Wisdom Nuggets
From Organisation Dynamics

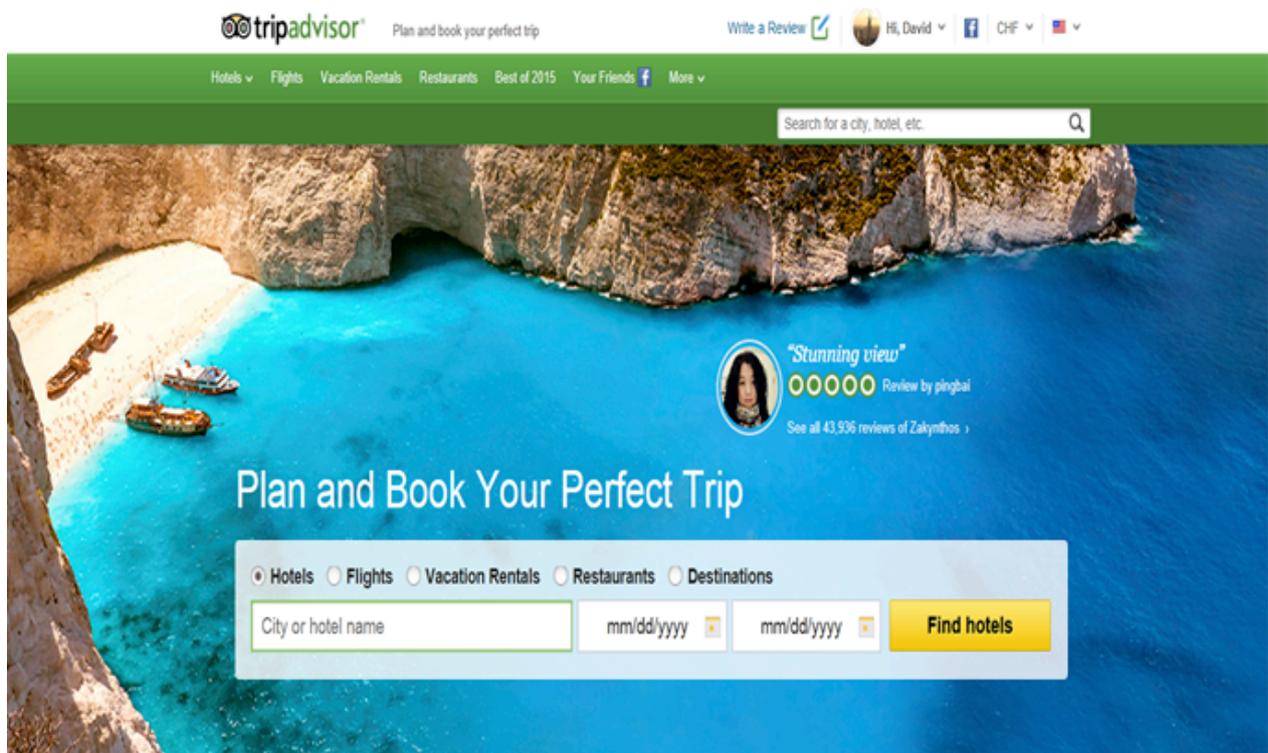
Trust –the basis of all effective leadership

Let me pose a rhetorical question. Would you go to a dentist who had a bad reputation? Or perhaps a doctor? Do you go on vacation without checking the opinions of other guests, flyers or visitors? The point is, we all need to trust in something or someone to go about a large portion of our lives...

Confucius once remarked that leaders need three resources: weapons, food and trust. The leader who cannot have all three should give up weapons first, then food, but should hold on to trust at all costs: he stated - 'without trust we cannot stand'.

Put simply 'trust ' is the reliance on the integrity of someone or something. It is a statement of confident expectation that something will happen. Some readers may use terms such as morals, ethical, integrity or honesty in the same breath. Whatever our personal preference, it is clear that trust is necessary foundation in every relationship we pursue, be it business or private and it has now become one of the most pervasive aspects of social and business life.

Some companies are arguably “dealers” in trust



Some companies have built a solid reputation based on trust. Let's just take Trip Advisor for example. I find it fascinating that many, myself included, visit this huge supermarket of personal opinions before embarking on most of our private and business journeys. And trip advisor, while doing nothing more than sharing opinions of others, has in itself

become the source of trust for millions of travellers. This is remarkable considering that users have never met the people providing recommendations, we do not know what their expectations are and have no idea whether or not the people sharing the opinions can be trusted...! Odd...

But how does all this link to leadership? Let's take a recent example that I believe gives credence to the fact that we face a crisis in leadership today.

Trust – the toughest leadership challenge? Probably – just check out the Panama Papers....

According to the ICIJ (International Consortium of Investigative Journalists) hidden in the Mossack Fonseca file room is:



As most of you probably know, the so called Panama Papers, out of law firm Mossack Fonseca is essentially all about the rich, famous and some powerful leaders using fraudulent documentation and shell organisations based in far flung destinations to hide their assets and avoid taxes. This was said to be the biggest leak of data, around breaches of trust and dishonesty, of all time. To give you an idea of the size of the lies and untruths these papers revealed...

- The 2.6 Tb in the Panama Papers is equivalent to about 200 high definition movie files
- According to the Guardian newspaper, if you printed out the entire 2.6 terabytes of digital data as 2-byte characters, with 2,000 characters to a page, the final document would be 650 million pages long
- It would take more than 41 years of nonstop operation to print it on an office laser printer, which would consume a small forest of 80,000 trees as paper and more than 81,000 toner cartridges.

- The entire printed document would weigh 3,200 tons and take up around 25,000 cubic feet (708 cubic meters) of space in a warehouse. As a theoretical single stack of paper, it would tower more than 41 miles high.

Many are prominent leaders representing perhaps the usual suspects we may find languishing at the bottom of the Global Corruptions Perception Index (CPI) issued by Transparency International, but perhaps surprisingly this leak has implicated the leaders, even if indirectly, of some more traditionally robustly honest countries such as the UK (nr 10) or Iceland (nr 13 on the CPI index) . I struggle to believe that we can readily accept that this is who our leaders should be.

The crisis in leadership does matter

According to the Edelman Trust Barometer of 2016, the behaviour of the general population will adjust according to whether or not they trust a company and its leadership. For example up to 67% of respondents in the 3300 strong survey across 28 countries have indicated that they would buy the products of a company they trust – or conversely 48% would stop a purchase. ...and that’s not all, we can see in the below chart that consumers will (or not) recommend an organisation, buy stock, pay higher prices and so on, if trust in that organization and leadership is in the right positive place.

Trust – the toughest leadership challenge?



And I believe that this indicates that **trust matters financially and we need to care.**

Let us consider that trust is like a bank account. You can make deposits and withdrawals. The higher the trust account, the more likely that the company (or person) will attract more business. We tend to have confidence in big brands and mass feedback. Organizations like Trip Advisor have tapped into a deeply embedded human need for trust.

Trust - the toughest leadership challenge? Trust is like a bank account...



We know that trust does not just "appear". Trust needs to be created, but once it is established it can become both powerful and long lasting.

But what happens if the trust account gets overdrawn?. As Warren Buffet aptly said: *"It takes 20 years to build a reputation – and five minutes to ruin it"*.

A perfect recent example is the Volkswagen "diesel gate" (or Hoaxwagen as fortune magazine has so eloquently dubbed them). VW have been accused of, and admitted, to cheating in emissions tests, the device fitted to the diesel engines being able to figure out when it was being tested in a lab. Martin Winterkorn, the Chief Executive at the time (later fired) stated, his company had *"broken the trust of our customers and the public"*. The fall out from the admission was and still is massive - With VW recalling millions of cars worldwide VW has been forced to set aside €6.7bn (£4.8bn) to cover costs. That

resulted in the company posting its [first quarterly loss](#) for 15 years of €2.5bn in late 2015.

But that's unlikely to be the end of the financial impact. The EPA has the power to fine a company up to \$37,500 for each vehicle that breaches standards - a maximum fine of about \$18bn and the The U.S. Department of Justice and the EPA have filed a civil suit that could theoretically subject VW to up to \$45 billion in fines (though, in fairness, no one expects penalties quite that draconian). And even more recently, in the last days the Norwegian sovereign fund are now suing VW.

Sales continue to stagnate or fall in reasonably healthy markets, in some cases such as the USA, deep into double figure territory. And of course shareholders are non too happy that the price of shares dropping more than 50% at one stage and still more than 40% down since the high of summer 2015.

It is clear therefore that the trust in the person leading the company is inextricably linked to the company itself. Therefore, leaders must arguably deal and trade in trust. They should have an understanding of how trust is built, sustained and if necessary recovered. This is one of the most critical skills that any leader should master.

The impact of culture

Beneath the actions of any leader lies a set of buried and often untested assumptions about what good leadership is, what it does and what it looks like.

This view is often personal and held in a local cultural context. These personal values drive so much of what holds a culture in place - policies, processes, rituals, rewards, communications etc. will be reflected in the environment within which we operate, lead and live.

For example, a couple of years ago, police in the Indian state of Bihar caught children taking the BSEB (Bihar School Examination Board) examinations in a massive cheating scam. Despite tight security, families and friends were seen scrambling up the school walls to deliver textbooks and hastily scribbled notes with answers.



What chance of kids got to put trust and integrity into the right context when they are exposed to this kind of action from their earliest and most impressionable years? Surely we have a responsibility to stamp this out early on?

Look at China – we know that according to the UN office on Drugs and Crime in 2013, *China accounted for 70% of all counterfeit goods 2008-2010**, from Brands to buildings. But this is a normal behaviour for China.

Saying all that, not long ago the results of the so-called "Globe Study" were published, an idea originally conceived by Robert House of the Wharton School of Business. This had set out to understand the relationship of culture on societal, organizational and leadership effectiveness and was based on the research input of 17,300 middle managers, in 58 countries and 951 organizations.

One aspect of GLOBE set out to measure the culturally different ideas about what made most universally acceptable great leadership characteristics. After more than a decade of work and careful study of 112 considered characteristics, "honesty and integrity" stood out as being the most universally "desirable" of those leadership characteristics across all 58 countries.

So while the behaviours of individual leaders are perhaps influenced to some extent by culture, there is some evidence to suggest that society as a whole does tend to pivot towards a common acceptance that trust & integrity is expected part of company leadership.

The no miss minimum floor

In the book, *Leaders: The Strategies for Taking Charge*, co-written between Warren Bennis and Burt Nanus, the authors claim that *"Trust is the emotional glue that binds followers and leaders together. The accumulation of trust is a measure of the legitimacy of leadership. It cannot be mandated or purchased; it must be earned"*.

So let us see what that means – and back to the Edelman barometer - amongst those leaders seen as underperforming, the biggest area of perceived improvement and ranked according to importance is the ability to demonstrate more integrity and ethical behaviour. The survey respondents place this above categories of engagement, products and operations.

Trust – the toughest leadership challenge?

Leaders Seen As Underperforming
Importance vs. performance of 16 trust-building leadership attributes

	% Importance	% Performance	Gap
Integrity	51	27	24
Exhibits highly ethical behaviors	50	24	26
Takes responsible actions to address an issue or crisis	53	33	20
Behaves in a way that is transparent and open	50	24	26
Engagement	49	24	25
Treats employees well	52	25	27
Listens to customer needs and feedback	50	25	25
Places customer ahead of profits	47	23	24
Communicates frequently and honestly on the state of their company	46	23	23
Products	45	33	12
Places a premium on offering high-quality products or services	48	34	14
Is focused on driving innovation and introducing new products/services/ideas	42	32	10
Purpose	40	25	15
Is dedicated to protecting and improving the environment	41	22	19
Ensures that the company creates programs that positively impact the local community in which it operates	42	28	14
Ensures that the company addresses society's needs in its everyday business	43	26	17
Ensures that the company partners with NGOs, government and third parties to address societal issues	33	24	9
Operations	37	28	9
Attracts and retains a highly regarded and widely admired top leadership team	40	29	11
Is ranked on a global list of top CEOs, such as "The Best Performing CEOs in The World"	29	25	4
Manages the company in a way that delivers consistent financial returns	41	29	12

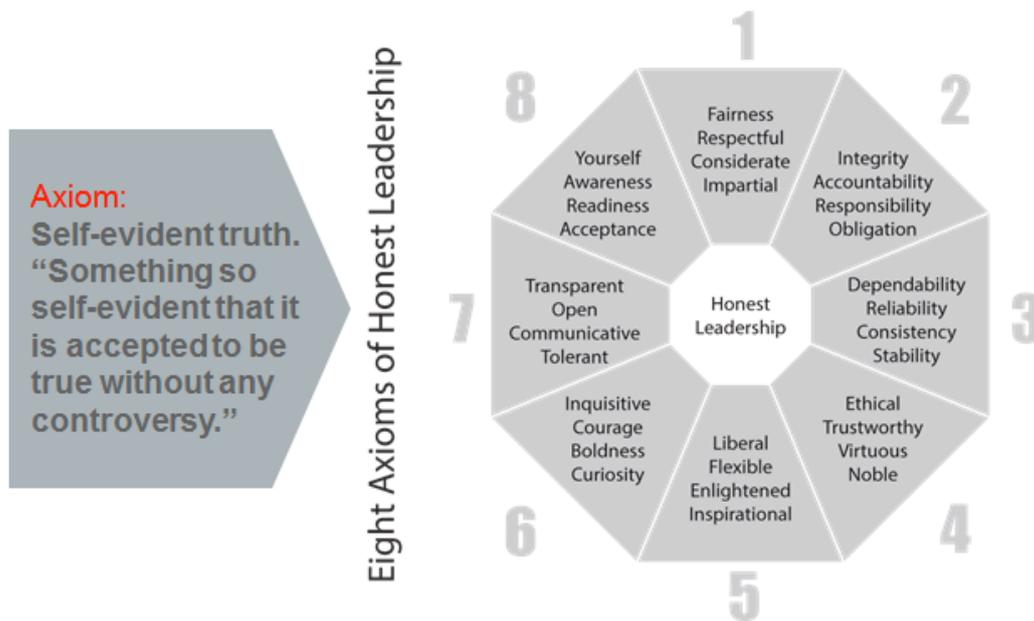
Source: Edelman Trust Barometer 2016

For me, it is therefore clear that companies concerned with ensuring profitable business growth must inevitably focus on the behaviour of its leaders as a bare bones minimum – and get to grips with helping leaders better understand and work towards those behaviours that are recognized as creating trust.

Let me explain how this could be done.

Eight AXIOMS of Honest Leadership

Identifying behaviors that drive trust



One approach is to consider the behaviours and actions as captured within my pragmatic model the “Eight Axioms of Honest Leadership”. Why an axiom? Well an axiom is a non-debatable truth, a bit like 2 plus 2 is 4. It is true and always will be. So for me, the idea of axioms that relate to leadership integrity, trust and honesty seems like a nice place to start.

My simple model collates the traits and behaviours that I believe represent trust and honesty, and groups them into eight axioms. Essentially, the idea is that driving awareness of these and embedding them into our leadership development programs, our organizational norms and our values or DNA will help promote a shift in behaviour and understanding. Better still, a follow up measurement that underpins this will gradually produce a measurable mind shift in organizational leadership.

The Moral Intelligence Quotient (MQ)

The above is all theoretically OK, but how can we pragmatically measure the moral temperature in an organisation? Use of a model such as NPS, or Net Promoter Score may seem extreme to some, but could be feasible depending on company culture.

This is commonly used to measure customer recommendation in many companies, this idea takes the same NPS process, but this time asks employees to rank their boss in terms of “would they recommend their leader” – and bearing in mind 50% of employees leave because of the boss, imagine the impact this could have!

The result could be expressed in terms of a quantitative value that helps leaders and organizations alike better understand how they are doing and get a temperature check – let us call this the Moral Intelligence Quotient, or MQ for short. (it also fits nicely to the idea of IQ, & EQ, both of which I believe are necessary facets to great leadership).

NPS of Leadership / Moral Intelligence (MQ)

Would you recommend/trust your leader?

Behaviors when MQ 9-10

- Integrity and trust
- Accountable
- Surprises and delights
- Dependable, reliable
- Natural leader & coach
- Self-aware
- Follower-centric, participative
- Transparent communication

Behaviors when MQ is 6 or lower

- Reactive/non-responsive
- Tries to lead/leads with power base
- Rude
- Self-centric
- Non-caring
- Not sharing
- Directive
- Creates detractors

Behaviors when MQ is 7 or 8

- Occasional white lies
- Pass the "monkey"
- Have blind spots
- Self-achievement orientated
- Not memorable
- Motivates through position
- Target vs people orientation



MQ = moral intelligence quotient

On a scale of 0-10 how would you recommend your line manager? (10 high, 0 low)

Embedding trust in leadership behaviour

Trust is not something you can train. You have it or you do not, and either demonstrate the right actions or do not. But I believe you can practice at being better once it is known and understood what needs to be practiced in the first place.

Building trust is not just a matter of being truthful. Rather, it requires a concerted effort to change personal behaviour, and not just "ticking the box". The hardest part in my experience is to take time to anchor these axioms into an on-going process of behavioural change so that they become habitual. My book and my trust workshops explore several steps and anchors that you can consider, let's look at some.

ANCHOR 1: LOOK IN THE MIRROR

The best place to start is with yourself. If you are honest with yourself - others will see you as honest. Self-awareness & control help demonstrate integrity and moral intelligence. Self-honesty starts with the recognition of your main responsibilities – to yourself, to your followers, to your organization and other stakeholders.

The scary part in this may be accepting what you discover! If you suffer from self-delusion that everything is not your fault – for example, you lay the blame on difficult customers, an unreasonable boss or soft market conditions – then you mislead yourself and your team, and you will make faulty decisions.

I believe that the best way to look in the mirror is taking external surveys. I recommend surveys such as the MBTI or Talent Q trait questionnaires, combined with 180 or 360 reports, the latter two designed to get feedback about your leadership approach from your peers, employees and your boss. Others are often best placed to tell you how you lead – we may have a different picture of ourselves (our blind spot). Once you have the data, consider your daily actions and whether or not they can be found in the FIDELITY wheel; how for example do you communicate or share responsibility? How do you set objectives or delegate? How do you share difficult information or celebrate success?

ANCHOR 2: INCREASE YOUR FOCUS

To build trust, you need to focus on it. Have you ever noticed how when you focus on something, that “something” increases? For example, if you focus on the fact that your car is old and needs expensive repairs, you start to think of other things that you had forgotten but that you need to repair –the lawnmower which has blunt blades, the kid's broken bike and so on. Focus increases the thing you're focusing on.

So, focus on how to build trust. For example, if you work behind a closed door, think about the message that your closed door provides to your team. Does it demonstrate that you're ready to guide others and act as an inspirational leader? If you have a closed door, presumably you interact only in pre-scheduled team meetings. You miss out on the “by the coffee machine” chats in which you can encourage candid conversation as ideas pop into your head.

So why not open the door? Allow people the comfort and flexibility to walk in and access you to chat about things that concern them. These chats may only take two minutes, but they are important.

ANCHOR 3: COMMUNICATE WITH INSPIRATION

Of course you know it is critical to communicate. I do not mean a town hall meeting and assume everyone is on board – the success of any communication lies within the receiver's head; they determine if they understood and accept your message. Therefore, ensure every key change is communicated, communicated again and repeated some weeks later.

Some simple rules:

Do not lie, or hide the truth: Eventually lies will catch you. Tell it like it is. If it is bad news, say so, but tell people what you are doing to make it better. If it is good news, say so and thank people. Be humble. Be realistic, honest and hopeful. Integrity starts in your communication.

Be personal: Do not be afraid of sharing experiences and telling stories. If you stay at arm's length, then you can expect the other to hold back and stay reserved. This will not promote a trusting culture and is not inspirational. Open up!

Avoid vagueness: Specificity is better than ambiguity. Learn to communicate with clarity. Simple and concise is better than complicated and confusing.

Focus on giving: The best communicators are adept at transferring ideas, aligning expectations, inspiring actions and spreading their vision. Communication is not for you – it's for your followers.

Have an open mind: Willingly seek out those with dissenting opinions - with the goal of understanding what's on their mind, not convincing them to change position.

Listen first: Great leaders know when to dial it up, dial it down and dial it off (mostly you should focus on down and off). This is not about top down monologue, but all around dialogue.

Be empathetic: Ensure that your communication is candid, empathetic and caring and not full of an inflated ego. Empathetic communicators display a level of authenticity and transparency.

Be aware of your gaps: Be aware of what you are not saying or doing. What message does this give? Could someone read between the lines?

ANCHOR 4: LOOK AROUND, BENCHMARK THE BEST

Benchmarking can be a great support. Look over the fence – if you see a great idea, borrow it and adapt it to your needs. The main purpose is to improve your trust-factor by identifying where changes can be made. Benchmarking considers not only the result, but also the process and the practices that enable an organization or yourself to achieve superior performance.

As Warren Buffet once said "It's better to hang out with people better than you. Pick out associates whose behavior is better than yours and you'll drift in that direction". Choose your benchmarks wisely and follow them!

ANCHOR 5: DETERMINE AND SUPPORT THE SPAN OF CONTROL

How many direct reports can you really handle? Ten? More? The recent rogue trader cases, such as the £827 million loss at Barings Bank (that ultimately caused it to collapse) or the actions of Kweku Adoboli that cost UBS \$2.3 billion demonstrate that company leaders cannot always know what is happening with their followers and if the teams are too large, you simply cannot demonstrate the necessary focus or explore deeply enough the necessary behaviors that help embed trust. Your followers never get to know you. Why should they trust you?

This introduces the notion of span of control. Even in today's modern world the consensus is that you cannot cope with more than 15 – 20 “relationships” and provide sufficient time for emotional contact to understand how your colleagues tick. Most of the time is spent virtually – how can you know what they think, how they behave and react to your decisions? At best, your 300 Facebook “friends” are acquaintances.

Leadership is the relationship you have with people. We already know that people will behave and respond depending on how you treat them. It is vital that your span of control is not too wide and they are trusted to help you cascade the messages to people within their span of control and so on.

ANCHOR 6: SHOW YOU CARE

This is vital as 99% of the time you work with people, not processes. This means you must show people that you care about them to build trust. People determine the success or failure of your efforts. As Craig Weatherup, former CEO of PepsiCo said: *"When things are really tough, when it's unclear, when nobody knows what's really happening, they follow you because they think and because you've demonstrated that you really care about them... from the janitor to the chief of staff, affirm that person's human dignity. That's the one thing that inspires passionate followership".*

This also means that you must walk the talk, which is challenging. Some of us believe that if we do the wrong thing and come clean about it, that our ability to lead is lost. But the contrary is true – the more sincere you are about your mistakes and making a visible effort to fix them; the more likely you are to generate trust and respect. You only lose authority if insufficient effort is made to right any wrongs.

Many of us can spot insincerity a mile away – there is something in the tone, in the body language or the timing of an insincere apology that makes us question its validity.

There are simple rules to build trust, such as:

- Act the same with yourself as you do when in public.
- Treat others, as you would like to be treated.
- Do things from the heart; do not seek a reward for doing and helping.
- Mean and believe what you say; live it, demonstrate it.
- Use positive affirmations, but do not over-praise; say thanks and mean it, but do not oversell it

The words of Hanna van der Put, the Chief Integrity Officer of ABB make a fitting conclusion. "It is not about rules. But about developing and working with integrity. Integrity is about behaviour". Honesty and building trust is a never-ending job; you have to maintain your focus to do these things and continually question yourself and monitor your actions.

If you are interested in exploring the NPS of leadership, the MQ, or any other advice, please reach out to

www.Organisation-Dynamics.com