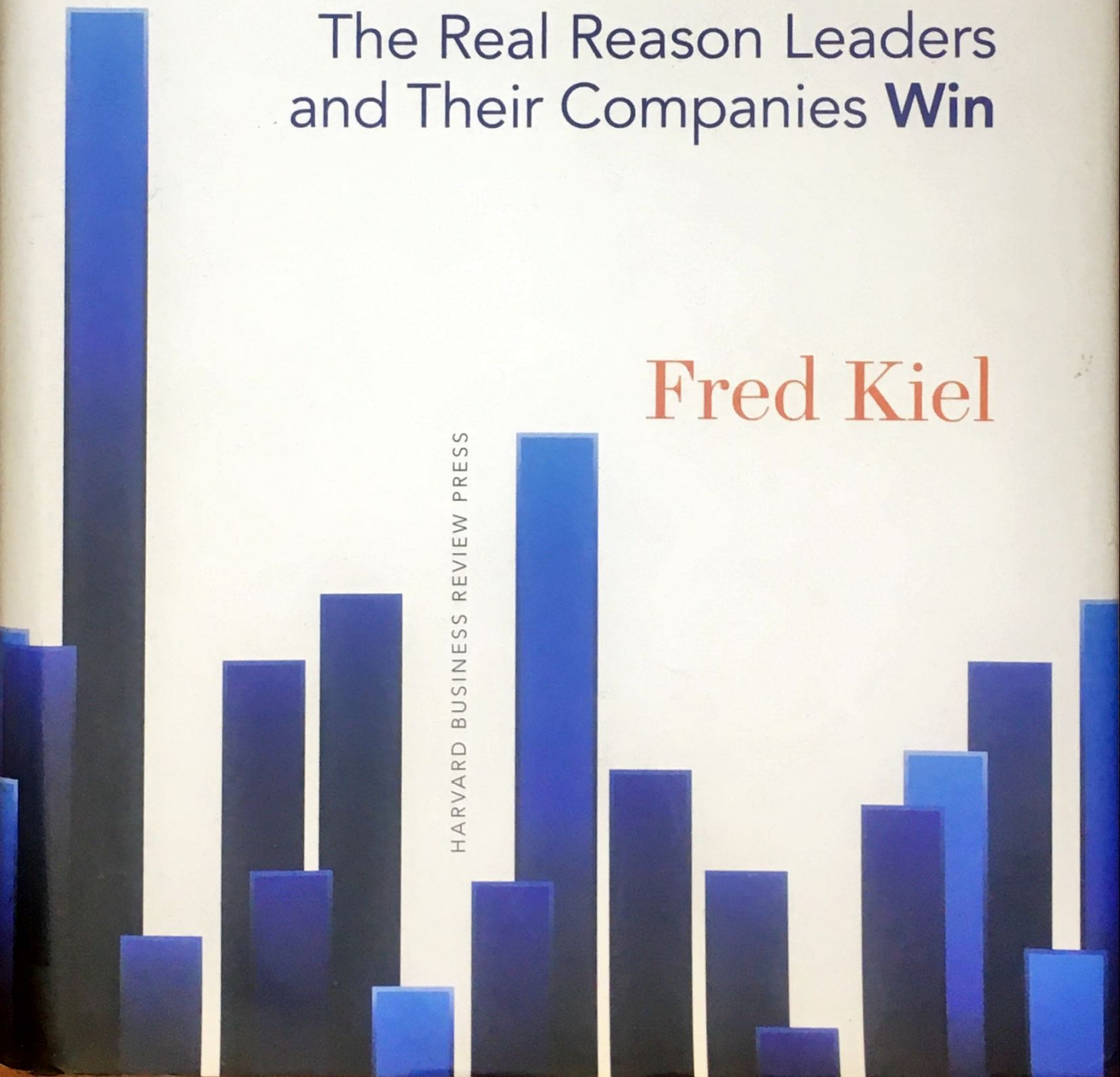


# Return On Character

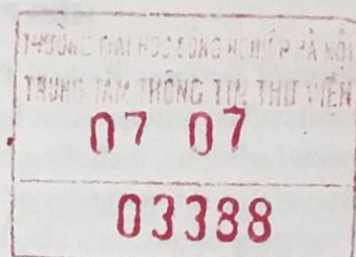
The Real Reason Leaders  
and Their Companies **Win**

Fred Kiel

HARVARD BUSINESS REVIEW PRESS



# Return On Character



The Real Reason Leaders  
and Their Companies **Win**

Fred Kiel



GIFT OF THE ASIA FOUNDATION  
NOT FOR RE-SALE

QUÀ TẶNG CỦA QUỸ CHÂU Á  
KHÔNG ĐƯỢC BÁN LẠI

HARVARD BUSINESS REVIEW PRESS

*Boston, Massachusetts*



# Contents

<i>Preface</i>	<i>xi</i>
Introduction	1
 Part I ROC and the Path toward Leadership	
1. Character Defined	13
<i>Populating the Character Curve</i>	
2. The Human Nature of Leadership	35
<i>Upgrading an Outdated Model</i>	
3. The Journey from Cradle to Corner Office	51
<i>Reading the Road Map</i>	
 Part II ROC Leadership at Work	
4. ROC Leadership in Action	81
<i>Mastering the Essentials</i>	
5. The Executive Team and ROC	105
<i>Guiding the Organization to a Win</i>	
6. The ROC Ripple Effect	129
<i>Bringing Every Stakeholder into the Winner's Circle</i>	

## Part III The ROC Habits Workshop

7. Becoming a Virtuoso Leader	157
8. Developing an ROC Organization	191
Conclusion	211
<i>Steering toward a New Direction in Leadership</i>	

Appendix A	221
Appendix B	231
Notes	239
Index	251
Acknowledgments	271
About the Author	277



# Preface

Shortly after this book is published, I will celebrate my seventy-fifth birthday. For nearly forty years, I have served as an adviser and confidant to executive leaders in both large and small organizations. Most often, my clients have been chief executive officers.

Early on in this work, I was struck by how most of my clients were very principled, and yet they demonstrated so little concern for the common good. They weren't hostile to the idea, just focused only on what was good for their specific business.

I also was surprised by how little insight most of my clients had about the real levers for creating value. The executives I advised typically undervalued methods for inspiring and energizing the workforce and overvalued strategic financial and competitive moves. When tough economic times roiled the waters, their investment in talent development (including their own) was the first budget item they tossed overboard. They had little awareness that *who* they are is just as important as *what* they know how to do. The hard data resulting from our research has provided quantitative metrics that clearly prove just how limiting that lack of awareness can be, in both personal and professional outcomes.

I've written this book to offer concrete reasons for rethinking our ideas about effective leadership, and to map out the direct connection between strong character, principled behavior, and sustainable business results.

Virtuosos in every category, from music to writing to sports or medicine and law, recognize that true excellence requires, in the late leadership authority Stephen Covey's words, that we constantly "sharpen the saw."<sup>1</sup> Business leaders endorse this concept as well, but the current tools for improving executive performance are primarily intellectual or



behavioral exercises that don't touch the core drives, principles, and personality traits of the person involved. I have based most of my career on demonstrating that delving into the core of our individual humanity is what produces transformational inner change, which in turn leads to increased virtuosity and true excellence as a leader. My professional life didn't begin this way, however. It developed through some inner-journey milestones and transformational changes of my own—changes I worked hard at achieving and that I continue to hone.

I emerged from graduate school in 1971 with a PhD in psychology and, within one year, formed my own practice. For the next fifteen years, I had one goal: career and financial success. During those years, I built two large clinical practices. I left the first one following a divorce and then built the second practice, taking it public in 1985. For a brief period, I was a CEO of a publicly held corporation. I regularly met with investors and analysts and personally experienced all the usual challenges of leading a publicly owned corporation.

People who knew me in those days would *not* have described me as a Virtuoso CEO. I was more like one of the Self-Focused CEOs in the Return on Character (ROC) study. While I never engaged in any illegal behavior, I'm sure many of my colleagues in those days felt that I was more than willing to throw them under the bus if it meant success for me. The people who worked for me undoubtedly sensed that I cared a lot more about what they could do for me than about what happened to them. I had developed some incredibly poor character habits.

I certainly wasn't taught those habits as a child. I grew up on a cattle ranch in the Midwest. At the dinner table, my father often spoke about people who demonstrated exactly the kind of self-absorbed behavior I would later fall into. "Big hat, no cattle" was his description. A peacemaker, my father would turn the other cheek before reacting with anger, and I can recall countless moments in which he demonstrated his honesty, forgiveness, and willingness to be generous and kind. My mother was highly principled, too, with strong character habits. She believed in telling the truth and was steadfast in doing so, albeit with sensitivity and kindness.

And then, there was me. By my late thirties, I had been divorced and bankrupt twice. As I reached middle age, I became increasingly aware of my moral and spiritual emptiness. Clearly, I was not living the kind



of life my parents demonstrated. After some soul searching and with the excellent guidance of some talented advisers and mentors, I began to understand that I needed to change. That was the start of a difficult and ongoing process. Like anyone who attempts to alter a deeply ingrained habit, I didn't achieve immediate and complete success. But over time, and with a lot of practice (using exercises and other techniques I'll share with you in part III of this book), I found that I was able to significantly strengthen my character habits.

By early 1987, I had resigned my position as CEO and launched a new solo practice with the vision of using my energy, talents, and skills to help leaders of large business organizations "connect their heads to their hearts." My solo practice quickly grew into a small partnership and then moved on to become KRW International, a boutique consultancy with a global reach, where I still am today, and which continues its mission of helping leaders and organizations connect their actions and behavior to their values and principles. The research project that forms the foundation of this book is a direct extension of that organizational mission.

## From Vision to Movement

As I approach my seventy-fifth birthday, I have a dream. I hope to inspire a movement that forever changes people's expectations of leadership and performance in organizational life, both in the for-profit world as well as in the nonprofit. I hope to inspire a movement where people demand character-driven leadership because it delivers higher value to all stakeholders—and because it's the *right* thing to do.

More specifically:

- I dream of a time when societal norms have shifted, so that leaders of organizations everywhere are *expected* to demonstrate strong character habits, not only because it is the right thing to do, but because it builds tangible value for all stakeholders.
- I dream of a time when the ROC is so widely recognized and accepted that the "invisible hand" of the free market works to create character-driven leadership cultures.



- I dream of a time when most public businesses, large nongovernmental organizations, and large government agencies are rated for the ROC their leaders produce, much as the financial health of global businesses today is rated by Moody's and Standard & Poor's.
- I dream of a time when the power of social media, the internet, and smartphone-like technology has made the character habits of management teams and leaders easily discernible and transparent.
- I dream of a time when the inappropriately opaque or hidden elements of leadership become transparent and visible—when the gap between what leaders say and what they do is closed.
- I dream of a time when investment professionals reward companies with character-driven executive teams and avoid those with Self-Focused leadership, because they understand the connection between strength of character and business success.
- And finally, I dream of a time when character development is an integral part of the essential core curricula in business schools—when *who* a leader is as a person matters just as much as *what* that person knows how to do.



# Introduction

*“A leader should stay legal, but beyond that, it’s the person who is hard-nosed, doesn’t succumb to soft HR practices, and ruthlessly controls costs who creates the most value!”*

*“A good business model is what creates value, and a good business model can survive a period of poor leadership.”*

*“If a business makes a lot of money, it will attract good talent and all the culture stuff will follow.”*

Being cynical is easy when it comes to the topic of character’s role in business leadership. Just seeing the words *character* and *business leadership* in the same sentence brings to mind a seemingly unending list of ineffective leaders who periodically sweep through the business world, draining organizations of all real value, leaving nothing behind but angry investors and an unemployed workforce. These “greed is good” proponents can make for great headlines, but that’s where their contribution to any common good ends. When it comes to running a business that achieves maximum returns for all stakeholders—investors, governing boards, employees, clients, communities, and the world they share—self-involved, bottom-line-driven leaders rarely deliver the goods.

That idea may seem obvious, but it’s missing in the way we train, view, and judge business leaders. Rarely do business media cover the practices or benefits of character-driven leadership. We don’t hesitate to talk about the connection between inferior leadership character