

Insight



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Latest Insights on Leader Character

Introduction

“When we think about leadership, we focus too much on what leaders do...and we don’t spend enough time on who leaders are – the character of leaders.”¹

The best boards are made up of individuals who have the strength of character to uphold the values, culture, and purpose of the organisation, which in turn creates a powerful foundation for the overall success of the organisation.

Over the past six months, we have carried out extensive research across leading management and psychology-related academic journals, as well as insights published by respected management organisations. This work has confirmed our view that Leader Character directly affects an organisation’s Reputation, Culture, and Performance.

Therefore, it is essential that boards:

- Place a high priority on understanding the character and values of the key people in their businesses, precisely those values that align with a company’s core values
- Recognise they have a direct responsibility to set the tone by role modeling and reflecting good character
- Implement initiatives at Governance, Executive and HR levels to ensure organisations are character-focused.

This paper argues that:

- The success of an organisation hinges on the quality of its leaders at the board and executive level, who influence the culture of the organisation through their role modeling of behaviours, and
- The ‘quality’ of the leader is comprised of three dimensions – their competency, their commitment, and, most importantly, their character
- Leader Character can be measured and developed
- Good judgment flows from good character.

With our future in such a state of unknown due to COVID 19, leadership character – and thereby, the capacity to show good judgment, right now, is critical.

¹ Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). Character matters: Character dimensions’ impact on leader performance and outcomes. *Organizational Dynamics*, 44(1), 65-74



Why should boards focus on Character?

Boards should prioritise a focus on Character for the following reasons:

- **Culture is increasingly mandated as a board responsibility**
The UK Corporate Governance Code of 2018 now makes specific reference to a board's responsibility to ensure that an organisation's culture aligns with its purpose, values, and strategy – and that “directors must act with integrity, lead by example and promote the desired culture.”
- **A focus on character will protect the organisation from reputation-damaging events**
Research has found that organisations that are successful over the long term place an equal value on measuring the character, competency, and commitment of their leaders².
- **Character links directly with a shift toward Purpose**
In August 2019, the Business Roundtable released a new Statement on the Purpose of a Corporation. This stated that the purpose of an organisation is no longer solely to produce profit for shareholders – instead, the new purpose of a corporation is to benefit all stakeholders – customers, employees, suppliers, communities and shareholders³.
Therefore, to focus on delivering the purpose of an organisation, there must be an equal focus on the character-driven behaviours that will enable the purpose to be achieved.

What we have learned from our past work

Our previous papers have identified that:

- The character of its leaders determines organisational culture
- Leaders are viewed as role models for acceptable behaviours (both good and bad) across the organisation, and therefore, the character of a leader is critical
- Reputation-damaging events occur when an organisation has a culture that tolerates poor or undesirable behaviour
- The focus on short term profit combined with weak character has contributed to many of the reputation-damaging events we have read about over recent years.

It, therefore, follows that boards need to have a greater focus on the character of their senior leaders to ensure that their behaviours are aligned with the stated values and purpose of the organisation.

² Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). Character matters: Character dimensions' impact on leader performance and outcomes. *Organizational Dynamics*, 44(1), 65-74.

³ <https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans>



Key findings from current research on Character

Based on our review of the current research, we have identified the following key points:

- Boards don't spend enough time focusing on Character
- Character is not set in stone – it is different from Personality, and it can be developed
- Character can be measured
- Judgment is key – and can be developed: Reframing misconduct and immoral behaviour as poor judgment
- Effective leadership = Competency + Character + Commitment
- Character is linked with performance and reputation
- Leaders should role model desired behaviours.

Boards don't spend enough time focusing on Character

Research has found that while boards agree that leader character is a crucial factor at executive and governance level, it is not given the attention it deserves, both at a board level and throughout the organisation, most likely due to⁴:

- The lack of a clear definition of the term 'character' in the business context
- A belief that a person's 'character' is fixed and cannot be changed
- The lack of business-specific vocabulary for discussions about character
- Lack of measurement tools for assessing character

It is the responsibility of the board, with support from the HR team, to lead the charge in managing these issues.

⁴ Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). op cit.



Character is not set in stone – it is different from Personality, and it can be developed

“While certain personality traits are innate, character is developed over one’s lifetime, and individuals can enhance the development of character through deliberate practice and reflection on experience.”⁵

The term ‘Character’ tends to be misunderstood. Often conflated with ‘Personality,’ Character is thought to be ‘set in stone’ and thus unable to be developed⁶.

In much the same way, leadership ability is also often spoken of as if it were determined solely by genetics – you are either ‘born to lead,’ or you are not. The science behind leadership, however, suggests otherwise. Some studies suggest that genetics only contributes 30 percent towards leadership, comprising traits such as physical appearance and voice as well as other factors that may facilitate leader respect and influence. In contrast, the remaining 70 percent is attributed to learning through life experience⁷.

Personality and Character are distinctly different⁸:

- **Personality** can be defined as “the combination of qualities, attitude, and behaviour that makes a person distinct from others.” It remains stable across the lifespan and is a form of identity – ‘Who we seem to be’.
- **Character** ‘Who we are.’ It refers to “a set of moral and mental qualities and beliefs that makes a person different from others.” It is based on learned behaviour, and specifies our strengths and weaknesses; it can change across time positively or negatively, and, importantly, it can be developed.

Character differs from personality because:

- It is changeable when confronted with various environmental experiences⁹.
- It can change for better or for worse, depending on the experience
- It is ‘habit-like’ – changing the habit can change the associated character-driven behaviours¹⁰.

What this tells us is that irrespective of one’s genetic makeup, the essential skills and character traits that distinguish an effective leader can be learned. An effective leader, therefore, is an individual who embraces self-reflection, feedback, and development, and who learns from experience.

⁵ Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). op cit.

⁶ Difference Between Personality and Character – Key Differences, from <https://keydifferences.com/difference-between-personality-and-character.html>

⁷ Why Leadership is like a three-legged stool, from <https://www.fastcompany.com/3036778/why-leadership-is-like-a-three-legged-stool>; and, Leadership is only 30 percent genetics, from <http://www.situationmanagementsystems.com/blog/index.php/leadership/leadership-is-only-30-percent-genetics/>.

⁸ Difference Between Personality and Character – Key Differences, from <https://keydifferences.com/difference-between-personality-and-character.html>

⁹ Ibid. Seijts, G., Byrne, A., Crossan, M., & Gandz, J. (2018).

¹⁰ Furlong, M. Crossan, Gandz and L. Crossan (2017). Character’s Essential Role in Addressing Misconduct in Financial Institutions. *Business Law International*. Vol 18, No. 3.



Character can be measured: frameworks and benefits

Professor Gerard Seijts and his colleagues at the Ivey Business School in Ontario have developed a character-based framework that provides a vocabulary for discussing and measuring 'Character.' The framework consists of 11 key dimensions, and each dimension is associated with specific elements (for a diagram of the Framework, including the dimensions with related elements, please refer to Appendix 3).

The 11 Key Dimensions:¹¹

- Judgment, Transcendence, Drive, Collaboration, Humanity, Humility, Integrity, Temperance, Justice, Accountability, Courage

The main points from the framework are:

- Judgment is critical – this dimension mediates when and how a leader behaves in each situation
 - Hence, harmful behaviours are the result of 'poor judgment' rather than 'poor morals.'
- All dimensions are of equal importance, and each element can influence the strength of the associated character dimension
 - Therefore, if one dimension is compromised, leadership effectiveness can be hindered
- Dimensions and elements together are necessary to gain a holistic view of a leader's strengths and areas for improvement
- A well-developed character encompasses and balances all dimensions
- Context is vital – Character strength is based on knowing when to activate specific dimensions in certain situations to display appropriate behaviour
- If certain dimensions are absent or in excess, this can lead to a lack of balanced insight and poor decision-making¹². Examples of these can be found in Appendix 3

The framework put forward by Seijts et al. is important because it offers a business-specific vocabulary and strengths-based set of dimensions by which leader character can be measured and developed. The framework forms part of their Leader Character Impact Assessment (LCIA), which is a useful tool for measuring character in several contexts, including recruitment, development, and succession planning.

Measuring character would provide the following benefits¹³:

- Helps identify the character dimensions that are critical for the role and organisation

¹¹ Seijts, G., Gandz, J., Crossan, M., & Reno, M. op. cit.

¹² Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). op cit

¹³ Seijts, G., Crossan, M., & Carleton, E. (2017). op cit, and, Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). op cit.



- Provides an index for what is considered the ‘right’ character and a good organisation/job-fit in recruitment and succession processes
- Identifies character strengths and development needs of individuals
- Provides an index for accountability for the character of key personnel

Judgment is vital – and can be developed: Reframing misconduct and immoral behaviour as poor judgment

“It doesn’t matter how much competency exists, how highly motivated and committed to achieving results the people are, it is character-infused judgment that harnesses competency and commitment to produce sustainable excellence while simultaneously avoiding harmful or even catastrophic outcomes.”¹⁴

Researchers investigating the continuing misconduct in the financial services industry post-GFC found that the remedies used to curb breaches of conduct, such as legislation, fines, oversight programmes, increased audit and compliance measures, failed to deter the misconduct (Furlong et al., 2017). They identified that the breaches of conduct came to be framed as the result of ethical or moral problems within the organisation and its individuals, which led to the implication that the banks and financial institutions were made up of many ‘bad apples.’

Through their research, Furlong et al. instead propose that the abovementioned misconduct is a result of poor judgment (a sign of weak leader character), which can be remediated through development programs. They also note that there is a positive effect of reframing – framing an issue as one of ‘poor judgment.’ This will meet with less emotional resistance than being told that one has ‘bad morals.’ People are more likely to accept opportunities for development when it is positioned as an opportunity to strengthen their judgment.

“Viewing misconduct as a judgment issue instead of a moral issue engages audiences who want to improve decision-making but without the judging that is typically associated with moral agendas.”¹⁵

¹⁴ Furlong, M. Crossan, Gandz and L. Crossan (2017). op cit.

¹⁵ Furlong, M. Crossan, Gandz and L. Crossan (2017). op cit.



Effective leadership = Competency + Character + Commitment

In a post-GFC research project on the role that organisational leadership played before, during and after the crisis, researchers identified that three dimensions of leadership set apart those businesses that failed from those that survived and prospered:¹⁶

- **Leadership competency** – the capability of an individual in different areas such as Business, Strategy, People and Organisational
- **Leadership character** – the mixture of traits, values, and virtues (i.e., high moral standards) that are respected and valued in leaders. Character also influences judgments, decision-making processes and choices made
- **Leadership commitment** – the amount of effort an individual dedicates to the role

They concluded that the three dimensions and their interaction determine the quality and effectiveness of a leader. Therefore, if one dimension were to be undermined, it would impact the effectiveness of the other dimensions and result in detrimental consequences for the organisation, such as reputational and performance associated costs.¹⁷

Character is linked with performance and reputation

“Character predicts both an individual’s and an organisation’s performance.”¹⁸

There are a large number of academic findings that support the view that a focus on character-driven behaviours plays a vital role in the success of an organisation.

Effective leaders with the right character can influence:

- The organisation’s reputation: The actions and governance decisions made by leaders influences how the organisation is – and will be – perceived by internal and external stakeholders
- The workforce culture: Senior leaders are role models for behaviour within an organisation, and can be one of the main determinants of the culture of an organisation, as they set and reinforce the behavioural standards, that is, what is deemed the ‘norm’ and ‘acceptable’ in employee behaviour¹⁹
- The overall success and performance of an organisation:
 - A bad hire is very costly for businesses, as a bad hire can cost two-to-three times their salary²⁰
 - Leaders of strong character achieved up to five times the ROA for their organisations than leaders of weak character.²¹

¹⁶ Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). Character matters: Character dimensions’ impact on leader performance and outcomes. *Organizational Dynamics*, 44(1), 65-74.

¹⁷ Ibid. Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015).

¹⁸ Seijts, G., Crossan, M., & Carleton, E. (2017). Embedding leader character into HR practices to achieve sustained excellence. *Organizational Dynamics*, 46(1), 30-39.

¹⁹ Seijts, G., Byrne, A., Crossan, M., & Gandz, J. (2018). op cit.

²⁰ The Real Cost of a Bad Hire, from <https://newtonsoftware.com/blog/2016/07/06/the-real-cost-of-a-bad-hire/>

²¹ Findings reported in this thought piece, were obtained from an article from Harvard Business Review on Measuring the Return on Character, however, the article was influenced by the findings from “Return on Character: The Real Reason Leaders and Their Companies Win by Fred Kiel (2015).



Leaders should role model desired behaviours

“Albert Bandura’s social cognitive theory states that individuals learn from observing others within the context of social interactions. The implication for senior leaders is straightforward. They should model the behaviours they want to promote throughout the organisation.”²²

The behaviours modeled by senior leaders can develop and guide character, and influence the workforce culture²³. Employees are continually observing and learning character-associated behaviours portrayed by key personnel. Therefore senior leaders should model the behaviours that are in line with the key values of the company and reinforce these to develop leader character and form a reputable organisational culture²⁴.

Embedding character focus on the organisation

To elevate the importance of Character within organisations, it is essential that boards ‘lead the charge’ in adopting a Character-focus. Boards can do this in the following ways:

- Define the key character-associated behaviours that are aligned with the company’s values and purpose – and communicate these across the organisation
 - It is vital to ensure that critical character-based behaviours are identified, especially those who align with the company’s core values – and that these are directly and clearly stated as guiding principles for employees. For an explanation of how linking character-associated behaviours with the purpose and values of an organisation reinforces (and perpetuates) the culture of the organisation, please refer to Appendix 4
- Ensure senior leaders understand their responsibility to role model expected behaviours
 - Board and senior leaders must role model and be held accountable for their behaviours. Any character-associated behaviours expressed or enacted by senior leaders, whether good or bad, tend to be watched closely by others, especially those at early stages of their leadership development, as they discern the behaviours that are valued in the organisation²⁵
- Measure and reward expected behaviours
 - Behaviours which align with the company’s vision ought to be clearly communicated, explicitly rewarded and encouraged verbally to ensure such behaviours continue, and unwanted behaviours must be ‘called out’ when they occur
- Invest in character development opportunities, and provide opportunities for practice

²² Seijts, G., Crossan, M., & Carleton, E. (2017). op cit.

²³ Seijts, G., Crossan, M., & Carleton, E. (2017). op cit; and, Seijts, G., Byrne, A., Crossan, M., & Gandz, J. (2018). op cit.

²⁴ Seijts, G., Crossan, M., & Carleton, E. (2017). op cit; and, Seijts, G., Byrne, A., Crossan, M., & Gandz, J. (2018). op cit.

²⁵ Seijts, G., Crossan, M., & Carleton, E. (2017). op cit.



- Opportunities for employees to undertake development, combined with constructive feedback and the chance to practice targeted behaviours, is essential to facilitate learning and consolidation of those behaviours
- Ensure the focus on Character is reflected in systems and processes
 - Especially reward regulations, as well as recruitment, development and succession planning processes
- Communication to reinforce understanding of the impact of character-focused behaviours
 - For example, explaining how specific behaviours (both desirable and undesirable) impact on HR decisions around performance management, promotions, termination, development, recruitment and succession planning
- Commit to prioritising a character-focus through formal delegation of responsibility at a Governance level
 - To ensure that it remains a high priority, there should be an individual that is responsible for driving the focus on leadership character at Executive and Governance levels.

The board and executive leaders should actively support and initiate the drive to make the focus on character a high priority. They also have a direct responsibility to role model and reflect good character.



Conclusion

As reinforced in our previous papers, boards ought to focus on recruiting and developing C-suite executives who have the necessary experience and character to build and maintain strong performance, culture, and reputation.

This is essential, as the character of senior leaders and the culture of an organisation lies at the core of what a company is and what it will be in the future. It is, after all, the people that bring the company's values and vision to life in their day-to-day work.

In essence, for organisations to succeed today, critical character-based behaviours must be (1) identified – specifically those that align with a company's core values, and (2), are explicitly stated as guiding principles linked with the appropriate reward for employees.

Boards should consider the following actions:

- Defining the key character-associated behaviours that are aligned with the company's values and purpose
- Supporting and ensuring the focus on character is reflected in systems and processes, especially reward regulations
- Holding senior leaders accountable as reputable key role models for character-associated behaviours
- Providing direct and clear communication – emphasising that measurement is not only a function of an executive's competency and commitment but also their character
- Investing in character development opportunities.

The success of an organisation hinges on the quality of its leaders, and that 'quality' is comprised of three dimensions – their competency, their commitment, and, most importantly, their character.

The past has taught us that one crucial aspect of leader character – the capacity for sound judgment – can make the difference between whether an organisation succeeds or fails – and subsequently how many lives, livelihoods, and environments are either positively or adversely affected as a result. Therefore, a focus on leader character, and specifically, the capacity for judgment, will afford boards an added layer of strength and reassurance as we rebuild in a post-COVID 19 world.



Appendix 1

The following tables highlight the differences between the concepts of Personality and Character:

Figure 1

An overview of the difference between Personality and Character²⁶.

Personality	Character
<ul style="list-style-type: none"> • Stable across life • Static traits which can differentiate individuals • A form of identity 	<ul style="list-style-type: none"> • Learned behaviour • Can be developed • Can change across time in a positive or negative manner • Specifies strengths and weaknesses

Appendix 2

Professor Gerard Seijts and Colleagues have developed a character-based framework for measuring and discussing 'Character,' which identifies 11 key dimensions. Each dimension is associated with specific elements, as depicted in the diagram below:

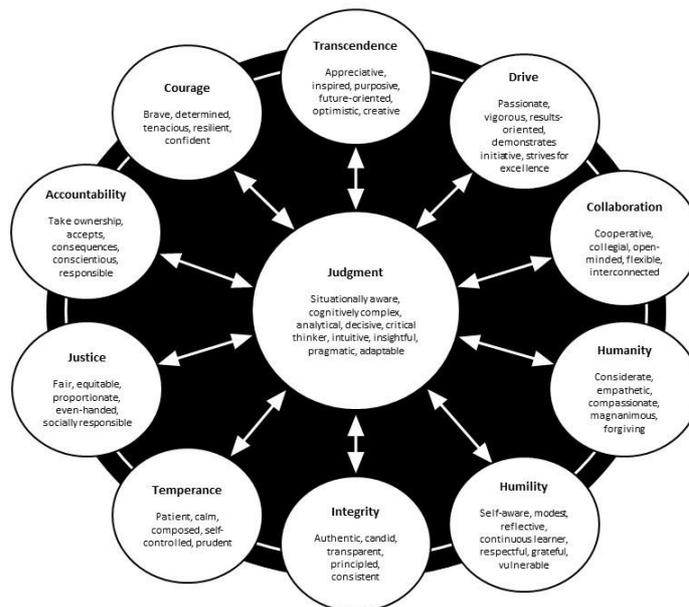


Figure 3

The 11 Character Dimensions and Associated Elements²⁷

Source 3: *Character matters: Character dimensions' impact on leader performance and outcome* (Seijts, Gandz, Crossan & Reno, 2015).

The 11 Character Dimensions and Associated Elements

²⁶ Seijts, G., Byrne, A., Crossan, M., & Gandz, J. (2018). Leader character in board governance. *Journal Of Management And Governance*.; and, Difference Between Personality and Character – Key Differences, from <https://keydifferences.com/difference-between-personality-and-character.html>

²⁷ Seijts, G., Gandz, J., Crossan, M., & Reno, M. op. cit.

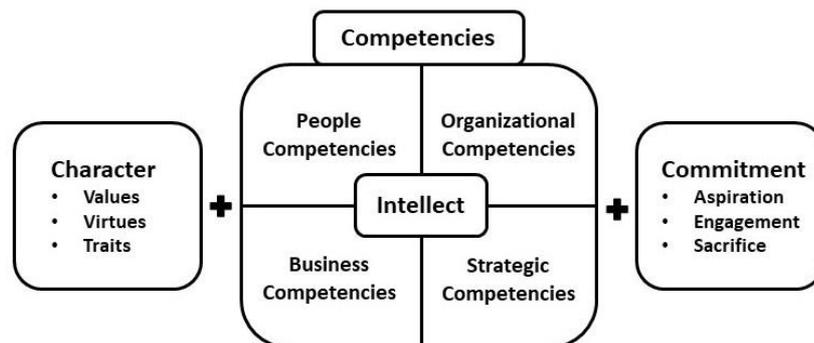
A well-developed executive leader will encompass the character dimensions in a balanced manner, to execute effective decisions in various situations while continuing to achieve excellence in the long-term.

- If certain dimensions are absent or in excess, this can lead to a lack of balanced insight and poor decision-making²⁸. For example²⁹:
 - **Drive:** if absent, this can result in low organisational productivity. However, if it is excessive, this may result in arrogance and heightened competitiveness than can hinder teamwork and decrease performance
 - **Collaboration:** if absent, the individual may have an inability to incorporate differing perspectives, which can hinder the creation of innovative ideas. If excessive, delayed agreement can occur
 - **Temperance:** if absent can result in a short-term focus. If heightened, can lead to excessive confidence and risks taken that may not be coherently understood
 - **Courage:** if lacking, it can lead to ‘moral muteness,’ whereby wrongdoings are not corrected. If excessive may lead to impulsive decision making
 - **Transcendence:** if absent, it can hinder determination to reach excellence. If excessive may result in an inability to attain short-term goals due to perfectionism

Appendix 3

As shown in Figure 2, Character, Competency, and Commitment, together, are pivotal when determining the effectiveness of a leader³⁰.

Figure 2
A Model for Leader Effectiveness



Source 2: *Character matters: Character dimensions’ impact on leader performance and outcome* (Seijts, Gandz, Crossan & Reno, 2015).

²⁸ The descriptions are from the following sources: Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015). Character matters: Character dimensions’ impact on leader performance and outcomes. *Organizational Dynamics*, 44(1), 65-74; and, Furlong, M. Crossan, Gandz and L. Crossan (2017). Character’s Essential Role in Addressing Misconduct in Financial Institutions. *Business Law International*. Vol 18, No. 3

²⁹ Ibid.

³⁰ Ibid. Seijts, G., Gandz, J., Crossan, M., & Reno, M. (2015).

Appendix 4

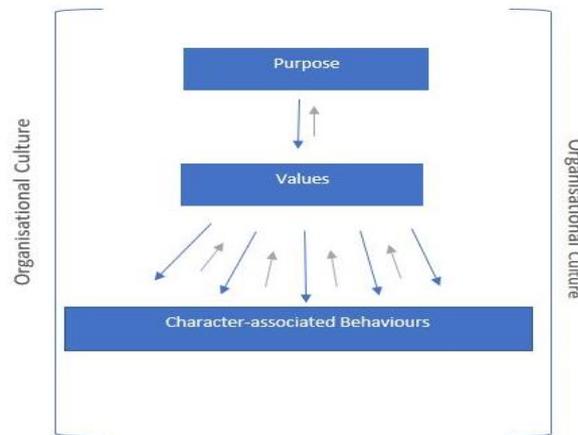
Boards can support the shift to a 'character-focus.'

Identify and promote behaviours that align with values and purpose:

As depicted in the diagram below, the purpose and values of the organisation should indicate which character-associated behaviours are deemed appropriate, as shown by the blue arrows. In turn, the character-associated behaviours displayed by the workforce will then reinforce and 'bring to life' the values and purpose of the organisation, as indicated by the grey arrows, creating a self-perpetuating cycle. This would help define and reinforce the culture of the workforce.

Figure 4

The interaction between Purpose, Values, Character, and Culture



It, therefore, follows that explicitly defining the character-associated behaviours which are in line with the organisation's purpose and values is vital as it directly affects the culture of the organisation.

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