

## IMD Faculty

Daina D. Mazutis  
*Professor of Strategy,  
Leadership and Ethics*

Donald A. Marchand  
*Professor of Strategy  
Execution and Information  
Management*

## Guest Contributors

Jim Barrington  
*Director, SMS for Life  
Initiative and former Group  
CIO, Novartis*

## Visual Facilitation

Sylvia Ischer

## Research & Development

Christopher Zintel

*In June 2013, more than 180 executives attended an IMD Discovery Event that explored the issue of leadership and character. The participants – senior leaders from a variety of industries and companies – went through a journey of self-discovery that gave them the opportunity to reflect on their own leadership experiences and those of others in their organizations.*

*Discovery Events are exclusively available to members of IMD's Corporate Learning Network. To find out more, go to [www.imd.org/cln](http://www.imd.org/cln)*

# Leadership and Character



In today's increasingly connected and transparent business environment, it is not just the "what" of a company's strategy that will determine its success or failure. Questions regarding the character of "who" is in charge and "how" the strategy is executed can have an equal – if not greater – effect on firm performance.<sup>1</sup> In this insights@IMD we examine the topic of leadership and character.

## Who: Foundations of character

In recent years there have been endless news stories illustrating examples of unethical leadership bringing a renewed interest in understanding the factors that promote ethical business behaviors.

In response, the most recent leadership theories have focused on the character of individual business leaders and how this can influence an organization's activities at multiple levels (dyads, teams, groups, units etc.). Professor Mazutis labels these new theories – which include concepts such as authentic leadership, ethical leadership, spiritual leadership, servant leadership

<sup>1</sup> Many sources exist for examples of how an individual's personality, character and experiences can shape organizational outcomes, the most comprehensive being Finkelstein, Hambrick and Canella's (2009) Compendium of Strategic Leadership.

and Level 5 leadership – "Positive Forms of Leadership" because at their core, they consider what kinds of character strengths or virtues are required to lead successful and ethical organizations.

When asked if it is possible to develop leaders with positive character strengths and virtues, 83% of event participants said they believe it is. Yet, if we can develop leaders with character and integrity, the question is how do we do it? Developing leaders with character is a process that begins with self-awareness and includes identifying our own character strengths and those of our peers, colleagues and subordinates. Character strengths can be defined as our capacities for thinking, feeling and behaving and they represent fundamentally who we are, not what we can do (competencies); what we like (interests); or what we believe is important (values). A large body of research has now uncovered a common set of character strengths that are universally admired by individuals across cultures, religions and time, and which are broadly representative of six different virtues – wisdom, courage, temperance, transcendence, justice and humanity – Everyone has all of the 24 strengths identified in **Figure 1** to some degree, however, certain strengths will be more prominent than others.<sup>2</sup>

Becoming aware of your character strengths and virtues is the first step in exploring how they might be applied in different contexts. Effective leaders leverage their character strengths – which can change depending on the context – and are able to align their strengths with other talents, interests and resources. These leaders also create opportunities for others in their organizations to use their character strengths to work more effectively. For organizations, the benefits of leveraging employee character strengths

<sup>2</sup> You can discover your own character strengths by completing the VIA Survey at [www.viacharacter.org](http://www.viacharacter.org).

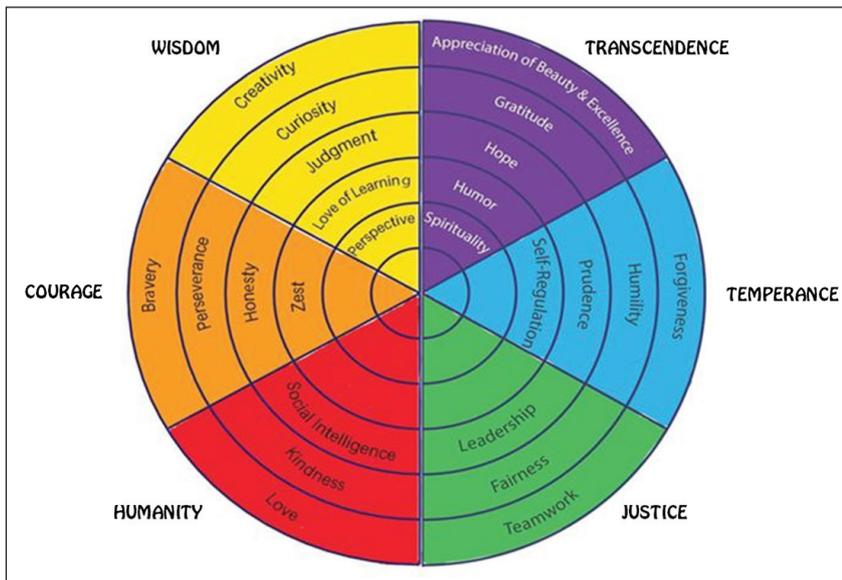


Figure 1: Character strengths<sup>3</sup>

can include increased performance, product quality, employee productivity and engagement.

### How: The sustainability opportunity

Leading with character means that who you are transcends how you lead across the levels of self, others, the organizations and society.

One arena in which this can be observed is how leaders perceive their role in dealing with the sustainability crisis. In general, business adoption of sustainability practices has been slow: in 1991, firms were engaging in 4% of all the CSR initiatives they were being evaluated on, and by 2009 the level had reached only 12%.<sup>5</sup> Yet 96% of CEOs agree that sustainability should be fully embedded into company strategy and operations.<sup>6</sup> To increase the adoption of sustainability practices, there needs to be a leadership mindset shift in which sustainability is viewed as an opportunity and not as a challenge. Here, one can clearly see how a

leader's character strengths and virtues could come into play with regard to pursuing environmental and societal benefits in addition to financial outcomes (see **Table 1**). Zita Cobb of the Shorefast Foundation (see box), Ray Anderson of Interface Carpets, Anita Roddick of The Body Shop and Yves Chouinard of Patagonia are some of the numerous examples of leaders who have led with character at the societal level and realized success by viewing sustainability as a business opportunity.

Virtue	Enables
Wisdom	Ability to think creatively about opportunities, open to different perspectives, mastering new business models, a balanced perspective, systems thinking, ability to navigate ambiguity and complex situations, to see the bigger picture.
Courage	Ability to stand against the status quo, perseverance, tenacity, speaking up for what is right, leading by example – authenticity and integrity.
Temperance	Ability to demonstrate self-control and restraint with regard to trade-offs (growth, long term/short term), Understanding of resource scarcity issues.
Transcendence	Expressions of gratitude, hope for the future, meaning and purpose of organizations, wonder and optimism.
Justice	Ability to see inequality, strive for fairness, impartiality, objectivity, deep sense of responsibility and leadership.
Humanity	Consideration of others, caring, empathy, compassion, ability to connect to social and environmental impact, desire to nurture future generations.

Table 1: Virtues<sup>4</sup>

<sup>3</sup> Peterson, C., and M.E.P. Seligman. *Character Strengths and Virtues: A Handbook and Classification*. Washington, DC: American Psychological Association, 2004.

<sup>4</sup> Mazutis, D., and C. Zintel. "Beyond Profit" in *The Research Handbook of Global Leadership: Making a Difference*. Forthcoming.

<sup>5</sup> Mazutis, D. "Much Ado about Nothing: The (Lack of) CSR Initiative Adoption and Isomorphism over Time, 2012.

<sup>6</sup> Survey of 766 worldwide CEOs, including 50 in-depth interviews, in the UN Global Compact and Accenture, 2010. *A New Era of Sustainability*.

## Social Entrepreneurship on Fogo Island<sup>7</sup>

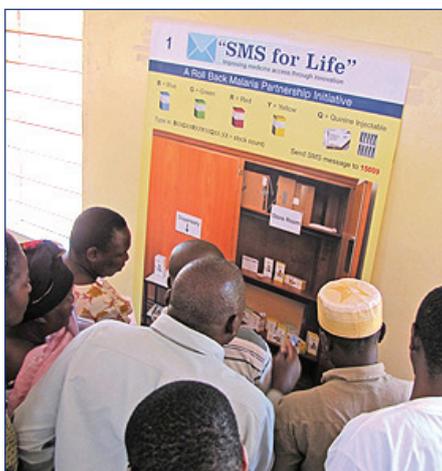
The example of Zita Cobb and the Fogo Island Inn illustrates what it means to lead with character across all levels as well as the opportunity that sustainability holds for reviving and balancing environmental, economic and social goals. In order to resuscitate the economy of her home community which had been devastated by the depletion of fish stocks, in 2006, Zita Cobb established the Shorefast Foundation ([www.shorefast.org](http://www.shorefast.org)) as a charitable organization with the purpose of finding this balance. Displaying the virtues and character strengths outlined in **Table 1**, Zita embarked on a number of initiatives that aim to spark a rural renaissance and promote economic and cultural resilience in the isolated communities of Fogo Island and Change Islands, Newfoundland, Canada. For example, her vision includes the five star Fogo Island Inn, which has been designed to the highest environmental standards and includes several significant investments to reduce the environmental footprint and have a minimal impact on the landscape and local community. The Foundation's intention is to offer not only luxury accommodation but also guest experiences that blend traditional Fogo Island activities with art. Members of the community are engaged as independent contractors by Shorefast to provide local experiences that might include taking guests to a local cabin for the day to sample a traditional Newfoundland meal or attending an arts workshop. Community members have been involved in all aspects of the construction and continue to support the ongoing operations of the Inn. In this manner, Zita has taken great care to ensure that all three pillars of a sustainable community – environmental, economic and social – are in balance so that this community can continue to flourish.

## Perspectives from practice

Jim Barrington, former chief information officer (CIO) at Novartis and current director of the SMS for Life project, shared his experience of leading with character in the challenging context of fighting malaria, a mosquito-borne infectious disease and a public health problem in over 100 countries worldwide. Drugs to cure the disease exist, but they often do not reach the places where demand occurs, and stock-outs of drugs cost lives. Barrington realized that treating malaria was not a medical or scientific problem, but a logistics, process and IT problem. He decided to take action by forming a public-private partnership to address the supply chain problem of delivering malaria drugs to health clinics in rural areas. The SMS for Life initiative created an in-country forecasting system based on the use of SMS messaging between the health posts that dispense the drugs and the district and regional warehouses that distribute them. A data management system with a reporting

interface using charts provides stock level information from all facilities to simplify stock movement and supply as well as improving stock forecasting and planning.

Barrington described the challenges of developing and implementing the solution through a pilot in three rural districts in Tanzania. After the successful Tanzanian pilot, the initiative was rolled out to all 5,080 clinics in the country and subsequently throughout the world.



**SMS for Life healthcare worker training in Tanzania**

<sup>7</sup> For more information see Mazutis, D., B. Hookey, and N. Slawinski. *Social Entrepreneurship on Fogo Island: Searching for New Ways in an Old Continuity*. IMD case no. IMD-3-2360, 2013.

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Watch your thoughts, for they become words.

Watch your words, for they become actions.

Watch your actions, for they become habits.

Watch your habits, for they become character.

Watch your character, for it becomes your destiny.

Anonymous

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Professor Marchand outlined the following lessons learned from the SMS for Life initiative<sup>8</sup> and how Barrington's leadership enabled the initiative to succeed:

- **Develop a values-based vision to motivate people to high performance:** In the SMS for Life initiative, the vision of saving lives by eliminating stock-outs of malaria medicines was compelling to all project stakeholders.
- **Create a high trust relationship with all key stakeholders and partners:** Recruiting a steering committee of recognized global experts provided visibility and credibility for partners and stakeholders to join the project.

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<sup>8</sup> [www.smsforlife.com](http://www.smsforlife.com)

- **Live the values of integrity, transparency, sharing and proactive leadership:** Barrington's persona was genuine to all stakeholders and people involved in the initiative.<sup>9</sup>

## Conclusion

If business is contributing to the problems in the world, business leaders can also be a part of the solution. In the complex and changing global business environment, leading with character is now more important than ever. This event demonstrated that individuals who lead with character can enact changes at all levels of their organizations that have positive impacts on society.

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<sup>9</sup> For more information see Marchand D., and A. Moncef. *SMS for Life (A): A Public Private Collaboration to Prevent Stock-outs of Life Saving Malaria Drugs in Africa*. IMD case no. IMD-3-2168, 2010.

## Views on ethical leadership

Four executives on an expert panel brought additional perspectives from practices to the subject of leadership and character. Although they agreed that the values, beliefs and experiences of leaders can influence strategic choices at the organizational level, they emphasized different aspects of this in their remarks. Feena May, head of Global Learning and Development at the International Committee of the Red Cross, stressed that leaders are successful when they combine self-awareness with their organization's vision, mission and shared meaning. Gian Paul Ganzoni, head of Talent Management and Learning at Swiss Re, highlighted the role of the organization in developing and preparing leaders with character and the right capabilities that can help their organizations when the right moment arises. Jim Barrington, director of SMS for Life, said that measurement and compliance of integrity and other behavioral issues come only after an organizational culture is created to provide employees with a space so that they can reach their goals. Lars Häggström, head of Group Human Resources at Stora Enso AB, stressed that moving beyond measurement and compliance requires organizations to learn to be exceptionally brave and transparent.