

CHAPTER 31

THE INTEGRITY DIVIDEND IN

HOSPITALITY LEADERSHIP

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Almost any leadership book will mention the need for leaders to walk their talk, and to deliver on their word.¹ These books mention integrity alongside many other tactics and strategies for effective leadership. And it is the same with books about sales. But I have found that integrity is far more than just a leadership skill. It is essential to an effectively functioning hotel.

I have spent the past 13 years as a business scholar tracking what I call the “integrity dividend.” This dividend is an actual, bottom-line business return that occurs when people see that you live by your word. This dividend is far bigger than you might guess, and I demonstrate that fact in this chapter, using both numbers and comments from industry leaders.

One reason that I study the integrity dividend and share information about it is that in my many surveys and hundreds of executive interviews, I have come to the conclusion that leaders and salespeople of an impeccable word are, unfortunately, rare. Consequently, these people are prized— mostly due to their ability to bring in financial results. The other reason that I continue this research is that I have learned that the problem here is not one of moral deficiency—I am not making value judgments. Instead, this is a matter of skill and focus. As I explain in this chapter, people need to practice the skill of integrity, in part because many circumstances impede the required focus. Integrity is learnable, like many other skills. Managers, salespeople, teams, and whole companies can increase their individual and collective credibility, and support the integrity of their peers through their language and habits. When you strip away the moralizing from the issue of integrity, it becomes something one can study and learn to improve.

The key point in this chapter is to focus on being good to your word. This is an essential principle in any business relationship, including building and managing a brand. As discussed in Chapter 25, a brand is nothing more or less than a set of promises. The strength of your brand—and the value of your company—is built on your ability to keep those promises.

There is one other element in managing integrity as it is discussed here. Beyond aligning your words and actions, you must ensure that others are able to see this as being so. I know that you will gain payoffs in terms of personal satisfaction and self-esteem from living by your word. But the integrity dividend is most effective when you have a cadre of committed repeat clients and followers who consistently go the extra mile for you. To collect those aspects of the integrity dividend, you have to develop skills and habits of communicating openly and effectively.

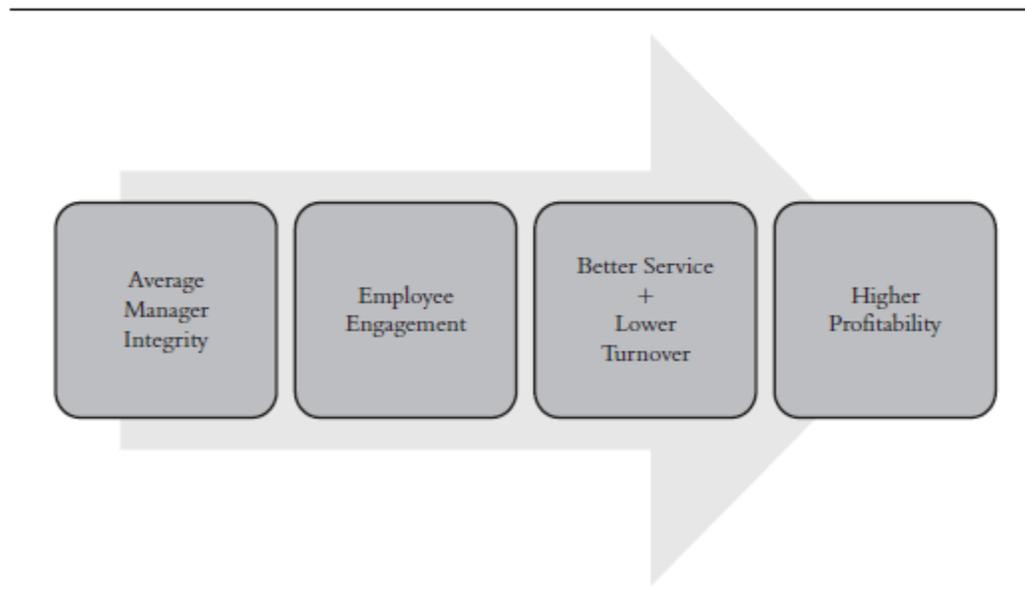
THE INTEGRITY DIVIDEND DEMONSTRATED

Before I go any further, let's take a look at the financial implications of the integrity dividend. A few years ago, I conducted employee surveys for a firm that operated 76 Holiday Inn franchises in the U.S. As with most employee climate surveys, I asked how happy employees were with their pay, benefits, and supervision. But then I also asked questions like, "When your boss says something is going to happen, how sure are you that it is going to happen?" "How often does your boss keep promises?" and "How well does your boss conduct himself or herself by the same values he or she talks about?" The survey also asked about employees' trust in their bosses, their commitment to the company, the extent to which they saw their peers going the extra mile for service, and their intention to stay with the company. I received surveys from 6,800 employees, around 80 per hotel, or about two-thirds of the entire staff.

I averaged the employee scores for each hotel, and then lined up each hotel's score against the guest satisfaction scores for each hotel, its actual employee turnover, and its profitability. The results were overwhelming. Hotels with high integrity scores typically reported higher guest satisfaction, lower employee turnover, and higher profitability. So powerful was the overall impact on the bottom line that a difference between two hotels of a mere one-quarter point on a 10-point integrity scale translated into a profit difference of \$250,000 per year (on gross revenues around \$10 million). Extending that finding, this study suggests that a company that improves its average manager integrity score by a full point stands to improve its profit margins by 10 percent of gross revenues. Thus, developing the skills and practices of maximizing integrity is well worth the investment. Figure 31.1 shows the sequence

of events that leads to the integrity dividend.

Figure 31.1
Integrity Dividend Model



Although we can think of many times when people don't live up to their word, the fact is that most people who seek to build relationships and be solid leaders are reasonably good at living by their word. The hotel management company that hired me to run the surveys knew about the importance of integrity, and most of the managers scored reasonably well. The average hotel scored around 7 on the 10-point scale, and the lowest was just below 6. However, if we recall the financial benefit of a slight increase in this index, the upside potential for shifting from being "pretty good" at living by your word to being impeccable is huge.

How Leaders View Integrity

When I wrote my book on the integrity dividend, I found numerous executives who recognized the importance of integrity. Michael Kay, who was president and CEO of LSG SkyChefs, summed it up:

It's all about results time. It ain't about feeling good. It ain't about being a nice place to come to work.

It's that heightened levels of trust produce heightened levels of results. Because people feel better, work better, *are* better, in a trusting environment than in one where distrust saps their energy.

A key outcome of acting with integrity is trust. Trust entails a certain amount of vulnerability because if you trust a person, you are counting on that person to deliver, and you leave yourself open to disappointment (or worse).² If, as a leader, you are asking employees to try something new, to work harder, or to focus on particular values, you are really asking for their trust. This trust must be earned, in part, through integrity (matching word and deed). If your people are uncertain of the power of your word, they will never go that extra mile for you.³

Integrity is the beginning of trust, but you have to go beyond that, of course. You also need a certain benevolence, or genuine good intention toward your employees, and you need competence, or an ability to deliver.⁴ You also need a sense that you share key values. But you can't even get to those other factors if your word cannot be relied upon. Behavioral integrity is necessary for trust to grow. And trust is necessary for extraordinary employee performance.

I interviewed Lloyd Hill, who was then chairman of Applebee's International, one of the world's largest casual-dining chains, with over 28,000 employees and 3,300 restaurants worldwide. He summarized the role of behavioral integrity in trust this way:

Genuine leadership incorporates a number of attributes, but none of them works until there is trust. If as a leader—as a leader of a restaurant unit or the leader of a \$4.5 billion chain like Applebee's—people can't trust my integrity, in the smallest sense, it creates problems. And I think that goes to an issue so small that if I say, "I'm going to call you at ten o'clock," and I am unprepared to call you at ten o'clock, or if I've had an accident and can't call you, I better have someone call you and say, "Lloyd cannot call you and he wants to reschedule." Or, I better call you at ten o'clock and say, "I don't have the information."

Two or three of those missed appointments erode trust in an organization. Then, if I'm going to ask the organization to go somewhere that it might be frightened to go, if I'm going to ask an individual to step up and take on a job that he or she doesn't feel qualified to take, or I may be asking you to take a family risk, . . . you may see it as a career risk. And if you do not trust me, you will not do it. You just will not.

Here's another look at trust from another of the managers whom I interviewed, Paul Hortobagyi, who is the general manager at a Marriott resort in Santa Monica, California. Paul has consistently outperformed his competition, largely because of the service that he elicits from his employees. He does this in part through a deep well of trust between himself and his employees.

He knows every one of their names and their stories. He considers that his work is building and maintaining relationships. Here is how he says it:

In my opinion, we are not in the hotel business. We are in the relationship business. A relationship with your front desk agent, a relationship with your bellmen, a relationship with the high roller who comes in and gives hundred-dollar tips to the bellmen, or the road warrior who comes in on a per diem. It doesn't really matter. It should never, ever change. You have to project the same style and the same relationship-building process with all those people. I don't know why, but it's going to come back to you twofold, threefold, a hundredfold. In so many different ways.

Communicating Integrity

In addition to trust, the executives whom I interviewed cited the importance of clear communication. When people get confused about what you want from them, they will often feel surprised by your actions, and will often interpret this as hypocrisy or broken promises. Cleaning up communication—deliberately—builds trust.

As a leader, employees look to you for direction, and they interpret everything you do. They are looking for road signs regarding what's important and how things operate, but the road signs work only if you are credible. Frank Guidara, president and CEO of the Uno's Chicago Grill restaurants, explained:

The laying out of consequences, good and bad, is fundamental to leadership. When, as a leader, you say you're going to do something and you don't do it, it's not going to destroy your leadership status, but each time there will be a little bit more erosion, and a little more, until finally you really can't lead any longer.

When a leader does not deliver a stated consequence—a raise, a promotion, a firing—his credibility drops. The next time he lays out a consequence, his followers consider it a possible consequence, but it is no longer definite. Without follow-through, any pronouncement becomes an empty promise or an empty threat.

Anyone who has raised children recognizes this as a key foundation of good parenting. Consultant Darryl Stickell, a principal for Trust Unlimited, recounted his parent-like experience from early in his career, when he worked for a drop-in center for troubled teens. As you might expect, the center had policies against the kids' bringing in weapons,

fighting, intimidating others, drug use, and swearing. The credibility of those policies relied on enforcement, but staff members did not always enforce these policies. Instead of being appropriately firm, they wanted to be liked. Darryl, however, acted with integrity, and thus earned respect. The center was open from noon until 11:00 PM, and so there were two shifts.

If I came in for the noon shift, as I came in, guys would drop off their weapons with me. If I came in for the late shift, when I came in, there'd be a lineup of guys who would drop off their weapons with me.

I'd say, "You guys have been here for hours." They'd say, "Well, yeah. But you weren't here." Folks got so that they knew "if you show up stoned, he's not going to let you in." There was this incredible power to being overwhelmingly consistent, and never making a statement that I didn't intend to follow up on.

So, if I would see someone doing something, I would say, "You know you're not allowed to do that. Stop it, or you'll have to leave." And they would stop.

To sum up, for a leader, being seen as living by your word builds follower engagement in two ways:

1. It builds trusting relationships, which means employees can bring the full measure of their passion to work for you.
2. It creates and supports clear direction, which means employees do not have to waste time trying to figure out what you want from them.

Both of those processes help a leader create a team that is dedicated, focused, and high performing. It is far more difficult to create such a team with less than impeccable credibility. Creating an excellent team is key to creating a high performance company. Having your people know you live by your word—especially when it is costly or difficult—is essential to building that team.

Communicating for Accountability

Let's look more closely at the importance of clear communication. As I indicated earlier, one factor that causes people to conclude that you have failed to keep your word is that they misunderstood what you said.⁵ We've all had experiences with missed or incomplete communication. The following story captures the essence of failed

communication.

A friend of mine, Ralph, was coaching an ambitious young executive, Jim, who was facing a challenge at work. Jim needed the input of a colleague (Mike) for a report that Jim had to generate every two weeks. Mike's problem was that, due to office politics, he did not want to seem to be in a deferential position toward Jim. So Mike delivered his numbers through a third party, in this case, a secretary. But this secretary worked part time, and couldn't always deliver the information from Mike to Jim in a timely fashion. As a result, Jim often lacked the input he needed.

Jim complained to Ralph: "I told my boss about the problem and I asked him to talk to Mike about it. Nothing happened—my boss obviously did not follow through; I cannot really trust him." Ralph asked Jim, "What exactly did you ask your boss to do?" "To talk to Mike," Jim answered. On investigation, Ralph discovered that this is exactly what the boss had done. He had gone to Mike and said, "Jim is upset about this." He had not asked Mike to use a different method for delivering the information because Jim hadn't requested that. Jim had failed to ask for exactly what he wanted. There are several lessons here, but the key point is to maintain clear communication.

Practical Tips for Clear Communication

- Avoid automatic or polite promises that can easily be misinterpreted. Consider your commitment carefully before you make a promise (or decline to make one).
- Realize that your subordinates assign great weight to your words, even when you don't.
- Communicate in a way that secures and gives clear and actionable commitments. To avoid fuzzy commitments you can apply the following three steps:
 1. Ask for a commitment, specifying the conditions of fulfillment and the due date.
 2. Wait for a response. Allow yeses and nos. Negotiate if necessary.
 3. Follow up after the fact to remind both parties of the commitment, whether it was fulfilled.

INTEGRITY AS A PERSONAL DISCIPLINE

We manage our integrity with every action and interaction. Bringing an integrity level of 7.5 or 8 up to an impeccable 9.5 or 10 will be difficult because it takes a sustained effort. To that end, here are some key elements of a

personal discipline of integrity that emerged from my conversations with executives:

- *Detecting habits of social deceit.* It takes more skill to speak the truth tactfully than to automatically tell people what they want to hear.
- *Delaying gratification.* Be willing to take an occasional short-term hit.
- *Facing fear with courage.* Accept the risk of admitting to an error or to try out new ways of talking to people.
- *Looking within.* You must recognize and anticipate the ambivalences that can drive you to fail in follow-through.
- *Arranging social support.* Create a circle of peers to share the journey.
- *Engaging in a deliberate process when giving your word.* Every promise puts your credibility on the line.
- *Keeping track and following up.*
- *Apologizing and recovering.* Errors are inevitable.

Let's expand on each of those points. It's often easy to tell people what they want to hear. I caught myself once telling my then five-year-old son how important it was to say he loved Grandma's presents — even when he didn't really appreciate the clothing and would have greatly preferred toys. Most of us have learned such social niceties, often called "white lies" or "habits of social deceit." They help us get through the complexities of social life, but they can also stand in our way. I'm not saying that you must answer every question with the unvarnished truth, without regard to the emotional context, because that can be cruel. Instead, be aware of what you are saying when you do speak. Then, speak truth, however diplomatically you couch it.

The skill of delaying gratification allows you time to consider your options, without cutting corners. The payoffs to integrity are often in the long time frame of relationships and reputations. To consistently earn the integrity dividend, it is necessary to practice taking the longer view and the larger long-term gain over the immediate one. A Stanford study discussed by Joachim de Posada connects the ability to delay gratification with career success. In his book, *Don't Eat the Marshmallow Yet*,⁶ de Posada explains that children in the study were seated individually at a table with a single marshmallow. They were told that if they waited 15 minutes and did not eat the marshmallow, they would be given a second marshmallow and they could then eat both. Ten years later, the researchers found that the children who resisted

temptation were significantly more successful in their school and their careers.

Fear often holds people back from telling more truth in their daily lives. That includes not only the fear of how people would react if they found out what we really think, but also the fear of being predictable—as you will be if your word is truly your bond. Anil Mishra, a scholar and consultant who focuses on trust issues, argues: “You have to be both very humble and very courageous if you’re going to be a high integrity person. It takes humility to recognize your faults, the things you do not know. And it takes courage to admit them to others.”⁷

Many people fail to keep their word because of their internal ambivalences. If you voice a commitment, but you are really half-hearted about it, your ambivalence will make it hard for you to follow through consistently. You must know yourself and your own mind to act with integrity and credibility.

The last four elements on the list fall more into the realm of concrete skills and habits rather than the deeper internal pursuits suggested by the first four. Social support comes in the form of people who care but do not control your career, and to whom you can speak your truth without fear of repercussions. Create a circle of peers with whom you can meet or conference call every two weeks. Practice a deliberate process for giving your word, so that you *never* do so automatically. Before you give your word, reflect soberly about (1) whether you want to commit, given your other commitments, and (2) whether you can realistically guarantee delivery. If you cannot guarantee delivery on the promise, then think carefully about what you *can* guarantee. When you do commit, realize that the people to whom you voice commitments will tend to hear what they want to hear. Make sure the other person understands your commitment the same way you do. Develop a system for immediately recording and keeping track of all your promises, and keep your commitments recorded in one place. Finally, do not be afraid to apologize when you break a promise. Do it cleanly and without self-abuse. Don’t bother with excuses—they do not matter much, anyway. Then make a new promise, and make sure you deliver on it promptly.

Here is one more thing. Most of us are much more careful to keep the promises that we make to others than those we make to ourselves. Our personal conviction of the strength of our own word is important. A colleague of mine once explained that in order to do his job as a trainer he needed to exercise hard at least three times a week. He said he hated to exercise, but he did it, anyway. He said, “Do you know why I do it? Because I said so.” His word was his bond *to himself*. Because of that fact, he was an extraordinarily powerful person.

Practical Tips for Building Integrity

- *Develop a single sentence* that sums up your key values and purpose as a leader. Think it through carefully. The phrase should resonate deeply in your heart and may remind you of your life mission beyond the workplace. Improve or modify the sentence as new ideas and insights come to you.
- For several weeks, *contemplate the sentence* for a full minute before every scheduled meeting, every phone call, every substantive e-mail, and every significant task you engage as a leader. Ask yourself how the action you are about to take relates to the values and purpose you describe. Strive to make this reflection an automatic, ongoing habit.
- *At the end of each day*, ask yourself what you have done to enact the values you claim to hold dear. Don't beat yourself up about shortfalls, but strive to be able to say you have done everything you could to support your claimed values. Conduct inventory every day until it becomes second nature.
- *Deal with your backlog* of agreements. Make a single list, in one place, of your outstanding commitments or promises: at work, to friends, to family, to yourself. Put it in a form that you can easily carry around. You might even have to ask people what they are owed. Assign a due date to each agreement.
- *Review your whole list*, daunting though it may be. Think about each item realistically and soberly, and consider whether you can keep the commitment in light of your overall load. Mark each item into one of four categories:
 1. Committed: I will do this, on time.
 2. Renegotiate: Consult whoever I made the promise to—to yield a promise I can commit to, or to release me from the promise.
 3. Ambivalent: I am choosing to remain unclear.
 4. Ignore: Notice that ignoring a promise does not make it go away, and often generates ill will among the people you made the promise to.
- *Revisit the list* often, with the intention of moving every item into the “committed” category or renegotiating in

good faith to get released from it. Your goal is to have all the commitments fulfilled or on track to get fulfilled.

Clear out the pipeline. Feel the growing power of keeping your word.

My book, *The Integrity Dividend*,⁸ goes into much greater depth and includes an extensive series of exercises and a couple of surveys you can use to gather feedback on the impeccability of your promise keeping. Consider it an investment in a more profitable way of doing business, and enjoy the related personal benefits as well.

CONCLUSION

Credibility is the coin of the realm. In leadership or sales, or simply in building a brand—others' view of the strength of your word determines their willingness to follow or to buy or to bond. Few of us intentionally fail to keep our word, but what I suggest here is that your word is your most potent tool—and keeping it powerful needs to be one of the first things you consider. My research supports the suggestion of those leadership books that tell you to “walk your talk” and keep your promises. Those behaviors are fundamental and necessary for effective leadership. It is not always easy to live by your word, and it is more difficult still to communicate clearly enough that others recognize that you live by your word. But it pays off, in the integrity dividend. It pays off for your own success, and it pays off for your company's success.

NOTES

1. For example, see J. Kouzes and B. Posner, *The Leadership Challenge* (Hoboken, NJ: Jossey-Bass, 2008); or J. Collins, *Good to Great: Why Some Companies Make the Leap . . . and Others Don't* (New York: Harper Business, 2001).
2. R. Mayer, J. Davis, and J. Schoorman, “An Integrative Model of Organizational Trust,” *Academy of Management Review* 20 (1995): 709—734.
3. T. Simons, “Behavioral Integrity as a Critical Ingredient for Transformational Leadership,” *Journal of Organizational Change Management* 12(2) (1999): 89 — 104.
4. Mayer, Davis, and Schoorman, 1995.
5. R. Lewicki, D. Saunders, and B. Barry, *Essentials of Negotiation*, 5th ed. (New York: McGraw-Hill,

2011).

6. J. Posada and E. Singer, *Don't Eat the Marshmallow Yet: The Secret to Sweet Success in Work and Life* (New York: Berkeley, 2005).
7. Mishra and M. Karen, *Trust Is Everything: Become the Leader Others Will Follow* (Lulu [\[lulu.com\]](http://lulu.com), 2009).
8. T. Simons, *The Integrity Dividend: Leading by the Power of Your Word* (Hoboken, NJ: Jossey-Bass, 2008).