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Hospitality Leadership Through Learning

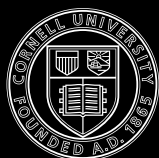
## Fostering Ethical Leadership: A Shared Responsibility

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by Judi Brownell, Ph.D.

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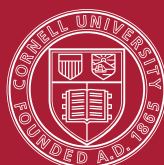
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Cornell University  
School of Hotel Administration

# Fostering Ethical Leadership:

## A Shared Responsibility

by Judi Brownell

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**Judi Brownell**, Ph.D., is a professor and dean of students at the School of Hotel Administration (jlb18@cornell.edu). Her research projects include studies on managerial listening behavior and the competencies required for global hospitality leaders. She has created tools to assess employee-organization fit and the communication of service values. Her current research focuses on listening as it relates to communicating and maintaining service quality standards in the international cruise industry. Brownell has written several textbooks, published over 80 articles, and serves on several editorial boards. She is also past president of the International Listening Association and has received awards for her research in this field. Brownell has conducted training and consulting for a wide range of hospitality organizations. Among her projects, she has designed assessment centers for hospitality leadership development. A seasoned administrator, Brownell has served as the school's associate dean for academic affairs and as its director for graduate studies. She has also been academic area director for both the organizational behavior and management communication disciplines.





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## EXECUTIVE SUMMARY

**E**thics reaches to the core of hospitality operation, since trust and integrity are the essence of hospitality. These are the proceedings of the April 29-30, 2012 CHR Ethics Roundtable. With the support of the Stephen Hall family, students and faculty at the Cornell School of Hotel Administration met with invited educators and industry executives to examine the key issues surrounding ethics in hospitality leadership. The roundtable participants examined case studies of sexual harassment and ethical issues related to union–management relations; considered the key elements of integrity in leadership, including the monetary value of keeping your word; and focused on the responsibilities and challenges of fostering leadership with integrity in both industry and academic environments. One outcome of the roundtable was to identify innovative approaches to fostering ethical awareness and responsibility in young leaders. Keeping your promises and maintaining integrity are keys to effective leadership, according to several participants. Thus, companies and universities need to create their own culture in which ethical behavior is clearly valued. For international operations, cultural norms may cause varying interpretations of the specifics of ethics, but hospitality itself is an important moral value in many societies.

# Fostering Ethical Leadership:

A Shared Responsibility

by Judi Brownell

**A**s the hospitality industry becomes more global and more complex, the need for leaders who can be depended upon to act with integrity and social responsibility is becoming ever more acute. Even a cursory review of today’s current events vividly illustrates the challenges leaders in every industry face as they make decisions that require balancing the needs of various stakeholders.

A gift from the Stephen Hall family has enabled the School of Hotel Administration to launch a number of initiatives to ensure that students are exposed to the ethical dilemmas and difficult decisions they will confront in the business world.<sup>1</sup> This commitment to graduating “leaders with

integrity” led to the development of a CHR Roundtable that addressed today’s ethical landscape and reinforced the need to help young men and women act ethically and responsibly in their leadership roles. The roundtable, “Fostering Ethical Leadership: A Shared Responsibility,” explored a range of ethical dilemmas and provided an opportunity for educators, business executives, and students to exchange ideas on this important topic.

## Program Overview: Doing the Right Thing

The program began with an afternoon session sponsored by the Hall family and aimed at providing students with

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<sup>1</sup> Founded by Stephen S.J. Hall in the late 1980s, the International Institute for Quality and Ethics in Service and Tourism (IIQEST) promotes ethics in the hospitality industry. IIQEST produced the book: *Ethics in Hospitality Management: A Book of Readings*, ed. Stephen S.J. Hall (East Lansing, MI: Educational Institute of the American Hotel and Motel Association, 1992). See also: Steven J. Hall, *Journey to Excellence in Hospitality Management* (Indianapolis, IN: Dog Ear Publishing, 2010).



examples of the ethical dilemmas they are likely to face as business leaders. In “Doing the Right Thing: Stories of Where Integrity Matters,” brief scenarios were presented by four panelists, and audience members were encouraged to share their reactions and perspectives regarding each ethical dilemma. Panelists included Ted Teng, president and CEO, The Leading Hotels of the World; Andrew Dolce, founder and chairman, Dolce Hotels and Resorts; Betsy Stevens, associate professor at Elon University; and Yilin Zhang, a sophomore in the School of Hotel Administration.

Monday’s program began with a video created exclusively for this roundtable event by Kenneth Blanchard, Cornell alumnus and co-author of *The Power of Ethical Management*.<sup>2</sup>

<sup>2</sup> Kenneth H. Blanchard and Norman V. Peale, *The Power of Ethical Management* (New York: William Morrow, 1988).



*Veronique Lanthier, vice president and senior counsel of Marriott International, makes a point during the “Do the Right Thing” session (top), as part of the Ethics Roundtable. Members of the Student Committee for Continuous Improvement (above) assisted in hosting this session, and sat in during the roundtable itself. Below, the evening session included lighter moments.*





**Ted Teng, president and CEO of the Leading Hotels of the World makes a point as Sharon Moss, chief research officer, ASAE Foundation, looks on.**



**Betsy Stevens, associate professor at Elon University, leads a discussion of integrity in business.**

Blanchard began by proposing that most people know what's right—even children have a sense of what's fair and what's not. The difficult part, he explained, is having the courage to do the right thing. Three questions help individuals make an ethical decision: Is it legal? Is it fair to all involved? If you do it, how will it make you feel about yourself—and if others knew, how would they feel about you?

Blanchard then described five principles that can be applied to help put people on the path to integrity: purpose, pride, patience, persistence, and perspective. The first step he proposed is having a clear purpose, knowing your mission in life. A combination of pride and humility (thinking about yourself less and others more) helps you focus on the right priorities. Patience is needed when things don't work out on your time schedule and you are tempted to take short cuts that might bring harm to others; persistence is required when you "get tired of being patient." While persistence is important, Blanchard emphasized that you still need to take actions to move in the right direction and not wait passively—you can't win the lottery if you don't buy a ticket. Finally, get in a mental helicopter and acquire perspective. Rather than getting too caught up in the stress of daily tasks, take time to nurture your internal, reflective self.

### Roundtable Sessions

Roundtable provocateurs, each introduced by a member of the Student Committee for Continuous Improvement, then addressed topics related to the day's theme. The program began with two case discussions facilitated by David Sherwyn, the John and Melissa Ceriale Professor of Hospitality Human Resources. One addressed sexual harassment and the other examined ethical issues related to union-management relations. Senior Lecturer Bill Carroll then asked participants to focus on what "leadership with integrity" means

and how leaders develop a shared vision when confronted with conflicting interests and agendas. Associate Professor Tony Simons, author of *The Integrity Dividend*, provided an overview of behavioral integrity and then invited three respondents, John Longstreet, CEO and president of Quaker Steak and Lube; Andy Dolce, founder and chairman of Dolce Hotels and Resorts; and Dana Radcliffe, Day Family Senior Lecturer at the Samuel Curtis Johnson Graduate School of Management, to comment on the value of this concept to practicing managers.<sup>3</sup>

In the afternoon session, participants focused on the responsibilities and challenges of fostering leadership with integrity, first in business environments, as facilitated by Elon's Betsy Stevens, and then in academic settings, facilitated by Tim Hinkin, Georges and Marian St. Laurent Professor in Applied Business Management and the Richard J. and Monene P. Bradley Director of Graduate Studies. The goal of these sessions was to create opportunities for program participants to learn from each other and to generate innovative approaches to fostering ethical awareness and responsibility in young leaders. The final session focused on creating partnerships and planning for the future. As one participant concluded, it's clear that we need to address this critical topic and provide guidance for young people striving to do the right thing in a complex business world.

Throughout the day, conversations focused around four related themes: (1) leader integrity and impact, (2) creating ethical cultures, (3) global challenges and implications for ethical leadership, and (4) fostering leadership with integrity. Discussion highlights related to each theme are summarized below.

<sup>3</sup> Tony Simons, *The Integrity Dividend, Leading by the Power of Your Word* (San Francisco: Jossey-Bass, 2008).





*Rhoda Meador, director of the Ithaca College Gerontology Institute suggested that some employees use situational ethics, based on whether they believe their actions will be discovered.*



*Cornell professor Daphne Jameson listens as Edward McGraw, senior vice president of Ignite Restaurant Group, underscores the importance of candor in leadership ethics.*

## Leader Integrity and Impact

One of the topics that emerged with particular frequency was the importance of a leader's personal commitment to integrity. As Ted Teng noted early in the conversation, "when a leader speaks from the heart, employees know it." John Longstreet agreed, suggesting that the most powerful tool is role modeling and that, if leaders themselves don't embrace ethics, they can't expect others to act ethically. Participants generally agreed that, if you're in a leadership position, you have an obligation to meet a higher ethical standard.

Senior Lecturer Neil Tarallo, academic director of The Leland C. and Mary M. Pillsbury Institute for Hospitality Entrepreneurship, noted that in union relations, it is critical for managers to behave ethically regardless of how the union responds to the issues at hand. In union negotiations, management must "do the right thing all the way." As Veronique Lanthier, senior counsel for Marriott International, explained, if you treat associates well, trust can be developed and employees will not be fearful that managers will cheat or bring them harm. Dana Radcliffe suggested that ethical managers recognize "process fairness," informing employees of their rights and reviewing what will take place step-by-step.

Still, trust is particularly difficult to establish in situations where managers and employees have vastly different needs and agendas. Longstreet suggested that management often perceives its facts as more reliable and more accurate than the union's facts. There can be significant discrepancies between the salaries of union and non-union employees which immediately create tension between the two groups. On occasion, as Lanthier noted, nonunion hotels pay just

a touch more than the union properties to avoid having to implement union rules.

In addition to unions, there are a wide range of other stakeholders affected by a leader, and the potential for differences in each group's definitions and perceptions of ethical behavior is significant. What does the board of directors expect, and what pressures do they bring to bear? What are employees telling their family and friends about the company? What messages are customers sending and receiving through social media? How much information do members of the community have, and is it accurate? What are their needs and motivations? Each group has slightly different interests; how does a leader maintain integrity while balancing these views and agendas?

Leaders' decisions can have a direct impact on the community as well as on the organization. Teng noted that when a business attempts to externalize costs, such as polluting the environment, it affects everyone. Unethical behavior by key decision-makers has a cost to the community; the hotel may be more profitable, but the community suffers. The question was then asked, what is the consequence of unethical behavior? Do those who make unethical decisions lose their jobs? Participants concurred that this would be difficult or impossible in many cases. Professor Rohit Verma, executive director of the Center for Hospitality Research, agreed that such unethical practices could be a serious problem, but suggested that externalizing costs to lower prices and gain revenue would be a short-lived strategy. In the long run, he emphasized, "reputation wins out."

One approach to addressing the challenges of ethical leadership is to follow the principles of behavioral integ-



*Senior Lecturer Dana Radcliffe: Leadership is a moral relationship. The difficulty in teaching ethics is that the world is full of grays, and little is black and white.*

ity, as explained in Simons’s book *The Integrity Dividend*. In brief, behavioral integrity has to do with the alignment between what a leader says and how he or she behaves. Trust increases when leaders keep their word, when they can be depended upon to keep their promises. Too often, employees are skeptical and assume that leaders “spin” the facts, that they manipulate the truth either by omission or revision. As Ed McGraw, senior vice president of development, Ignite Restaurant Group, stated, candor in such situations is absolutely essential—“just tell the truth.”

Teng explained his view that, when you want to convince employees of your trustworthiness and sincerity, the bigger the risk you take, the more convincing it will be to employees who may doubt that you will keep your word. For example, during the recession in 2009, Teng told his employees that there would be no layoffs as a result of the economy. Many were skeptical that he would, or could, keep his word on such a major issue. Yet, just as promised, during that period no one lost a job. His insight was that employees are looking for evidence of behavioral integrity; coming through on the small stuff is easy, but your stakeholders want to see how you handle the tough stuff.

Issues regarding the relationship between morality and behavioral integrity or, more broadly, between what is moral and what is ethical, were also discussed. As Radcliffe stated, “Leadership is a moral relationship, not just a behavioral one.” Larry Hall, president and CEO of PAR Miller-Springer Systems, agreed, proposing that ethics can be morally right or wrong and that, while ethics takes place in a social context, “morality is more of an individual concern.” Similarly, Brian Moriarty, director, Business Roundtable Institute for Corporate Ethics, at the Darden Business School, at the University of Virginia suggested that hospitality is a moral



*Lecturer Craig Snow: Students must be reminded of the value of their reputation. Ithaca College’s Rhoda Meador looks on.*

value in many societies although it is interpreted differently in different contexts.

### Creating Ethical Cultures

The importance of fostering leadership with integrity cannot be discussed without recognizing the impact leaders’ behavior has on an organization’s culture. As Dolce remarked, it’s “difficult to explain culture in a training program.” Rather, culture is experienced and influenced by the way the leader him- or herself behaves. While demonstrating behavioral integrity through “walking the talk” is difficult enough, participants recognized that getting your message across and gaining visibility in a large organization is also a formidable task. Although some leaders may believe that if they talk about ethics they may not be able to do some of the profitable things on their agenda, the topic must be brought out in the open. Longstreet proposed that if leaders assume the positive in every transaction they will encourage their employees and others around them to discuss options freely and, ultimately, to do the right thing. He suggested that leaders could begin by asking their associates the simple question, “What’s stupid around here?”

As an example of a culture that promotes ethical behavior, Hall shared the three values he encourages in his company: integrity, intelligence, and intensity. He added that CEOs need to be story tellers so that when they see a good example of an important company value, they can help employees understand what it means in the context of the workplace. Dolce agreed that integrity is a critical aspect of leadership, and described effective leaders as truthful, holding people accountable but letting them do their job, and providing support through motivation, compensation, and counseling.



*Lucy Clark, a 2012 graduate with a Master of Management in Hospitality degree, saw firsthand the cultural differences in ethics.*



*Professor Judi Brownell, roundtable chair and dean of students, listens as Lawrence Hall, president and CEO of PAR Springer-Miller Systems, explains that acknowledging employees for ethical behavior is a continuous process.*

Betsy Stevens, referring to an article in the *Cornell Hospitality Quarterly*, by Professor Judi Brownell, dean of students and roundtable chair, proposed that servant leadership might also be a useful perspective, as the principles of servant leadership are particularly relevant to organizations seeking to distinguish themselves by their employee-centered and ethical practices.<sup>4</sup> Servant leaders continuously examine their personal belief systems so that actions remain consistent with espoused values. These serve as a guide for such activities as decision making, problem solving and conflict resolution—activities that profoundly affect an organization’s culture. Servant leaders focus on such values as integrity, empathy, and competence; they appreciate, encourage, and care for their followers, thereby creating a culture of mutual respect and trust. Servant leadership has been described as “Doing the right thing, at the right time, for the right reasons.”<sup>5</sup> Servant leaders inspire courage to act on ethical principles, even in difficult circumstances. As Carroll summarized, creating a culture of well-being and helping employees understand the organization’s values is critical.

Another issue, which Rhoda Meador, director of the Ithaca College Gerontology Institute, addressed, is that some employees have the impression that if no one finds out about an unethical act, then it’s okay. Longstreet has also seen this attitude, adding that he knew a controller who said that the reason he could be trusted is that he knew if he did something unethical he would be caught. Teng noted that when an employee is career-oriented, he or she often

<sup>4</sup> Judi Brownell, “Leadership in the Service of Hospitality,” *Cornell Hospitality Quarterly*, Vol. 51, No. 3 (August 2010), pp. 363–378.

<sup>5</sup> K. Patterson, “Servant Leadership: A Theoretical Model,” paper presented at the Servant Leadership Research Roundtable, Virginia Beach, VA, 2004, p. 3.

looks for a variety of small things to do to get ahead. There is a good chance that some of these things won’t be entirely ethical. Yet, participants believed that ethical leaders could change such attitudes. They agreed that believing in your employees and letting them know you think they are capable of more inspires them to engage in self-reflection. They are then likely to acquire a renewed sense of the impact their behavior has on others as well as on the organization, and are therefore less likely to act in self-serving ways.

What happens when employees find themselves in an organizational culture that does not fit with their personal values and beliefs? In discussing a recent current events case posed by Stevens regarding a well publicized Secret Service incident, Lisa Shaffer, assistant dean of student services and enrollment management, noted that the culture was male-dominated and perceived as an “old boys” network, making it difficult for women to contribute. Teng suggested that individuals need to explore ways to make positive change in organizations that lack trust and equity. While leaving the organization may be an option for some, Tarallo pointed out that it would be very difficult for many employees to leave, even if they recognized that their leaders did not demonstrate integrity or were uncomfortable in the organization’s environment. Increasingly, employees are using social media to tweet or blog about their dissatisfaction with a company. Moriarty noted that it’s nearly impossible to stop social media, and the public often looks to employees as a trusted source of information about the company.

### **Global Challenges and Implications for Ethical Leadership**

Creating policies and focusing on the legal aspects of ethical behavior is, participants agreed, the easy part—especially when considering cross-cultural issues. While there are law-



*Brian Moriarty, director of the Business Roundtable for Corporate Ethics, at the Darden School of Business (right), and Thomas Hall, managing partner, Brandworks Global, listen to the roundtable discussion.*



*John Longstreet, president and CEO of Quaker Steak and Lube, pointed out that simply telling the truth is critical to effective leadership.*

ful things leaders can do, the central question becomes, Are they also ethical? Are they morally right? Even when policies are in place, they are often difficult to enforce across national boundaries. As Sherwyn said, a zero-tolerance policy regarding sexual harassment sounds good, but does it extend to the kitchens and back-of-the-house in a restaurant? Does it mean the same thing in India as in Brazil? Marriott's Lanthier proposed that the real challenges to policy creation and enforcement arise in cross-cultural situations—people from different cultures often have different perspectives and different values. When stakeholders—developers, operators, owners, management, associates—are from different countries, new challenges arise. Dolce agreed, citing his experience with setting a company's harassment policies in the U.S. and in Europe.

Diversity poses challenges even for the realization of relatively straightforward concepts like behavioral integrity. We know that individuals with different agendas, roles, and expectations do not always perceive the leader's actions in the manner intended. Adding cultural differences to the mix provides additional complexity. Clearly, employees from different countries have their own frames of reference which influence how they make sense of leaders' behavior. To what extent, then, does behavioral integrity reside in the eyes of the beholder?

While numerous challenges exist in the global business environment, Lanthier proposed that foreign hotel owners can be one of the most challenging stakeholder groups because people in different places have different concepts of what is fair to employees. In addition, there are often discrepancies between owners' view of what constitutes "quality" and established brand standards. Numerous workforce issues arise as well. Even in academic settings, as Lucy

Clark, a student in the Master of Management in Hospitality program, described, individuals from different backgrounds often have different standards and criteria for what constitutes original work. Without training or clear guidelines, this discrepancy may put international students at odds with the organization's norms of acceptable behavior.

### Fostering Leadership with Integrity

What additional steps and considerations might be required to encourage leadership with integrity and to create a culture characterized by ethical practices? Dolce advised leaders to choose their business partners carefully. Unless values are aligned, there will be differences in motivation that ultimately result in conflicts over the "right" course of action. While this advice might sound simple, Anthony Campanelli, senior manager of Deloitte Financial Advisory Services, noted that if you come across red flags regarding your partner in otherwise lucrative business arrangements, it is difficult to know what to do. As Teng stated, "If the board doesn't back me, I don't want to be part of that company."

Selecting the right employees, too, is critical in establishing an ethical company culture. Lanthier noted that "morality isn't always a job criterion" and is also difficult to assess during the selection process. As Moriarty summarized, leaders need to align values throughout the organization to create value for stakeholders. This is true in both work organizations and educational environments.

One suggestion to increase the emphasis on the organization's values is through performance management systems that focus on the key behaviors leaders want to encourage. Hinkin asked if anyone had examples of such systems. Teng responded that he assesses values in what he calls the "integrity relationship." Hall explained that his company recognizes employees who demonstrate the values of integrity,



*Sharon Moss, research director of the ASAE Foundation, listens with Joe Lavin, president of Harborside Development and School of Hotel Administration executive in residence.*



*Mark Woodworth, president and CEO of PKF Hospitality Consulting, listening to the discussion.*

intelligence, and intensity not just in annual performance appraisals but throughout the year. He emphasized the importance of drawing attention to the ways in which the organization's core values are realized on a day-to-day basis.

Participants agreed that more must be done in academic settings to foster ethical decision-making. Beginning with the application process, renewed focus on integrity would encourage young men and women to examine their personal values and behavior. Moriarty suggested that the case method could be effective in demonstrating how management decisions can be made within an ethical framework. Cases could also draw students' attention to how their decisions affect various stakeholder groups. Campanelli stressed that situational training was important, particularly in preparing students to address international issues. Putting students in various behavioral scenarios and providing feedback would help them better understand the consequences of their actions.

In his research and consulting, Simons has found an economic return for treating people right and demonstrating behavioral integrity. Hall agreed, remarking that ethical behavior and integrity are better for ROI almost "across the board." While this benefit cannot be overlooked, Radcliffe cautioned that there is a temptation to cast ethics as strategic, as "good business." Leaders must be thoughtful about how they define and promote ethical behavior within an organizational context. Clearly, a strong sense of ethical principles is not only profitable, but creates a culture of well-being for everyone.

Yet, as Carroll queried, how do you communicate the importance of integrity to future leaders, especially when they are pulled in so many directions? Ethics and integrity

are not necessarily high on a 20-year-old's priority list. As Lecturer Craig Snow noted, at the individual level students don't always understand the value of their credibility and reputation. It's not until they are out in the workplace that they realize that every decision they make has an impact on someone.

While a few participants argued that by the time you're an adult you "are who you are" and efforts to guide young people to more ethical decision making and behavior are futile, the vast majority believed that behavior could be molded, that people can learn appropriate behavior, eventually "changing who you are." Longstreet pointed to corporate telephone trees as a barrier to trust between companies and their customers, saying that it's important to get back to having real people available, especially when solving complex problems.

While everyone is capable of poor judgment in certain circumstances, sometimes the difference between ethical and unethical may not be clear. As Radcliffe remarked, the world is full of grays and moral complexity. Teaching ethics is not about Sunday School, but rather about helping students see the consequences of their choices more clearly. In the end, will ethics "pay" from a business perspective? While most participants would say, "yes, at least in the long term," Teng suggested that the financial impact is not the only concern. He proposed that leaders should also be ethical because you sleep better at night, and you have pride in who you are.

In sum, the roundtable participants agreed that keeping ethics as a top-of-mind topic is essential at many levels. The Stephen Hall family's support was timely in bringing both the roundtable and the evening session to fruition. ■

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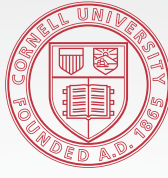
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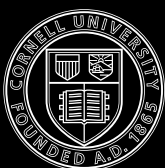
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