



How Human Resources Shapes a Culture of Honesty

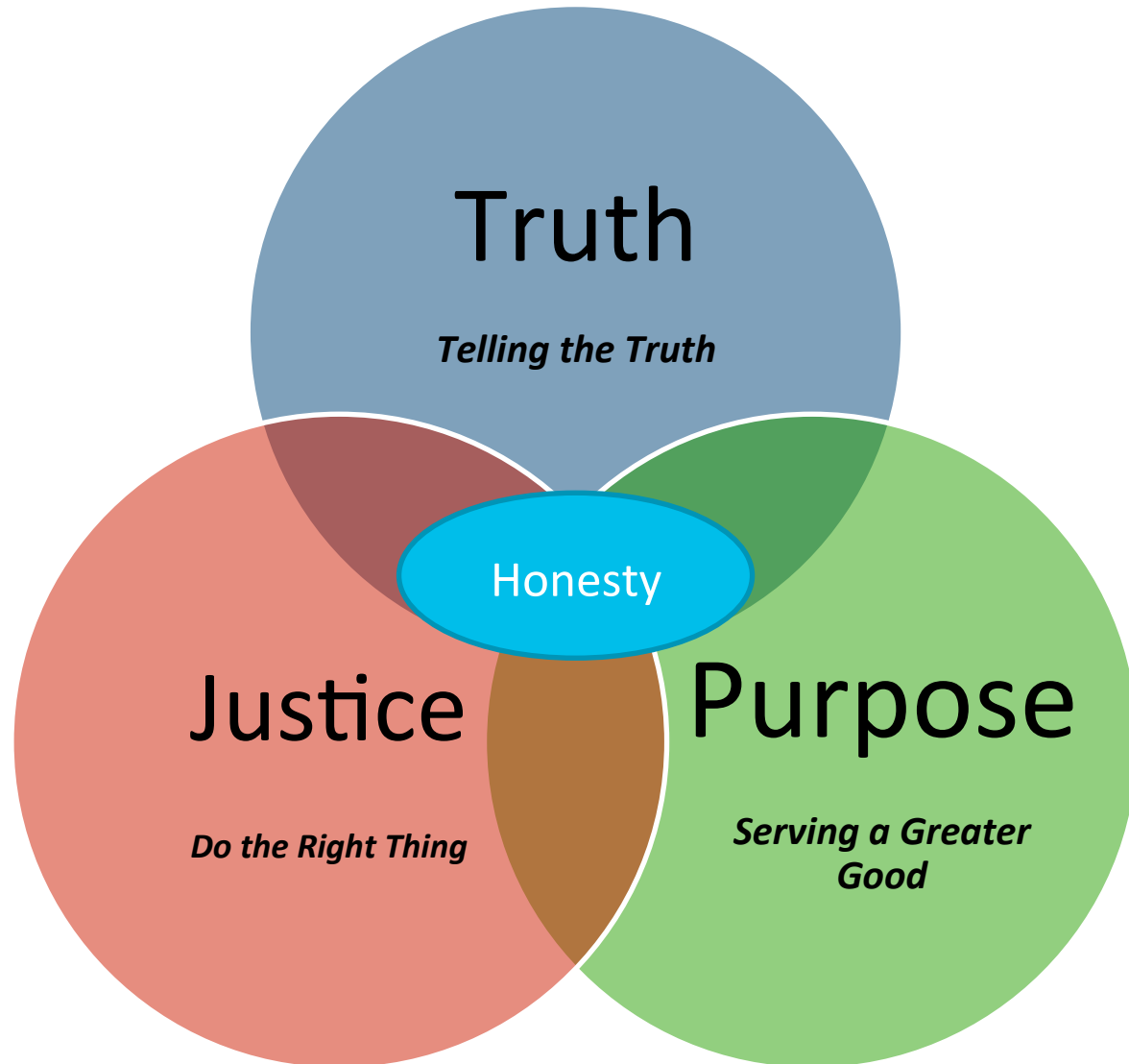
October 18th, 2020



Which way will the story go?



Three forces colliding in our workplaces



Honesty is a
collective muscle

Why honesty? For such a time as this...

54%

of companies have experienced material **drop in trust** (\$180B of missed revenue).

A 2 point drop = 6% revenue loss and 10% EBITDA loss.

- Accenture Competitive Agility Index

50%

of those in the workplace lack a sense of **meaning & purpose**

- HBR

68%

of employees are **disengaged**

- Gallup

85%

of leadership teams spend **less than an hour per month** discussing strategy

- Boardview

Institutional trust is at an all-time low; 51% of population trust no institutions
- Edelman

23%

of US employees believe they can **apply their company values** to their jobs

- Gallup

27%

of US employees **believe their company values** at all

- Gallup

50%

of newly appointed executives feel that **politics undermines** their ability to trust their new peer set

- Navalent

67%

of newly appointed executives **struggle to let go of work** from their previous role

- Navalent

But there are even better reasons...

100%

How far companies whose purpose driven actions were real **outperformed similar companies** on the S&P 500

- Sperry & Ferran

66%

Of consumers would **switch brands** if they believed the company served a greater **purpose**

- Porter Novelli

73%

of employees believe business can **be both profitable and serve** the communities in which they operate

- Edelman

73%

of employees **want the opportunity to shape the future of society** through their work

- Edelman

14.5%

Ethical companies outperform the S&P500 and large cap sector, as well as their non-ethical peers

- Ethisphere

77%

Of consumers feel a **stronger emotional connection** to companies who are purpose driven.

- Porter Novelli

30%

Higher levels of innovation at companies who are actively purpose driven

- Deloitte

Our 15-Year Longitudinal Study

OF MORE THAN 3200 INTERVIEWS

A clear, consistent identity

When we don't know who we are, we make things up



What creates
honesty, justice &
purpose?

Fair accountability

When my performance feels unfairly assessed, I lie to self-protect / cover my shortfalls, and exaggerate my contributions

Transparent decision making

When there's no place to tell the truth, it goes underground

Cross-functional collaboration

When we fragment the organization, we create dueling truths

Our 15-Year Longitudinal Study

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When strategic clarity is present, and statements and actions align, you are **~THREE** times more likely to have people tell the truth, act fairly toward others, and serve the greater good

When accountability systems are perceived to be fair, organizations are **~FOUR** times more likely to have people be honest about performance, act with justice, and put other interests before their own.

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What creates honesty, justice & purpose?



Cross-functional collaboration

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When decision making systems are seen as transparent, and there are sufficient forums in which truthful information can be exchanged, organizations are **~THREE and a HALF** times more likely to have people share truthful information, do the right thing, and serve a broader agenda.

When cross-functional are cohesive and aligned, an organization is **~SIX** times more likely to have people tell the truth, act fairly, and serve the needs of others.

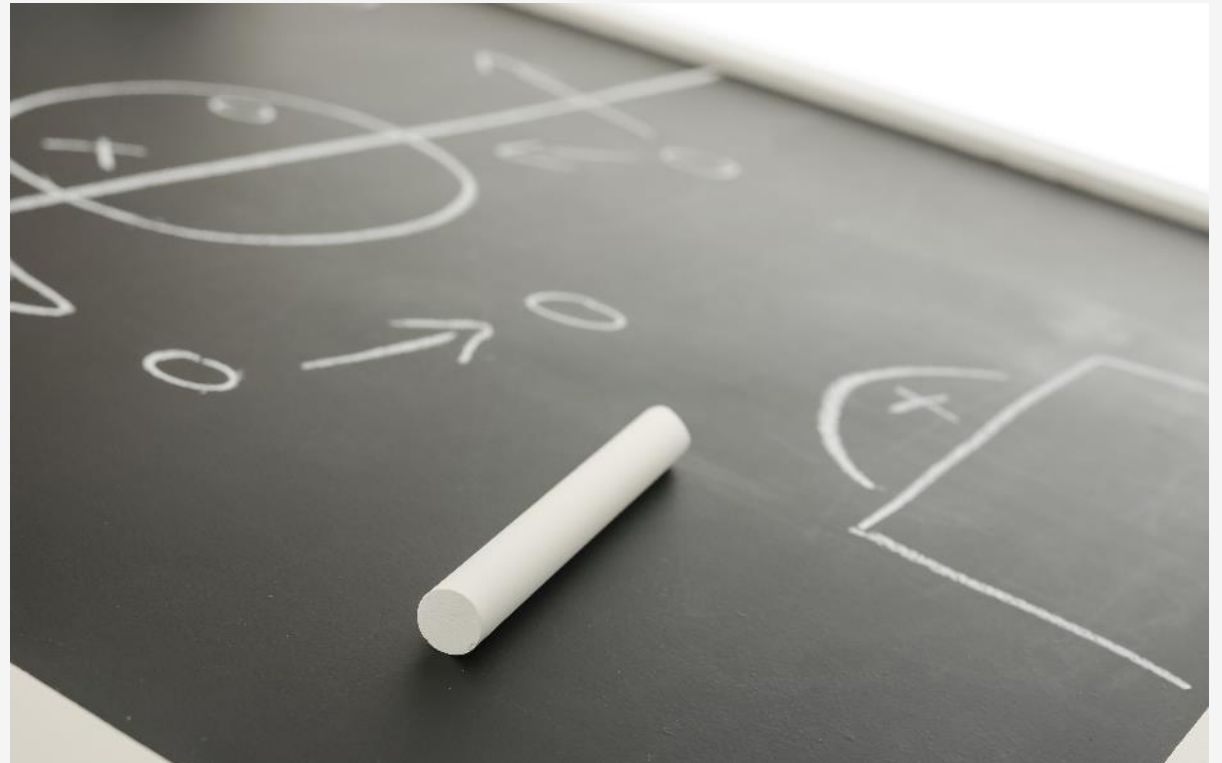
High level conclusions

- Dishonest behavior is not random; it's employed to meet specific needs
- Individual character flaws, or “the culture” are inadequate explanations
- Self-protection vs. self-interest
- Injustice (“It’s not fair”) sets the stage for entitlement and duplicity
- Duplicity dilutes purpose
- Purposelessness fuels dishonesty



Clarity in identity as evidenced by...

- Stated values/purpose and actions match collectively and individually
- Internal and external strategic identity understood and consistent
- Strategic objectives cascaded and embedded in all roles



Implications for HR Professionals

1

Partner with Head of Strategy to build metrics that ensure alignment between action and words

2

Partner with CMOs to align brand promises and purpose statements with tangible evidence

3

Create tools that encourage leaders at all levels to regularly discuss how their teams/departments are actively working to embody company statements of identity

4

Create incentives that reward alignment between words and actions

HR can drive alignment between company statements of identity and daily action

Fair accountability as evidenced by...

- Contributions perceived to be fairly assessed by employees
- Resourcing and skill match expectations
- Safe to freely acknowledge failure
- Dignity at core of conversation



Implications for HR Professionals

01

Reshape performance management systems that equal the playing field for success, remove forced rankings and ratings

02

Include the role of dignity in accountability in leadership development and performance management training

03

Partner with Finance and Head of Strategy to create an ethical screen for how targets are set and ensure they are cascaded evenly

04

Connect L&D and DEI to build a culture of voice and psychological safety so people can freely discuss shortfalls and failure

HR can help redefine accountability to mean justice and dignity

Transparent decision making as evidenced by...

- Decision rights systematically distributed and aligned with strategy
- Meeting structures encourage dissent
- Decision making data freely accessible to those who need it



Implications for HR Professionals

1

Commission your OD team to design organizational governance so it is synchronized; decision rights and authority are clearly distributed where they need to be

2

Partner with Head of Strategy and Head of Finance to build enterprise governance reviews (QBRs, top-#00, etc) to include open conversation about shortfalls, and even access to information

3

Include group decision making and cultivating dissent in L&D and Leadership Development offerings

HR can help shape transparent governance

Cross functional collaboration as evidenced by...

- Goal and metric alignment across functions is standard practice
- Border wars are quickly addressed and replaced with value creation
- Effective conflict resolution skills and mechanisms in place (esp. matrixes)



Implications for HR Professionals

1

Build cross-functional collaboration at critical seams; charge your OD teams to work directly with cross-functional partners

2

Create self-directed toolkits for leaders at adjacent functions to build collaborative “seams” on their own

3

Partner with functional and geographic leads to help build aligned metrics/KPIs that don't conflict

4

Include conflict and other eQ skills in L&D requirements and leadership development

HR can shape a culture of cross-functional collaboration

The redeeming power of honesty



Manuel Marulanda, FARC



Jamie Gongora, University of Sydney

The power and importance of hope

- Key to becoming who you've proclaimed
- Needed most when evidence is least visible
- Hope = passion, perseverance, faith
- Hope is the path back to purpose



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