The State of Moral Leadership in Business
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A message from Dov Seidman

At The HOW Institute for Society, we embrace the adage often attributed to Einstein that not everything that counts can be counted, and not everything that can be counted counts. We also believe in the business adage that what you measure is what you get and therefore it’s appropriate to manage what you measure. More fundamentally, we choose our metrics and, in so doing, when we choose to measure something, we signify that it matters. When we choose to not measure something, we signify that it does not matter. Metrics are thus a window into what we value and, more importantly, our values, and as such they reflect moral choices.

At the center of our work at The HOW Institute for Society is a long-standing commitment to developing new metrics that measure the HOW—and not just the ‘how much’—of leadership, decision-making, and behavior. The 2022 State of Moral Leadership in Business report represents our ongoing effort to specifically study the presence of moral leadership and how, when it is present, it inspires elevated behavior in people, shapes values-based organizational cultures, strengthens performance, and leads to deeper relationships with communities and society. This year’s report confirms our hypothesis that while some leaders have risen to the occasion of late, especially since the pandemic, there still aren’t enough moral leaders to go around. And, when leaders embody the characteristics of moral leadership, they do indeed inspire not only exemplary workplace cultures, but also exceptional performance, regardless of sector.

Moral leadership isn’t about moralizing or being an expert in navigating moral dilemmas. It isn’t just about taking a stand on a social or societal issue, although that certainly can be part of it. It is more fundamentally about consistently demonstrating behaviors that are inspired by deep, human—and shared—values, in pursuit of a worthy, noble—and shared—vision. Above all, moral leadership is about how leaders touch hearts, not just minds, how they enroll others in a shared and significant endeavor, and how they create the conditions where everyone can contribute their character and creativity. It’s about how they foster environments where people are inspired and rewarded for not just doing the next thing right but the next right thing.

This report couldn’t come at a more consequential time, when it is no longer a question of whether to scale moral leadership through all levels and spheres of society remains an urgent imperative. The coronavirus pandemic, which created a moral crisis by presenting leaders with profound dilemmas and painful tradeoffs, also further revealed, illuminated, and amplified our global interdependence—that we increasingly rise and fall together. Unprecedented and unfamiliar technological, economic, and geopolitical forces are rapidly evolving workplace dynamics and employee expectations. At the same time, social, environmental, biological, humanitarian, ethical, and moral issues that were once considered tangential to an organization’s agenda are increasingly viewed as inescapably at the center of it. Those that embrace this fused reality, where moral neutrality is decreasingly an option, recognize the need for normative frameworks, principles, and models of leadership that can help leaders weigh which issues to engage with, how to engage in ways that are understood by all stakeholders, and how to do so in ways that scale and thus endure.

What’s become ever so clear is that powerful forces are dramatically reshaping our world, often faster than we’ve yet been able to reshape ourselves, our institutions, and our leadership. In this last regard, these same forces are disrupting and therefore reshaping an essential source of leadership—authority. Human systems can’t function without formal authority, whether it’s the commander in chief, a CEO, or a school principal. But what makes organizations really work is when leaders occupying those formal positions have moral authority, too. While formal authority can be seized, won, or bestowed, moral authority must be earned by who you are and how you lead.

We believe at The HOW Institute that the single greatest leadership challenge of the 21st century is to nurture and develop moral leaders who lead with moral authority and ensure that these, and only these, leaders, occupy positions of formal authority at every level, sector, and dimension of society.

It is my sincere hope that this report will encourage leaders to take the deliberate and necessary steps to build their own moral authority, scale moral leadership across their organizations, and seize the opportunities of our reshaped world. Moral leadership is a precious resource, but it need not be a scarce one.

Dov Seidman
Founder & Chairman, The HOW Institute for Society

The State of Moral Leadership in Business 2022

There is an urgent need for moral leadership, but it is still in short supply.

Moral leaders build and foster cultures of trust and values-based behavior.

Activism does not equal moral leadership.

Moral leadership inspires exceptional performance and employee loyalty.

Strong team cultures are animated by deliberate pauses of reflection.

Moral leaders aren’t afraid to demonstrate humility through apologies, and in turn, foster employees more willing to recommend their organizations.

Leaders have an obligation to strengthen their moral leadership, inspire it in others, and scale it in their organizations.

The presence and impact of moral leadership is largely consistent across sectors.
In this report, we embrace an expansive and ambitious definition of moral leadership, one that stresses the importance of connection, inspiration, and a deep sense of purpose. Moral leaders are not simply well-behaved. They role-model and catalyze elevated behavior by enlisting those they lead into journeys of significance, guided by shared values. In other words, they don’t just follow the rules and concern themselves with what they can do. They are obsessed with the question: “What should I do?”

Like all behavior, the behaviors of moral leadership are framework dependent. At the foundation of this framework are four pillars: Let Purpose Lead; Inspire and Elevate Others; Be Animated by Values; and Build Moral Muscle.

“Human systems can’t function without formal authority, whether it’s the commander in chief, a CEO, or a school principal. But what makes organizations really work is when leaders occupying those formal positions have moral authority too. While formal authority can be seized, won, or bestowed, moral authority must be earned by who you are and how you lead.”

Dov Seidman
How do these four pillars of moral leadership show up in the behaviors of leaders and within organizations? To develop a clear understanding of what moral authority looks like in action, we asked employees to evaluate their manager according to 24 moral leadership behaviors. These 24 behaviors can be clustered into seven key moral leadership practices, shown below. We measured the presence and prevalence of these behaviors and the impact these behaviors have on teams and organizations when they are present.

MORAL LEADERSHIP PRACTICES

START WITH A PAUSE
When we hit the pause button on a machine, it stops. Yet when humans pause, we begin. Moral leaders reflect on the current situation, reconnect with the values and relationships they care most about, rethink current approaches, and reimagine what is possible.

SEE THE HUMANITY IN EVERYONE
Moral leaders see other people not as means but ends in themselves. They build unique and deep relationships. They take the time to discover other people's hopes and aspirations, struggles and dreams. And because they see humanity in others, they are more inclusive, and they listen and learn from those they lead.

ACT WITH COURAGE
Moral leaders do not sacrifice their principles for short-term gain. They take on the risk of stating the truth and standing up for what they think is right, for they know that the risk of indifference is the greatest of all.

SEEK THE TRUTH
Doing what is right requires a sincere, rigorous, and concerted effort to find the truth in every situation. When moral leaders have the curiosity and patience to wrestle with nuance and consider multiple perspectives, they forge trust and demonstrate commitment to the values they espouse.

UPHOLD ETHICAL STANDARDS
Moral leaders celebrate and model the highest standards of integrity and ethical behavior, especially when it is difficult or unpopular. Ethical standards and the situations that test them are not constraints but rather opportunities to reveal to others and ourselves what we most value.

DEMONSTRATE HUMILITY
Moral leaders are confident when confidence is warranted, but they also acknowledge the limits of their knowledge and make meaningful amends for their mistakes. They make themselves smaller than the moment, creating the space for others to join them and to rise to do big things—together.

FOSTER FREEDOM
Moral leaders cultivate a culture of interdependence and responsibility, where people extend trust, are guided by shared values, and are supported in taking the informed risks necessary for achieving aspirations and scaling collective impact.

Employees were also asked to evaluate their organizational leaders according to a similar list of behaviors, slightly edited to reflect the unique vantage point of an organizational leader. Please note, that for simplicity, we use the term CEO loosely in this report to mean an organization's most senior leader regardless of industry or sector.

We also asked them to share examples of moral leadership from their own day-to-day work life. These testimonies are a critical qualitative complement to the quantitative data we present in this report and are shared as quotes throughout.

My manager admitted that he was biased on a personnel decision. He took proactive steps to fix it, and even went back to the employee to apologize. He was leading by example and inspiring trust among employees.

- PRIVATE SECTOR EMPLOYEE

My manager shows his moral leadership most when I feel like I failed or fell short in a project. He instills confidence again, teaches me, and shows me the solution. Working for a moral leader makes my work environment welcoming, and knowing that he cares makes me want to become a better worker.

- NONPROFIT SECTOR EMPLOYEE
Moral leadership is in **high demand**

**WE ASKED EMPLOYEES ABOUT THE NEED FOR THE KIND OF LEADERSHIP EXEMPLIFIED BY THE PILLARS AND PRACTICES OF MORAL LEADERSHIP. THEY OVERWHELMINGLY BELIEVE THAT IT IS MORE URGENT THAN EVER.**

**THIS IS THE BELIEF OF:**

- **88%** ALL EMPLOYEES
- **92%** PUBLIC SECTOR EMPLOYEES
- **87%** PRIVATE AND NONPROFIT SECTOR EMPLOYEES

There is an increasing demand for moral leadership because we are entering an era of elevated behavior, one in which every message and interaction is recognized to be a manifestation of what we believe and what we value. Leaders must therefore foster an environment in which people are informed and guided by values and committed to a mission of significance. Our analysis, in fact, uncovered an expectation to deliver on this obligation. 88% of employees believe moral leadership is more urgent today than ever before.

Our research also found that the demand for moral leadership holds true across sectors. Among public sector employees, 92% agree that the need for moral leadership is more urgent today than ever. Similarly, 87% of nonprofit and private sector employees agree.

Moreover, the demand for moral leadership also holds true and is strikingly consistent across levels of organizational responsibility.

**THE HIGH DEMAND FOR MORAL LEADERSHIP IS CONSISTENT ACROSS LEVELS OF ORGANIZATIONAL RESPONSIBILITY**

> When my family member was sick, my boss always remembered to ask how they were doing. I could tell it wasn’t small talk; my boss was genuinely interested and wanted me to know they cared.

- PRIVATE SECTOR EMPLOYEE

"The State of Moral Leadership in Business 2022"
Encouragingly, the number of top-tier moral leaders has increased since 2020. That said, the number remains quite low and there remains much work to be done.

To measure the supply of moral leadership, we asked employees to report on the frequency with which their direct managers and their organizational leaders demonstrate the behaviors measured in our scale. Managers and organizational leaders were assigned to one of five tiers depending upon what percentage of the assessed moral leadership behaviors their employees reported that they demonstrated frequently.

Leaders were assigned to the top-tier if they very frequently exhibited more than 75% of these behaviors, to the second-tier if they received this rating for 51-75%, to the third-tier for 26-50%, to the fourth-tier for 1-25%, and to the bottom-tier for 0%. Based on this ranking, we find a noteworthy increase in the percent of top-tier moral managers, increasing from 7% in 2020 to 16%, while the percentage of all the other tiers has decreased slightly.

While there are more managers ranking in the top-tier of moral leadership than there were when we published our previous 2020 Moral Leadership in Business Report, the quantity we found in this year’s data was still very low.

Interestingly, we find that the distribution of moral leadership isn’t evenly experienced across levels of organizational responsibility, executives are the most likely to experience consistent moral leadership from their managers while middle management are the least likely. Insofar as working with a moral leader substantially enhances one’s work experience, and we show that it does, this inequality poses tangible implications for how individuals with varying levels of formal authority experience work. It is imperative to ensure that all individuals—regardless of level of organizational responsibility—experience the benefits of working with leaders who prioritize moral principles in their day-to-day decision-making and behavior.

EXECUTIVES ARE MOST LIKELY TO EXPERIENCE CONSISTENT MORAL LEADERSHIP FROM THEIR MANAGERS WHILE MIDDLE MANAGEMENT ARE LEAST LIKELY.

Percent of employees by level of organizational responsibility that rate their manager as a top-tier moral leader.

<table>
<thead>
<tr>
<th>Level</th>
<th>2020</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Level</td>
<td>19%</td>
<td>14%</td>
</tr>
<tr>
<td>Associate</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Middle Management</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Director/ Mid-Senior Level</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Senior Level</td>
<td>31%</td>
<td>35%</td>
</tr>
<tr>
<td>Executive / C-Suite Level</td>
<td>7%</td>
<td>16%</td>
</tr>
</tbody>
</table>

PRESENCE OF MORAL LEADERSHIP BEHAVIORS

7% OF MANAGERS CONSISTENTLY DEMONSTRATE MORAL LEADERSHIP BEHAVIORS.

8% OF CEO’s CONSISTENTLY DEMONSTRATE MORAL LEADERSHIP BEHAVIORS.
Moral leaders inspire teams animated by high ethical standards, respect, learning, and trust

Our analysis shows that moral leadership is a feature of interpersonal networks in organizations. In other words, the energy that moral leaders exude is truly contagious, working like the ripple of a wave on those around them.

Moral leaders shape team dynamics in a way that develops high ethical standards. Employees reporting to managers ranked as top-tier compared to bottom-tier moral leaders are seven times more likely to strongly agree that people are held to the same behavioral expectations on their team, eight times more likely to strongly agree that people on their team speak out when they see something unethical, and eight times more likely to strongly agree that people on their team take full responsibility for their actions.

Moral leaders don’t just set their teams up for a strong defense, they also accelerate their future potential and excellence by fostering a culture animated by respect and learning. Employees reporting to managers ranked as top-tier compared to bottom-tier moral leaders are eight times more likely to strongly agree that people on their team treat each other with respect, even when they disagree, and are ten times more likely to strongly agree that people on their team have the freedom to cultivate new skills. While the freedom from unnecessary bureaucracy can be created structurally, the freedom to be your best self must be created morally.

It’s little wonder then that when you report to a manager ranked as a top-tier compared to a bottom-tier moral leader you’re nine times more likely to strongly agree that there is a high level of trust on your team. Moral leaders understand that while they may be able to command honesty, they can only inspire trust.

Employees with managers ranked as top-tier compared to bottom-tier moral leaders are:

- 7x more likely to strongly agree that people on their team are held to the same behavioral expectations.
- 8x more likely to strongly agree that people on their team speak out when they see something that is unethical.
- 8x more likely to strongly agree that people on their team take full responsibility for their actions and do not hide their mistakes.
- 10x more likely to strongly agree that people on their team treat each other with respect, even in conflict or disagreement.
- 9x more likely to strongly agree that there is a high level of trust on their team.

“
I work the graveyard shift at a big tourist resort. When the pandemic hit, we knew we’d lose revenue. My boss started coming into work at 3 A.M. She couldn’t sleep because she was so worried about her employees. That is moral leadership to me.

- Private Sector Employee

The State of Moral Leadership in Business 2022
CEO activism does not equal moral leadership

Social, environmental, geopolitical, biological, humanitarian, ethical, and moral issues that were once considered tangential to an organization’s agenda are increasingly viewed as inescapably at the center of it. And while some continue to debate the role of business in society and whether organizational leaders from any sector should or shouldn’t have voiced normative perspectives on societal issues, employees have increasingly given executive leaders little choice. Moral leadership has become a survival skill. If you don’t have a perspective, you’re going to get run over by the very people you employ or serve.

A vacuum of moral authority has been created by the lessening influence of cultural institutions and the widespread distrust of governmental agencies. Employees are rightful turning and yearning for leaders with the courage to use their influence to stand up to those acting with seeming impunity.

The challenge though is that the cost-benefit analysis approach many executives are taught in business school doesn’t serve them well in this arena. Cost-benefit analysis does not scale and can prove an executive rather fickle when the winds change as they so rapidly do and have been.

Today’s executives confronted with navigating difficult social and societal issues need to develop frameworks for decision-making that are rooted in their organization’s values and purpose. These frameworks can help leaders decide when and how to lean into the issues most relevant to their organizations, foster a shared starting point for conversations, and continue to make progress aligned with their purpose, however non-linear that progress might be.

Indeed, in organizations with CEOs ranked as top-tier compared to bottom-tier moral leaders, employees are five times more likely to strongly agree that their organization is purpose-inspired. Moreover, in these organizations, employees are twenty times more likely to strongly agree that they can express political and social opinions.

When employees feel enough trust to share these opinions, moral leaders are able to frame the conversations which forge lasting change, avoiding the temptation to move from often justified outrage to demand, and instead pause to first seek a shared understanding. Employees who strongly agree that their CEO creates opportunities for thoughtful dialogue among and between colleagues are actually three times more likely to strongly agree that their organization adapts quickly to internal and external change.

IN ORGANIZATIONS WITH CEOs WHO RANK IN THE TOP-TIER COMPARED TO BOTTOM-TIER FOR MORAL LEADERSHIP, EMPLOYEES ARE:

- 5x more likely to strongly agree that their organization is purpose-inspired.
- 20x more likely to strongly agree that they can express political and social opinions.

LEADERS WHO TAKE A PUBLIC STAND NEED A FRAMEWORK FOR WHEN AND HOW TO ENGAGE.

51% of employees reported that they were aware of their most senior leader taking a public stand on a political or social issue on the organization’s behalf.

38% strongly agreed that their organization has a formal process that allows for employee input on topics that are then addressed publicly.

41% strongly agreed that when leaders are communicating their organization’s stance and actions on political or social issues, the actions refer to their organization’s values as part of the rationale.

43% strongly agreed that their leadership create opportunities for thoughtful dialogue among and between colleagues on social and political issues.

THOUGHTFULLY FRAMING CONVERSATIONS WITH EMPLOYEES LEADS TO ORGANIZATIONAL AGILITY.

EMployees who strongly agree that their CEO creates opportunities for thoughtful dialogue among and between colleagues are:

- 3x more likely to strongly agree that their organization adapts quickly to internal and external change.
THE PREVALENCE AND PLAYBOOK FOR **TAKING A STAND** IS LARGELY CONSISTENT ACROSS SECTORS.

<table>
<thead>
<tr>
<th></th>
<th>FOR PROFIT EMPLOYEES</th>
<th>NONPROFIT EMPLOYEES</th>
<th>GOVERNMENT EMPLOYEES</th>
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</thead>
<tbody>
<tr>
<td>Percentage of employees who are aware of their organizations' leadership taking a public stand as a voice of their organization on a political or social issue.</td>
<td>52%</td>
<td>50%</td>
<td>46%</td>
</tr>
<tr>
<td>Percentage of employees who strongly agree that their organization has a formal <strong>process that allows for employee input</strong> on topics that are then addressed publicly.</td>
<td>40%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Percentage of employees who strongly agree that when leaders are communicating their organizations' stance and actions on political or social issues, the <strong>actions refer to their organizations' values</strong> as part of the rationale.</td>
<td>42%</td>
<td>35%</td>
<td>42%</td>
</tr>
<tr>
<td>Percentage of employees who strongly agree that their leadership create <strong>opportunities for thoughtful dialogue</strong> among and between colleagues on social and political issues.</td>
<td>44%</td>
<td>36%</td>
<td>44%</td>
</tr>
</tbody>
</table>

“...My manager stepped up as a team member was being verbally assaulted by a customer for something out of their control. He put himself in between them and took control of the situation. It definitely inspires confidence that when it is needed: my manager will back up his team.”

- PRIVATE SECTOR EMPLOYEE
Moral leaders are in the business of community

The relationship between moral leadership and organizational culture is clearly illustrated by the way organizations navigated the COVID-19 pandemic. Long before COVID-19 emerged, people experienced loneliness in spite of being more technologically connected than ever before. During the past two years, people have struggled to feel meaningfully connected even more so, despite our constant digital connectivity.

Those with top-tier CEOs report that their organizations were, on average, more responsive to employee needs for community and compassion throughout the pandemic. For example, many employees spoke about the level of care they experienced from their leaders while navigating uncertainty, stress, and illness.

Even compassionate communication impacts employee perception of moral leadership.

EMPLOYEES WHO STRONGLY AGREE THAT THEIR ORGANIZATIONS’ LEADERSHIP MADE THEM FEEL PART OF A COMMUNITY DURING THE PANDEMIC:

<table>
<thead>
<tr>
<th>IN ORGANIZATIONS WITH TOP-TIER CEOs</th>
<th>IN ALL ORGANIZATIONS</th>
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<tbody>
<tr>
<td>EXECUTIVES</td>
<td>ENTRY-LEVEL EMPLOYEES</td>
</tr>
<tr>
<td>88%</td>
<td>72%</td>
</tr>
<tr>
<td>52%</td>
<td>26%</td>
</tr>
</tbody>
</table>

During the COVID-19 outbreak, our CEO reached out to every employee by providing a care package with hard-to-get supplies like toilet paper, hand sanitizer, and bleach for our families. It was very thoughtful.

– PRIVATE SECTOR EMPLOYEE
Rather than lashing out, my manager has helped me cope with problems. He is understanding and points out right from wrong. He listens to my opinions and ideas, taking them into consideration and deciding based on what’s best, which makes my job easier and more efficient.

- PRIVATE SECTOR EMPLOYEE

Moral leadership inspires exceptional organizational performance

Moral leaders are obsessed with how work gets done and not just the end results. They do this because it often allows them to see and make the right, principled, even if inconvenient, decision. They also do this, though, based on an appreciation for the paradox of success. Like the paradox of happiness, the more we pursue success for its own end, the more it tends to elude us.

Therefore, moral leaders don’t demonstrate moral leadership in order to generate success. Rather, they demonstrate moral leadership because it is the right thing to do and as an expression of faith that it creates the space for success to find them.

Our research suggests that it surely does. Employees with CEOs in the top-tier compared to the bottom-tier for moral leadership are five times more likely to strongly agree that the organization has satisfied customers, six times more likely to strongly agree that their organization is poised to improve its business results in the next year, and eight times more likely to strongly agree that the organization adapts quickly to change. Moral leadership also fuels the engine for this success. 94% of employees with managers in the top-tier for moral leadership strongly agree that their manager is effective at achieving business goals.

EMPLOYEES WITH MANAGERS IN THE TOP-TIER FOR MORAL LEADERSHIP:

94% strongly agree that their managers are effective at achieving business goals.

EMPLOYEES WITH TOP-TIER COMPARED TO BOTTOM-TIER CEOs ARE MORE LIKELY TO STRONGLY AGREE THAT THEIR ORGANIZATIONS HAVE BETTER ORGANIZATIONAL OUTCOMES.

5x More likely to strongly agree that the organization has satisfied customers.

6x More likely to strongly agree that their organization is poised to improve its business results in the next year.

8x More likely to strongly agree that the organization adapts quickly to internal and external change.
EMPLOYEES WERE MORE LIKELY TO RECOMMEND THEIR ORGANIZATIONS AS GOOD PLACES TO WORK WHEN THEY ALSO RANKED THEIR CEO’s HIGHER ON MORAL LEADERSHIP.

We also find that those reporting to moral leaders are far less likely to be looking for a new position at a different organization. This is especially relevant as companies consider effective responses to the Great Resignation and the ‘quiet quitting’ trend, and given the turbulent economic times.

In a fused, morally-activated world, where the business of business is often the business of community, organizations that win are those that compete on deep human connections. You can copy an organizations’ product and service, but you can’t copy its ethos. And with an increasingly hybrid workplace and low friction labor market, moral leaders understand that while it’s always good to be able to pay your people more not less, it’s the human glue of relationships that inspires their colleagues’ loyalty.

While there are seemingly a large number of employees actively looking for a new position at another organization at the moment, this is much more prevalent for employees who are not reporting to a top-tier moral leader, 33% versus 19%. Likewise, 98% of employees with CEOs in the top-tier for moral leadership are likely to recommend their organization as a good place to work.

Diving a bit deeper into our data and specific moral leadership behaviors, we found that the strongest predictor of whether someone is planning to stay in their current position is whether they believe that their manager inspires them to perform rather than micromanaging them.
When you hit the pause button on a machine, it stops. But when you press the pause button on a human, they start. They start to reflect, to rethink their assumptions, to reconnect with their most deeply held beliefs, and to reimagine a better path.

Dov Seidman

Moral leaders Pause in stride, strengthening team culture along the way

THERE ARE FOUR MODES OF PAUSING:

**REFLECT**
Contemplating the situation at hand and the world we live.

**RECONNECT**
Remembering our sense of purpose and the values and relationships we care most about.

**RETHINK**
Identifying, evaluating, and, if necessary, rethinking our assumptions.

**REIMAGINE**
Visualizing a better path forward, a better solution, a better future.

The hallmark of moral leadership is the pause.

Perhaps counterintuitively, the faster the world gets, the more we need to pause. Pausing is one of the most essential and most powerful practices moral leaders have to build self-knowledge, relate to the needs of their teams and stakeholders, and move forward in a more deliberate, purposeful, and inspired way. As Emerson once said, “But in each pause we heard the call.”

Pausing creates space for leaders to reflect on the world and the situation at hand, reconnect with their core values and relationships, rethink their understanding, and reimagine the future. At first, it’s an investment to build a practice of pausing. But pausing isn’t about time or breaking away from the work at hand. Moral leaders build the moral muscle needed to pause in stride, developing the wisdom to ask the right questions at the right time.
MANAGERS IN THE TOP-TIER FOR MORAL LEADERSHIP ARE SUBSTANTIALLY MORE LIKELY TO PAUSE WITH THEIR TEAMS.

REFLECT
Their manager discusses current events with their team in way that helps them have insight into new social issues that may impact their work.

RECONNECT
Their manager reminds them and their teammates of the connection between their specific work and the impact they are looking to have in the world.

RETHINK
When conflict arises, their manager helps them resist the urge to make demands and helps them build a shared understanding with those stakeholders.

REIMAGINE
Their manager shares stories of inspiring impact with them and their team.

PAUSING STRENGTHENS TEAM CULTURE.
For employees who strongly agree that their manager pauses in this way, they are:

- **4x** MORE LIKELY TO STRONGLY AGREE PEOPLE ON THEIR TEAM EXPERIMENT AND TRY NEW IDEAS.
- **5x** MORE LIKELY TO STRONGLY AGREE PEOPLE ON THEIR TEAM EXPERIMENT AND TRY NEW IDEAS.
- **4x** MORE LIKELY TO STRONGLY AGREE THERE IS A HIGH LEVEL OF TRUST ON THEIR TEAM.
- **4x** MORE LIKELY TO STRONGLY AGREE PEOPLE ON THEIR TEAM HAVE THE FREEDOM TO CULTIVATE NEW SKILLS.
Apologies may be well-intentioned attempts to heal a relationship, yet even in these scenarios, they can still come across as a verbal escape route or a self-centered attempt to gain back something that was lost. And even the act of an apology itself can be an affront if the apologizer incorrectly assumes they had the influence and power to cause another individual harm in the first place.

The more malign apology is of the manipulative sort. At best, the manipulative apology is that half apology we’ve all heard, “I’m sorry if what I did hurt your feelings.” At worst it’s the extremely self-deprecating apology that makes the apologizer into the victim.

Authentic apologies are about a lot more than just saying you’re sorry, even if you mean it.

Moral leaders recognize the importance of meaningful apologies regardless of formal title or position. They don’t wait till they “make it” to be humble in the face of ethical mistakes and they don’t apologize looking for something in return. A meaningful apology is a burden without a preconceived reward.

When a leader breaks a promise, or damages a relationship, they need to earn back trust and change their behavior in a way that demonstrates, without question, that they mean it. Recognizing and naming the error starts a process of recovering trust that was lost, but identification isn’t enough. Apologizing is an exercise in vulnerability. Demonstrating a willingness to be open about one’s shortcomings also reminds us that we are all human, allowing us to feel seen and grow closer.

Employees with managers in the top-tier for moral leadership are more likely to have seen their manager apologize.

<table>
<thead>
<tr>
<th>Characteristics of an Authentic Apology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BE VULNERABLE</strong></td>
</tr>
<tr>
<td>If an apology doesn’t create vulnerability and isn’t therapeutically painful, it’s not an apology at all.</td>
</tr>
<tr>
<td><strong>AVOID MAKING EXCUSES</strong></td>
</tr>
<tr>
<td>Be authentic and don’t offer an excuse. An apology can’t have ulterior motives or be a means to an end.</td>
</tr>
<tr>
<td><strong>CONDUCT A MORAL AUDIT</strong></td>
</tr>
<tr>
<td>Conduct a “moral audit” by looking in the mirror and asking, “How did I get here and how did I drift from the person I aspire to be?”</td>
</tr>
<tr>
<td><strong>OPEN A TWO-WAY DIALOGUE</strong></td>
</tr>
<tr>
<td>Encourage feedback. This includes truly opening up to input and two-way conversation and embracing ideas as to how to improve.</td>
</tr>
<tr>
<td><strong>MOVE FROM REGRET TO CHANGE</strong></td>
</tr>
<tr>
<td>Turn regret into a real change in behavior. New behaviors must be reinforced by an investment in avoiding the same mistakes.</td>
</tr>
</tbody>
</table>

Moral leaders get their apologies right

**EMPLOYEES WITH MANAGERS IN THE TOP-TIER FOR MORAL LEADERSHIP ARE MORE LIKELY TO HAVE SEEN THEIR MANAGER APOLOGIZE.**

**TOP-TIER** | 98%
---|---
**ALL EMPLOYEES** | 70%

**HUMILITY IN THE FORM OF AN APOLOGY LEADS TO EMPLOYEES WHO ARE MORE LIKELY TO RECOMMEND THEIR ORGANIZATION.**

<table>
<thead>
<tr>
<th>The likelihood of recommending one’s organization as a good place to work:</th>
</tr>
</thead>
</table>
| **FOR THOSE WHO HAVE NOT SEEN THEIR MANAGER APOLOGIZE** | 65%
| **FOR THOSE WHO HAVE SEEN THEIR MANAGER APOLOGIZE** | 90%
In our analysis, we asked people about not only the frequency, but the merit of the apologies they received from their managers. We not only found that top-tier moral leaders were more likely to have employees who have seen them apologize, but those who have seen their manager apologize are more likely to recommend their organizations as good places to work.

**Top-tier moral leaders are more likely to apologize authentically and take meaningful responsibility.**

Top-tier moral leaders accept responsibility instead of searching for excuses, and they take further action by asking questions about the personal and organizational values that allowed the offense to take place, seeking feedback from those whom were wronged, and committing to avoiding the same mistake in the future.

> My manager had made a mistake and took full responsibility for what happened. She went out of her way to apologize. She then went above and beyond, taking her time to correct the mistake.

> - NONPROFIT SECTOR EMPLOYEE
Leaders can strengthen their moral leadership muscle

Having a senior leader exhibit the behaviors of moral leadership is necessary but not sufficient to foster a culture of moral leadership in an organization. Moral leadership at the organizational level requires a critical mass of individuals willing to put in the effort to continually build their moral leadership muscle.

On an optimistic note, most employees in our analysis believe moral leadership is something that can be learned. Despite this optimism, the level of investment that companies are making in growing and supporting the proliferation of moral leadership remains underwhelming and insufficient.

Organizations can close this gap by investing in both formal and informal opportunities to help employees build the habits, practices, and capabilities of moral leadership. Among all the realms of professional development related to moral leadership displayed to the right, development focused on principled decision making seems to have a unique correlation with exceptional organizational outcomes. Specifically, employees reporting professional development in principled decision-making are more than two times as likely to strongly agree that they have satisfied customers, that their organization is positioned for improved business results, and that their organization adapts quickly to change.

Executives and managers alike can’t afford leaving this development to chance. They have a responsibility to help employees see how their work contributes to an organization’s purpose and how they can act on both their personal values and those of their organization along the way.

MORAL LEADERSHIP DEVELOPMENT OPPORTUNITIES

Percentage of employees reporting their organization invests in professional development opportunities that help employees expand their capacity for:

- 54% having difficult conversations
- 57% demonstrating humility
- 63% speaking up and out
- 64% role modeling ethical standards
- 65% building connections and demonstrating care
- 66% building an environment of trust
- 66% principled decision making
- 68% understanding their organization’s purpose and values

Leaders can strengthen their moral leadership muscle.
PROFESSIONAL DEVELOPMENT IN PRINCIPLED DECISION MAKING HAS A PARTICULARLY STRONG CORRELATION WITH EXCEPTIONAL ORGANIZATIONAL OUTCOMES.

WHEN EMPLOYEES REPORT PROFESSIONAL DEVELOPMENT IN PRINCIPLED DECISION MAKING THEY ARE:

2x more likely to strongly agree

THEIR ORGANIZATION HAS SATISFIED CUSTOMERS.

2x more likely to strongly agree

THEIR ORGANIZATION IS POSITIONED TO IMPROVE ITS BUSINESS RESULTS IN THE NEXT YEAR.

3x more likely to strongly agree

THEIR ORGANIZATION ADAPTS QUICKLY TO INTERNAL AND EXTERNAL CHANGE.

“Leaders don’t stop learning and growing just because they’ve accumulated formal authority in an organization. They continue to build moral muscle—I call it “going to the moral gym”—by wrestling with questions of right and wrong, fairness and justice, what serves others and what doesn’t.”

Dov Seidman
The presence and impact of moral leadership is largely consistent across sectors

As mentioned, the data we’ve discussed in this report is from all employees we surveyed regardless of sector, which was roughly equivalent in balance with U.S. society as a whole. For those interested, we present on these pages further examples of how our findings are also generally consistent across each sector. Moral leadership is about how you see those you lead, as human beings, and all sectors are at their core a form of human enterprise.

**Demand and Supply of Moral Leadership:**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Top-Tier Moral Leadership (Employees)</th>
<th>Top-Tier Moral Leadership (Organizational)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For-Profit Sector</td>
<td>87%</td>
<td>78%</td>
</tr>
<tr>
<td>Nonprofit Sector</td>
<td>87%</td>
<td>98%</td>
</tr>
<tr>
<td>Public Sector (Government)</td>
<td>92%</td>
<td>98%</td>
</tr>
</tbody>
</table>

**Percent that strongly agree with team level outcome when manager is top-tier moral leader:**

- Experiment, Try New Ideas: 71% (For-Profit), 64% (Nonprofit), 69% (Public)
- Speak Out: 72% (For-Profit), 74% (Nonprofit), 79% (Public)
- High Trust: 76% (For-Profit), 79% (Nonprofit), 73% (Public)
- Treat Each Other with Respect: 78% (For-Profit), 85% (Nonprofit), 68% (Public)

**Percent that strongly agree with outcome when organizational leader is top-tier moral leader:**

- Org Adapts Quickly to Change: 81% (For-Profit), 79% (Nonprofit), 86% (Public)
- Looking to Move to a Different Org: 23% (For-Profit), 19% (Nonprofit), 9% (Public)
- Felt Part of a Community during Pandemic: 83% (For-Profit), 88% (Nonprofit), 79% (Public)
- Would Recommend Workplace: 98% (For-Profit), 98% (Nonprofit), 97% (Public)
To create a truly human operating system within an organization requires an extension of trust. Anyone in an organization must be able to challenge and hold leaders accountable when they fail to live up to the organization’s values. Otherwise, all the systems and processes that govern an organization cannot be evaluated. Fundamentally, a more human operating system cannot be shaped without the help of the people who must live within it.

Typically, systems designers working alone fail to think through what moral leadership can evoke and the risks its absence creates. They seek to manage tensions rather than to find ways to transcend them. They prioritize a control mindset as opposed to encouraging freedom, and they perpetuate limiting beliefs about what people can and should do. To overcome these bad habits, senior management must co-create and embed new systems that encourage moral authority at all levels of the organization.

In our experience, we have found that three systems influence individual and organizational behavior. Senior management must take the initiative to catalyze and embed moral authority through organizational governance (formal structures, rules, and policies), culture (norms, traditions, habits, and mindsets), and leadership (how managers obtain and exercise their authority).

Here we draw on our research from The HOW Report, which marshaled data from 16,000 employees in 17 countries to analyze how governance, culture, and leadership manifest in different contexts. This analysis yielded three dominant organizational archetypes: blind obedience, informed acquiescence, and self governance. The journey to moral leadership at the organizational level is the journey from blind obedience to informed acquiescence, and finally to self-governance.

### BLIND OBEDIENCE
- Power-based, task-driven organizations that operate through command-and-control-based principles and policing, and that place little emphasis on building enduring relationships among colleagues, with customers, or within society. Employees are coerced to do as they are told under the threat of punishment or adverse consequences. Such organizations focus on short-term goals.

### INFORMED ACQUIESCENCE
- Rules-based, process-driven organizations that operate through hierarchy, policy, and 20th-century “good management” practices. Employees are motivated by performance-based rewards and expected to fulfill the expectations of their roles. Long-term goals are identified, but are often set aside in favor of short-term success.

### SELF-GOVERNANCE
- Purpose-inspired, values-based organizations that are led with moral authority and operate with a set of core principles and social imperatives. Employees are inspired by a desire for significance and encouraged to act as leaders regardless of role. Such organizations are focused on long-term legacy and sustainable performance.

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Moving toward a **human operating system**

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The State of Moral Leadership in Business 2022

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The information shared in this report is based on research conducted by The HOW Institute for Society in 2022 through a survey of 2,500 individuals representing a broad cross-section of the population in the United States. The HOW research team took a variety of factors into consideration when generating the respondent pool, including, region, age, gender, organizational size, level of responsibility, education, race, employment sector, industry, and work location (in-person, hybrid, or remote).

To determine the presence of moral leadership among respondents’ managers and leadership, we applied a tiered framework. Depending on respondents’ reporting on a variety of behaviors associated with moral leadership, we assigned managers and executives to one of five tiers. For simplicity, we’ve used the term CEO loosely in this report to mean an organization’s most senior leader regardless of industry and the actual survey questions were more agnostic to the specific name of this leader. Leaders were assigned to the top-tier if they very frequently exhibited more than 75% of behaviors, to the second-tier if they received this rating for 51-75% of the behaviors, to the third-tier for 26-50%, to the fourth-tier for 1-25%, and to the bottom-tier for 0%.

Additionally, the survey asked respondents about specific concepts central to moral leadership, and asked the extent to which those behaviors were exhibited, supported, or developed in their workplace. The survey also posed questions about team and organizational level practices and behaviors associated with moral leadership in order to gauge the extent to which moral leadership behaviors were exhibited within teams and across organizations more broadly. Finally, the survey presented questions about the ways in which moral leaders most effectively incorporate these practices into their actions and organizational communications. All quotes and testimonials that appear in the report were collected through open-ended prompts that appeared in the same survey instrument, and represent real-life examples of moral leadership in action.

Any comparative findings shared in this report are statistically significant at or below the threshold of a p-value of 0.05.

### Appendix: Study design

**REGION**

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH</td>
<td>22</td>
</tr>
<tr>
<td>MIDWEST</td>
<td>22</td>
</tr>
<tr>
<td>SOUTH</td>
<td>34</td>
</tr>
<tr>
<td>WEST</td>
<td>22</td>
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**AGE**

<table>
<thead>
<tr>
<th>Age Range</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>UNDER 30</td>
<td>25</td>
</tr>
<tr>
<td>30-39</td>
<td>31</td>
</tr>
<tr>
<td>40-49</td>
<td>22</td>
</tr>
<tr>
<td>50-64</td>
<td>18</td>
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<tr>
<td>65 AND OVER</td>
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**GENDER**

<table>
<thead>
<tr>
<th>Gender</th>
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<tbody>
<tr>
<td>FEMALE</td>
<td>55</td>
</tr>
<tr>
<td>MALE</td>
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<tr>
<td>NON-BINARY</td>
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<tr>
<td>OTHER GENDER NOT LISTED</td>
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<tr>
<td>NO RESPONSE</td>
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**ORGANIZATION SIZE BY EMPLOYEES**

<table>
<thead>
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<th>Size Range</th>
<th>%</th>
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<tbody>
<tr>
<td>UNDER 50</td>
<td>20</td>
</tr>
<tr>
<td>50-249</td>
<td>18</td>
</tr>
<tr>
<td>250-499</td>
<td>11</td>
</tr>
<tr>
<td>500-999</td>
<td>13</td>
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<tr>
<td>1,000-1,999</td>
<td>10</td>
</tr>
<tr>
<td>2,000-4,999</td>
<td>8</td>
</tr>
<tr>
<td>5,000-9,999</td>
<td>7</td>
</tr>
<tr>
<td>10,000 OR MORE</td>
<td>13</td>
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**SECTOR**

<table>
<thead>
<tr>
<th>Sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOR-PROFIT</td>
<td>71</td>
</tr>
<tr>
<td>NONPROFIT</td>
<td>15</td>
</tr>
<tr>
<td>GOVERNMENTAL AGENCY/DEPARTMENT</td>
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**LEVEL OF ORGANIZATIONAL RESPONSIBILITY**

<table>
<thead>
<tr>
<th>Level</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENTRY LEVEL</td>
<td>14</td>
</tr>
<tr>
<td>ASSOCIATE</td>
<td>35</td>
</tr>
<tr>
<td>MIDDLE MANAGEMENT</td>
<td>25</td>
</tr>
<tr>
<td>DIRECTOR/MID-SENIOR</td>
<td>10</td>
</tr>
<tr>
<td>SENIOR LEVEL</td>
<td>10</td>
</tr>
<tr>
<td>EXECUTIVE/C-SUITE</td>
<td>10</td>
</tr>
</tbody>
</table>

**EDUCATION**

<table>
<thead>
<tr>
<th>Education</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOME SECONDARY EDUCATION</td>
<td>3</td>
</tr>
<tr>
<td>COMPLETED SECONDARY EDUCATION</td>
<td>18</td>
</tr>
<tr>
<td>TRADE/TECHNICAL/VOCATIONAL TRAINING</td>
<td>6</td>
</tr>
<tr>
<td>SOME UNDERGRADUATE EDUCATION</td>
<td>22</td>
</tr>
<tr>
<td>COMPLETED UNDERGRADUATE EDUCATION</td>
<td>28</td>
</tr>
<tr>
<td>SOME POSTGRADUATE EDUCATION</td>
<td>9</td>
</tr>
<tr>
<td>COMPLETED POSTGRADUATE EDUCATION</td>
<td>14</td>
</tr>
</tbody>
</table>

**WORK LOCATION**

<table>
<thead>
<tr>
<th>Location</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOSTLY OR ALL ONSITE</td>
<td>59</td>
</tr>
<tr>
<td>MOSTLY OR ALL REMOTE</td>
<td>24</td>
</tr>
<tr>
<td>ROUGHLY EVENLY SPLIT BETWEEN ONSITE AND REMOTE</td>
<td>17</td>
</tr>
</tbody>
</table>

**RACE**

<table>
<thead>
<tr>
<th>Race</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASIAN</td>
<td>7</td>
</tr>
<tr>
<td>BLACK</td>
<td>27</td>
</tr>
<tr>
<td>HISPANIC</td>
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<tr>
<td>NATIVE AMERICAN</td>
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<tr>
<td>PACIFIC ISLANDER</td>
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</tr>
<tr>
<td>WHITE</td>
<td>54</td>
</tr>
<tr>
<td>OTHER RACE NOT LISTED</td>
<td>1</td>
</tr>
</tbody>
</table>

1 Percentages do not add to 100 because question was posed as “Select all that apply.”
The HOW Institute for Society builds and nurtures a culture of moral leadership, principled decision-making, and values-based behavior that enables individuals and institutions to meet the profound social, economic, and technological changes of the 21st Century.

Working within and across all sectors, The HOW Institute conducts and participates in a variety of educational, research, and convening activities to collectively strengthen and scale norms, practices, and behaviors so that truth, trust, and shared responsibility guide our actions and interactions. We are on a journey to a world where capitalism is dynamic, communities and society are healthy, and democracy is vibrant—a world where HOW we do anything means everything.