

TASK FORCE 2 POLICY BRIEF



# Leadership Values

How values shape organizational outcomes?

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## Introduction

Values are the backbone of any organization. They have significant leverage over the quality and timely provision of organizational outputs. Values influence organizational performance, innovation, and resilience. Furthermore, the values and behaviors displayed by senior leaders set the tone and culture of the organization. On the macro level, values are crucial for labor market matching, job creation, and continuous learning – outcomes which are important for economic development and quality of life.

At the same time, these values can be at risk of being eroded. Such an erosion takes place where responsibility gets lost across the value chain, where transparency with respect to global sourcing is weak and where competitive pressure diffuses rather than strengthens accountability. The G20 members are committed to empowering people and declared to support the continuous development towards “conditions in which all people, especially women and the youth, can live, work, and thrive” (G20, 2020).

In this policy brief, we argue that values have the power to contribute to achieving these goals. In the first chapter we discuss how values driven leadership can lead to economic prosperity, inclusion, and improved service and quality. Furthermore, this policy brief outlines specific values and leadership approaches that further strengthen the position that, understanding,

developing and leading with the right values is critical to sustainable global development. We support our argumentation by empirical insights from private and public organizations. We believe that promoting value-based organizations will also help companies to adapt to value changes in the labor market sparked by COVID-19, such as increased expectations towards managers to put people over profit and take responsibility for the wellbeing of employees and suppliers. Our special feature on Commitment to Enable Values-Driven Action talks to this point with elegance. There is also a special feature which describes the benefits of leaders who have skills in appreciative inquiry methods.

Finally, values in organizations are a theme that cuts through all official G20 Engagement Groups. We see strong linkages to the priority areas of W20, Y20, B20, and C20. To avoid overlap and repetition, we focus on the organizational perspective towards equality, fairness, and inclusion. We hope that thereby our policy brief will add additional weight to the lines of argument of the official Engagement Groups and yet contribute new perspectives and solutions for the challenges of an increasingly interconnected world.

Marwan Aljahani  
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# 2 Values-Driven Leadership

Authors: Stefano Petti, Niko Stampfl, Fredrik Lyhagen, Waleed Al-Rashed



**Leaders in organizations can play a pivotal role in shaping the culture transformation needed to support the G20 agenda, by consciously committing to lead through their values. The policy should support best practices on values-driven leadership and endorse values driven business movements that contribute to the G20 overarching goals.**

We believe that actual cooperation requires G20 goals to be embedded in the strategic imperatives of the parties involved, and the underlying actions and behaviors to be driven by shared values. As V20 we stand for a broader adoption of Values-Driven Leadership in public and private organizations as a key enabler of the G20 goals and mission.

Values-Driven Leadership describes behaviors that are rooted in ethical and moral foundations including spiritual, servant, authentic, ethical and transformational leadership (Copeland, 2014). Several studies emphasize the positive influence of servant, authentic and ethical leadership on employee job performance (Liden et al. 2014; Wang et al., 2012; Walumbwa et al., 2011) as well as the positive impact of transformational leadership on traditional metrics such as ROA or ROE (Choudhary et al., 2012).

Research on Values-Driven Leadership has substantially advanced our understanding of organizational behavior and dynamics. Values communicated

and lived by leaders guide the behavior of employees and cultivate a like-minded organizational culture (Brown et al., 2006). We believe that organizational cultures consistent with the G20 commitments can be a significant enabler of the G20 goals, including the creation of conditions in which all people can live, work and thrive (G20 2020), supporting more comprehensive approaches to climate-change and promoting integrity against corruption (G20, 2019-2020).

In this context, we also welcome the recommendations of B20 and C20 to foster responsible business conduct, the work of the Y20 Taskforce on Leadership Development for Youth Empowerment and we fully endorse the C20 statement “[a] key aim of the Saudi G20 Presidency is empowering people - particularly women and youth (G20 2020). This is impossible without directly confronting corruption, building accountability of governments and businesses, and supporting values-based decision-making”.

Leaders in private and public organizations can play a pivotal role in supporting the G20 agenda, by consciously committing to lead through their values and shaping the cultures in their organizations. The underlying notion is that leaders’ behavior trickles down in the surrounding environment (Byun et al., 2018) and that extraordinary results can happen when collective energy is channeled in the same direction and for the greater good.



## **EMPIRICAL INSIGHTS: CAS- CADING EFFECT**

Intriguing evidence for cascading effects was found in a simple team experiment: employees could cheat on a task and thereby increase their team's profit or stay honest and generate lower team profits. Cheating was neither fined nor directly observable, so the employees

were free to choose whatever they liked. Remarkably, employees made their decisions mainly dependent on their team leaders' expressed values: when team leaders preferred ethics over profits, employees cheated less often.

D'Adda et al. (2017)



Many leaders strategically utilize cascading effects to improve organizational outcomes, such as boost revenues, increase market shares, and earn respect by their stakeholders and customers (Hiller et al., 2011; Mayer et al., 2009). The same approach can be used to shape organizational cultures and human capacities that are conducive to the specific G20 goals.

With COVID-19, businesses and public sector organizations are confronted with a dramatic shift in employees' values around the globe and it is likely that the disruption of values, if unaddressed, will lead to severe repercussions on organizational performance and the ability to sustain operations. We therefore believe that one of the most pressing questions of the next 12-18 months will not be when organizations will be able to recover from the structural changes and market shocks, but how they will be able to recover and whether they will become more resilient and recenter economic priorities on people's well-being. The risk of regression driven by fear and a short-term focus is very high in this context, whereas we believe a Values-Driven Leadership approach would support a longer-term, more creative and more sustainable path when dealing with the Covid-19 associated challenges.

## **EMPIRICAL INSIGHTS: RAPID VALUE TRANSFORMATION**

COVID-19 has led to a dramatic shift in workforce values over the course of six weeks – a transformation that normally takes 5-7 years. Initial evidence from a global survey with more than 1,400 respondents around the globe suggests that while the main focus of leaders relate agility, innovation and societal impact and sustainability, employees seek a

sense of direction, communication, working together and an environment of trust and engagement. It is natural for leaders and staff to have differing priorities due to the nature of their perspectives in the organization, but the degree of separation here could be a cause for concern.

(Barrett Values Center, 2020)

# Policy Recommendations

We are concerned that we are just at the outset of a global value transformation, and that executives and other decision-makers lack the necessary frameworks, processes and tools to effectively steer their organizations through the massive transformations and structural changes of the future. We therefore see an urgent need for the G20 to step in and facilitate a values-driven transformation that aims at avoiding unjustified downward pressure on labor markets, inequity, lack of transparency, and a sacrifice of responsibility and accountability in exchange for short-term profit.

## **Our recommendations:**

- We recommend mapping values-driven movements (such as Conscious Capitalism, B-Corporations, Circular Economy, Social Economy, Inclusive Economy, Doughnut Economics, Shared Value, etc.) that align to G20 agenda, setting criteria for their official endorsement, and actively encouraging and facilitating organizations to join them.
- Create a platform to connect leaders and representatives of private, public – especially educational – and civil society organizations with the dedicated aim to identify and examine initiatives in organizational value transformation, and exchange good practice for organizational alignment to the G20 agenda.
- Prioritize value-driven leadership development programs in G20's support of organizations. While this effort should be directed towards top-management primarily G20 should encourage leaders to actively engage their wider organizations in these initiatives.
- Actively support youth movements that enable the development of the next generation and community of leaders in alignment with the G20 goals. We recommend such support includes reverse-mentoring to enable the voice of youth reaching current leaders and to infuse current policy-making with the considerations of our next-gen leaders.

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# 3 Special feature: Appreciative Leadership

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**Appreciative Leadership is a values-based leadership approach that builds on existing strengths, inquiry into a shared vision for the future, and the collaboration of all stakeholders in order to move organizations, systems, and societies toward a flourishing future for all. Few organizing frameworks offer more relevant insight for G20 leaders than Appreciative Leadership.**

Appreciative Leadership, which has its origins in the broader domain of Appreciative Inquiry (Cooperrider and Srivastva, 1987; Ludema et al, 2003; Ludema, Manning, and Johnson, 2016), is based on three core principles:

1. Focus on strengths. Appreciative leaders believe that in order to move toward a desired future, we must build on existing strengths. Strengths are the capabilities, values, and shared experiences of when we are at our best that offer insight into what might help us thrive in the future. In particular, the focus is on the positive, by which we mean language and ideas that generate hope, resilience, positive possibilities, and collaborative action.
2. Focus on inquiry into a shared future. Appreciative leaders ask, “what can and should our ideal future look like?” By envisioning and co-creating a positive and shared image of the future, teams, systems, organizations, and societies are able to identify optimal paths forward. Inherent in this principle is the importance of asking questions. The act of inquiry

rather than relentless advocacy creates understanding between partners; asking sincere questions and listening carefully to answers reveals new perspectives and insights that might otherwise have been overlooked.

3. Focus on inclusion and collaboration. Appreciative leaders take an inclusive stakeholder approach, intentionally seeking insights from all who may be impacted by the process and outcome of the work. This intensive focus on collaboration and inclusion amplifies marginalized voices, ensures that important cultural or technical perspectives are not overlooked, and (importantly) helps ensure support for the important work that is underway. To paraphrase management scholar Richard Beckhard, people support what they help to create.

The ideas of Appreciative Leadership are already well-embedded in the work of the G20, and especially the people-centered, participation-oriented focus taken by the Saudi Arabian leadership. Further enacting the Appreciative Leadership principles supports the Saudi G20 Presidency’s first aim of empowering people by unleashing opportunities for all. Appreciative Leadership approaches have a proven track record of engaging participants, unleashing new ideas, clarifying strategic direction, and building energy and systemic support for small and large-scale strategic change.

All three G20 aims for this year can be advanced by taking an Appreciative Leadership approach, which seeks to engage stakeholders in the creation of a positive, shared future.

Appreciative Leadership is supported by over 30 years of research from a variety of fields including Strength-Based Leadership (Gallup Organization - Rath, 2008), Positive Organizational Scholarship (Cameron, Dutton and Quinn, 2003), and Appreciative Inquiry (Ludema, Cooperrider, and Barrett, 2001; Ludema, Whitney, Mohr, and Griffin, 2003). (See the references section for additional resources.) Altogether, these studies find that effective leaders take a people-focused approach to leadership through the engagement of stakeholders in creating a positive vision for the future (Manning and Binzagr, 1996).

Appreciative approaches can significantly enhance problem solving capacity (Bushe and Paranjpey, 2014; Peele, 2006). It has also been found to build competence, autonomy, and relatedness among those using the appreciative approach (Verleysen, Lambrechts, and Van Acker, 2014). Additionally, these approaches have been found to have relevance across global contexts. Manning and DelaCerde (2003) documented a series of appreciative interventions in Mexico, finding these appreciative approaches were useful in addressing the challenges of an emerging economy and providing a

useful process to uplifting classes of people away from poverty to productive societal resources.

Research shows Appreciative Leadership improves outcomes. In one study, researchers discovered that teams recognized for their high-performance share two traits: (1) they use more positive language, and (2) they ask more questions than low performing teams. High-performing teams shared 5.6 positive and supportive comments for every 1 negative comment; and rather than just advocating, or arguing, for their perspective, they asked questions in equal number to making direct statements. Why does this contribute to high performance? By asking more questions, high-performing teams create more understanding among team members. Their positive, supportive language helps identify existing strengths on which to build, and makes people comfortable to share new ideas, leading to innovation and growth. (Losada and Heaphy, 2004)

COVID-19 has changed the world dramatically. With so much unsettled or unknown, the principles of Appreciative Leadership are especially important now because this approach pushes participants to seek understanding, to engage as many stakeholders as possible, and to build on strengths that are still present in economies and societies, despite the struggles experienced by many at this time.

# Practical Recommendations

We are heartened by the existing collaboration between members of the G20, which demonstrates values of Appreciative Leadership already in action. We recommend incorporating the principles further by engaging broader coalitions of stakeholders, including those whose voices are regularly marginalized.

Engagement with these stakeholders should involve inquiry into the existing strengths and capacities they recognize in their communities, and their most powerful visions for how their societies, and our global community, could evolve toward a shared, ideal future.

Appreciative Leadership and the process of Appreciative Inquiry could be a powerful tool for convening small and large groups of people and organizations for dialogue and action.

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## 4

# Special feature: Commitment to Enabling Values-Driven Leadership

Author: Prof. Dr. Mary C. Gentile



**Leaders are responsible not only for identifying values of humane, sustainable and productive organizations and societies, but also, importantly for developing skills and confidence to ENACT those values in individuals they lead. Policy should support leaders to build training for pre-scripting, rehearsing and coaching effective strategies to voice shared, highest values effectively, to set direction and correct course when necessary.**

Values are aspirational statements of critical and widely shared norms and standards. Values in the V20 Policy Brief “Leadership Values” such as “Values-Driven Leadership,” “Responsibility,” and “Equality”, as well as the values commitments included in the wider G20 and its Working and Engagement Groups all identify these positive, aspirational objectives in the service of a widely shared vision for the common good, For instance, “conditions in which all people, especially women and the youth, can live, work, and thrive” (G20, 2020).

However, acknowledging and affirming these values is only the first step. Values-driven Leaders also are dedicated to developing, enabling and reinforcing values-driven ACTION across their organizations. Current research in Psychology, Cognitive Neurosciences,

Business Ethics and Organizational Studies support an innovative action-oriented approach to the development of this “moral competence” and confidence and in fact, the “habit” of acting skillfully on values. Based on anticipation, reviewing positive examples, pre-scripting, rehearsal and peer coaching, leaders and their organizational colleagues can develop the “moral muscle memory” and the skills to enact their values effectively.

This re-framing of values-driven leadership development is growing around the globe. One widely known and applied example of this methodology (but not the only one) for encouraging values-driven action is called “Giving Voice to Values” (Gentile, 2012). This method and commitment is not about persuading people to be more ethical. Rather this approach starts from the premise that most of us already want to act on our values, but that we also want to feel that we have a reasonable chance of doing so effectively and successfully. This pedagogy and curriculum are about raising those odds. Rather than a focus on ethical analysis, this commitment focuses on ethical implementation and asks the question: “What if I were going to act on my values? What would I say and do? How could I be most effective?”

As evidence of success, one example of this approach - “Giving Voice To Values” - has now had over 1,250 pilots in educational and business settings on all seven continents, and sites have included the U.S., Europe, Africa, India, China, Australia, Canada, Israel, United Arab Emirates, etc. There are hundreds of exercises and case examples of the approach, most available for free download on [www.GivingVoiceToValues.org](http://www.GivingVoiceToValues.org).

Designed for use in graduate business curriculum, the approach has also moved well beyond that. It has been a featured part of the United Nations Global Compact PRME (Principles for Responsible Management Education) programming and PRME has become a partner supporting GW curriculum development on Anti-Corruption, with a recent initiative in India. A similar region-specific curriculum development initiative in Egypt was supported by German University of Cairo and the ILO. Increasingly GW is also being adapted for educational purposes beyond business (medicine, nursing, engineering, law, accounting, liberal arts). Corporate adoptions of this methodology have included Lockheed Martin, Unilever, KPMG, etc.

The logo consists of the letters 'V20' rendered in a red, outlined, sans-serif font. The 'V' is a simple, sharp-topped letter. The '2' is a stylized, rounded number. The '0' is a rounded, hollow circle.

# Practical Recommendations

I call on organizational leaders to adopt a values-driven approach and move into values-driven action by engaging in the process outlined below within their own teams, and to encourage other leaders (business, NGOs, etc.) to do likewise by sharing the methodology; promoting best practices through various communication platforms; and monitoring and communicating about progress. The practice steps that organizational leaders can follow are:

1. Identify the most prevalent and significant current challenges to the broader values statements of organizations. Invite members from their organizations to review this list of values challenges and add others that have been overlooked by leadership.
2. Gather examples (both within their organizations as well as across their industry) of times when they as leaders and other organizational members have found ways to effectively voice and enact their highest values in the face of the challenges identified in 1 above.
3. Share these positive examples of values-driven action within the organization.
4. Allocate time to examine the variety of effective strategies, scripts and problem redefinitions that enabled these positive actions, and rehearse such strategies and scripts.

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# 5

## Systemic Stewardship

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**To safeguard our planet and ensure that new technology frontiers improve life without creating new problems, every organization needs to become aware of and take responsibility for addressing systemic problems facing our societies and the environment. Policy should extend responsibility of directors to include stakeholders and natural systems in decision-making processes and consider long-term systemic effects of decisions and activities. Organizations in all sectors of society should become stewards of our social and environmental systems to ensure the flourishing of human civilization.**

Leaders of many organizations focus predominantly on short-term results, whether financial returns for companies or quick outcomes for non-profits that want to secure more funding. Decisions are taken to maximize yearly and quarterly performance or to report on quantitative goals determined without considering changing needs of affected stakeholders. This comes at a high cost. Short-term focused for-profit companies create negative externalities, e.g. contributing to big problems such as the climate crisis (Unerman, et al., 2018). Short-term focused non-profit organizations, address symptoms not causes of the problems and often solidify or aggravate the issue they claim to address (Schambra, 2013). Social entrepreneurs who try to apply market mechanisms to addressing social or environmental challenges often create

unintended systemic consequences that overpower the positive impact produced by their organizations (Wharton, 2015).

These costs are borne by the societies and natural environment—at the end by all of us. Organizations creating these costs themselves put their long-term performance at risk. Just like different departments are part of one organization and are both contributing to and depending on the well-being of the organization, every organization, in turn, is part of socioeconomic and environmental systems. The well-being of any organization depends on the health of the systems in which the organization operates.

Continuing ‘business as usual’ that implies taking decisions focused on short-term performance prevents us all from safeguarding our planet and risks that the opportunities of the 21st century will be realized for only a few (Leicester and O’Hara, 2009:5). Systemic stewardship makes organizational leaders take ownership of and act upon the long-term and far reaching consequences of their decisions and activities of their organizations, not only their immediate and economic results.

Scaling up Efforts for Sustainable Development is a central theme and goal of the G20 presidency agenda. Sustainable Development Goals (SDGs) are an inclusive set of goals touching all facets of well-being. While government lead is of

paramount importance, the responsibility for ensuring successful achievement of these goals rests on all of us and includes communities, and leaders of organizations who must actively engage in educating their employees and all key stakeholders who must include these goals in their agenda of responsibilities.

This is important because all organizations contribute to changes in social, natural and other systems. As such, they are contributors to problems such as inequalities and climate change, and have the potential to be part of their solutions. If we are to achieve the SDGs, organizational leaders need to see, understand and be able to act on the systemic and long-term effects of their decisions and activities of their organizations.

Indeed all goals G20 strives to achieve in order to realize opportunities of the 21st century for all through empowering people, safeguarding the planet, and shaping new frontiers are interconnected, in similar ways as the Sustainable Development Goals. Addressing them requires systemic perspective and responsibility. Decoupling these goals and pursuing them in their own 'silos' especially while trying to maximize short-term outputs is not only unlikely to provide success but risks jeopardizing them all (Adams et al., 2020; Snower, 2017). For example, if we address poverty by stimulating overconsumption based

on unsustainable production patterns, we will contribute to further destruction of the natural environment and, as a result, increase poverty in the long-term (York and Dembek, forthcoming). Systemic perspective and responsibility help avoid this problem. More holistic and long-term perspective in organizations have been linked not only to organizational outcomes such as resilience (Ortiz-de-Mandojana and Bansal, 2016), but also happiness of individuals (Royal Government of Bhutan, 2012), and to success in addressing pressing complex problems such as poverty, often aligning this success with organizational economic performance (Dembek and York, Forthcoming; Zhao, 2020).

### **EMPIRICAL INSIGHT: LONG-TERM SYSTEMIC PERSPECTIVE AND ORGANIZATIONAL RESILIENCE**

Based on data from 121 U.S.-based matched-pairs (242 individual firms) studies over a 15-year period Ortiz-de-Mandojana and Bansal, P. (2016:1615) found that long-term and system-oriented social and the environmental practices associated with business sustainability were positively associated with organizational resilience, "which helps them avoid crises and bounce back from shocks".



There is documented evidence that systemic responsibility can be activated and reinforced through actions in the following areas: leadership development, regulatory enablement, and generative dialogue.

### **Leadership Development**

Leadership Development is an important vehicle of bringing systemic responsibility to all actors including organizations. Commendable is the example of Italy's government that became first to mandate climate change education in schools (Berger, 2019). That inspired the resources provided by the UNESCO's Education for Sustainable Development (UNESCO, 2020), and the contribution of the United Nations Global Compact (UNPD, 2020a) Initiative with the Principles of Responsible Management Education (PRME) that has been promoting education for sustainability values in leadership development. At the same time, leadership development for systemic responsibility should go beyond conventional ethics education that "does not necessarily result in internalized ethical values, but it can impact ethical behavior" if unethical actions can potentially be exposed (Mayhew and Murphy, 2009). A shift towards systemic responsibility requires change in internalized ethical values and awareness of systemic consequences created by strategic decisions and organizational practices. This can be achieved through

transformative approaches to education (Otter, 2012). Policymakers need to support transformative learning programs at all levels—from early childhood education to adult learning.

### **Regulatory Enablement**

The creation of "Benefit Corporation" as a new form of legal entity that expands the legal definition of corporate goals to include a broader set of responsibilities for social stakeholders and the natural environment is a good example of lifting institutional pressure through policy change. Since this form of corporation was adopted in Maryland, USA in 2010, 36 states and Washington, DC have adopted legislations to recognize some forms of benefit corporations and 4 other states are currently working on such legislations. Other counties are following in these footsteps as in the example of Italy that passed the Società Benefit Law in 2015 (Nigri et al, 2020). Studies have shown that legal recognition of Benefit Corporations helps remove "unnecessary hurdles" in practicing corporate social responsibility (Goldschein and Miesing, 2016), increases value and reduces harm for a wide range of stakeholders and the environment (Steingard and Clark, 2016) and is appreciated by investors (Cooper and Weber, 2020).

Public benefit corporation (PBC) and its sister entity type low-profit limited liability company (L3C) have evolved within the

movement toward a social and solidarity economy (SSE) that includes a variety of legal organizational frameworks as hybrids social enterprises, social businesses and social cooperatives which operate between purpose and profit. While in the US we see some advancements in the PBCs and L3Cs, other countries in Europe and Latin America have advanced numerous types of organizations for a social economy in between a private economy (businesses) and a public economy (governments) and beyond the American nonprofit model (NPOs, NGOs, etc). (Social Economy Europe, 2020). The International Labor Organization (ILO) and OECD have been contributing to the study of these legal enabling frameworks for stimulating social and solidarity economy

In our actionable recommendations we go significantly further than recommending the adoption of the above-mentioned or similar forms of legal entity across different jurisdictions. We are calling for a comprehensive review of all current institutional frameworks to identify changes that would act as regulatory enablers to promote systemic responsibility.

A critical factor that needs to be considered in such policy reviews is time: organizations need more regulatory support to overcome the tyranny of short-term goals and think about the

implications on their strategies and practices on seven generations while embracing purposeful temporality of their business models to provide systematically relevant solutions and avoid exploiting problems for profit. Regulators also need to recognize that organizations that act from systemic awareness have to deal with “competing temporal dynamics” (Beckett et al, 2020) which should be considered in designing metrics and other accountability mechanisms to allow for the necessary flexibility in employing emergent strategies that encompass diverse stakeholders.

### **Generative Dialogue**

Taking responsibility for systemic consequences requires organizations to be in close contact with other stakeholders to be adaptive and employ emergent strategies in collaboration with other actors across different sectors and identity lines. As Ronald Heifetz puts it, adaptive work “requires us to deliberate on the values by which we seek to thrive and demands diagnostic inquiry into the realities we face that threaten the realization of those values. Beyond legitimizing a convenient set of assumptions about reality, beyond denying or avoiding the internal contradictions in some of the values we hold precious, and beyond coping, adaptive work involves proactively seeking to clarify aspirations or develop new ones, and then involves the very hard work of innovation,

experimentation and cultural change to realize a closer approximation of those aspirations by which we would define “thriving.” (Heifetz, 2010) Generative multi-stakeholder dialogue is crucial for building trust and achieving alignment of diverse actors to provide relevant, timely, and powerful responses to systemic challenges. We encourage policymakers to create more spaces and incentives for generative dialogue that welcomes all interested, contributing, and affected stakeholders.

COVID-19 has forced rapid and deep changes and organizations need to consider long-term effects when rebuilding from the crisis. It is a unique opportunity to fix some of the problematic areas and create a better and more sustainable future. We will lose this opportunity if we come back to seeing responsibility and wellbeing in a narrow way as before.

# Policy Recommendations

- Amend laws and regulations to balance the role of quarterly financial performance and fiduciary responsibility to shareholders in corporate decision-making with comprehensive long-term performance assessments and responsibility for the long-term well-being of the natural and social systems in which the company operates. One way of doing it could be including new forms of incorporation that extend the responsibilities of the company directors, like Public Benefit Corporation.
- Establish funding mechanisms to support systemic approaches to addressing complex issues. Such funding mechanisms must be able to support deep inquiry that involves affected stakeholders before any solution is proposed. Supported solutions should be based on collaborative efforts and emergent strategies that address an interconnected network of stakeholder needs and perceptions of value that evolves over time.
- Create an institutional basis for regular adjustment of organizational performance indicators based on a rigorous analysis of up-to-date qualitative data from cross-sector dialogues that include the most vulnerable and affected stakeholders. Also, connect to and implement the recent work of UNDP on Impact of Sustainable Development Goals (SDG Impact Standards), (UNDP, 2020b).
- Support transformative leadership development to promote a cultural shift in alignment with new institutional regulations.
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# 6

## Leadership Integrity

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**It is not possible to talk about great leaders without describing them as having integrity. Consistent, moral and professional integrity exhibited by leaders has a transformative effect in creating a culture of confidence and safety for people to “live, work, and thrive” (G20, 2020), at their best in a values and strategy-aligned organization of excellence.**

Integrity is an overarching value that unifies the practice of all other values at all times, in times of prosperity and especially in times of crisis, signifying authenticity and embodying the moral authority leaders need to engage all stakeholders. Integrity, as a leadership value and institutionalized as an organizational value, is therefore essential for realizing the G20 Agenda.

To this end, leaders with integrity truly understand and respect people in the workplace as whole persons, e.g. dynamic persons who play concurrent roles within a unified life – their personal, family, and social life for which work forms a significant part yet is not their only preoccupation. This enables leaders to sensitively empathize and effectively create the necessary conditions for engaging people to productively contribute towards achieving agreed corporate goals. Leaders need role clarity as stewards who responsibly exercise authority and competently manage resources for the common good, which is the parallel

complementing development of the entire organization and the development of every person in the organization. They are not owners nor controllers of organizational resources for off-tangent nor self-serving purposes.

Leaders need to invest in their own integral development in order to improve in their practice of integrity, which necessitates a clear grasp of organizational life principles and their proper applications, e.g. the dignity and equality of workers as persons, the primacy of people over technology or material gain, the nature of organizations as a human enterprise, the interconnectedness of people and the impact of decisions, the common good, the purpose of authority as inseparable with responsibility, etc. These life principles underpin well-placed values for effectively driving a well-aligned ecology of organizational components, e.g. alignment of corporate values, strategies, HR and organizational policies, processes, and systems, communications, etc. The value of Integrity provides a solid foundation amidst constant change and a reference point for unity in a highly diverse multi-stakeholder system. It is a prerequisite and at the same time the summit of Values-Driven Leadership.



The Creation of a Culture of Integrity supports the following G20 goals, which are currently focusing on eradicating critical barriers to development:

- Combating Corruption in Shaping New Frontiers, which calls for the **“promotion of integrity”** (G20 2020)
- Commitment **“to prevent and fight corruption and lead by example”** and in endorsing “Principles on Preventing Corruption and Ensuring Integrity in State-Owned Enterprises and on Preventing and Managing Conflicts of Interest in the Public Sector” (G20, 2018).
- “Combating corruption remains a top priority for the G20. Preventing and fighting corruption, **as well as strengthening integrity**, are core to maintaining the rule of law and public confidence in our institutions, to building national and global economic prosperity, and to keeping us safe and secure. Anti-corruption and integrity measures support good governance, strengthen public confidence that our institutions are fair and work for all, and increase social stability” (G20, 2019).

Leadership integrity can be defined as the consistency of a leader’s words and actions (Palanski et al, 2007), and generally be termed walking the talk. Research over the last two decades has shown the positive impact of integrity on organizational outcomes. For instance, empirical studies found that leaders’

behavioral integrity has a positive direct effect on followers’ job satisfaction, lower levels of life stress, health, life satisfaction and absenteeism (Prottas, 2013) and an indirect impact on follower job performance and follower engagement (Engelbrecht et al, 2017; Vogelsang et al, 2013). Furthermore, research has shown that integrity is associated with leadership in various ways, and leadership in turn has a variety of positive effects on both organizational and inter-organizational outcomes. It can therefore be interpreted as a catalyst for different styles such as transformational, ethical, spiritual, and authentic leadership (Palanski et al, 2009) and their respective outcomes. Thus, working towards a culture of integrity is an essential prerequisite for the successful integration of the G20 goals by helping to improve people’s well-being, empower them and protect the planet.

Activating and reinforcing the value of Integrity is most effective when it is lived from the top as this sets the tone for the whole organization. This is evident especially in organizations beset by problems and a culture of trust needs to be regained. Leadership integrity acts as a tipping point which paves the way for development.



## EMPIRICAL INSIGHTS

Creating a culture of integrity was central to the success in the privatization and take-over of the government-run Manila Waterworks and Sewerage System (MWSS) by the Ayala-owned Manila Water Company. Through the practice of leadership integrity, a poorly performing public

service agency run by a demoralized and unproductive workforce (amidst multiple labor unions in protest) was transformed into a high-performing team bringing ongoing business results and sustainable growth in all these years (Beer and Weldon, 2000, Wei and Dula, 2014).

People-centered organizational values were cascaded at all levels in the organization, operationalized through the implementation of integrated and well-aligned policies and quality systems, where the company was eventually recognized as a model of privatization by the United Nations Conference on Trade and Development (UNCTAD) and by other international bodies.

In order to promote and sustain the integrity of both leaders and employees, the academic world has developed a variety of measurement methods (e.g. Bieker et al, 2002). In addition to the pure assessment of integrity, managers can resort to special development programs to strengthen leadership integrity (e.g. Goldman, 2010) and thus ultimately foster the trust of their followers.

The omnipresent uncertainty, which is due to the COVID-19 pandemic, permeates our entire global society and places the trust between leaders and their followers, whether in organizations or societies, to a severe test. Besides, the pandemic sheds light on social and organizational challenges such as inequality or undesirable outcomes in our global economic system, and businesses, governments and citizens are faced with unprecedented and fundamental decisions that raise ethical dilemmas. If we succeed in rebuilding mutual trust, developing a shared vision for the future

and putting our words into action (i.e. walk the talk), there is a chance to create a world where people can live, work and thrive (G20, 2020). For this reason, we encourage all leaders around the world to exemplify integrity and thus facilitate the development of further crucial values such as responsibility and systemic well-being.

# Policy Recommendations

The key policy recommendation centers on effectively facilitating and encouraging the practice of Integrity among leaders in both private and public sectors, which is highly critical for national and global survival and development today.

We appeal to the G20 leaders to establish policies that incentivize and prioritize funding for the Integrity Development of leaders. We propose that this can be achieved by the following steps:

1. The effective design and efficient implementation of government regulatory and public service requirements and processes to facilitate the practice of Integrity for law-enforcement government officials as well as for complying leaders from all sectors. Such processes are properly designed and implemented when key stakeholders from relevant sectors are appropriately consulted in a timely manner and professionally competent service providers are fairly selected to help execute the design. A constant review and the update of these government processes and systems are necessary for the government to render relevant quality public service to the people while safeguarding the common good. While this concern on efficiency seems more critical at this point for the emerging countries, it is as much a concern for all countries given the global fallout on corporate integrity in the last few decades. The G20 leaders are urged to give serious attention to this



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# 7 Gender Equality

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**To boost economic development and growth, societies and organizations need to unlock the full potential of their human resources. We argue that existing approaches to promote gender equality have been flawed, largely underutilizing the pool of available talents. We show how the right processes, granting equal opportunities and full access to the pool of talents, can lead to significantly better outcomes for organizations and thus help countries to realize the SGDs.**

Women and girls represent half of the world's population and, as indicated by the rise of Nobel Prize awarded women in recent years, also half of its potential. Gender equality, the equal access to opportunities, resources, and positions at all decision-making levels, is a key cornerstone to achieve peaceful societies and spur productivity and economic growth (UN, 2020).

The importance of gender equality and women empowerment has already been acknowledged by global leaders: Gender equality is one of the 17 UN Sustainable Development Goals (SDG 5) and of paramount importance for a series of other SDGs, mainly Quality Education (SDG 4), Decent Work and Economic Growth (SDG 8), and Reducing Inequality (SDG 10). Besides their commitment toward the UN SGDs, the G20 countries have also repeatedly emphasized the importance of women empowerment (e.g., G20, 2017;

G20, 2018; G20, 2019; G20, 2020).

In spite of its broad political recognition, there is still a long way to go to achieve equality of rights and opportunities between men and women. Major gender inequalities continue to persist in all G20 countries, being one of the root causes for the G20's failures to achieve the UN 2030 targets on a country level (UN Women, 2016). For example, women only make up 7% of the CEOs in US Fortune 500 companies, 9% of the executive ranks in the top-160 German companies, and 3% of the senior executives in the top-50 Saudi companies; on a global scale, women represent around 14% of the executives and about 5% of the CEOs (Noland and Moran, 2016; Handelsblatt, 2019; Aqdem Saudi, 2020; W20, 2020). Despite their increasing presence in public life, women continue performing the vast majority of unpaid work: almost 80% is provided by women, investing 3.2 times more time on unpaid work than men (ILO, 2018). In this context, UN Secretary-General António Guterres argued in 2018:

**“Achieving gender equality and empowering women and girls is the unfinished business of our time, and the greatest human rights challenge in our world.”**

UN (2020a)

Considering the economic benefits of gender equality, it remains puzzling why



women empowerment is not progressing organically. There are numerous studies showing that more gender-balanced, diverse teams, and inclusive leadership lead to higher company performance (e.g. Woolley et al, 2010; Badal and Harter, 2014). Moreover, an increased participation rate of women in the workforce has a substantial positive impact on a country's productivity – e.g., the removal of occupational barriers for ethnic minorities and women can explain 15 to 20 percent of aggregate productivity growth between 1960 and 2008 in the USA due to better talent allocation (Hsieh et al, 2013). Hence, wherever an uneven gender balance exists, it indicates that the available human talent has not yet been used in an optimal way.

## **EMPIRICAL INSIGHTS: GENDER DIVERSITY AND ORGANIZATIONAL PERFORMANCE**

Research on gender diversity and organizational performance has rapidly grown over the last years. In an insightful study, a group of international economists assessed a data set of almost 22,000 firms with 130,000 board members from more than 90 countries. The analysis shows that the presence of women in leadership positions improves organizational performance. The authors

state:

**“Going from having no women in corporate leadership (...) to a 30% female share (...) translates to a 15% increase in profitability”**

Noland and Moran, (2016)

Yet, it is a fact that we still observe large disparities in the gender composition of the workforces and leadership positions across all the G20 countries. Taking into consideration the tremendous efforts of the G20, the UN, the various policy actions including a wave of newly enacted regulations on gender equality on national levels, as well as the original interest of companies to utilize all means to improve their performance in this respect, we conjecture that it is not a lack of political will that drives gender inequalities but rather a systematic failure of processes (that fall behind legal reforms).

Thus, a promising avenue to foster women's economic empowerment is to examine the impeding factors in traditional HR processes. A large body of studies suggests that the root cause of persistent gender inequality is unconscious bias, i.e., a systematic lack of awareness that HR decisions are based on distorted subjective evaluations and intuitions.

## EMPIRICAL INSIGHTS: DEBIASING PROCESSES

A small group of organizations has recently specialized on sanitizing HR processes from conscious and unconscious gender biases. Using various techniques, they show that procedural fairness can be effectively restored by debiasing. Initial evidence from online platforms and leadership programs demonstrates the difference between traditional and debiased processes. For example,

- Standard hiring processes miss around 60% of the best-suited candidates
- Debiased processes...
  - attract up to 4x more candidates
  - reduce the hiring time by around 60%
  - increase retention rate by almost 40%
  - increase sales by almost 30% per year

Applied (2020), Pymetrics (2020), Aqdem Saudi (2020)

We therefore advocate for fostering procedural fairness, which requires decisions to be free of bias and based on objective evidence. Field data shows that procedural fairness can be achieved with the help of process adjustments, e.g., by advertising in a gender-neutral way, increasing candidate blindness, running structured interviews, or using data-driven scoring mechanisms in promotion decisions.

Moreover, the COVID-19 crisis is expected to “severely exacerbate existing gender inequalities” and thereby deepen existing vulnerabilities (W20, 2020; Care, 2020). First trends already indicate that many parents have fallen back into traditional roles; women take care of children and households, even if this comes at substantial losses of households’ incomes. These trends are particularly pronounced for members of minorities who tend to be employed at the lower end of the income spectrum and whose working conditions inhibit home-office. As the United Nations stated in April 2020:

**“Women will be the hardest hit by this pandemic but they will also be the backbone of recovery in communities. Every policy response that recognizes this will be the more impactful for it.”**

# Policy Recommendations

We welcome the G20's continued efforts to support the UN 2030 Agenda, especially SGDs 4, 5, 8, and 10, and embrace their repeated commitments and initiatives toward achieving gender equality. However, in light of the persistent and pervasive gender inequalities, **we call on the G20 leaders to act upon the large body of evidence demonstrating the significant societal and economic benefits of women empowerment and proactively counter the public narrative that gender equality is an act of benevolence.**

In terms of concrete policy action, we put forward the following recommendations:

1. The G20 should **task its newly established Behavioral Insights Knowledge Exchange Network to systematically review the evidence on procedural fairness in HR processes and collate best practice to sanitize and debias existing systems**, starting from recruitment and talent development to compensation and retirement. The key recommendations of this assessment should be endorsed by the G20 to guide future labor market regulation that can effectively empower women and thereby untap the full talent potential.

2. The G20 should deepen their cooperation with the EMPOWER alliance, the OECD, and ILO with the aim of **expanding existing gender indices to measure perceptions of inequality. Such a measure should rank countries based on how equal their public and private sectors are perceived.** The scaling should follow the composite approach applied by the Corruption Perception Index: top total scores should only be assigned to countries with perceived gender pay gaps of zero and perceived equal (50%) representation of both genders at the highest decision-making levels, both in the public and private sectors. As a next step, the **index should be used to regularly examine the perceived change in women empowerment, i.e. the impact of new government regulation** in addressing gender pay gap, employment uptake, the distribution of unpaid care work, quotas and other antidiscrimination laws, for example.

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## 8

# Employee Responsibility

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**Responsible behavior of employees is of paramount importance for all organizations, ensuring an efficient, high-quality provision of goods and services. We show how recent initiatives in the public and private sector have severely backfired, creating unintended and harmful consequences for organizations. We call on the G20 to consider the 'human factor' in future policies and national regulation.**

With around 12% of the GDP being spent on public procurement in OECD countries (OECD, 2020), understanding and treating the dysfunctionalities of organizations is of paramount importance for economic development. While the G20 have repeatedly stressed that corruption is an impeding factor for growth (G20, 2014-2020), little attention has been paid to other forms of financial losses induced by organizational behavior and conduct.

Although public authorities have invested substantial amounts to improve good governance in the last decades, some preventive methods have created undesirable side effects. Evidence from an emerging field in administration research shows that public organizations passively waste huge amounts of resources which potentially exceed the harm inflicted by corruption multiple times (e.g., Bandiera et al, 2009). Reason is that strict regulation and ill-designed delegation rules often crowd out the intrinsic motivation of

public officials and civil servants. The responsibility to spend budgets efficiently diffuses under strict control and monitoring, resulting in adverse effects and financial losses.

## **EMPIRICAL INSIGHTS: FINANCIAL WASTE IN PUBLIC AUTHORITIES**

Estimates for financial waste in public procurement are alarming, ranging from 9% up to 20% of the total budget spent. Analyzing data that is representative for 2.5% of Italy's GDP, a group of researchers found striking evidence that governance structures are a major cause for financial waste:

**Public organizations with strict top-down hierarchies waste up to 40% of their procurement budgets compared to organizations in which civil servants have more responsibility and autonomy.**  
Bandiera et al. (2009)

A promising solution to counter these side effects is to overhaul governance processes and equip public servants with more rather than less responsibility in decision-making. Motivation, job identification, and ownership of projects and outcomes increase when employees have more discretion in taking their decisions, especially in critical areas of procurement (Graf Lambsdorff 2015). This line of reasoning may have direct implications for good governance systems, especially in development aid. Transparency International (2014: 144), for example, states: “Don’t give full discretion to local leaders [...]”. The evidence presented above suggests that such demands build on an incomplete picture of the complex reality. Increasing levels of control and enacting stricter regulation remain vital as a method for containing corruption; but they can come at the expense of efficient spending. Passive financial waste may outweigh the losses caused by corruption and, therefore, both effects should be jointly considered when devising policy instruments to curb corruption.

Another reason why employees may show indifferent behavior and misconduct in public and private sector organizations is moral licensing, where a positive action is offset by harmful behavior later. Benabou and Tirole argue that: **“People who have recently ‘done good’ in one dimension may feel immunized**

**against negative (social or self) inferences, and thus later on act less morally constrained”**

Benabou and Tirole (2010: 6)

Moral licensing points to a dark side of behavior which, once activated, undermines profitability and service quality. While the existence and magnitude of moral licensing in organizational contexts are typically hard to measure, John List and Fatemeh Momeni recently found an elegant way to analyze the link between corporate social responsibility (CSR) initiatives and organizational conduct. According to their study, CSR initiatives can indeed heavily backfire, triggering poor employee performance and shirking (List and Momeni, 2020).

### **EMPIRICAL INSIGHTS: WHEN CORPORATE SOCIAL RESPONSIBILITY BACKFIRES**

By observing behavior of more than 1,500 workers, List and Momeni analyzed the interaction between corporate social responsibility and moral licensing. The authors found that the “doing good” nature of CSR significantly increases employee misbehavior in other domains. They state:

**“24% more employees act detrimentally toward their firm by shirking on their primary job duties when the CSR was introduced.”**

List and Momeni (2020)

While the understanding of organizational dysfunctionalities and the analysis of negative side-effects of structures and systems are gradually advancing, policymakers and researchers are less equipped with adequate responses to mitigate these challenges.

However, considering that many G20 governments have set up multi-billion recovery funds to cope with the consequences of COVID-19, we raise our concern that these mega funds bear a fundamental risk of financial waste and misbehavior in other important domains of public and private interest.



# Policy Recommendations

We welcome the G20's continued support to enhance growth and good governance around the globe as well as their financial commitment to facilitate a fast recovery of the global economy during and post COVID-19. However, we are concerned that the current processes that govern the awarding of funds could lead to a massive, unprecedented amount of financial waste. We therefore call on the G20 to adequately account for the 'human factor' in devising future action. In particular, we suggest the following policy recommendations to the G20 Leaders:

1. Considering the tradeoff between strict regulation and discretion in public procurement, we call on the G20 to:

- a. expand the upcoming Anti-Corruption Action Plan 2019-2023 in order to include national assessments of passive financial waste and investigate ways to minimize the total costs on public budgets, i.e. the losses induced by corruption (active waste) and the losses induced by passive waste,
- b. intensify their cooperation with the OECD to identify common areas of misuse in public procurement and infrastructure governance, examine their causes and develop a people-centered prevention plan and responsibility system.

2. Acknowledging the growing prevalence of social responsibility initiatives in private and public sector organizations, we further call on the G20 to task the G20 Behavioural Insights Knowledge Exchange Network to prepare a first extrapolation of the magnitude of possible counterproductive effects and performance losses induced by such initiatives. We further recommend granting the network with a mandate to cooperate with private sector entities to jointly develop and test behavioral interventions that can minimize the negative side effects of moral licensing within organizations.

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