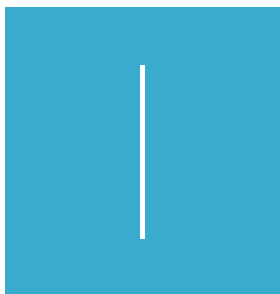


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The four ways of being that create the foundation for  
**GREAT LEADERSHIP, A GREAT  
ORGANIZATION & A GREAT  
PERSONAL LIFE**

BY WERNER H. ERHARD AND MICHAEL C. JENSEN



In this paper we argue that the four ways of being we identify as constituting the foundation for being a leader and the effective exercise of leadership are also the the foundation for an extraordinary organization and the foundation of an extraordinary personal life.

We start with a brief overview of each of these four foundations before going into an expanded discussion of each.



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## AN OVERVIEW

### → Being Authentic

Being authentic is being and acting consistent with who you hold yourself out to be for others, and who you hold yourself to be for yourself. When leading, being authentic leaves you grounded and able to be straight with others without the use of force.

### → Being Cause In the Matter of Everything In Your Life

Being Cause in the Matter is a stand you take on yourself and your life. A stand is a declaration you make, not a statement of fact. Being Cause in the Matter is viewing life from and acting from the stand that “I am cause in the matter of everything in my life.” Being willing to view life from this perspective leaves you with power. You are never for yourself a victim.

### → Being Committed to Something Bigger than Oneself

Being committed to something bigger than oneself is the source of the serene passion (charisma) required to lead and to develop others as leaders and the source of persistence (joy in the labor of) when the path gets tough.

### → Being A Person or an Organization of Integrity

In our model, integrity for anything is the state of being whole, complete, unbroken, sound, in perfect condition<sup>1</sup>. For a person and any human organization, integrity is a matter of that person’s word or that organization’s word being whole and complete — nothing more and nothing less. Integrity is required to create the maximum opportunity for performance and quickly generate trust.

## A WORD ABOUT VALUES

In our discussion here we are not concerned with values — that is, we are not concerned with what is considered good as opposed to bad, or right as opposed to wrong. We advocate these four principles not because they are “right,” but simply because they are in each individual’s personal self-interest and in each organization’s self-interest. These insights into the actual nature and function of the four aspects of the foundation for great leadership, great organizations, and a great personal life create workability, trust, peace, joy, and private and social value. They provide a path for individuals, organizations, and societies to realize much of what people generally think ethics and morality produce. And, if we look at the state of the world around us, obviously that latter path has not worked.



## FOUNDATION ONE: BEING AUTHENTIC

Being authentic is being and acting consistent with who you hold yourself out to be for others, and who you hold yourself to be for yourself.

Surprisingly, there is nothing authentic about any attempt to be authentic. Any attempt to be authentic on top of our inauthenticities is like putting cake frosting on cow dung, thinking that will make the cow dung go down well. In any case, the attempt to be authentic is a put on and therefore inauthentic.

One cannot pretend to be authentic. That, by definition, is inauthentic. Remarkably, the only path to being authentic is being authentic about one's inauthenticities. Being authentic is being willing to discover, confront, and tell the truth about your inauthenticities — where you are not being genuine, real, or authentic. Specifically, being authentic is being willing to discover, confront, and tell the truth about where in your life you are not being or acting consistent with who you hold yourself out to be for others, or not being or acting consistent

with who you hold yourself to be for yourself.

Most of us think of ourselves as being authentic; however, each of us in certain situations, and each of us in certain ways, is consistently inauthentic.

## SOME EXAMPLES OF OUR INAUTHENTICITIES

We as persons and in our organizations desperately want to be admired. For many, admiration is the most valuable coin of the realm. Almost none of us is willing to confront just how much we want to be admired, and how readily we will fudge on being straightforward and completely honest in a situation where we perceive doing so threatens us with a loss of admiration. We will do almost anything to avoid the loss of admiration — stretch the truth, manipulate the facts, hide what might be embarrassing or unpleasant or even awkward and, where required, outright lie.

We also all want to be seen by our colleagues as being loyal, protesting that loyalty is a virtue even in situations where the truth is that we are acting “loyal” solely to avoid the loss

of admiration. And, in such situations, how ready we are to sacrifice authenticity to maintain the pretense of being loyal, when the truth is that we are “being loyal” only because we fear losing the admiration of our close colleagues, subordinates, or bosses.

In addition, most of us have a pathetic need for looking good (and in certain situations this shows up as wanting to be liked), and almost none of us is willing to confront just how much we care about looking good — even to the extent of the silliness of pretending to have followed and understood something when we haven’t.

Each of us is inauthentic in certain ways. While this may sound like a description of this or that person you know, it actually describes each of us — including you the reader and each of us authors. We are all guilty of being small in these ways — it comes with being human.

If you cannot find the courage to be authentic about your inauthenticities, you can forget about being a great leader or having a great personal life. And an organization that cannot be authentic about its inauthenticities will experience great conflicts, costs, and inevitably loss of reputation.

Great leaders, great organizations, and those who lead great personal lives are noteworthy in having come to grips with these foibles of being human, not eliminating them, but being the master of these weaknesses.

#### IS BEING AUTHENTIC IMPORTANT TO BEING A LEADER?

Quoting former Medtronic CEO and now Harvard Business School Professor of Leadership Bill George: “After years of studying leaders and their traits, I believe that leadership begins and ends with authenticity.”<sup>2</sup>

To be a leader and to have a great organization and to have a truly great personal life, you and your organization must be big enough to be authentic about your inauthenticities and your organization’s inauthenticities. This kind of bigness is a sign of power, and is so interpreted by others. Being a leader requires that you be absolutely authentic, and true authenticity begins with being authentic about your inauthenticities; and almost no one does this.

#### THE ACTIONABLE ACCESS TO AUTHENTICITY

As we have said, the only path to authenticity is being authentic about your inauthenticities. In order to achieve this

#### EDITOR’S NOTE:

The following article is excerpted by the authors from an academic paper on which they are working. While different in style and length from our typical *IQ* article, you can be sure that it is worth your time to read, and even study, this article. Erhard and Jensen are making a significant contribution to the field of leadership development and the effective exercise of leadership. Moreover, their work reinforces, illuminates, and expands the principles and practices that Insigniam’s clients have found so valuable:

- ➔ At the core of Insigniam’s leadership development work is the notion that leadership starts with taking a stand — the access to which is your word. In particular, Jensen and Erhard’s seminal work to define integrity as “working as your word” elevates that notion and extends it in multiple dimensions.
- ➔ One highly effective supply chain executive who has worked with Insigniam for a decade says that his most impactful learning is that, if he touches or sees it, he is responsible (a leader is responsible); that discovery is harmonic with the authors’ foundation of being cause in the matter of everything in your life.

you must find in yourself, that “self” that leaves you free to be authentic about your inauthenticities. That “self,” the one required to be authentic about your inauthenticities, is who you authentically are.

And you will know when this process is complete when you are free to be publicly authentic about your inauthenticities, and have experienced the freedom, courage, and peace of mind that comes from doing so. And this is especially so when you are authentic with those around you for whom those inauthenticities matter (and who are likely to be aware of them in any case).

<sup>1</sup>See Erhard, Jensen, and Zaffron (2009), “Integrity: A Positive Model that Incorporates the Normative Phenomena of Morality, Ethics and Legality.” Harvard Business School NOM Working Paper No. 06-11. Available at SSRN: <http://ssrn.com/abstract=920625>

<sup>2</sup>George, Bill. 2003. p.11. “Authentic Leadership: Rediscovering the Secrets to Creating Lasting Value”. San Francisco: Jossey-Bass.

## FOUNDATION TWO: BEING CAUSE IN THE MATTER

By “Being Cause in the Matter” we mean being cause in the matter of everything in your life as a stand you take for yourself and life, and acting from that stand. To take the stand that you are cause in the matter contrasts with it being your fault, or that you failed, or that you are to blame, or even that you did it.

It is not true that you are the cause of everything in your life. That you are the cause of everything in your life is a place to stand from which to view and deal with life, a place that exists solely as a matter of your choice. The stand that one is cause in the matter is a declaration, not an assertion of fact. It simply says: “You can count on me (and, I can count on me) to look at and deal with life from the perspective of my being cause in the matter.”

### BEING CAUSE IN THE MATTER MEANS YOU GIVE UP THE RIGHT TO BE A VICTIM

When you have taken the stand (declared) that you are cause in the matter of your life, it means that you give up the right to assign cause to the circumstances or to others. That is you give up the right to be a victim. At the same time, taking this stand does not prevent you from holding others responsible.

As we said, it is not true that you are the cause of everything in your life. Being cause in the matter does not

**IF YOU CANNOT FIND THE COURAGE TO BE AUTHENTIC ABOUT YOUR INAUTHENTICITIES, YOU CAN FORGET ABOUT BEING A GREAT LEADER OR HAVING A GREAT PERSONAL LIFE.**

mean that you are taking on the burden of or being blamed for or praised for anything in the matter. And, taking the stand that you are cause in the matter does not mean that you won't fail.

However, when you have mastered this aspect of the

foundation required for being a leader and exercising leadership effectively, you will experience a state change in effectiveness and power in dealing with the challenges of leadership and living a great personal life (not to mention the challenges of creating a great organization).

In taking the stand that you are the cause of everything in your life, you give up the right to blame others or the environment. In fact, you give up the right to blame the circumstances for anything that is going on with you or your organization.

## FOUNDATION THREE: BEING COMMITTED TO SOMETHING BIGGER THAN ONESELF

What we mean by “being committed to something bigger than oneself” is being committed in a way that shapes one's being and actions so that your ways of being and acting are in the service of realizing something beyond your personal concerns for yourself — beyond a direct personal payoff. As they are acted on, such commitments create something to which others can also be committed and have the sense that their lives are about something bigger than themselves. This is an important aspect of a great personal life, great leadership, and a great organization.

### BEING COMMITTED TO SOMETHING BIGGER THAN ONESELF IS THE SOURCE OF PASSION

Without the passion that comes from being committed to something bigger than yourself, you are unlikely to persevere in the valley of tears that is an inevitable experience in the lives of all true leaders. Times when nothing goes right, there is no way, no help is available, nothing there except what you can do to find something in yourself — the strength to persevere in the face of impossible, insurmountable hurdles and barriers.

And, by the way, every great personal life includes having to come to grips with one or more of these profound challenges.

When you are committed to something bigger than yourself and you reach down inside you will find the strength to continue (joy in the labor of).

**EXAMPLE OF A VALLEY OF TEARS THAT ALMOST EVERYONE EXPERIENCES: THE MID-LIFE CRISIS**

At some point in life we all stop measuring time from the beginning and start measuring it from the end. It shifts from how far have I come to how much time and opportunity do I have left?

No matter how good you look, no matter how good you've gotten your family to look, and no matter how much wealth, fame, power, and position you have amassed, you will experience a profound lack of fulfillment — the incompleteness, emptiness, and pain expressed by the common question: Is this all there is?

Let us be clear: There is nothing inherently wrong with wealth, good looks, fame, power, or position, but, contrary to almost universal belief, they will never be enough. And facing up to that leaves people and organizations disoriented, disturbed, and lost. No matter how good you look or how much you have personally amassed, it will never be enough to avoid this crisis. Dealing with the crisis of “Is this all there is?” lies in having a commitment to the realization of a future (a cause) that leaves you with a passion for living.

This principle, being committed to something bigger than oneself, applies to corporate entities as well as to human beings. Value creation for both is the scorecard for success. Value creation is not the source of corporate or personal passion and energy. Being committed to something bigger than oneself is the source of that passion and energy. Every individual and every organization has the power to choose that commitment — there is no “right answer.” It is creating what lights up you and your organization.

**FOUNDATION FOUR: INTEGRITY — A POSITIVE MODEL**

Definition: We use the first two definitions of integrity from Webster's New World Dictionary: 1. the quality or state of being complete; unbroken condition; wholeness; entirety 2. the quality or state of being unimpaired; perfect condition; soundness.

We use the phrase “whole and complete” to represent

our definition of integrity. Defined this way, integrity is a positive phenomena, not a virtue. There is nothing inherently good or bad about it, it is just the way the world is. (We show how morality and ethics are related to our definition of integrity below.)

An object has integrity when it is whole and complete. Any diminution in whole and complete results in a diminution in workability. Think of a wheel with missing spokes, it is not whole and complete. It will become out-of-round, work less well, and eventually stop working entirely. Likewise, a system has integrity when it is whole and complete.

The Law of Integrity states: As integrity (whole and complete)

**VALUE CREATION IS NOT THE SOURCE OF CORPORATE OR PERSONAL PASSION AND ENERGY. BEING COMMITTED TO SOMETHING BIGGER THAN ONESELF IS THE SOURCE OF THAT PASSION AND ENERGY.**

declines, workability declines, and as workability declines, value (or more generally, the opportunity for performance) declines. Thus, the maximization of whatever performance measure you choose requires integrity.

Attempting to violate the Law of Integrity generates painful consequences just as surely as attempting to violate the law of gravity. Put simply (and somewhat overstated): “Without integrity nothing works.” Think of this as a heuristic: If you or your organization operate in life as though this heuristic is true, performance will increase dramatically. And the impact on performance is huge: easily in the range of 100% to 500%.

**INTEGRITY FOR A PERSON (OR AN ORGANIZATION)**

In this positive model, integrity for a person is a matter of a person's word, nothing more and nothing less. You are a man or

woman of integrity, and enjoy the benefits thereof, when your word is whole and complete. Your word includes the speaking of your actions as in “actions speak louder than words.”

#### HONORING YOUR WORD

While keeping your word is fundamentally important in life, you will not be able to always keep your word (unless you are playing a small game in life). However, you can always honor your word. Honoring your word is:

1. Keeping your word, OR
2. Whenever you will not be keeping your word, just as soon as you become aware that you will not be keeping your word (including not keeping your word on time) saying to everyone impacted:
  - i. That you will not be keeping your word, and
  - ii. That you will keep that word in the future and by when, or that you won't be keeping that word at all, and
  - iii. What you will do to deal with the impact on others of the failure to keep your word (or to keep it on time).

#### YOUR WORD DEFINED

**WORD 1 – WHAT YOU SAID:** Whatever you said you will do, or will not do (and in the case of do, doing it on time).

**WORD 2 – WHAT YOU KNOW:** Whatever you know to do, or know not to do, and if it is do, doing it as you know it is meant to be done (and doing it on time), unless you have explicitly said to the contrary.

**WORD 3 – WHAT IS EXPECTED:** Whatever you are expected to do or not do (unexpressed requests) and in the case of do, doing it on time, unless you have explicitly said to the contrary.

**WORD 4 – WHAT YOU SAY IS SO:** Whenever you have given your word to others as to the existence of some thing or some state of the world, your word includes being willing to be held accountable that the others would find your evidence makes what you have asserted valid for themselves.

**WORD 5 – WHAT YOU STAND FOR:** Whether expressed in the form of a declaration made to one or more people, or to yourself, as well as what you hold yourself out to others as standing for (formally declared or not).

**WORD 6 – MORALITY, ETHICS, AND LEGALITY:**

The Social Moral Standards, the Group Ethical Standards and the Governmental Legal Standards of right and wrong, good and bad behavior in the society, groups and state in which I enjoy the benefits of membership are also my word (what I am expected to do) ...unless I have explicitly and publicly expressed my intention to not keep one or more of those standards, and I am willing to bear the costs of refusing to conform to these standards (the rules of the game I am in).  
**NOTE:** These six categories define one's Word, they do not define integrity.

#### THE BAD NEWS

We can say with great confidence that no one (including us authors) is a person or organization completely in integrity. That self-satisfied view is one of the causes of the universal lack of integrity in the world. To repeat:

**WITHOUT INTEGRITY  
NOTHING WORKS.**

the common belief that we have made it as people and organizations of integrity is one of the major factors contributing to the systemic worldwide lack of integrity.

The fact is integrity is a “mountain with no top,” so we had better get used to (and grow to like) climbing. Even when people (and other human entities, such as banks, corporations, partnerships, and other organizations) have some general awareness of the damaging effects of out-of-integrity behavior, for the most part they fail to notice their own out-of-integrity behavior. As a result, they end up attributing the damage from their out-of-integrity behavior to other causes. They systematically believe that they are in integrity, or if by chance they are at the moment aware of being out of integrity, they believe that they will soon get back into integrity.

However, the combination of 1) generally not seeing our own out-of-integrity behavior, 2) believing that we are persons of integrity, and 3) even when we get a glimpse of our own out-of-integrity behavior, assuaging ourselves with the notion that we will soon restore ourselves to being a person of integrity keeps us from seeing that in fact integrity

<sup>3</sup>Erhard, Werner and Jensen, Michael C., 2013. “Four Ways of Being that Create the Foundations of A Great Personal Life, Great Leadership and A Great Organization — PDF File of Powerpoint Slides” (September 12). Harvard Business School NOM Unit Working Paper No. 13-078. Available at SSRN: <http://ssrn.com/abstract=2207782>



is a mountain with no top. To be a person of integrity (or bank or other organization of integrity) requires that we recognize this and “learn to enjoy climbing.” Knowing that integrity is a mountain with no top, and being joyfully engaged in the climb, leaves us as individuals with power, and leaves us known by others as authentic, and as men or women of integrity (or organizations of integrity). While counterintuitive, owning up to any out-of-integrity behavior and dealing with it with “honor” actually leaves one showing up for others as a person of integrity. Recognizing that we will never “get there” also opens us up to tolerance of (and an ability to see and deal productively with) our own out-of-integrity behavior as well as that of others.

#### THE COSTS OF DEALING WITH AN OBJECT, PERSON, GROUP, OR ENTITY THAT IS OUT OF INTEGRITY

Consider the experience of dealing with an object that lacks integrity. Say a car or bicycle. When it is not whole and complete and unbroken (that is a component is missing or malfunctioning) it becomes unreliable, unpredictable, and it creates those characteristics in our lives. The car fails in traffic, we create a traffic jam, we are late for appointments, fail to perform, disappoint our partners, associates, and firms. In effect, the out-of-integrity car creates a lack of

integrity in our life with all sorts of unworkability fallout. And this is true of all our associations with persons or entities that are out of integrity. The effects are huge, but generally attributed to something other than the lack of integrity.

In the Appendix to Erhard and Jensen (2013)<sup>3</sup> we apply these principles to the Goldman Sachs’ experience with its Abacus Mortgage Backed Securities Scandal in which Goldman violated 7 of its 13 Goldman Business Principles (their word to their clients, employees, and the world). Goldman employee Fabrice Tourre was found guilty of defrauding investors. See Alloway and Scannell (2013)<sup>4</sup>. In addition, Goldman paid a \$550 million fine to the SEC for its actions surrounding its Abacus mortgage-backed securities, a record at that time. Applying the principles laid out in this paper to Goldman’s actions, we conclude that Goldman was: 1. Out of integrity because it did not honor its word: violating in part or in whole, 7 of its 13 “Goldman Sachs Principles.” 2. Inauthentic because it was not true to what it holds itself out to be for itself, its employees, its clients, and the public and 3. Not committed to something bigger than itself. (We could find nothing in the Goldman literature indicating that it was committed to anything bigger than itself.)

<sup>4</sup>Alloway, Tracy and Kara Scannell (2013). “Jury finds Tourre Defrauded Investors”, Financial Times, August 1. <http://www.ft.com/cms/s/0/18098490-f86a-11e2-b4c4-00144feabdc0.html#axzz2f5BKytNd>

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