CHAPTER ONE

THE TRIPLE CROWN QUEST—EXCELLENT, ETHICAL, AND ENDURING

What is the use of living, if it be not to strive for noble causes and to make this muddled world a better place . . . ?

—Winston Churchill

It was a quest that crossed generations: *finding a better way.*

It started with a father, William Worrall Mayo, and his small medical practice in Minnesota in the 1860s. Twenty years later, his two sons joined him. They were obsessed with finding better ways to help patients. Humble and curious, they invited outside physicians into their practice, creating what was arguably the first integrated group medical practice in the world.

Practicing medicine with this kind of team-based approach was revolutionary at the time. Individual physicians were supposed to have all the answers. Rejecting that thinking, the Mayos believed that pooling the knowledge and skills of doctors would lead to better results.

"No one is big enough to be independent of others," said the Mayo father, to which his son William J. Mayo added: "The best interest of the patient is the only interest to be considered." Those were the founding precepts that made what was then called "the Mayos' clinic" distinctive.

According to Drs. Kent Seltman and Leonard Berry in *Management Lessons from Mayo Clinic,* "Mayo Clinic is the first integrated, not-for-profit medical group practice in the world and one of the largest."[1] It is a global leader in healthcare delivery, research, and education, with a sterling brand in the healthcare industry. With its four main hospitals and additional affiliated hospitals and clinics in the Mayo Clinic Health System network, it serves more than a million patients annually—a spectrum of patients from the international elite to Medicare recipients. With its reputation for excellence, patients from all corners of the globe come for diagnosis and treatment, and doctors come to learn new techniques. Since many people go there only after exhausting all other options, Mayo physicians face some of the toughest medical cases. In today's age of spiraling healthcare costs, Mayo Clinic has been able to maintain high quality while keeping costs comparatively low, according to independent studies. For over twenty straight years, Mayo hospitals have earned top rankings from *U.S. News & World Report.*

The Mayos' quest for a better way has yielded a stunning record of impacts and innovations, including:

- Influencing the way medicine is practiced throughout the world
- Helping to establish the medical residency education system so prevalent today
- Developing one of the world's first centralized systems of individual medical records for patients (versus previous systems organized by physician)
- Creating a system for numerically grading cancer (still used today), dramatically effective methods to treat rheumatoid arthritis, and innovative tuberculosis cures
- Performing the first federally approved total hip replacement in the United States in 1969, heralding a new era of joint replacement
- Training and employing Nobel Prize–winning physicians and researchers

Mayo's innovations are no accident. Clinic leaders proactively monitor the practices of other medical organizations and study companies like 3M and Xerox that are famous for innovation.

Equally important is Mayo's record of ethical leadership. Its "Spirit of the Clinic" lays out Mayo's ethical commitments: service, not profit; patient first; interest by staff in every other member; willingness to change; excellence; and integrity. According to Dr. Seltman (Mayo's former director of marketing), "Mayo Clinic has built one of the strongest brands in the world . . . by preserving the essential elements of what the organization is."[2] Mayo does not take these values for granted. All new hires (from nurses and janitors to accountants) receive extensive orientation in the "Mayo Way," specifically designed to help them understand and appreciate how their jobs affect patients. Mayo employees go the extra mile because they know that together they are helping people and saving lives.

Mayo's values drive day-to-day decisions. For instance, when a Mayo cardiologist faced a choice between two pacemakers for his patient, he consulted with Dr. Robert Waller (then Mayo's CEO), who agreed that he should use the new and less invasive pacemaker even though it was not yet approved for reimbursement from Medicare. Even though it was a bad deal financially, Waller said it was a "no-brainer" because it was the one that was best for the patient.

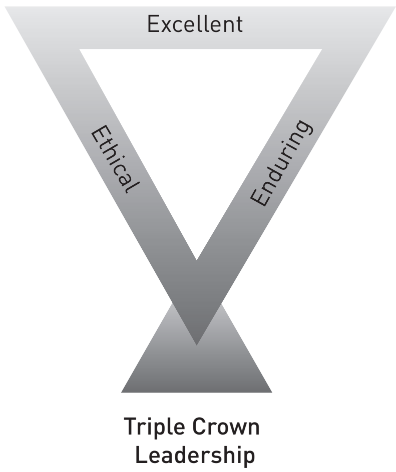
Through such collaboration and consultation, physicians and leaders make better decisions. According to Paul Roberts in *Fast Company,* "For all of its prowess in science and technology, the Mayo Clinic owes much of its success to its culture."[3] The clinic has placed on *Fortune*'s prestigious "100 Best Companies to Work For" list for the past nine years in a row.

Perhaps most impressive is how Mayo's record of excellence and ethics has stood the test of time. Mayo Clinic works hard to maintain its reputation as an innovator. In 2010, the clinic invested $790 million in research and education. Its approach is both high tech and high touch—combining the smart use of technology with old-fashioned customer service and attentive care. On the technology side, for example, Mayo makes innovative use of social media, blogs, and Intranet videos; created one of the largest electronic medical record systems in the world; and developed a "Virtual Mayo Clinic" presence on Second Life, an online virtual community. On the touch side, you don't just get a doctor at Mayo Clinic: you get a swarm of physicians consulting with each other about your case (they even call themselves "consultants"), as well as a team of support professionals working to provide you with the highest-quality care and even hospitality and comfort. Meanwhile, Mayo invests generously in more than a hundred community programs, plus energy conservation efforts and sustainability practices.

Of course, Mayo has had problems and made mistakes. Over the years, critics have faulted it for moving too slowly and for being attached to old ways. Experts recently complained that Mayo is spending too much money on costly proton beam treatment facilities due to perverse Medicare funding incentives and competition from other hospitals.[4] Of course, one can also find critiques of doctors, diagnoses, and patient treatment, but Mayo's long-term results, impacts, innovations, and commitment to ethical practices are exceptional.

Mayo Clinic exemplifies the ultimate aim of triple crown leadership: building an excellent, ethical, and enduring organization. See Figure 1.1. We discuss each of these elements in turn below.

Figure 1.1 **Triple Crown Leadership**



EXCELLENT: THE FIRST LEG OF THE TRIPLE CROWN

Leadership is defined by results not attributes.

—**Peter Drucker,** author and management consultant

Getting results is one of the preeminent tasks of leadership. Triple crown leadership seeks not just any results, but excellent results—compelling and exceptional outcomes.[5] As at Mayo Clinic, it strives for the pinnacle of performance.

In different fields, there are beacons of excellence: for inspired product design, we look to Apple; for brand management, we look to Procter & Gamble; for financial reporting, the *Wall Street Journal*; for advanced military missions, the Special Forces.

Ensuring clarity about ultimate aims—and measures of success—may sound obvious but is not always straightforward. *Harvard Business Review* editor Julia Kirby cataloged the many different measures used in various business "success studies" over the years.[6] For *Good to Great* and *Great by Choice,* Jim Collins and his colleagues used cumulative stock returns relative to the general stock market and matched pairs. For *In Search of Excellence*, Tom Peters and Robert Waterman looked at compound asset and equity growth; ratio of market to book value; and return on capital, equity, and sales. Ten other success studies used ten other sets of measures, each over different periods. Each organization must set its own standards for excellent results.

One of the problems today is an overly narrow focus on results for shareholders (and with a very short time horizon). When assessing results, it is essential to consider multiple stakeholders, including employees, customers, suppliers, communities, and society, looking at both positive and negative impacts on people as well as natural resources. Triple crown leadership seeks outstanding financial performance and positive social impact.

As we address in chapter ten, measuring social impact can be tricky. Sometimes leaders must develop creative approaches. Shirley Tilghman, president of Princeton University, consistently one of the top-ranked U.S. universities, told us she measures success with metrics like "the distinction of the faculty, their prize-winning books, their Nobel prizes, alumni loyalty and giving," as well as what members of an alumni class have done with their lives by their twenty-fifth reunion.[7]

Aspiring to excellent results and impacts is the first leg of the triple crown quest. But the question arises: *how are they achieved*?

Transforming a University

Shortly after the University of Denver (DU) hockey team made it to the "frozen four" finals of the national championship tournament, an ethical dilemma arose. DU's then-chancellor, Dan Ritchie, told us:

> In the semifinals, our star player scored the goal that won it for us 1–0. Before the finals, however, he broke one of our athletic program rules. It didn't involve a crime, or even breaking the NCAA rules, but it broke *our* rules. The normal course of action would be to sit him out for the following game. Our coach, George Gwozdecky, asked, "What do we do?" I turned it back and said, "George, what do *you* think we should do?" He said, "We should sit him out." So we did.

The chancellor and the coach knew there would be howls of protest from some in the community. Ritchie and Gwozdecky took the heat. Ritchie explained, "It was in the national news that we had benched our star. We never told what rule he broke. He sat there in his street clothes during the game. That's the kind of thing you need to do to demonstrate you're serious about ethics."

The DU Pioneers won the championship anyway, and they won it with honor—a lifelong lesson for the players and a teachable moment for the community.

To make this brave choice under pressure, Ritchie and Gwozdecky relied on DU's values, which Ritchie and his colleagues had formulated in prior years. In the 1980s, DU was in crisis. University trustees asked Ritchie, the former chairman and CEO of Westinghouse Broadcasting, to take over as chancellor. According to fellow trustee Joy Burns, "We were borrowing money to make payroll," and there was "over $60 million in deferred maintenance" on buildings.[8] Ethical issues kept arising in the central office, boardroom, and classrooms. University leaders looked at other institutions for guidance and were disappointed with what they found: weak ethics courses that were taught rarely and not integrated throughout the curriculum. So they initiated a campuswide dialogue.

The students debated whether ethics should be a central focus at the school. They even put it to a vote, and it won handily. Then the students put that challenge to the faculty, who also embraced it. Then they took it to the board. According to Ritchie, "Ethics became the foundation in everything we teach and everything we do."

Ritchie and his team developed a new strategic plan, with ethics at the heart of the university, and circulated drafts widely among faculty, staff, students, and trustees for input. A new university vision emerged ("To be a great private university dedicated to the public good"), backed up by a new set of shared values ("Excellence, Innovation, Engagement, Integrity, and Inclusiveness").

Ritchie enlisted cable television pioneer Bill Daniels, a leading proponent of values-based leadership, for financial support. Daniels donated $11 million as a challenge grant, asking the business school to incorporate business ethics into its core curriculum.

Through these and other efforts, leaders at all levels ensured that ethics pervaded the institution, from classroom to faculty lounge to hockey rink. In 2011, *Bloomberg Businessweek* ranked DU's Daniels College of Business second in the United States in ethics.

Years before the frozen four hockey incident, a previous DU hockey coach was verbally abusing his players. Ritchie told him to stop, but he didn't. Even though the coach had an impressive record of winning, DU fired him and replaced him with George Gwozdecky, who brought a national championship, and then another, with honor. Through this systematic process, with bold leadership along the way, DU achieved excellent results ethically.

ETHICAL: THE SECOND LEG OF THE TRIPLE CROWN

It is one thing to achieve outstanding results; it is another thing to do so ethically, especially when others are cutting corners. Operating ethically is the second imperative of triple crown leadership. To us, "ethical" simply means acting in accordance with accepted principles of right and wrong—acting with integrity. It means paying attention to *how* the results are achieved. Triple crown leaders insist on doing the right thing.

All leaders confront ethical challenges and dilemmas. It is an occupational hazard, no matter the field. Does your organization downplay safety complaints to hit its financial targets? Does it acquiesce to the customs official asking for a "facilitating payment" (bribe)? What if your rival is doing it, or the entire industry? What if your boss asks you to backdate orders to shore up the previous quarter's results?

In our experience, many people take ethical leadership for granted. While they have sophisticated spreadsheets to help them navigate financial tradeoffs and multifaceted strategies to help them achieve competitive advantage, they may oversimplify ethics as merely upholding the law or avoiding lying and cheating. If only it were that simple. As we shall see, it takes proactive leadership to instill and enforce ethical behavior in an organization.

Though they overlap, there is a big and important difference between ethics and law. Some laws are unethical and warrant civil disobedience. Should the citizens of the Arab spring uprising capitulate to government crackdowns on Internet use and public meetings to abide by the laws of authoritarian regimes? Should soldiers comply with commanders' orders to attack peaceful protesters? More often, laws are fuzzy and leave room for interpretation. Sometimes the laws do not keep pace with new technology. Leaders of high-tech companies face complex intellectual property and privacy issues that have ethical as well as legal dimensions.

Most ethical letdowns occur because there is pain or discomfort involved with ethical behavior. People feel pressure or fear, and they rationalize unethical decisions to avoid pain. For example, people can rationalize lying to others to avoid hurting them (and thereby feeling guilty). They can accept, ignore, or pretend not to notice ethical violations—or make only halfhearted objections. That way, they can avoid being mocked or pegged as disloyal, which might threaten their job security.

Often, the ethical path is the harder one; yet we have brains wired to rationalize behavior that protects us from pain and conflict and from standing out from the group. Ethical fortitude relies heavily on courage to face adversity and social pressure.

However, even courage is not enough. Sometimes, ethical dilemmas arise that require not only character but judgment.[9] For example, do we bribe our way into a new market where bribery is a common business practice because we are certain our medical device can save lives there, and we cannot otherwise enter the market? Do we exaggerate our product features in order to win a government contract because we know the community will benefit from our offering, and it may not otherwise gain approval?

We are all flawed. Since we all make mistakes, we are wise to solicit help and input from others as sounding boards and accountability agents. Heated debates occur among reasonable people who can disagree on what is ethical. Such debates can be healthy and help maintain the ethical imperative.

Triple crown leaders make ethical decisions after analysis, reflection, and consultation with colleagues and confidants. It helps to apply simple standards such as "Would this violate any of my core beliefs?," "Can I live with this on my conscience?," "How would I feel if this were on the front page of the newspaper?," and "What would my family say about this decision?" It also helps to analyze the situation from the perspective of all the relevant stakeholders and brainstorm alternative responses—holding out for a good solution and refusing to "satisfice," to quote Nobel laureate Herbert Simon.

People generally consider themselves ethical, but researchers have shown that people overrate their own ethical fortitude and are surprisingly good at rationalizing unethical behavior.[10] The statistics below reflect the grim evidence on ethics:[11]

- The 2010 Global Fraud Study, based on multiyear data from 106 countries, estimates that organizations worldwide lose more than $2.9 trillion to fraud.
- According to a 2011 survey of a thousand Americans, 34 percent of respondents have witnessed or had firsthand knowledge of workplace wrongdoing.
- According to LRN surveys, only 56 percent of U.S. workers define their current company as having an ethical culture, and 36 percent report having left a job because they disagreed with a company's ethical standards.
- According to a Rutgers survey of 24,000 students at seventy U.S. high schools, 95 percent of students said they participated in some form of cheating, whether it was cheating on a test, plagiarizing, or copying homework.
- According to a 2008 survey of nearly 30,000 U.S. teens, 64 percent admitted to cheating on an exam in the past year, and 30 percent said they had stolen items from a store.
- Research shows that 45 percent of Americans feel the current state of morality in the United States is poor (versus 15 percent saying good or excellent), and 76 percent feel that morals are getting worse.

What are leaders to do about such grim statistics? For starters, progress is impossible without an explicit and firm commitment to ethical practices. Thomas McCoy, former executive vice president at Advanced Micro Devices (AMD, the chip manufacturer), told us, "Rule number one is: Do everything with integrity. We cannot compromise integrity."[12] Yancey Hai, vice chairman and CEO of Delta Electronics (an award-winning global leader in clean energy solutions based in Taiwan), told us, "You must have a high degree of integrity; otherwise, you don't belong here."

Commitment is essential, but it is only the first step. Organizations must also create systems and processes for instilling ethics into the enterprise, covering all aspects of the operation, from recruiting and rewarding people to reporting abuses and maintaining transparency. We address these practices in later chapters.

There is also a big difference between ethics on paper and ethical leadership in practice. Enron had a distinguished board, a first-rate code of conduct, extensive employee training on responsible business practices, and even ethics officers. Yet the reality on the trading floor and in the executive office suites made a mockery of the pronouncements, mostly due to a corrupt culture at the top.

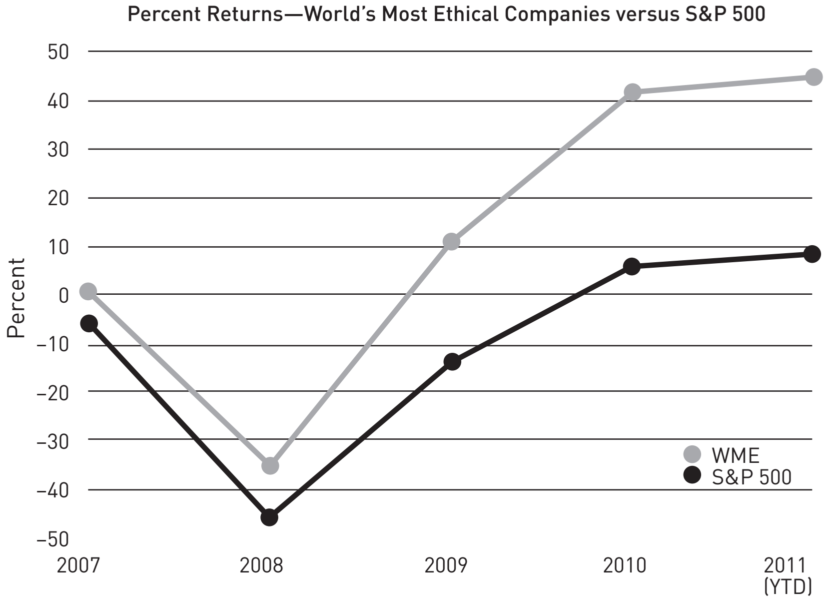
Fortunately, there are many positive examples of ethical leadership and practices. Each year the Ethisphere Institute publishes a list of the World's Most Ethical Companies. On the list in 2012 we find Patagonia, Timberland, eBay, Electrolux, Xerox, UPS, Swiss Re, GE, PepsiCo, Singapore Telecom, Starbucks, CH2M Hill, Natura Cosmeticos, Stora Enso, Vestas, Wipro, and many more. In the pages ahead, we dig into many of their stories.

Linking Ethical and Excellent?

A growing body of evidence suggests a possible link between ethics and excellent results. We believe that makes sense, as many stakeholders will reward organizations for ethical behavior, fair treatment, and responsible practices. According to the Ethisphere Institute, firms on its World's Most Ethical Companies list have outperformed the S&P 500 by an average of 7.3 percent since 2007 in terms of shareholder returns. Ethisphere executive director Alex Brigham adds, "In addition to increased financial performance, ethical companies benefit from better brand reputation, consumer loyalty, and higher employee retention rates."[13] See Figure 1.2.

Corpedia, a compliance and ethics consultancy, found that the average five-year return of companies on its Ethics Index was 102 percent, compared with 26 percent for the S&P 500.[14] According to

Figure 1.2 **"Return on Ethics"**



Note: This compares shareholder returns from the World's Most Ethical (WME) Companies Index from the Ethisphere Institute to the S&P 500. *Source:* "2011 World's Most Ethical Companies," Ethisphere Institute, 2011. See also Andrew Tonner, "10 Stocks with a Conscience to Crush the Market," *Motley Fool*, July 19, 2011.

a 2011 Corporate Executive Board survey, organizations scoring the highest marks for their level of integrity outperformed those with the lowest by more than 16 percentage points in shareholder returns.[15] Of course, such statistics address correlations, not causation (that ethical behavior directly increases shareholder returns).

When organizations are succeeding, they can enjoy the ride with the wind at their backs, relying in part on momentum for forward progress. When organizations are struggling or in crisis, by contrast, the temptation to cut corners can be immense. Desperate people do desperate things. Organizations need values-based leadership practices and powerful cultural norms to avoid these traps, as we shall see. Ethical behavior is tested most under duress.

ENDURING: THE THIRD LEG OF THE TRIPLE CROWN

The wagon rests in winter, the sleigh in summer, the horse never.

—Yiddish proverb

Some organizations accomplish impressive feats by pulling out all the stops, sacrificing the long term for the short term. They cut corners or abuse some stakeholder group (such as employees or vendors) in order to gain temporary advantage. Eventually, they face a rude awakening and realize that they cannot sustain such manufactured gains because they borrowed from a future quarter or from resources needed elsewhere, or they depleted irreplaceable assets.

One of the great scourges of our age is "short-termism." Former U.S. vice president Al Gore said, "The future whispers while the present shouts." A staggering *78 percent* of the managers surveyed in a large-scale study of CFOs and CEOs admit to sacrificing long-term value to achieve smoother earnings.[16] Before HealthSouth's indictments and multibillion-dollar restatement of financial performance, the firm had met earnings predictions to the penny for forty-seven straight quarters.[17] A coincidence? Unlikely.

In July 2011, former Federal Deposit Insurance Corporation chair Sheila Bair wrote, "The common thread running through all the causes of our economic tumult is a pervasive and persistent insistence on favoring the short term over the long term, impulse over patience."[18] In the wake of the recent global financial crisis, a group of VIPs from different sectors published a manifesto, saying we "have allowed short-term considerations to overwhelm the desirable long-term growth and sustainable profit objectives of the corporation."[19]

It is one thing to achieve excellent results ethically for a while; it is another to sustain them over time. Triple crown leadership focuses not just on achieving excellent results and establishing ethical practices but on making them endure. The endurance imperative has two dimensions:

- ***Internal***. Sustaining people (not burning them out or otherwise abusing them) and maintaining the financial health of the organization
- ***External.*** Ensuring appropriate and sustainable levels of resource consumption, while minimizing harm to others

The Long Game

The race is not always to the swift, but to those who keep on running.

—Unknown

Thankfully, we also have examples of organizations that reject the siren call of short-termism and instead play the "long game." Many of the organizations we interviewed have impressive track records dating back centuries: Princeton (1746), DuPont (1802), Perkins School for the Blind (1829), Mayo Clinic (1864), GE (1878), and Coleman Corporation (1899). The Great Law of the Iroquois Confederacy held that "In our every deliberation, we must consider the impact of our decisions on the next seven generations." Panasonic founder Konosuke Matsushita had a five hundred–year plan for his company. Paul Polman, CEO of British-Dutch consumer goods giant Unilever, said, "If you buy into [Unilever's] long-term value-creation model, which is equitable, which is shared, which is sustainable, then come and invest with us. If you don't buy into this, I respect you as a human being, but don't put your money in our company."[20]

When Amazon.com went public in 1997, its founder and CEO Jeff Bezos issued a manifesto in which he wrote that "It's all about the long term" and that the company is focused on building "something that we can tell our grandchildren about." In interviews, he has argued that by lengthening its time horizon, the company can engage in endeavors that it could never otherwise pursue. In 2011, the *New York Times* reported that Amazon "remains one of the world's leading growth companies and its stock has soared 12,200 percent since its public offering."[21]

We reviewed *Fortune*'s rankings of the World's Most Admired Companies and found that twenty-seven companies made the list six years in a row from 2006 to 2011. Thirteen companies made Ethisphere's list of the World's Most Ethical Companies every single year since the rankings were started in 2007. Sixteen companies made Corporate Knights' list of the World's Most Sustainable Companies every year from 2006 to 2011. In the nonprofit sector, we can look to Charity Navigator's list of Ten Consistently Excellent Charities and rankings of the best colleges, hospitals, and more for examples of enduring excellence.[22]

CONNECTING THE THREE Es

How are the three Es (excellent, ethical, and enduring) related? There are both tensions and synergies among the three. There are tradeoffs in some cases, and how they relate depends on the nature of the leadership and quality of decisions. There is no magic win. Triple crown leadership requires building an organization that makes them work in concert.

Ultimately, an organization cannot be excellent without being ethical. Unethical practices can boost performance temporarily, but over time they carry multiple costs that overwhelm perceived short-term benefits: litigation and other legal expenses, fines, heavier compliance costs, reporting hassles, delays, employee dissatisfaction, and damage to the organization's reputation.

Similarly, unsustainable practices have costs (direct and indirect, short and long term), including loss of customers, supply chain disruption, employee turnover, hiring barriers, resource depletion, reputational damage, increased regulations, and more.

Ethical and enduring practices do not lead to excellent results in and of themselves. They are necessary but not sufficient. Leaders must devise a strategy and plan for all three, taking none for granted.

Finally, leaders should recall the inherent value of ethical and enduring practices. They should not need return-on-investment calculations to insist upon ethical and enduring practices.

TILTS

Some people wonder whether triple crown leadership requires giving equal priority to "excellent," "ethical," and "enduring" considerations.

Our answer is no. There is no such magic formula. Sometimes "tilts" are required.

Sometimes short-term considerations must take precedence in order to save the organization. Heavy criticism may follow, but it will be moot if the organization goes out of business. Other times the reverse is needed: leaders must be willing to dampen short-term results in order to make long-term investments to set the enterprise up for future success given where the market is headed.

There is, however, one hard and fast rule: triple crown leaders do not compromise on the ethical imperative. Once they do so, they have stepped onto a slippery slope. Ethical compromises set a bad precedent, communicate a reverberating message, undermine credibility, and will likely come back to haunt them many times over. Leaders have to draw the line. Better to fail with honor than succeed with disgrace.

Aside from the unwavering ethical imperative, leaders must decide which tilts are necessary and when.

SUSTAINABILITY AND THE TRIPLE CROWN

How do sustainability and corporate social responsibility (CSR) fit with triple crown leadership? Sustainability and CSR are broad terms that mean different things to different people.[23] The sustainability and CSR movements have a big tent under which many approaches can find cover, from the "triple bottom line" of people, profit, and planet to fair trade, human rights, shareholder democracy, transparency, good governance, and more.

When done well, and not used cynically for public relations points, sustainability and CSR support all three legs of the triple crown quest: they can be drivers of excellent results, a grounding force in ethics, and a stabilizing force that helps organizations endure. Sustainability has an ethical foundation: irresponsible use of resources and societal and environmental harm are unethical, as is exploiting people in organizations or their supply chains.

Leaders navigating these waters must make judgment calls. As they assess harm caused by their organization (for example, via pollution from manufacturing), the question arises about how much harm is reasonable versus the product's benefits, and whether they are taking adequate steps to mitigate negative impacts.[24]

As leaders navigate these decisions, researchers are investigating whether there is a positive relationship between corporate social performance and corporate financial performance, and if so, in which direction does it work: does good social performance drive good corporate financial performance or vice versa? Unfortunately, no definitive answers have yet emerged, in part due to data-collection and measurement challenges (measuring financial performance is much more straightforward than measuring social performance) and mediating variables.[25]

Meanwhile, business leaders are marching forward, and their views are changing rapidly. According to a 2011 survey of 2,874 executives and managers from 113 countries, two-thirds indicated that sustainability is critically important to being competitive in today's marketplace, up from 55 percent the year before; and about 31 percent said their companies are currently profiting from sustainable business practices.[26] For others, it takes time to develop and fine-tune. According to a 2008 survey of more than five hundred senior U.S. executives, 74 percent accepted that responsible corporate citizenship can help increase profits.[27] An overwhelming majority of hundreds of finance executives and investment professionals surveyed by McKinsey believe CSR creates shareholder value. According to Matt Kistler, senior vice president of sustainability at Walmart, "If this [their sustainability initiative] was not financially viable, a company such as ours would not be doing it."

The business case for sustainable practices includes the potential for increased sales, cost reduction, risk mitigation, reputation enhancement, operational efficiency, customer loyalty, revenue diversification, pricing premiums, innovation benefits, competitive advantage, and talent attraction, motivation, and retention.

Nowadays, it is common to hear that organizations can "do well by doing good." If only it were that simple. It depends greatly on how they go about it. Many companies shine on CSR metrics but achieve mediocre or poor financial performance. Look at the recent performance of Nokia, Siemens, and Vodafone, to name a few. The job of triple crown leaders is to figure out *how* to do well by doing good. (See chapter ten for more.)

A CULTURE OF CHARACTER

The triple crown quest helps to create a unique culture in an organization: what we call a "culture of character." We think of organizational culture simply as "how we do things here"—how people behave.[28] Culture forms over time and drives what happens when the authorities are not present. It sets the tone for the organization and the norms for what is acceptable to the group. Culture is a powerful force in determining how an organization operates. Lou Gerstner, after his spectacular turnaround of IBM, wrote that "culture isn't just one aspect of the game—it is the game."[29]

Organizations with a deficient culture pay a big price in lost revenue, reputation, lawsuits, and more. Think of all the corporate scandals in recent years and how many of those firms were rife with toxic cultures driven by greed, conflict, gamesmanship, mistrust, backstabbing, and exploitation.

By contrast, organizations with a healthy culture—think of Southwest Airlines, Zappos.com, Patagonia, and DreamWorks—set in motion a self-reinforcing, positive cycle with their stakeholders. Employees identify more with the enterprise and bring more of their talents and efforts to the table. This can positively affect productivity, staff retention, profitability, and relationships with customers and suppliers.

Researchers have found a "strong relationship between constructive organizational cultures and financial performance."[30] According to a 2011 McKinsey report, "Culture matters, enormously. Studies have shown again and again that there may be no more critical source of business success or failure than a company's culture."[31] Author James Heskett estimates that an effective culture can account for 20 to 30 percent of the difference in performance versus "culturally unremarkable" competitors.[32]

A healthy, constructive culture by no means guarantees success, but it provides the foundation for building an excellent, ethical, and enduring organization. In a culture of character, everybody expects excellent, ethical, and enduring performance and impact. Organizations seeking the triple crown build a culture of character through their leadership practices. Culture is the legacy of leadership. A culture of character is the legacy of triple crown leadership.

BENEFITS OF TRIPLE CROWN LEADERSHIP

Excellent, ethical, and enduring practices are worthy in and of themselves but also carry notable benefits:

- Insiders commit to the organization in ways they seldom otherwise would, challenging each other to find solutions, fueling innovation, refusing to roll over, and unleashing breakthrough ideas.
- The organization can avoid the devastating costs of ethical implosions.
- Employees experience more joy at work, with greater satisfaction and fulfillment.

- Stakeholders reward the enterprise with increased business and support.
- Infighting due to lack of trust, disrespectful behavior, and cutthroat competition decreases or disappears.

The case is building for a new brand of leadership. There is a growing cadre of thought leaders pointing the way forward. In *Higher Ambition*, Michael Beer and his colleagues write about a new breed of leaders who "deliver extraordinary economic and social value." Jim Collins based his seminal works on "building enduring companies from the ground up." In *Sustainable Excellence*, Aron Kramer and Zachary Karabell link sustainability with corporate excellence, arguing for lasting solutions to social and environmental challenges with lasting value for investors. In *SuperCorp*, Rosabeth Moss Kanter depicts "how vanguard companies create innovation, profits, growth, and social good."

Still, the triple crown quest is demanding and not for the faint of heart. Ron Turcotte, Secretariat's jockey, told us, "The Triple Crown was not meant to be easy." People make mistakes. Values collide. Markets shift. Technologies advance. Ventures drift. The key to building a triple crown organization is not in the hands of a single "superleader" but rather in the hands, minds, and hearts of ordinary people who become extraordinary leaders and stewards of the culture of character.

It is time to put building an excellent, ethical, and enduring organization at the top of our priority list. The challenges we face demand nothing less.

CHAPTER SUMMARY

One of the primary tasks of leadership is to get results—ideally, exceptional results. However, in the pursuit of results, too many leaders cut ethical corners, focus too much on the short term, or engage in unsustainable behavior. Leaders seeking to build excellent, ethical, and enduring organizations engage people more, gain their loyalty and creativity, and build mutually beneficial relationships with other stakeholders. Organizations should put the triple crown quest at the top of their priority list.

Practical Applications

1. What results does your organization seek?
   a. Does it define them by stakeholder group?
   b. Is it achieving exceptional results?
   c. What more must it do to improve its results?
2. Is your organization ethical?
   a. To what extent is ethics considered a priority, with clear values, training programs, confidential complaint channels, and more?
   b. What more needs to be done?
3. Does your organization do only the bare minimum of legal compliance?
4. How do you resolve ethical issues and dilemmas?
   a. What else could you do to make more ethical decisions?
5. Has your organization had ethical breakdowns?
   a. What should have been done differently?
   b. Is it so bad and beyond fixing that you should find work elsewhere?
6. Does your organization suffer from "short-termism"?
   a. How does it approach tensions between the short and long term?
   b. What can it do differently to strike a better balance between them?
7. To what extent is your organization operating sustainably?
   a. What are the most important ways it can improve in this area?
   b. What more can be done to make sure there is synergy between sustainability and profitability?
8. Is your organization having a positive social impact?
   a. How might you influence it to improve in this area?
9. Does your organization have a culture of character?
   a. To what extent are workers engaged and committed?
   b. What are the three most important ways you can contribute to improving the culture?