

## Interview with Bob and Gregg Vanourek

By **Veronica Pugin** CMC '12

On November 2, 2009, Veronica Pugin had the opportunity to interview two business leaders and authors, Bob and Gregg Vanourek, who had come to Claremont McKenna College to speak for Kravis Leadership Institute's Leadership Day.

Bob Vanourek has over thirty years of experience in business leadership. He has facilitated numerous company turnarounds in crisis situations by applying ethical principles. Such turnarounds include Sensormatic, a NYSE company with \$1 billion in revenue. Bob also led Recognition Equipment Inc. out of a crisis situation. It was through his position as CEO of both of these companies that Bob was able to take on the challenge of ethical leadership to yield successful recoveries for these companies. A magna cum laude graduate of Princeton University with a degree in economics, Bob also holds an MBA from the Harvard Business School where he graduated as a Baker Scholar.

Gregg Vanourek, Bob's son, is a founding partner of the national personal leadership development firm, New Mountain Ventures. Prior to New Mountain Ventures, Gregg managed Vanourek Consulting Solutions and was Senior Vice President of School Development for K12 Inc. Previously, Gregg held the position of Vice President of Programs for the Thomas B. Fordham Foundation. Gregg is the co-author of *Charter Schools in Action: Renewing Public Education* and *Life Entrepreneurs: Ordinary People Creating Extraordinary Lives* with co-author Christopher Gergen. Gregg holds a B.A. degree in Politics, Philosophy, and Economics from Claremont McKenna College's class of 1992. He also achieved an M.B.A. from Yale's School of Management and an M.Sc. from the London School of Economics and Political Science.

The duo spoke at Claremont McKenna College's Marian Miner Cook Athenaeum on leadership and integrity as a precursor to the release of their forthcoming book *Creating Great Leadership Organizations: Achieving Results with Integrity*.

### Interview

#### **Veronica Pugin: "What is ethical leadership to you?"**

Bob Vanourek: "Ethical leadership to me is having people in an organization agree on a set of shared values and how they are going to act. A good organization has a noble purpose addressing 'why are we here?' It's not sufficient to say we are going to do whatever it takes. You really need to also agree on a set of behaviors based on your core beliefs. These are the organization's shared values. As you synthesize those collaboratively, you will hopefully agree on some higher order values; for example integrity and character. You may have other values that are not quite at the same level such as customer service and excellence. Those become the sacrosanct beliefs for how the people will act with all the stakeholders that they touch. If you have that set of

collaboratively known values to accomplish your known purpose, and you hold each other accountable, you are much more likely to create results with integrity.”

Gregg Vanourek: “I would add that ethical leadership is about creating the conditions under which integrity can emerge and be held to, both for individuals and the organization, so that both individuals and organizations can meet their moral obligations and be true to their principles and values.”

**Veronica Pugin: “How does an organization’s leader transform the organization’s culture to one of integrity?”**

Gregg Vanourek: “I think you have to set the tone for the organization and show by your words and actions that integrity matters. You have to show that it’s going to be sought and developed through training programs, and that violations of ethical behavior will be punished while acts of ethical courage will be celebrated. Also, going through a process of identifying together what your shared values are is essential so it’s something that’s owned collaboratively.”

Bob Vanourek: “I think you can use as a metaphor what the founders did in our country. When they wrote the Articles of Confederation, they assumed the colonies would act for a common cause and contribute money, militia, supplies, and help for the war efforts. What they discovered was that the colonies often acted in their own self-interest, as human beings are wont to do. So the founders set up this cumbersome, unheard of, never-been-tried-before system of checks and balances. The metaphor here is that any one of us in an organization is going to have our blind spots and rationalize some of our behaviors. To really establish ethical behavior in an organization you also need to have a system of checks and balances. You need to have the CEO who has a personal moral compass and character. You need to have the leadership team understand that the shared values are sacrosanct. You need to have a board full of people willing to be active trustees of these shared values. All of these groups act as leadership and cultural trustees. Even if you’re not a formal leader, you can step up and call somebody on questionable behavior.”

**Veronica Pugin: “How does a leader trying to instill integrity in an organization deal with disagreement with such a reform? What if he comes into an organization that is so corrupt that integrity is not one the top of priorities? How does a leader try to change that?”**

Bob Vanourek: “My experience with ethical turnarounds has shown me that when you come into an organization that is broken, people know that it is broken. Most people want to operate with integrity, so you go through this process of listening and drafting a set of values for how we are going to operate going forward. It has been my experience that you come up with a set of words that are remarkably similar across organizations such as excellence, trust, respect, integrity, character, and customer service. You then draft that list and over time come to a consensus on a short set of values. Then you say, ‘We can’t change the past, all we can say is that from this day forward this is how we are going to

operate. Let's grant amnesty for what happened before. This is the way we operate going forward.' My experience is that most people love it, but there are some who will say this is a bunch of baloney. Those people have to be given a chance to change. If they don't, you have to fire them. That sounds harsh, but they are a cancer to the organization. You don't terminate them in some embarrassing way, but you have to say, 'Look, I don't think this is a good fit.' If you don't take those casualties, the organization won't transform."

Gregg Vanourek: "First, you need to model the behavior yourself. You need to communicate what the ethical standards are. The casualties are at what we call the 'hard edge' of leadership; you have to take action and let people go who are poisonous to the culture. I am also interested in the subject of leading from below. People who are not necessarily in a position of authority may see that there is something questionable that does not fit with their moral compass. In that case, these people need to raise the issue, and often they need to fight for what they think is right. They need to be smart and strategic, building allies and coalitions. At some point, however, if the organization is just corrupt, you just need to leave.

Bob Vanourek: "If you don't [leave] you will become corrupted."

**Veronica Pugin: "How does one join results and integrity together rather than having them at odds? How does one leading an organization or company stand for integrity when it may not be profitable all of the time?"**

Gregg Vanourek: "I think that sometimes results and integrity appear to be in conflict, and at times that is the case. I think you need to interject the dimension of time here. There are short-term results that can be achieved with manipulation, but over time, those are often revealed to be problematic. As a leader, you need to balance the short-term pressures with the long-term interests. When viewed with the perspective of time, the results that are achieved without integrity always come back to be problematic for the culture and morale: lawsuits, fines, etc. In the long-run, you can only achieve sustained excellent results by acting with integrity."

Bob Vanourek: "Organizations can perform at a dysfunctional level, at a mediocre level, or at an extraordinary level where you are really into 'flow.' With flow things are just dynamic; people are building on each other's ideas, innovating with each other. Most organizations do not operate in flow, unfortunately, but it is quite possible to achieve. The way to get from dysfunctional or just mediocre performance up to extraordinary is to get heart-felt commitment from the people. They will be observing every action that the authorities take. As soon as they see you cut a corner on integrity, their commitment will stop. Then you will never get to a level of high performance; you will revert back to at best mediocre performance, much more likely to dysfunctional performance. The short-term gain from cutting corners on integrity undermines excellent long-term results."

Gregg Vanourek: "The other dimension to point to is the importance of multiple stakeholders. You have to ask the question, 'Results for whom?' It is not just the short-

term profits, stock price, or market share. If you look at all the different stakeholders, you think about the customers, suppliers, community, and social responsibility. If you think of the results in this larger approach, the pressures of the short-term for one stakeholder group take a whole different context.”

Bob Vanourek: “Any organization that has a single stakeholder focus is doomed to operate unethically. As soon as you focus on only one stakeholder, the others are treated as a means to that single end. As soon as people are treated as means to ends, they will resist and you will encounter moral and ethical problems. A multiple stakeholder focus is more difficult and challenging, but it is a better way to achieve sustained excellent results for the organization. You have to balance the interests of the multiple stakeholders in a way that stays true to the shared values.”

**Veronica Pugin: “You explain in your book *Life Entrepreneurs: Ordinary People Creating Extraordinary Lives* the importance of well-distinguished goals that are “purposeful, clear, measurable, and challenging” (95). How would one work to meet your criteria when working to achieve ethical leadership and establishing integrity? How would you set goals and benchmarks and quantify integrity?”**

Gregg Vanourek: “For goals to be effective, they have to be purposeful and prioritized. The ‘purposeful’ aspect takes you back to the mission and the values of the organization, from which you derive a vision of how that is to be realized and a set of goals and strategies to achieve it. A lot of people who set goals don’t tie them back to that foundation; you should be able to trace the goals all the way back to your values so that there is a direct correlation. Goals that operate outside of your scope of values should be subject to suspicion.

When it comes to measuring integrity, I think that people can creatively come up with metrics. You can look at the number of times questionable behavior was reported, the number of trainings on ethical leadership, the number of firings due to ethical violations; these are all things that can be quantified.”

**Veronica Pugin: “Why are you two here talking about integrity?”**

Bob Vanourek: “Because we are sick and tired of seeing organizations led by people who don’t operate with integrity. Part of the research that we have done for our book has been to interview fifty organizations that appear to be operating in a different way. We have discovered that there are five practices that define what we call a ‘great leadership organization.’ One of those practices is that it is not about recruiting superstars. There are already people in the organization who have a lot of talent in them. That greatness needs to be unleashed. You must emphasize the shared values and recruit new people with integrity and character. You have to look for it in screening panels and when you’re hiring graduates. It must be a parameter in your promotions. Good examples are Zappos.com and Mayo Clinic. They screen candidates for cultural fit. The CEO of

Xerox, Ursula Burns, told us that when she interviews she assumes the candidate's credentials have already been verified in the vetting process. Her task is to look for this final piece of character. The entire interview is about fit and fitness with the organization's culture, their moral compass.

If you don't do this, you will have people who will poison your organization. If you already have people who don't fit your culture, give them a reasonable chance to change. If they don't, then you have to help them to succeed elsewhere. Everyone who you bring in or promote needs to fit, not only the managerial and technical expectations, but also with the moral compass of the organization."

Gregg Vanourek: "One of the reasons we have this problem of unethical behavior is that schools are not teaching this as much as they should, and organizations are not teaching and developing it as much as they should. More and more you are now having ethics courses dealing with applied ethical dilemmas and dialogue for these kinds of situations. There was a time when this was neglected far and wide, but in the wake of the scandals with Enron and the recent scandals it is beginning to change. More and more, the business schools, the colleges, the universities, and organizations are starting to say we can't just talk about this; we need to do something about this. We need to train people, challenge people, and it's not just about management. It's about working together as flawed human beings to build character muscles."