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What is an ounce of integrity worth in a manager?

By Linda Myers

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It makes cents as well as sense to get your managers to live by their word and not over promise, a study by two professors at leading universities shows.

The study is by Tony Simons, an associate professor at Cornell University's School of Hotel Administration, with co-author Judi McLean Parks, a professor at Washington University's Olin School of Business. Simons and Parks found that hotels where employees report their managers' words align well with their deeds reap much higher profits than hotels where that doesn't happen.

"'Behavioral integrity' is not about some higher moral code," says Simons. "It is simply about having words and actions reflect each other. The more employees see their managers as having that kind of integrity, the more committed they become to the company. Commitment drives both employee retention and customer service, and both of these drive the company bottom line."

While a link between trust and commitment has already been proposed by behavioral researchers, what's new is that Simons and Parks have shown that small improvements in managers' integrity, as perceived by employees, lead to substantially higher profits for the hotel. The researchers suggest that the effect holds in other businesses as well.

In late January 1999, Simons and Parks surveyed nearly 7,000 employees at 76 Holiday Inn hotels and asked them to rate the extent to which their managers' words and actions lined up with each other. Typical questions were: "My manager shows the same priorities that he or she describes" and "My manager delivers on promises" -- behavior that employees rated on a five-point scale, from strongly disagree to strongly agree.

The researchers then integrated the survey's results with information from more than 20,000 guest-satisfaction surveys filled out from January to April 1999 as well as employee turnover rates and financial records showing hotel profitability from January through July of that year.

"In this way, we followed the chain of impact from manager conduct to employees to guests to the bottom line," said Simons.He and Parks employed regression analysis and other sophisticated analytical tools to determine that behavioral integrity alone drove more than 12 percent of the differences in profitability across properties.

The most striking finding of the study: an improvement of only one-eighth of a point in the behavioral integrity score of a hotel's managers led to a boost in hotel profits of as much as 2.5 percent of revenues. "For an average full-service hotel, that would be more than $250,000, straight to the bottom line," said Simons. "For an industry that averages 20 to 30 percent profit on revenues, that is a huge boost. An eighth of a point improvement is challenging but doable at hotels and other companies," he asserted.

"Managers talk about the importance of quality, empowerment, customer service and a host of other popular topics, but their actions, often without intention, can run counter to this talk," said Simons. Employees can easily become less trusting of managers who continually tout the latest workplace strategies and behave in ways that seem inconsistent or over promise change but don't follow through, he said.

"If a boss tells an employee to put customer satisfaction first but then puts profitability first himself or herself by overbooking the hotel, that sends a mixed message to the employee," Simons noted. "Balancing the two goals is fine, but the perceived hypocrisy is not."

Managers who earn employees' trust by keeping promises also earn their "commitment, or pride in being part of a hotel, which leads to their willingness to go the extra mile to serve guests," said Simons. "That produces greater guest satisfaction, which leads to more returning customers and greater profits. Employee commitment also increases employee retention -- which adds another boost to profits."

While managers of integrity may not always be easy to identify and hire, there are a few actions an employer can take immediately to improve employee trust and enhance the bottom line, claimed Simons. He suggests that employers track how employees perceive managers, in particular, whether they view them as following through on promises and living by the work values they espouse.

"Managers will provide what you reward them for," says Simons, "If you reward them for sounding sophisticated, they will learn and use the latest management jargon -- which does not enhance employee trust. Reward them for lining up words and actions, and you can -- slowly -- build a more profitable company."

Simons presented the study's findings at the Academy of Management meetings in Toronto in August 2000. For a copy of the study, contact Simons at (607) 255-8382 or **simons@cornell.edu** (mailto:simons@cornell.edu) , or the person listed at the top of this release. Note: Simons holds the copyright for the phrase "integrity dividend" and the questions used in his study.

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