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What is leadership?

A seemingly simple question, to whose answer **DAVE ULRICH** and **NORM SMALLWOOD** bring many years of experience.

Their unique solution? Follow four principles – and great results will emerge from great leaders

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Contents

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Introduction

A few years ago, one of us was commissioned to write the preface to a book of readings on leadership by many authors. Its editor asked that the preface integrate the chapters in the book into a cohesive whole. The various leadership authors had written articles on far-ranging topics such as trust, authenticity, servant leaders, tough-minded leaders, differences between managers and leaders, effective conversations, power, decision-making, judgment and a myriad of other topics. We were stumped. There seemed no way to pull this hodge-podge of ideas together. Eventually, our preface simply stated that the current state of leadership was like alchemy, that the various authors were attempting to turn lead into gold and had varying insights about how to do it.

De-clutter your concepts

This story personifies 'leadership concept clutter'. There are millions of articles about the topic and few barriers to entry to publish your own – or our – point of view.[1] This clutter of 'leadership signage' calls out to leaders: 'take care of yourself', 'be authentic', 'exercise judgment', 'build on your strengths' and so on.

The problem with this signage is that so much of it is piecemeal – and some it is complete nonsense.

We have been on a journey for the past 15 years to resolve leadership concept clutter by approaching leadership from a unique perspective. Most leadership authors of the past 50 years draw on the discipline of psychology – the leader must understand what is inside oneself. From fish to cheese, from habits to conversations, from self-empowerment to servitude, most leadership thinkers have struggled to distil the essence of what makes an effective leader.

We appreciate this psychological tradition, but believe other disciplines such as marketing and finance may inform – and synthesise – how we think about leaders. In a simplistic way, these perspectives are more 'outside/in' than 'inside/

out', because they are based on business logic. We want to build leadership on a foundation so that business value is created. In this eBook, we share our answer to the question, 'what is leadership?' by reporting our leadership journey.

We have identified **four key principles and questions** that derive from an outside/in, business values-driven leadership approach:

1. Clarify why leadership matters:
   What are the outcomes of good leadership?
2. Nail the basics:
   What must every leader know, do and be?
3. Create a leadership brand:
   How do we develop leadership (not just leaders) from the outside/in?
4. Ensure leadership sustainability:
   How do leaders make long-term change really happen?

Mastering these principles and answering these questions about leadership will help general managers and HR professionals work together to build leadership capability within their organisations. General managers are the owners of their company's leadership and HR professionals are the architects. When they work together, they can ensure that quality of leadership delivers sustainable value.

Dave Ulrich and Norm Smallwood

Principle 1 Clarify why leadership matters
Question 1 What are the outcomes of good leadership?

When we started our work on rethinking leadership, we read many books and articles and became acutely aware that they primarily focused on leadership attributes rather than results. Our experience reflected what was written. When we ask leaders or participants in leadership programmes the question, 'what makes an effective leader?', nearly all the responses are around attributes: have a vision, inspire others, act with integrity, be authentic and so forth.

What is clearly missing is that leaders need to deliver results. Results are the outcomes of leadership actions. Failure to clarify the outcomes or results is like someone doing sales calls but not worrying about increasing sales. We wrote *Results Based Leadership* (HBS Press) to highlight that leadership is not just about what we know, who we are, and how we behave, but also about what we deliver. [2]

Answering the question 'what is leadership?' has to start by understanding what leaders are trying to accomplish – their results. Results may be inside (eg employee productivity, organisation agility) and/or outside (customer share, investor confidence, or community reputation).

'So that…'
We often ask leaders to shift thinking from attributes to results by addressing the 'so that…' question. Leaders need a vision 'so that' customers buy more products or investors increase their confidence. Leaders need to be authentic 'so that' employees have increased trust in the leaders and are more productive, or communities improve their image of the organisation.

Likewise, leadership development for its own sake might be an enjoyable diversion, unless it builds leaders who get results consistent with the organisation's purpose. HR professionals who consistently use the 'so that' model ensure what they do delivers value. Knowing the expectations of customer, investor, organisation and employee stakeholders starts the answer to 'what is leadership?'

> **Failure to clarify the outcomes or results is like someone doing sales calls but not worrying about increasing sales**

A: Customer expectations
Leaders may increase customer share by answering three questions: Who are our targeted customers? Why do they buy from us? How can we better connect with them?

1. *Who are our targeted customers?* Targeting customers means leaders focus scarce resources on key customers based on their characteristics (eg age, gender, location), size of the customer (eg volume, profitability of customer), the reputation or centrality of the customer, or the channel the customer might use (eg internet, retail, agents).

2. *Why do they buy from us?* Once customers are targeted, leaders need to discern why these key customers buy from them – or competitors. We have found that customers may buy on price, service, speed, quality, innovation or value.

3. *How can we better connect with customers?* Leaders build more customer connection when they progress from serving, to partnering, to anticipating, customer expectations. Increasing customer connection may come by involving

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customers in strategic choices, produce design, technology, culture and management practices.

When leaders answer these three questions and act on them, they are able to focus the right resources on the right customers and gain customer share. With this approach, leadership matters, not because leaders say so or because employees will be happy, but because customer share will increase as customers will take money out of their wallet and buy from the firm.

B: Investor expectations

Leaders increase total shareholder return, which has two parts: tangible values, such as cash-flow and earnings; and intangible value.[3]

Intangible value is based on the market's perception of whether a company is likely to keep its promises about future growth.[4] The amount of intangible value varies by industry. Companies with large capital assets tend to have less intangible value than companies driven by technology. Averaged across all industries, about 50% of valuation is tangible and the other 50% is intangible.

Intangibles show up as investors perceive external conditions and company responses. Investors perceive that mad cow disease will impact on the future consumption of beef, so an outbreak of mad cow will drive down the price of beef and McDonald's stock. Southwest Airlines has built a distinctive value proposition that includes low prices and a culture that resonates with customers, so it has maintained a higher stock price than other airlines. When a senior McKinsey or GE-trained leader goes to a new firm, the market perceives that positive results will be forthcoming.[5]

We tried to make intangibles tangible in the book, *Why the Bottom Line Isn't* (later renamed *Leadership Value Proposition*). In this synthesis of the literature about intangibles, we proposed a pattern in how leaders successfully increase their organisations' intangibles, beginning with the basic essentials at Level 1 and proceeding to more complex concepts at Level 4. We call this the 'Architecture for Intangibles' and it is summarised in Figure 1.

Intangibles build and defend a reputation among external and internal stakeholders for delivering your earnings promises.

Each of these four levels represents how leaders increase confidence in the future and

Figure 1: 'Architecture for Intangibles'		
Level	**Area of focus**	**Action potential**
4	Improve organisation capabilities: Build value through people and organisation	Leaders define and create the right organisation capabilities for future success. They diagnose and create capabilities of shared mindset, talent, collaboration, speed, accountability, learning and leadership throughout the organisation.
3	Invest in core competencies: Put your money where your strategy is	Leaders invest in core competencies to increase the probability of strategic business success. They invest in concrete support for investing in technical areas consistent with your strategy that underscore how you build value in R&D, technology, sales and marketing, logistics, manufacturing.
2	Articulate a compelling strategy: Envision the future	Leaders who envision growth build enthusiasm. They encourage belief in and support for customer intimacy, product innovation or geographic expansion. They create an aspirational, shared and enacted strategy.
1	Keep your promises: Deliver consistent and predictable earnings	Leaders who make and keep promises build credibility, confidence, and conviction. They build and defend a reputation among external and internal stakeholders for delivering your earnings promises.

thereby increase intangible value. To test our ideas about these issues, we recently surveyed over 350 investors across the investor categories (eg venture capitalists, buy side, sell side, private equity and sovereign wealth fund investors). We wanted to answer the simple question: Why do investors invest?

We classified investor information that informs investment decisions about specific firms into three domains: 'industry favourableness', 'firm performance', and 'quality of leadership'.

■ '*Industry favourableness*' refers to the characteristics of the industry, such as its growth potential, globalisation, barriers to entry, competitiveness (or rivalry), social trends, customer opportunity, regulatory opportunities and so forth. Industries may be more or less 'favourable' (eg demographics favour elderly care, while technological changes dis-favour traditional printing).

■ '*Firm performance*' refers to consistency of

financial results, as evidenced in a host of ratios (eg working capital, economic value added, operating margin, return on capital). Firm performance also refers to the intangibles related to strategy, technological advantage, and organisation capabilities (eg speed to market, degree of innovation, customer service, social responsibility).

■ 'Quality of leadership' refers to the confidence investors have in the leadership capability of the firm. Investors are more likely to invest in firms where leaders have more ability to set and execute strategy, to manage current and future talent, and to develop future leaders.

In our research, we asked the investors two questions: [1] what is the relative impact of each of the three domains on investment decisions? and [2] how much confidence do you have in assessing the items in each of the three domains? The results are in Figure 2.

This data suggests investors pay more attention to firm performance and to 'industry favourableness' than to quality of leadership, but almost a third still rate leadership as an extremely critical factor. In addition, it shows that investors have less confidence in their ability to assess leadership rather than firm performance or industry favourableness. Finally, the data shows that the variance (standard deviation) of investors' confidence in rating quality of leadership is higher, possibly because they have less clear knowledge or standards to assess leadership.

Our work shows leadership matters because investors deeply care about quality of leadership, but lack the tools to assess companies where they invest.

C: Organisation expectations

Leaders create organisations that turn strategic aspirations into sustained actions. When asked what companies they admire, people quickly point to organisations such as Apple, Starbucks, Intel or Google. Ask how many layers of management these companies have, though, or how they set strategy and few people know or care. What people admire about these companies is not how they are structured, or the processes through which work is accomplished, but their capabilities – their ability to innovate or to be responsive to changing customer needs.

Figure 2: A framework for investor choices		
Investment decision criteria ('the three domains')	**Divide 100 points based on how important this area is to your investment decision**	**How much confidence do you have in your ability to assess each area?** 1 - Low to 5 - High (standard deviation)
Industry favourableness	33%	4.3 (.6)
Firm Performance	38%	4.5 (.6)
Quality of leadership	29%	3.7 (.9)
	Total = 100	

Organisation capabilities are the skills, abilities and expertise of an organisation and represent the outcome of HR investments in staffing, training, compensation, communication and other practices.[6] They represent the ways in which people and resources are brought together to accomplish work. They form the organisation's identity or personality; they define what it is good at doing and, in the end, what it is. They are stable over time and they are more difficult for competitors to copy than access to capital markets, product strategies, or technology. They aren't easy to measure – so managers often pay them far less heed than they do tangible investments such as plant and equipment or technology – but they form a large part of what gives investors confidence in future earnings (or intangibles).

There is no magic list of desired or ideal capabilities appropriate to every company. However, we have identified 13 typical capabilities that may be present in well-managed companies; they tend to excel at one or two of these, while maintaining industry parity in the others. When an organisation falls below parity in any capability, dysfunction and competitive disadvantage tend to follow. These capabilities are summarised in Figure 3.[7]

Figure 3: The 13 capabilities of well-managed organisations		
Capability	**Definition**	**Measure**
Talent	We are good at attracting, motivating and retaining competent and committed people	Leaders can assess talent through means such as productivity measures, retention of top talent (though it is a good sign when employees are targeted by search firms), employee surveys and direct observation
Speed	We are good at making important changes happen fast	Leaders may create a return on time invested (ROTI) index where they monitor how much time it took to do something and the value created by the activity
Shared mindset/ culture	We are good at ensuring that customers and employees have positive and consistent images of and experiences with our organisation	Leaders may measure shared mindset (or cultural unity) by tracking – the greater the degree of alignment between internal and external mindsets, the greater the value of this capability
Accountability	We are good at the disciplines that result in high performance	Leaders may track accountability by looking at a performance appraisal form and seeing if they can derive the strategy of the business, by tracking the percentage of employees who receive an appraisal each year, or by how much variance there is in compensation, based on employee performance
Collaboration	We are good at working across boundaries to ensure both efficiency and leverage	Leaders may estimate your break-up value by determining what each division of your company might be worth to a potential buyer, then totalling these numbers and comparing it with your current market value. If the break-up value is 25% more than the current market value of the assets (rule of thumb), collaboration is not a strength. Within the organisation, collaboration may be tracked by monitoring the flow of talent and ideas across boundaries. Collaboration may also be measured by savings in administrative costs through shared services
Learning	We are good at generating and generalising ideas with impact	Leaders may track the half-life of knowledge (when 50% of what you know how to do is out of date), or the extent to which new ideas are generated and shared with others
Leadership	We are good at embedding leaders throughout the organisation who model our leadership brand	Leaders may monitor the pool of future leaders. How many backups do you have in place for your top 100 employees?
Customer connection	We are good at building enduring relationships of trust with targeted customers	Leaders may monitor this capability by identifying key accounts, then tracking the share of those key accounts over time. Regular customer service surveys may also offer insight on how the customer perceives connectivity
Innovation	We are good at doing something new in products, administrative processes, business strategy, geographies, channel strategies, brand identity, or customer service	Leaders may track a vitality index such as revenues (or profits) from products or services created in the past three years

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Strategic unity	We are good at articulating and sharing a strategic point of view	Leaders may monitor the extent to which employees have a common understanding of the company strategy
Efficiency	We are good at managing our costs	Leaders can track things easily. Costs of goods sold, inventories, direct and indirect labor, and capital employed, may all be viewed from the balance sheet and income statement
Risk	We are good at managing risk by attending to disruption, predictability, and variance	Leaders can track the extent to which they respond to surprises or changes in the industry
Social responsibility	We are good at being sustainable by managing our carbon footprint, philanthropy, and values	Leaders can track their carbon usage, their degree of philanthropy, and actions consistent with values

D: Employee expectations

Leaders help employees become fully productive by following a three-step formula: competence – commitment – contribution.[8]

Competence refers to the knowledge, skills and values required for today's and tomorrow's jobs. One company refined competence as 'right skills, right place, right job, at the right time'. Competence matters, because incompetence leads to poor decision-making.

But without *commitment*, competence is discounted. Highly competent employees who are not committed are smart, but don't work very hard. Committed or engaged employees work hard, put in their time and do what they are asked to do. In the past two decades, commitment and competence have been the bulwarks of talent.

However, the next generation of employees may be competent (able to do the work) and committed (willing to do the work), but unless they are making a real *contribution* through the work (finding meaning and purpose in it), then their interest in what they are doing diminishes and their talent wanes.

Contribution occurs when employees feel their personal needs are being met through their active participation in their organisation. We wrote *The Why of Work* (McGraw Hill) to synthesise the diverse literatures that define meaning and to transfer those insights into the work setting.

Organisations are the universal setting where individuals find abundance in their lives through their work and want this investment of their time to be meaningful. Simply stated, competence deals with the head (being able),

commitment with the hands and feet (being there), and contribution with the heart (simply being).

To deliver employee productivity, leaders need to recognise that the three terms are multiplicative, not additive. If any one is missing, the other two will not replace it. A low score in competence will not ensure talent, even when the employee is engaged and contributing. Talented employees must have skills, wills and purposes; they must be capable, committed and contributing. Senior executives who wish to build a talent culture should spend time identifying and improving each of these three dimensions.

Summary: leadership matters.

Our first principle to answer the 'what is leadership?' question is that leadership matters, because leaders are responsible for identifying and resolving the challenges of their stakeholders – customers, investors, organisation and employees. Leadership starts with better results. Customers buy more, investors have confidence in the future, employees are more productive and the organisation builds strong capabilities to make it work seamlessly.

HR professionals who are architects of leadership may use these ideas to build a business case for investing in leadership. General managers who are owners of the quality of leadership may use these ideas to ensure that their personal commitment to leadership shows up in their calendars.

> **Investors pay more attention to firm performance than to quality of leadership, but they still rate leadership as an extremely critical factor**

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Principle 2 Nail the basics
Question 2 What must every leader know, do and be?

If leadership matters (as we suggest in Principle 1), we need to figure out how to define *effective* leadership. Faced with the incredible volume of information about leadership, we turned to recognised experts in the field who had already spent years sifting through the evidence and developing their own theories.[9] These thought leaders had each published a theory of leadership, based on a long history of leadership research and empirical assessment of what makes effective leadership. Collectively, they have written more than 100 books on leadership and performed more than 2,500,000 leadership 360-degree assessments. They are the 'thought leaders' of this field.

In our discussions with them, we focused on two simple questions whose answers had always been elusive:

2A. What percentage of effective leadership is basically the same?

2B. If there are common rules that all leaders must master, what are they?

We wanted to understand if an effective leader at, say, Costco, in any way resembles an effective leader at Emirates Airlines. Does an effective leader in a bootstrapping non-governmental organisation in any way resemble an effective leader in a French bureaucracy? Does an effective leader in an emerging market resemble an effective leader in a mature market? Does an effective leader in organised crime in any way resemble an effective leader in organised religion? Does an effective leader in a Swiss pharmaceutical company share any underlying characteristics with an effective leader at Google?

To the first question (What percentage of effective leadership is basically the same?), the experts varied. They estimated that somewhere in the range of 50% to 85% of leadership characteristics were shared across all effective leaders. The range is fairly broad, to be sure, but consistent. From the body of interviews we conducted, we concluded that 60%-70% of

Figure 4: The Leadership Code
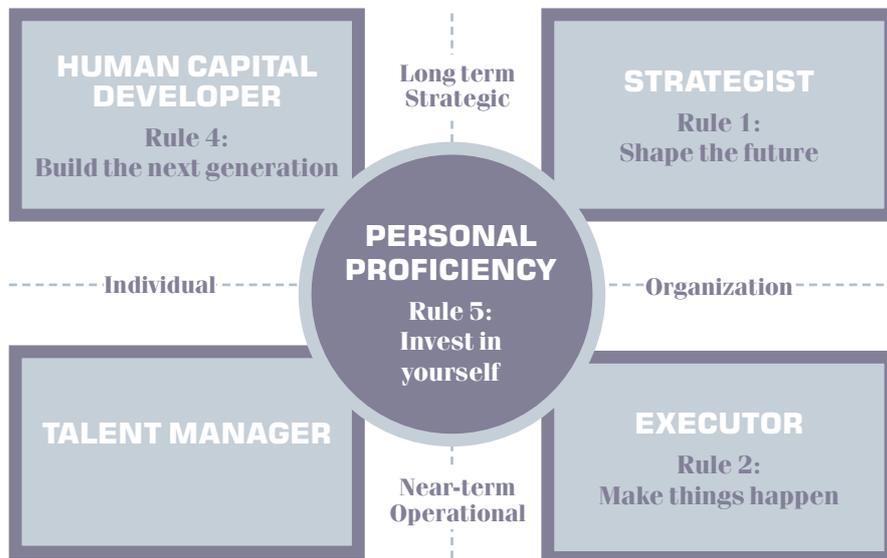
leadership effectiveness is down to the common rules that leaders master. For the second, question (Are there common rules all leaders must master?), we tried to figure out what represents this 60%-70%. Synthesising the data, the interviews and our own research and experience, a framework emerged that we published as 'The Leadership Code'. This comprises five rules. [10]

These five rules can be readily applied to any group of leaders, whatever their domain of focus (strategy, execution, talent management or human capital development), as shown in Figure 4 (above). At the core of the model is personal proficiency – whatever a leader's focus, they must be personally proficient. The other domains cluster around that central attribute. The leadership code is organised around five rules that all leaders must follow.

Strategist/Rule 1

Shape the future. Strategists answer the question 'where are we going?' and make sure those around them understand the direction as well. They not only envision, but can also create a future. They figure out where the organisation needs to go to succeed, they test these ideas

pragmatically against current resources (money, people, organisational capabilities) and they collaborate with others to figure out how to get from the present to the desired future. Strategists have a point of view about the future and are able to position their organisation to create and respond to that future.

Executor/Rule 2

Make things happen. The executive dimension of the leadership code focuses on the question, 'How will we make sure we get to where we are going?' Executors translate strategy into action, make change happy, assign accountability, know which key decisions to take and which to delegate and make sure teams work well together. They keep promises to multiple stakeholders. The rules for executors revolve around disciplines for getting things done and the technical expertise to get the right things done right.

Talent Manager/Rule 3

Engage today's talent. Leaders who optimise talent today answer the question, 'Who goes with us on our business journey?' Talent managers know how to identify, build and engage talent to get results now. Talent managers identify what skills are required, draw talent to their organisations, engage it, communicate extensively and ensure employees turn in their best efforts. Talent managers generate intense personal, professional and organisational loyalty. The rules for talent managers centre around resolutions that help people develop themselves for the good of the organisation.

Human capital developer/Rule 4

Build the next generation. Leaders who are human capital developers answer the question, 'Who stays and sustains the organisation for the next generation?'

Talent managers ensure shorter term results through people, while human capital developers ensure the organisation has the longer term competencies required for future strategic success. Just as good parents invest in helping their children succeed, human capital developers help future leaders be successful. Human capital developers throughout the organisation build a workforce plan focused on future talent, understand how to develop the future talent and help employees see their future careers within the company. Human capital developers ensure the organisation will outlive any single individual. Human capital developers install rules that demonstrate a pledge to building the next generation of talent.

Personal proficiency/Rule 5

Invest in yourself. Finally, at the heart of the Leadership Code – literally and figuratively – is personal proficiency. Effective leaders cannot be reduced to what they know and do. Who they are as human beings has everything to do with how much they can accomplish with and through other people.

Leaders are learners: from success, failure, assignments, books, classes, people – and from life itself. Passionate about their beliefs and interests, they expend an enormous personal energy and attention on whatever matters to them. Effective leaders inspire loyalty and goodwill in others, because they themselves act with integrity and trust. Decisive and impassioned, they are capable of bold and courageous moves. Confident in their ability to deal with situations as they arise, they can tolerate ambiguity.

As we have worked for some years with these five rules of leadership, we can make some summary observations. HR professionals and those charged with leadership development can use these ideas to upgrade the quality of leadership in their organisations.

- **All** leaders must excel at personal proficiency, the core of the Leadership Code. Without the foundation of trust and credibility, you cannot ask others to follow you. While individuals may have different styles (introvert versus extrovert, intuitive versus sensing etc), any leader must be seen as having personal proficiency to engage followers. This is probably the toughest of the five domains to train for and some are naturally more capable than others.
- Most successful leaders have at least one of the other four domains in which they excel. Most are personally predisposed to one of these four areas. These are the 'signature strengths' of your leaders.
- All leaders must be at least average in his or her 'weaker' leadership domains. It is possible to train someone to learn how to be

> **Great individual leaders may come and go, but great leadership capability endures over time**

strategic, execute, manage talent and develop future talent. There are behaviours and skills that can be identified, developed, and mastered.

- The higher up the organisation that the leader rises, the more he or she needs to develop excellence in more than one of the four domains.

It is very bold to say that these five domains synthesise and summarise leadership, but we continue to believe we have captured the essence of what attributes effective leaders need. Since we first classified leadership attributes into these five factors, we have looked for things that do not fit, but we have not found them.

Our second principle (leadership basics) adds to our answer to 'what is leadership?' by synthesising the myriad of leadership traits, competencies, attributes, behaviours, values and expectations into these five basic factors.

Principle 3 Create a leadership brand
Question 3 How do we develop leadership – not just leaders – from the outside/in?

> Prioritise the behaviours that matter most, shifting from analytics with data to action with determination

The Leadership Code focuses on the personal characteristics of the individual leader. But, in our search for delivering long-term value, we see two shifts. *First, we want to study both leaders and leadership.* They are not the same thing. They both matter.

A **leader focus** works on the knowledge, skills, and values of the individual and demonstrates how individuals become more proficient in their ability to direct others.

A **leadership focus** emphasises the quality of leadership capability throughout the organisation. Great individual leaders may come and go, but great leadership capability endures over time. An effective individual leader may not be very good at building leadership – that is, at developing processes that help other leaders grow and develop. Leaders matter, but over time, leadership matters more.

Second, we want to focus on leadership from the outside-in, not the inside-out. The outside-in focus emphasises the results that occur from good leadership. In the literature today, leaders are told to "build on their strengths",[11] but we think they should "build on their strengths *that strengthen others*". Without the focus on

others, leadership may be self-serving and short-term.

As we explored leadership from the outside-in, an obvious metaphor came to mind: **leadership brand**. Successful brands are less about products (the equivalent of the leader) and more about the firm (the equivalent of leadership). In addition, brands are less about the features of the product or firm culture and more about how customers respond to them (ie from 'outside-in').

We have written about culture as a firm brand and the identity of the firm in the mind of the best customers.[12] When leadership criteria begin and end with customers, they are more likely to endure.

We coined the term and wrote the book *Leadership Brand* (HBS Press) to convey the idea that leadership results are assessed by the extent to which leaders deliver value to customers by connecting employee actions to what customers want.[13]

Brands change with consumers. For years, the Pillsbury Doughboy was a cute, chunky icon of US grain product maker Pillsbury's range. With today's emphasis on healthy eating choices and

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lifestyle, however, the Doughboy went on a diet and adapted to current consumer conditions.

Similarly, fast food producer Kentucky Fried Chicken became KFC; US nonprofit organisation March of Dimes went from treating polio to childhood diseases; hospitality chain Marriott went from hotels to retirement centres; and sports supplier Nike has moved from shoes to clothes.

Brands evolve, and so do leaders. Successful leaders continually tie their brand identity to the changing expectations of customers. As customers change, so must the leadership brand.

Drawing on the brand leadership literature, we have synthesised six steps to creating a leadership brand (see Figure 5).

Six steps to creating a leadership brand

Step 1: Create a case for leadership
In our first Principle (Why leadership matters), we show that effective leadership increases customer share, investor confidence, organisation performance and employee productivity. Being very clear about the expected outcomes of leadership helps justify time spent on building leadership.

Step 2: Articulate a clear leadership brand statement
In our second principle (Nail the leadership basics), the Leadership Code defines what individual leaders need to be, know, and do. The breadth and depth of the five code categories assures leaders that they master the fundamentals of leadership.

But, a leadership point-of-view should evolve to a leadership brand. A leadership brand focuses on the outside, not the inside; it tells a story. And it applies to all leaders throughout an organisation.

In our work on building a leadership brand, we like to start by looking at the organisation from the outside-in. Almost every company has a media campaign, through print, television, internet or other advertising. These campaigns tell customers a story about how the firm will uniquely serve them.

When we work with companies to complement their leadership basics with their unique leadership differentiators, we like to

Figure 5: Steps to Leadership Brand

review an organisation's customer or marketing campaign. We ask executives to view the commercials, print media and reputation efforts to capture messages that the firm is sharing with outside groups. We then look at the company's leadership competency model to see if it reflects these external expectations. Most often, it does not.

Most leadership competency models are inside-out, not outside-in. In our study, *Top Companies for Leaders 2011*, with Aon Hewitt and *Fortune*, we found about 95% of the 400+ companies polled have a competency model. However, few of the companies linked the leadership competencies to external customer (or investor) expectations. Tellingly, 70% of the top 25 companies for leadership connected leadership competencies inside the company to customer expectations outside.

In this second step of leadership brand, leaders establish a set of standards for effective leadership that includes both the basics and the differentiators.

Step 3: Assess leadership
Once the leadership brand is delineated, leaders can be assessed by how well they have set up the basics and 'behave the brand' as they deliver results, and by how well they grow the requisite skills and perspective as they progress through the leadership pipeline.

At each leadership development stage, the brand assessment may differ. The assessment includes both the core elements of leadership and the brand differentiators. This assessment may be done by one person or through organisation practices such as 360-degree feedback. We have also looked at 720 assessments, where leaders are evaluated by those outside the firm.

Step 4: Invest in leaders

Firm or product brands don't happen by accident, and neither do leadership brands. Leading companies (identified by reputation and leadership mobility) invest in specific practices that nurture the leadership brand. We propose an integrated approach to leadership investment: it would involve 30% training experience, 50% work experience and 20% life experience.

Training can contribute 30% of a branded leader's overall development. This happens when the training is less a discrete event and more an extended experience that supports the participants' need to change ingrained habits and behaviours that may have served them well in the past but that do not support the brand now. We call this 'guest training' – where participants essentially become 'guests' of the business by working on real problems within the team. This is in contrast to 'tourist training', where participants pass through training, but it has little long-term impact.

Work experiences can provide 50% of a leader's overall development. These work experiences might include coaches who help leaders improve both their behaviours and results. Work experiences might also refer to being assigned a different function in the business (say, moving from marketing to manufacturing or from line to staff), a different business unit (moving from a product business to a service business), or a different business challenge (moving from a start-up business to a mature one). A changing work assignment may be either permanent or temporary. Permanent assignment shifts are important because they take advantage of the S curves people often go through in mastering a new job.

Work experience may also come in the form of special projects or assignments. IT firm Dell encourages talented leaders to participate in networking, job exchange, coaching, and mentoring assignments. Figure 6 offers examples of how leaders could choose to expand their abilities.

Finally, life experiences may contribute up to 20% of a leader's growth. Life experiences may include working on volunteer assignments, being involved in community service, reading, visiting and exploring places and settings that give new insights, and constantly learning from personal growth opportunities. Some companies have begun to formalise these life experiences as a way to develop employees.

Step 5: Measure leadership

Measuring leadership results has two parts. First, it is important to know which leadership investments work best in different organisation settings. This means tracking both the leadership investment (such as coaching) and the outcome of the investment (behaviour change, financial results, intangible value). Second, the leadership investment should respond to the need presented in Principle 1. That is, if the case for leadership is to build a growth strategy for emerging markets, then the measurement of leadership success is the extent to which the expected growth strategy is taking hold.

Step 6: build awareness and integrate leadership

We use the term 'leadership brand' because, like

Figure 6: Ways leaders can develop from assignments
• Make a line-to-staff move, or vice versa
• Coach or mentor someone
• Be assigned to profit-and-loss accountability early in a career and then move to successively larger assignments
• Choose to take international assignments with different culture experiences
• Work in a turnaround situation
• Be charged with a significant portion of a merger-and-acquisition deal
• Do a cross-functional rotation
• Participate in a customer internship
• Work for a different boss
• Participate on project teams that are add-ons to the present work assignment

product brand, there must be both efficacy and awareness. Efficacy in leadership terms means we have built an organisation capability that recognises – internally and externally – who gets the right results the right way and that their capability is acknowledged. To accomplish this, there is a need to communicate to stakeholders about intent and results about quality of leadership. Results need to be linked to investments in leadership.

Companies such as Berkshire Hathaway use their annual reports to describe leadership effectiveness. McKinsey touts alumni and their accomplishments on its website. CEOs communicate to analysts about the quality of their leadership, so there is support and understanding for these investments.

In addition, it is important to integrate all of our activities so that the whole investment is greater than the sum of the parts. To ensure that we have developed leadership and not just good leaders, we must align HR practices with our intent to build this capability. Essentially, all HR practices – such as performance appraisals, compensation, and training and development – should be aligned.

By embedding leadership into the infrastructure of the organisation, we develop still further our answer to the question, 'What is leadership?' Leadership resides in the next generation of leaders, who are shaped by a clear definition of leadership and regular processes for assessment and development of future leaders. By doing so, we build a leadership brand that connects leadership throughout the organisation to customer expectations outside.

How HR can help build leaders

HR professionals can take a primary role in helping companies through these steps. They can make sure the HR practices define and reinforce leadership expectations. They also need to model the expected leadership in the company within their HR department.

> Organisation capabilities are the skills, abilities and expertise of an organisation and represent the outcome of HR investments in staffing, training, compensation, communication and other practices

Principle 4 Ensure leadership sustainability
Question 4 How do leaders make long-term change really happen?

We have three answers to our question, 'what is leadership?' (it matters; we must do the basics; and we have to build the leadership brand), but ultimately, we have to sustain leadership. Leadership lasts over time. To date, like other leadership advocates, we have spent most of our effort on the why and what of leadership. But, we still struggle with the *how* of leadership.

How can well-intentioned leaders actually do what they intend? How will leaders turn their personal learning into desired actions and results? How will leaders change their own and others' minds, hands, feet and hearts to get things done? How will organisations make investments in leadership development that have the desired long-term results? In short, how do we build leadership sustainability?

If leaders don't have a strong sense of why they should change (Principle 1) or if they don't have a clear sense of what they should change to (Principles 2 and 3), leadership sustainability does not matter. But, once leaders accept why they should change and understand what they should change to, we must deal with how to make sure leadership change happens.

A thoughtful colleague of ours was asked to do a deep, competency-based assessment of a very senior leader. In that assessment, he used multiple psychological instruments, did a

leadership 360 review, and interviewed the leader. His conclusion to the leader was 'you know your weaknesses; you have lived with them for a long time. The question I have is whether you are now going to do anything about them?'

Most good leaders want to become better. Most thoughtful leaders even know what they should do to become better. But we don't do it. Some 90% of human behaviour is habit and routines – and routines are difficult to change.

- 98% of us fail at keeping New Year's resolutions to change bad habits
- 85% of us have had bosses who tried – but failed – to get us to improve performance
- 70% of Americans who pay off credit card debt with a home equity loan end up with the same or higher debt in two years.
- Americans spend $40 billion a year on diets, but 19 out of 20 lose nothing but their money
- Marriage counselling saves fewer than one in five couples on the brink of divorce.

Industries have grown up around changing bad habits – weight loss, anger management, regular exercise and so forth – yet most of these habits do not change. Leaders who want to improve need to not only recognise and delineate the results they want to achieve and the knowledge and skills they require to achieve those results, but they must also have the willpower and discipline to sustain those changes.

To enable leadership sustainability, we have gleaned seven leadership practices from multiple disciplines [14]:

The 'START ME' principles

Simplicity

Simplicity means the leaders focus on a few key behaviours that have high impact on the most important issues. The world is increasingly complex as technology makes global events local news. Leaders have to cope with complexity, not only in the world around them, but also in their personal leadership style. Most leaders can create to-do lists of things they should change. But they get overwhelmed when they try to change them all at once. Leadership sustainability requires that we find simplicity in the face of complexity and replace concept clutter with simple resolve. It entails

prioritising the behaviours that matter most, shifting from analytics with data to action with determination, framing complex phenomena into simple patterns, and sequencing change.

Time

We often ask leaders who we coach to tell us their priorities, which most can do. Then we ask them to review their calendar for the past 30 or 90 days and explain to us how much time they spent on these priorities. Leaders put their desired behaviours into their calendar and this shows up in how they spend their time. Employees see what leaders do, more than they listen to what they say. Leadership sustainability shows up in who we spend time with, what issues we spend time on, where we spend our time and how we spend our time. When leaders invest their time as carefully as their money, they are more likely to make change happen.

Accountability

A cycle of cynicism occurs when leaders announce wonderful aspiration statements (vision, mission, strategy), but fail to deliver on them. Over time, this cycle of failure breaks down trust and erodes commitment. Leadership sustainability requires accountability, where leaders take personal responsibility for making sure they do what they say. Accountability increases when leaders assign personal commitments from others and follow up on those commitments. Over time, sustainable leadership is when the leader's agenda becomes the personal agenda of others.

Resources

Leaders dedicate resources in order to support their desired changes with coaching and infrastructure. Resourcing implies institutionalising. Steve Kerr, former chief learning officer at GE and Goldman Sachs, makes the observation that a training challenge is to make an unnatural act (eg listening to others) in an unnatural place (a training programme) a natural act in a natural place.

Coaching and HR practices create part of the infrastructure of sustainability. Executive educator Marshall Goldsmith found when leaders have on-going coaching, they are much more likely to enact desired behavioural change. We have found that a mix of self-coaching, expert coaching, peer coaching, and

boss coaching can be woven together to resource sustained change.

HR practices can define and create an organisation's culture. Selection, promotion, career development, succession planning, performance reviews, communication, policies, and organisation design may be also aligned to support leadership change.

Tracking

The maxims are true: we get what we inspect, not what we expect; people do what they are rewarded for; and you shouldn't reward one thing, while hoping for a different outcome. Leaders must measure their behaviour and results in specific ways. Unless desired leadership behaviours and changes are operationalised, quantified and tracked, they are nice to do, but not likely to be done.

Effective metrics for leadership behaviour need to be transparent, easy to measure, timely and tied to consequences. Leadership sustainability may be woven into existing scorecards and may become its own scorecard to ensure that leaders monitor how they are doing.

Melioration

Leaders improve by learning from mistakes and failures and demonstrating resilience. Change is not linear. We don't often start at point A and end up in a logical and smooth progression to point Z. Most of the time, we try, fail (or succeed), try again, fail again and so forth. When we learn from each attempt, the outcomes we intend to achieve will eventually come to pass.

Leadership sustainability requires leaders master the principles of learning: to experiment frequently, to reflect always, to become resilient, to face failure, to not be calloused into success and to improvise continually.

Emotion

Leaders who ensure sustainability have a personal passion and emotion for the changes they need to make. Sustained change resides not just in the head with an intellectual agenda, but also within the heart with a strong emotional agenda. Action without passion will not long endure, nor will passion without action. Leaders ensure emotion by drawing on their deeper values and finding meaning in the

[**Effective metrics for leadership behaviour need to be transparent, easy to measure, timely and tied to consequences**]

work that they do. Leadership sustainability occurs when leaders not only know, but feel what they should do to improve. This passion increases when leaders see their desired changes as part of their personal identity and purpose, when their changes will shape their relationships with others, and when their changes will shift the culture of their work setting.

We have worked with these seven practices for leadership sustainability. When we coach leaders, they often realise why they should change and what they should change, but as they build resolve into their desires, we make sure that they attend to each of these seven sustainability practices. In leadership training, we can build the case for leadership and establish the standards for effective leadership, but until individuals sustain their actions, they don't demonstrate effective leadership.

The mnemonic for these seven practices spells 'START ME'. We think this is apt, because sustainability starts with 'me'. These seven practices turn hope into reality. When I apply the practices, I become a better leader – one who gets things done and knows how to make them stick.

These seven practices inform both personal efforts to be a better leader and organisation investments to build better leadership. When leadership training occurs, the impact increases when participants attend to these seven factors as they anticipate how to turn learning into action. When an aspiring leader receives 360-feedback, the personal action plan will be more sustainable as a leader applies these factors. When an organisation's leadership development plan is reviewed, executives increase confidence that leadership investments will have payback when they rigorously apply the seven practices.

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Conclusion:
What is leadership?

We entitle this eBook *What is leadership*? On the one hand, it sounds like an easy and obvious question and on the other hand it is so complex as to be mystifying. We believe we have found a middle ground that answers the question in our title by focusing on four great principles:

1. **Effective leaders should start with results.** Leadership is indeed about who we are, what we do and what we know, but it is equally about what we deliver. Some leadership results are outside the organisation (customer share, investor confidence, community reputation) and some results are inside the organisation (employee productivity and organisation capability).

2. **Effective leaders have nailed the fundamentals.** There are some basic rules that all leaders need to master. Without this mastery of five basics, leaders will be burdened by their weakness. Leaders need to shape the future, get things done, manage others, invest in other, and demonstrate personal proficiency.

3. **Effective leaders build leadership more than leaders by creating a leadership brand.** Individual leaders matter, but leadership matters more. Leadership comes from building the infrastructure that develops the next generation of leaders. When leadership starts with and focuses on customers, it is more likely to endure.

4. **Effective leaders ensure leadership sustainability.** Leadership is an enduring pattern, not an isolated event. When leaders change their pattern of behaviour to make the requirements of their position, they are sustainable.

Following these four principles is the key to answering what is leadership? By adhering to these principles, we take a business-based approach to leadership that is in sync with what the very best companies do and is rare everywhere else. Even better, the approach is concrete and delivers tangible value. This work defines the partnership between HR professionals and business leaders as they work together to create both individual leaders and leadership capability for their organisations.

Over to you…

Dave Ulrich is a professor of business at the University of Michigan and a co-founder of the RBL Group, an education and consulting firm. He has published 12 books and more than 100 articles, and has consulted and done research with over half of the Fortune 200. This is his second eBook for HR *magazine.*

Norm Smallwood is co-founder of RBL Group. He is co-author of six books and more than 100 articles.

> [**Action without passion will not long endure, nor will passion without action**]

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With the introduction of Oracle Fusion Human Capital Management (HCM), Oracle is taking HCM applications to a whole new level. Built from the ground up to help you do things your way, know your people better, and work as a team, Oracle Fusion HCM rethinks the business of HR to provide value to every person in your organization – HR professionals, employees and managers. Oracle Fusion HCM connects all parts of your workforce, empowering you to inform, engage, and collaborate in ways never before possible.

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Oracle Fusion HCM is a complete HCM suite, and importantly, was conceived and built with HR Practitioner input to be a unified solution from the beginning. Other HCM systems today have either started with traditional core HR and later bolted on talent management capabilities, or began with talent management and are slowly adding core HR functionality.

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While the broad gains from improved workforce collaboration are apparent, the tools needed to capture the benefits at the enterprise level have been lacking.

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