

Living As A Leader® **A WHITE PAPER**

The Need to Lead.



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In today's economy, we're hearing a lot about employee engagement and worker satisfaction. American businesses are truly coming to realize that—while they often give mere lip service to the notion—their people are indeed their most important asset. People do the work of the organization; people drive the business.

Despite all this, American workers at every level report that their workplaces are falling short when it comes to creating a climate and environment that fosters engagement and productivity.

And here's the real kicker: It's the leaders throughout every level of an organization that create the climate for employees—a climate where employees either feel valued or vilified. Yet many leaders don't have the right skills to create the right climate.

Did you know . . .

- Of America's 100 million full-time workers, only 30% are engaged (Gallup, 2013)
- 69% of American workers would work harder if they were better recognized and appreciated (Globoforce Workforce Mood Tracker,™ 2011)
- 65% of U.S. workers say they'd rather have a better boss than better pay (McQuaid Bosses Survey, 2012)

All of this matters, because highly engaged, satisfied and recognized employees care about their work and their company. And when they care, they deliver better results. This is where leaders come in.

Leaders must lead employees, one-to-one, day in and day out. To be effective at inspiring employees and holding them accountable, leaders have to possess a certain skill set grounded in proven principles of *people leadership*. This pertains to leaders at all levels: team leaders, supervisors, managers, senior leaders and executives.

Why Does a Leader Need a Certain Skill Set?

When you ask any seasoned executive what a leader is supposed to do, the answer you'll probably hear is, "Get results." Yes, a leader has many responsibilities. Ultimately, however, he or she is judged on results. And to achieve the results desired by an organization, a leader must possess the skills to effectively balance workforce accountability with workforce inspiration.

Accountability involves managing employee performance, defining and monitoring expectations, giving feedback and setting goals. *Inspiration* involves listening, providing encouragement, facilitating interaction among employees and involving them in problem solving.

Most leaders are inherently better at doing one or the other; few are able to achieve the right balance without further skill development.

“In companies where both [senior] leaders and managers are perceived by employees as effective, 72% of employees are highly engaged.”

Towers Watson, 2014

Evidence in Support of Leadership Effectiveness

Recently, in a conversation with a potential new client, we talked about the *investment* in leadership effectiveness. The CFO interrupted and said, “You mean the cost.” No, we mean the *investment*. There exists a clear and direct payoff between leadership effectiveness and employee engagement, productivity, customer service and retention . . . not to mention profits.

A 2013 Gallup study found that the best managed workplace teams outperform the worst managed teams by 10% on customer ratings, 22% in profitability and 21% in productivity. Bersin & Associates found in 2011 that companies that continuously invest in leadership development generate nearly 60% improved business growth and show a 62% improvement in employee retention.

Kenexa Research in 2010 showed that companies in the top 25% of leadership effectiveness realized 5.7 times greater diluted earnings per share and seven times greater total shareholder return over three years than sample companies in the bottom 25%. Gallup estimates that the lost productivity of actively disengaged employees costs the U.S. economy upwards of \$550 billion annually.

Beyond the financial numbers tied to effective leadership, other research further shows that these returns and benefits are grounded in the *human experience* of work and the workplace.

A worldwide study by McKinsey & Company released in January 2015 isolated the four most important behaviors for effective leaders. In fact, these four behaviors “explained 89% of the variance between strong and weak organizations in terms of leadership effectiveness.” Two of the behaviors are focused on the business side: *Operate with strong results orientation* and *Solve problems effectively*. And the other two are firmly related to the people side: *Be supportive* and *Seek different perspectives*.

In *Encouraging the Heart: A Leader’s Guide to Rewarding and Recognizing Others*, authors Kouzes and Posner found that 98% of employees said “yes” when asked: “When you get encouragement, does it help you perform at a higher level?” A 2011 study by Globoforce supported this when it found that 78% of employees report that being recognized for their efforts and contributions actually motivates them to do an even better job!

“After a brutal day, walk up to employees and say, ‘You were great. I’m so glad about what you did today.’ You’ll be surprised how far a simple gesture will go.”

Robert Preziosi – President, Management Associates

In *The Carrot Principle: How the Best Managers Use Recognition to Engage Their People, Retain Talent and Accelerate Performance*, authors Gostick and Elton write that, of the people who report the highest morale at work, 94.4% agree that their managers are effective at recognition. Their research was based on a 10-year study of 200,000 managers and employees.

In a *Harvard Business Review* article titled “Leadership That Gets Results,” best-selling author and renowned psychologist Daniel Goleman cites research which reveals that up to 30% of a company’s financial results are determined by the climate of the organization.

And what major factor drives the climate of an organization? As we said before—*leadership*. Goleman concludes that roughly 50% to 70% of how an employee perceives his or her organization’s climate is attributable to the actions and behaviors of his or her direct leader. A leader creates the environment that determines the moods of followers, in turn affecting productivity and level of engagement.

Taking into account all of these statistics, and considering the plethora of other similar studies, it’s no surprise that the research and consulting firm Zenger Folkman came to this conclusion as a result of its study on leadership: “The quickest and most reliable way of increasing employee satisfaction and commitment is to provide employees with a more effective leader.”

Organizations Need to Invest in Their Leaders

Yes, the evidence supporting the need for strong leadership—and the benefits of having strong leaders—is overwhelming. In their book *Leadership Brand: Developing Customer-Focused Leaders to Drive Performance and Build Lasting Value*, authors Ulrich and Smallwood write that executives need to understand how an investment in leadership will benefit them individually and their companies, and how ineffective leadership is a detriment.

As one example, in an analysis of more than 200 organizations in 2011, the Ken Blanchard Companies found that a year’s delay in developing effective leaders forces the typical company to lose 7% in annual sales.

The good news is that leadership skills can be improved. Leadership is a developed skill; we are not born to lead. A strong leader—one who excels at both managing employee performance and inspiring employees—can only come about from developing and honing the right leadership skills over time.

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