

# WHAT IS LEADERSHIP?

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A few years ago one of us was asked to write the preface to a book of readings on leadership. The 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, the difference between managers and leaders, effective conversations, power, decision-making, judgment and myriad other topics. We were stumped. There seemed no way to pull this hodge-podge of ideas together. Eventually the preface simply stated that the current state of leadership was like alchemy, that the various authors were attempting to turn lead into gold, and that the authors had varying insights about how to do it.

This story personifies leadership concept clutter. There are millions of articles about the topic and few barriers to entry to publish your (or our) point of view. This clutter of “leadership signage” calls out to leaders to take care of yourself, be authentic, exercise judgment, build on your strengths, and so on. The problem with this signage is that much of it is piecemeal and some of it is completely nonsense.

We’ve been on a journey for the last fifteen years to resolve leadership concept clutter by approaching leadership from a unique perspective. Most leadership authors of the last fifty 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 distill the essence of what makes an effective leader. We appreciate this psychological tradition but believe that other disciplines like marketing and finance may inform and synthesize 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 chapter, we share on our answer to the question, “what is leadership,” by reporting our leadership journey. To date, 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 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 with their organizations. 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.

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

When we started our work on rethinking leadership, we read dozens and dozens of books and articles and were made acutely aware that they primarily focused on leadership attributes more than leadership results. Our experience reflected what was written. When we ask leaders or participants in leadership programs the question, “what makes an effective leader?” nearly all the responses are around attributes: They have a vision, inspire others, act with integrity, are authentic, and so forth. What is clearly missing is that leaders need to deliver results. Results are the outcomes of the leadership actions. Without clarifying the outcomes or results is like someone doing sales calls but not worrying about increasing sales. We wrote *Results Based Leadership* to highlight that leadership is not just about what we know, who we are, and how we behave; it is also about what we deliver.<sup>2</sup>

Answering the question, “what is leadership,” starts by understanding what leaders are trying to accomplish – their results. Results may be inside (e.g., employee productivity, organization agility) and outside (customer share, investor confidence, or community reputation). We often ask leaders to shift thinking from attributes to results by answering 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 organization. Likewise, leadership development for its own sake might be an enjoyable diversion unless it builds leaders who get results

consistent with the organization’s purpose. HR professionals who consistently ask, “so that,” ensure that what they do delivers value. Knowing the expectations of customer, investor, organization, and employee stakeholders starts the answer to “what is leadership?”

**Customer expectations**

Leaders may increase customer share by answering three questions:

1. **Who are our targeted customers?** Targeting customers means leaders focus scarce resources on key customers based on their characteristics (e.g., age, gender, location), size of the customer (e.g., volume, profitability of customer), the reputation or centrality of the customer, or the channel the customer might use (e.g., 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 them?** Leaders build more customer connection when they go from serving to partnering to anticipating customer expectations. Increasing customer connection may come by involving 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 take money out of their wallet and buy from the firm.

**Investor Expectations**

Leaders increase total shareholder return which has two parts – tangible values, like cash flow and earnings, and intangible value.<sup>3</sup> Intangible value is based on the market’s perception of whether a company is likely to keep its promises about future growth.<sup>4</sup> The amount of intangible value varies by industry. Companies with large capital assets tend to have less intangible value than companies driven by technology. Across industries about 50% of valuation is tangible and the other 50% is intangible.

Intangibles show up as investors perceive external conditions and company responses. For example, investors perceive that mad cow disease will impact the future consumption of beef so an outbreak of mad cow will drive down the price of beef and McDonalds’ stock. Southwest Airlines has built a distinctive value proposition that includes low prices and a culture that resonates with customers, so they have 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.<sup>5</sup>

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 intangibles literature, we proposed a pattern in how leaders successfully increase their organizations’ 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 summarized in Figure 1.

**Figure 1: Architecture for Intangibles**

Level	Area of Focus	Action Potential
4	Improve organization capabilities: Build value through people and organization.	Leaders define and create the right organization capabilities for future success. They diagnose and create capabilities of shared mindset, talent, collaboration, speed, accountability, learning, and leadership throughout the organization.
3	Invest in core competencies: Put your money where your strategy is.	Leaders invest in core competencies to increase the probability of strategic 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, and 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 aspired, 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.

Each of these four levels represents how leaders increase confidence in the future and thereby increase intangible value. To test our ideas about these issues we recently surveyed over 350 investors across the investor categories (e.g., venture capitalists, as well as 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 favorableness, firm performance, and quality of leadership.

- Industry favorableness refers to the characteristics of the industry, such as its growth potential, globalization, barriers to entry, competitiveness (or rivalry), social trends, customer opportunity, regulatory opportunities, and so forth. Industries may be more or less favorable (e.g., demographics favor elderly care and technological changes while disfavoring traditional printing).
- Firm performance refers to consistency of financial results as evidenced in a host of ratios (e.g. working capital, economic value added, operating margin, return on capital). Firm performance also refers to the intangibles related to strategy, technological advantage, and organization capabilities (e.g., 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.

Figure 2: A framework for investor choices

Investment Decision Criteria	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? Low-1 to High-5 (standard deviation)
Industry Favorableness	33%	4.3 (.6)
Firm Performance	38%	4.5 (.6)
Quality of Leadership	29%	3.7 (.9)
	Total = 100%	

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 that investors pay more attention to firm performance and to industry favorableness than to quality of leadership but that they still rate leadership as an extremely critical factor. In addition, it shows that investors have less confidence in their ability to assess leadership than firm performance or industry favorableness. 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 that leadership matters because investors deeply care about quality of leadership but lack the tools to assess companies where they invest.

**Organization expectations**

Leaders create organizations that turn strategic aspirations into sustained actions. When asked what companies they admire, people quickly point to organizations like 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; they care about their capabilities — their ability to innovate or be responsive to changing customer needs.

Organization capabilities are the skills, abilities, and expertise of an organization and represent the outcome of human resource investments in staffing, training, compensation, communication, and other practices.<sup>6</sup> They represent the ways people and resources are brought together to accomplish work. They form the organization'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 like plant and equipment or technology. But they are a large part of what give investors confidence in future earnings (or intangibles).

There is no magic list of desired or ideal capabilities appropriate to every company. However, we've identified 13 typical capabilities that may be present in well-managed companies. Companies tend to excel at one or two of these, while maintaining industry parity in the others. When an organization falls below parity in any capability, dysfunction and competitive disadvantage tend to follow. These capabilities are summarized in Figure 3.<sup>7</sup>

Figure 3: Typology of Capabilities

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's 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 to 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 organization.	Leaders may measure shared mindset (or cultural unity) by tracking the degree of alignment between internal and external mindsets. The greater the alignment, 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 from it, such as by tracking the percent 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 an organization's break up value by determining what each division of it might be worth to a potential buyer, totaling these numbers, and comparing that number 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 organization, 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 generalizing 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 news ideas are generated and shared with others.
Leadership	We are good at embedding leaders throughout the organization who model our leadership brand.	Leaders may monitor the pool of future leaders. How many back ups 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 and 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 last three years.
Strategic Unity	We are good at articulating and sharing a strategic point of view.	Leaders may monitor the extent to which employees throughout the organization have a common understanding of the company's strategy.
Efficiency	We are good at managing our costs.	Leaders can track costs of goods sold, inventories, direct and indirect labor, and capital employed, which may all be viewed from a 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.

### Employee expectations

Leaders help employees become fully productive by following a rather simplistic three-step formula: competence \* commitment \* contribution.<sup>8</sup>

Competence refers to the knowledge, skills, and values required for today's and tomorrow's jobs. One company defined competence as the *right skills, right place, and right job at the right time*. Competence matters because incompetence leads to poor decision-making. Without commitment, though, 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 last two decades, commitment and competence have been the bailiwicks for talent. We have found, though, that even though employees may be competent (able to do the work) and committed (willing to do the work), unless they are making a real contribution through the work (finding meaning and purpose in their work), their interest in what they are doing diminishes and their talent wanes. Contribution occurs when employees feel that their personal needs are being met through their active participation in their organization. We wrote *The Why of Work* to synthesize the diverse literature defining meaning and to transfer those insights into the work setting.

Organizations are the universal setting where individuals find abundance in their lives through their work, and individuals 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 recognize that the three terms are multiplicative, not additive. If anyone 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.* Leaders are responsible for identifying and resolving the challenges of their stakeholders – customers, investors, the organization, and employees. Leadership starts with better results. From better results, customers buy more, investors have more confidence in the future, employees are more productive, and the organization 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.

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

If leadership matters (principle 1), we need to figure out how to define effective leadership. Faced with the incredible volume of information about leadership, we turned to recognized experts in the field who had already spent years sifting through the evidence and developing their own theories.<sup>9</sup> 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 over 100 books on leadership and performed over 2,500,000 leadership 360-degree assessments. They are the “thought leaders” of this field.

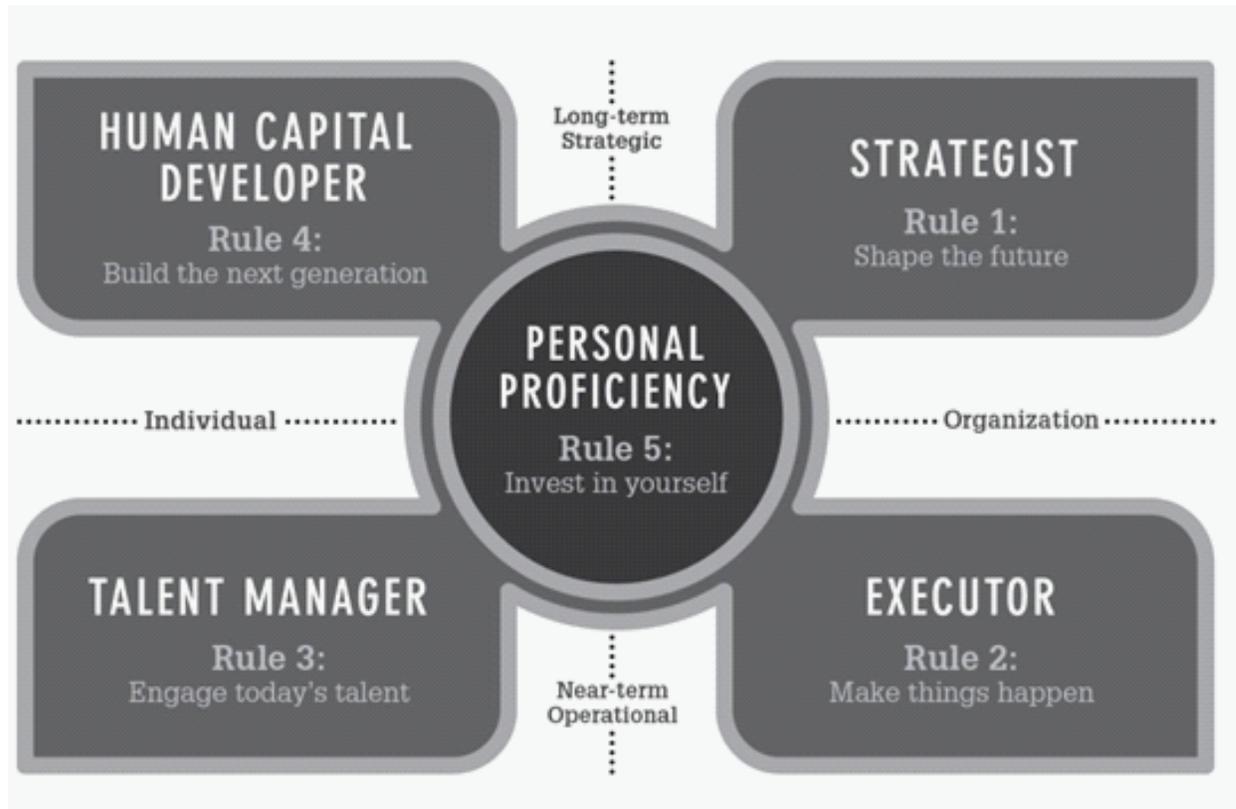
In our discussions with them we focused on two simple questions, the answers to which had always been elusive:

1. What percent of effective leadership is basically the same?
2. 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 ways resembles an effective leader at Emirates Airlines? Does an effective leader in a bootstrapping NGO 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 organized crime in any way resemble an effective leader in organized religion? Does an effective leader in a Swiss pharmaceutical company share any underlying characteristics with an effective leader at Google?

To the first question, the experts varied; they estimated that somewhere in the range of 50 to 85 percent 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 percent of leadership effectiveness are common rules that leaders master. For the second, question, we tried to figure out what represents this 60 to 70 percent. Synthesizing the data, the interviews, and our own research and experience, a framework emerged that we published as *The Leadership Code*.<sup>10</sup> These five rules can be readily applied to any group of leaders as shown in Figure 4.

Figure 4 : The Leadership Code



The Leadership Code is organized around five rules that all leaders must follow.

**Rule 1: Shape the future.** Strategists answer the question “where are we going?” and make sure that those around them understand the direction as well. They not only envision; they also can create a future. They figure out where the organization needs to go to succeed, they test these ideas pragmatically against current resources (money, people, organizational capabilities), and they work 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 organization to create and respond to that future.

**Rule 2: Make things happen.** The Executor 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 happen, assign accountability, know which key decisions to take and which to delegate, and make sure that 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.

**Rule 3: Engage today’s talent.** Leaders who optimize 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 organizations, engage them, communicate extensively, and ensure that employees turn in their best efforts. Talent managers generate intense personal, professional and organizational loyalty. The rules for talent managers center around resolutions that help people develop themselves for the good of the organization.

**Rule 4: Build the next generation.** Leaders who are human capital developers answer the question, “Who stays and sustains the organization for the next generation?” Talent managers ensure shorter-term results through people while human capital developers ensure that the organization 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 organization 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 that the organization will outlive any single individual. Human capital developers install rules that demonstrate a pledge to building the next generation of talent.

**Rule 5: Invest in yourself.** 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 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 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 organizations.

- All leaders must excel at personal proficiency. Without the foundation of trust and credibility, you cannot ask others to follow you. While individuals may have different styles (introvert vs. extrovert, intuitive vs. sensing, etc.), any individual leader must be seen as having personal proficiency to engage followers. This is probably the toughest of the five domains to train and some individuals are naturally more capable than others.
- Most successful leaders have at least one of the other four roles 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 strategic, execute, manage talent, and develop future talent. There are behaviors and skills that can be identified, developed, and mastered.
- The higher up the organization 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 synthesize and summarize leadership, but we continue to believe that we have captured the essence of what attributes effective leaders need. We have looked for things that do not fit within these five factors, but we have not found them. Our second principle (leadership basics) adds to our answer to, “What is leadership?” by synthesizing the myriad leadership traits, competencies, attributes, behaviors, values, and expectations into these five basic factors.

### Principle 3: Create leadership brand: How do we develop leadership (not just leaders) from the outside-in?

The Leadership Code focuses on the personal characteristics of the individual leader. But, in our question for delivering long-term value, we see two shifts. First, we want to study both *leaders and leadership*. They’re not the same thing. 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 emphasizes the quality of leadership capability throughout the organization. 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.

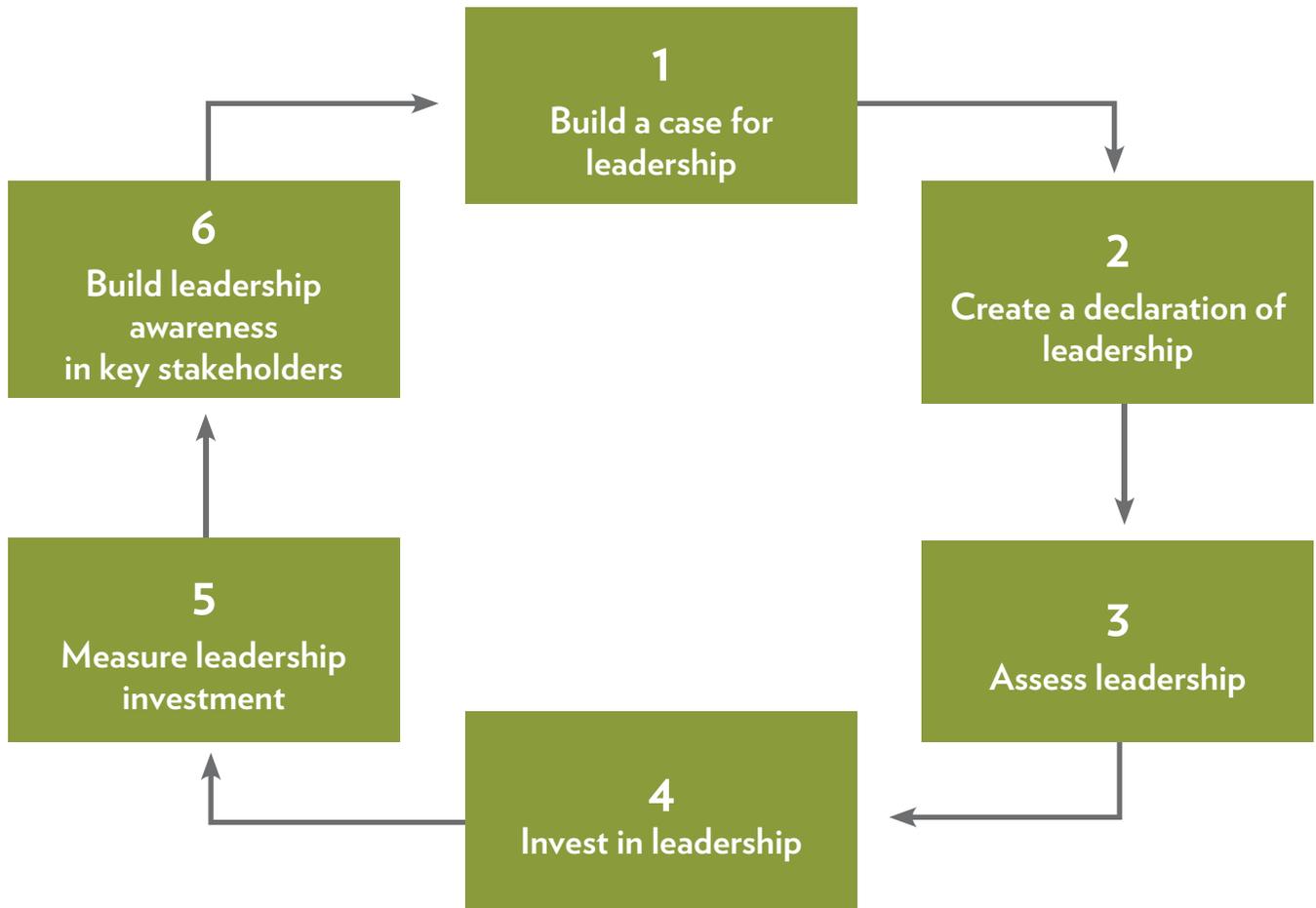
Second, we want to focus leadership from the outside-in, not the inside-out. The outside-in focus emphasizes the results that occur from good leadership. In the literature today, leaders are told to “build on their strengths,”<sup>11</sup> but we think they should “build on their strengths *that strengthen 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 (or outside-in). We have written about culture as a firm brand and identity of the firm in the mind of the best customers.<sup>12</sup> When leadership criteria begin and end with customers, they are more likely to endure.

We coined the term and wrote the book *Leadership Brand* 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.<sup>13</sup>

Brands change with consumers. For years, the Pillsbury Doughboy was a cute, chunky icon of the Pillsbury product line. With today’s emphasis on healthy eating choices and lifestyle, however, the Doughboy went on a diet and adapted to current consumer conditions. Similarly, Kentucky Fried Chicken became KFC, March of Dimes went from solving polio to childhood diseases, Marriott went from hotels to retirement centers, and 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.

Figure 5: Steps to Leadership Brand



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

**Step 1: Create a case for leadership.** In our first principle (leadership matters), we show that effective leadership increases customer share, investor confidence, organization 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 (leadership basics), the Leadership Code defines what individual leaders need to be, know, and do. The breadth and depth of the five code categories assure 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 inside. It tells a story, and it applies to all leaders throughout an

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

When we work with companies to complement their leadership basics with their unique leadership differentiators, we like to review an organization's customer or marketing campaign. We ask executives to view commercials, print media, and reputation efforts to capture messages 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, they do not. Most leadership competency models are inside-out, not outside-in. In our study on top companies for leadership with Aon-Hewitt and Fortune, we found that about 95 percent of the

400-plus companies studied have a competency model. However, few of the companies linked the leadership competencies to external customer (or investor) expectations; but 70 percent 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, as well as 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 organization practices such as 360-degree feedback. We also see 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 instill the leadership brand. We propose an integrated approach to leadership investment would involve 30 percent training experiences, 50 percent work experiences, and 20 percent life experiences.

Training can contribute 30 percent of a branded leader’s overall development when the training is less a discrete event and more an extended experience that supports the participant’s need to change ingrained habits and behaviors over time. Those habits that may have served them well in the past may not support the brand over time. We call this “guest training,” in which participants essentially become “guests” of the business by working on real problems within a team. Guest training is distinct from “tourist training,” in which participants pass through training, but it has little long term impact.

Work experiences can provide 50 percent of a leader’s overall development. These work experiences might include coaches who help leaders improve both their behaviors and results. Work experiences might also refer to being assigned a different function of 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 business). 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. Dell encourages talented

*Figure 6: How 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 experience
- 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

leaders to participate in networking, job exchange, coaching, and mentoring assignments. Figure 6 offers examples of how leaders could choose to expand their abilities:

Life experiences may contribute up to 20 percent 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 formalize 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 organization settings. This means tracking both the leadership investment (such as coaching) and the outcome of the investment (behavior change, financial results, intangible value). Second, the leadership investment should respond to the need presented in principle one. 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 a product brand, there must be both efficacy and awareness. Efficacy in leadership means that we have built an organization capability that develops those who get the right results the right way. Awareness means this capability is recognized internally and externally. To accomplish this there is a need to communicate to stakeholders about intent

and results of the organization's quality of leadership. Results need to be linked to investments in leadership. Companies like Berkshire Hathaway use their annual report to describe leadership effectiveness. McKinsey touts alumni and their accomplishments on their website. CEOs communicate to analysts about the quality of their leadership so that there is support and understanding for these investments.

In addition, it's 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 should be aligned such as performance appraisals, compensation, and training and development.

By embedding leadership into the infrastructure of the organization, we further answer 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 organization to customer expectations outside.

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

#### Principle 4: Ensure leadership sustainability: How do leaders make long term change really happen?

We have three answers to our question "What is leadership." Leadership matters, we must do the basics, and we have to build the leadership brand. 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 will 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 organizations make investments in leadership development that have the desired long term results? In brief, 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 dive, competency-based assessment of a very senior leader. In that assessment, he used multiple psychological instruments, did a

leadership 360-degree assessment, 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. Ninety percent of behavior is habit and routines and routines are very difficult to change:

- 98 percent of us fail at keeping New Year's resolutions to change bad habits.
- 85 percent of us have had bosses who tried – but failed – to get us to improve performance.
- 70 percent 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 counseling saves fewer than one in five couples on the brink of divorce.

Industries have grown up around changing bad habits, such as 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 recognize and delineate the results they want to achieve and the knowledge and skills they require to achieve those results; they must also have the willpower and discipline to sustain those changes.

To enable leadership sustainability we have culled seven attributes of leadership practices from multiple disciplines:<sup>14</sup>

**Simplicity.** Simplicity means that the leaders focus on a few key behaviors 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 prioritizing on the behaviors that matter most, shifting from analytics with data to action with determination, framing complex phenomenon into simple patterns, and sequencing change.

**Dedicated time.** We often ask leaders we coach to tell us their priorities. This most can do. Then we ask them to review their calendar for the last 30 or 90 days and show us how much time they spent on these priorities. Leaders put their desired behaviors into their calendar and this shows up in how they spend their time. Employees see what leaders do more than 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. Over time, this cycle of failure breaks down trust and erodes commitment. Leadership sustainability requires accountability where leaders take personal responsibility for making sure that 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.

**Dedicated resources.** Leaders dedicate resources in order to support their desired changes with coaching and infrastructure. Resourcing implies institutionalizing. Steve Kerr, former Chief Learning Officer at GE and Goldman Sachs makes the clever observation that a training challenge is to make an unnatural act (e.g., listening to others) in an unnatural place (a training program) a natural act in a natural place. Coaching and HR practices create part of the infrastructure of sustainability. Marshall Goldsmith found that when leaders have on-going coaching, they are much more likely to enact desired behavioral 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 organization's culture. Selection, promotion, career development, succession planning, performance reviews, communication, policies, and organization 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 behavior and results in specific ways. Unless desired leadership behaviors and changes are operationalized, quantified, and tracked, they are nice to do but not likely to be done. Effective metrics for leadership behavior 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 meliorate when they improve by learning from mistakes and failures and demonstrate 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 will eventually come to pass. Leadership sustainability requires that leaders master the principles of learning: to experiment frequently, to reflect always, to become resilient, to face failure, to not be calloused to 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 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 principles for leadership sustainability. When we coach leaders, they often realize 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 principles spell START ME. We think this is apt because sustainability starts with me. These seven practices turn hope into reality. When I apply the principles I become a better leader – one who gets things done and knows how to make them stick.

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

## Conclusion

We title this paper, "What is Leadership?" because 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 have found four principles that answer the question in our title:

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

2. Effective leaders have nailed the fundamentals. There are some basic rules that all leaders need to master. Absent mastery of these five basics, leaders will be burdened by their weakness. Leaders need to shape the future, get things done, manage others, invest in others, 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 like to endure.
4. Effective leaders ensure leadership sustainability. Leadership is an enduring pattern not an isolated event. When leaders change their pattern of behavior 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 among the literature. 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 organizations. ■



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