

Improving Company Performance through Leadership Effectiveness

How many companies leave profit or other value on the table when their leadership teams don't perform to the height of their capability? Improving leadership effectiveness is a fundamental and reliable way of increasing the profit and long-term success of your business. Committing to improving leadership effectiveness and utilizing proven approaches can take you to a new level of profitability, opportunity and satisfaction.

Leadership performance affects results

In small and mid-sized organizations, the impact of the leadership and in turn the management team is strong. (We'll refer to the CEO and management team as the "leadership team" and its effectiveness as "leadership effectiveness".) In our work, we see organizations that have very different success and financial performance due to their leadership effectiveness, as well as other factors of course.

Our experience with small and mid-sized growth organizations suggests the effectiveness of leadership teams is only being developed and accelerated at some organizations. This is unfortunate because the growth of these organizations is likely to correlate to the growth of the leadership teams.

Are you developing leadership effectiveness?

There appear to be three responses to the issue of leadership effectiveness:

- In Company A, leaders talk openly about leadership effectiveness, commit to it, improve it and demonstrate this through metrics.
- In Company B, leaders talk about leadership effectiveness but may not fully understand or commit to the journey. Leaders may seek education but don't actually visualize and practice the personal changes that are necessary. Team members hope for

improved leadership effectiveness, but they aren't holding their breath.

- In company C, leaders don't talk about leadership effectiveness. They shy away from it as a rather intimidating discussion. Team members and others aren't hopeful or optimistic and this has many repercussions.

So other things being equal, in which company would you choose to invest your time or money?

No time to lose

Leadership effectiveness has advantages for the leaders, shareholders and staff of companies but it isn't universally embraced. Many things get in the way of improving leadership effectiveness including good results (good is the enemy of great), current workload, ego, politics, and trepidation.

There is no time to lose in making leadership effectiveness a focus. Academics tell us that top performers require 10 years of concerted practice and continuous improvement to reach a world-class performance. And the best don't stop or plateau! Have you and your team been practicing hard for the last ten years?

Even when organizations are producing favourable results, the race is on to grow leadership effectiveness. Many times leadership effectiveness hasn't been fully tested by economic cycles, changed market structure, new buying criteria, unexpected competition, new markets, acquisitions, succession or fast growth. Whether you believe you are maximizing your returns in a buoyant market, recession-proofing your company, or building your company for significant growth, you certainly want to use your management time to ensure you are building an enduring company.

Don't expect magic — expect improved planning, execution, teamwork, morale and results.

Tips for improving leadership effectiveness

The journey that is leadership effectiveness is different for each individual and each team. There isn't a right or wrong approach. It has more to do with recognizing the growth opportunity, "showing up" for this growth opportunity and practicing.

We would suggest the following as points to consider on your journey:

- Leadership effectiveness is a starting point, not something to be added on. It is the engine not the caboose.
- Who in your organization has embraced improving leadership effectiveness and what does this tell you?
- How do you benchmark leadership effectiveness? Is your company performance better than similar organizations?
- If you don't know how effective you are then get an objective assessment.
- Make sure that the leadership team understands the biggest wins. Do you need alignment, teamwork, a better strategy or first a solution to the sales issue? Maybe you need all of these to accomplish your goals.
- If you aren't confident you know what outcomes you should achieve, then ask someone who has been through a leadership effectiveness journey.
- Encourage the feedback loops. Ensure you are getting honest, constructive feedback from the employee base and the management team

is engaging in an open discussion related to leadership effectiveness.

- Based on the results you plan to achieve, document how you will reach these goals and how you will measure these goals.
- Make it visible. Plan, assess, and report to the stakeholders.
- Don't expect magic—expect improved planning, execution, teamwork, morale and results.
- Coach and support team members through this process. In the case of CEOs, this refers to mentors and boards and good governance structure.
- Create the feedback and incentive system for people to change—feedback, peer influence, performance and compensation plans.
- Changed behavior leading to improved results is what counts. If you have a method to improve leadership effectiveness, teach and implement the idea quickly to gain real traction.
- Books, courses or other stimulation have their place but may not change behaviour.
- Remember that real improvements in leadership effectiveness ultimately come from new behaviours and approaches and practicing these regularly.

Finally, think of it as a journey. Make sure everybody is on board for the destination. Make sure you get traction. Go a long way.

This article is part of a Next Stage Consulting series focused on building shareholder value through growing human capital. Larry Smith, B.Sc., MBA, CMC is the President of Next Stage Consulting based in Kelowna, Canada. Comments or Questions? Contact lsmith@nxtstage.com

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