



# LEADERSHIP DEVELOPMENT 6.0: Connecting Leadership Development with Drivers of Business Results

*by Jack Zenger and Joe Folkman*

Like all fields, the discipline of leadership development seeks to constantly improve. Another discipline that strives for continual progress is the field of medical practice. We can read on a daily basis about medical studies and programs that aim to help us live healthier, longer lives. The health care system conducts an enormous amount of research as they attempt to push back the borders of knowledge. In this article, we propose looking to the field of medicine for powerful lessons that can apply to all disciplines. We believe they apply particularly well to leadership development.

## MEDICAL PRACTICE IN THE 1970s

In the 1970s, a now widely acclaimed physician, Dr. David Eddy, sought to understand why the medical community wasn't more successful in treating a variety of medical conditions. He concluded: "The problem is that we don't know what we're doing." He argued that there was simply no evidence that many widely used treatments and procedures worked any better than other far lower cost choices. Dr. Eddy's concern led him to pioneer a revolution called "evidence-based medicine." Eddy had been a practicing cardiologist, but because of his concern that many medical decisions were not scientifically justified, he went on to become a statistician and health care economist. He estimated that in 1970, only 15% of what physicians did had any scientific evidence to support it. He personally led the charge that ulti-

mately brought about many profound changes in the practice of medicine. Examples are:

- He proved the annual chest x-ray was of no value.
- He reversed the commonly held belief that a woman who once had a cesarean section could never have a vaginal birth. (That myth was tracked to one obstetrician who had made this claim at medical conferences.)
- He proved that pap smears for women with low risk of cervical cancer were a waste of money.
- He conducted research on patients with diabetes showing that using aspirin and drugs to reduce blood pressure and high cholesterol produced better results than more expensive treatments.

As could be predicted, some medical practitioners welcomed Eddy's research. But others were extremely slow to respond. While progress has occurred, Eddy contends that the proportion of medical choices which are scientifically justified is still troublingly low—somewhere in the range of 20–25%.

## LESSONS TO BE LEARNED FROM MEDICINE

We commonly assume that medical practitioners advise treatments based on some evidence that they will work.

However, clinical practitioners are generally not positioned to bring science and rigor to the practice of medicine. The large-scale evaluation of medical practice is simply not feasible for the practitioner, and for good reasons:

1. They do not have access to large bodies of data.
2. They do not always have the training to analyze data to discover trends.
3. They are caught in their own belief systems of what works and what doesn't.

When a person with skill and training can analyze large bodies of data, insights emerge and conclusions can be drawn that truly benefit the discipline.

### APPLYING THESE LESSONS TO LEADERSHIP DEVELOPMENT

Would our discipline benefit from a more “evidence-based” approach? Every practitioner we’ve approached immediately says, “Absolutely.”

Most Human Resource practitioners and business leaders are familiar with the incredible variety of activities that are conducted in the name of “leadership development”. These range from the traditional techniques used in an MBA course all the way to swinging from ropes and kayaking in white-water rapids. The obvious question is: “Which of these activities produce real value?” The truth is, we simply don’t know. Leadership practitioners *believe* each program has value, but in fact, there has been little or no research to confirm which of these activities really works. We don’t know which ones teach important lessons that stick with the participant and get applied, and which don’t.

Leadership development will leap to much higher levels only when we begin to engage in more evidence-based research. In fact, this approach will likely lead to many changes in what we do, if practitioners will conduct and access research and make corresponding changes to their practice. Like medical practitioners we face the challenge of how to feasibly make this happen in organizations. In this paper we describe one tried and tested approach to creating a more evidence-based leadership development practice. Before we do that, however, it makes sense to look back on how the field of leadership development has evolved to where we are.

### WHERE ARE WE NOW?

Here’s our broad-brush view of the major evolutionary steps that have occurred that have led us to “Leadership Development 6.0:”

- 1.0 Leadership development began in the mid-1900s when schools of business began teaching about leadership—especially the need to *balance the treatment of people with the need to obtain immediate business results*.
- 2.0 The second stage recognized the need to move leadership development from a purely cognitive exercise to a more *behavioral or skill-based approach*. Teaching people new concepts and ideas was not sufficient. These had to be put into action.
- 3.0 Improved teaching methods were then introduced. Going far beyond lectures, *highly engaging learning methods* came into vogue. These included case studies, laboratory learning, action learning, simulations, practice and rehearsal of challenging interactions, and the use of small group discussion.
- 4.0 Leadership development then adopted *newer technologies* to deliver the teaching of knowledge and skills. These included a variety of e-learning methodologies. This allowed large, widely distributed populations to be reached in an economical way, and supplemented traditional instructor-led methods.
- 5.0 The most recent stage of leadership development *shifted control and responsibility to the individual*, rather than having it rest primarily with the organization. The leadership development process became more personalized, with individuals tailoring their development to their individual needs, rather than the “sheep dip” method in which participants attended large classes that taught everyone exactly the same thing.

### AN IMPORTANT CROSSROAD

We are now poised for the next logical phase in this evolution. Here’s our view of what that will be.

One approach could simply be to analyze each of the various leadership development techniques being used by practitioners. Each could be measured for

its ability to teach lasting concepts that are applied on the job. This would appear to some as the next logical step, but we think it misses an important dimension—the critical importance of evaluating leadership development efforts by their direct impact on business results.

**6.0** *In this next stage, we believe leadership development will become directly linked to the key business results and strategies of the organization. The effectiveness of leadership improvement efforts will be measured in large part by the impact they have on those results. This link will be the “evidence” that has been missing from previous leadership development approaches.*

Of course, the first step is to clearly define those desired business results so that leadership development can be tailored to achieve them. In an earlier article one of the authors wrote: *“Organizations often embark on leadership development because they ‘ought to be doing something to develop their leaders.’ With the best of intentions, they initiate a major effort. What’s usually missing is a clearly stated business objective for the outcome. Absent clarity about the business purpose, it’s impossible to evaluate the effectiveness of an activity.”*<sup>1</sup>

### Why has the connection between leadership development and the organization’s strategy/results been largely ignored?

It is the exceptional organization that makes any overt, hard-wired connection between its leadership development activities and important strategic objectives. Yet most business leaders would readily acknowledge that a strong connection should exist. We’ve asked this question numerous times, and no one disagrees philosophically. Development activities and business results however, are often like ships passing in the night.

This lack of connection is especially hard to justify when the enormous expenditures of time and money on leadership are given any scrutiny. It is estimated that a total of \$109.25 billion was spent on learning and development in 2006 in the U.S., and historically, 18% of the total was spent on the middle management and executive groups. That would equal approximately \$21 billion dollars.

<sup>1</sup> “The New Leadership Development,” Jack Zenger, Dave Ulrich, and Norm Smallwood, T+D Journal, March 2000.

### Why hasn’t this connection happened before now?

Here are some possibilities:

1. Much executive education and leadership development has been supplied by universities. Participants came from a variety of companies in public sessions. Linking the learning objectives to any one company’s strategy or business outcomes seemed impossible.
2. Leadership development has most often been driven by needs observed from the past, not those anticipated in the future. *Seldom have organizations defined the areas in which they need to excel going forward.*
3. Leadership development was a staff function, quite separate from line operations. Line executives did not expect staff functions to have improved business results as their objectives. At the same time, the leadership development function—usually imbedded in the HR staff area—was often not privy to the latest strategic thinking of the line executives.
4. The idea that leadership development processes could directly target an important business strategy was a foreign thought to most line managers.
5. Practical mechanisms to link these two elements were not yet conceptualized and developed.

In sum, business results and personal development plans were disconnected for a variety of reasons. We propose that overtly connecting leadership development to drivers of needed business results represents an extremely important and missing step in the evolution of leadership development.

### How it can be done

We suggest a four-step process to accomplish this objective:

1. Include the desired outcome measures in the tools used for development.
2. Determine the leadership behaviors that drive these outcomes.
3. Provide development that magnifies these key behaviors.

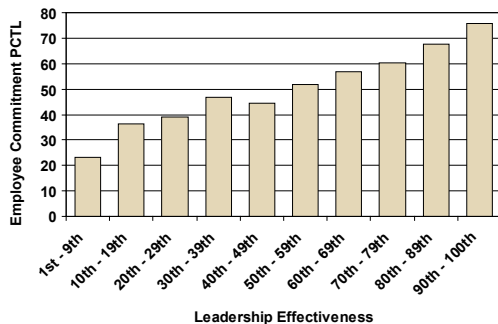
4. Establish practical methods for following up with participants.

The following two cases studies are examples of applying this approach:

### 1. CASE STUDY ON “EMPLOYEE COMMITMENT”

Our first foray into making this direct link between development and results began when we included an “outcome” measure into our standard 360-degree feedback process. We assume most readers are familiar with a typical 360-degree feedback instrument in which a leader asks direct reports, peers and one or more bosses to complete a questionnaire about the leader’s behavior. This information is compiled and provided to the leader in a summary report that includes detailed statistical information for each of the categories (such as “collaboration and teamwork”) and each item in that category (“To what degree does this person involve individuals from other groups in decisions that impact them”). The report to the individual also displays how this person compares to some normative standard.

Our research revealed that leaders’ behavior had an enormous impact on employee commitment. Based on an analysis of 110,848 questionnaires from over 50 different organizations, we identified 5473 leaders with both leadership effectiveness ratings and employee commitment results. We divided leaders into deciles based on their aggregate 360 scores, and examined subordinates’ commitment for each level of leadership. Here are the results of that study:



Leaders in successively higher deciles generally had employees with increasingly higher levels of employee commitment and satisfaction. This clearly shows that effective leadership behavior is highly correlated with employee commitment.

Taking this a step further, the bottom-line implications of “employee commitment” have been illustrated by research done within the Sears organization. This research showed that a 5% improvement in employee commitment and satisfaction improved customer satisfaction scores by 1.3%, which in turn drove retail store sales improvement by 0.5%.<sup>2</sup> In other words, employee commitment can and does have a powerful impact on business results.

For those reasons we experimented with including a measure of “employee commitment” in a standard 360-degree feedback instrument. These are the steps we followed and recommend to others:

#### Step 1. Include outcome measures in the tools used for development

We inserted into our 360-degree feedback instrument five questions that we had found over the years to be a powerful measure of employee commitment. These questions were answered only by the “direct reports” of the leader. These questions included items such as: “I rarely think about quitting and going to another organization”, or “I would recommend this organization to a friend as a good place to work”. It is important to keep in mind that these questions do not ask for perceptions of how the leader behaves, but about the “results” of this leader’s behavior.<sup>3</sup> We called this an “Employee Commitment Index.”

Because many organizations repeat the 360-degree feedback process every 12 to 18 months, having this information included in the 360 instrument now gave repeated measurement of this outcome over time.

<sup>2</sup> Sears found that a 5% improvement in employee commitment measures led to a 1.3% improvement in customer satisfaction, that in turn led to a 0.5% increase in store sales. See Rucci, A.J., S.P. Kirn, and R.T.Quinn, 1998, The Employee-Customer-Profit Chain, Harvard Business Review, pgs. 82-97.

<sup>3</sup> The difference between these “outcome” questions and the normal 360-degree feedback questions is an important distinction. Here are the differences we see:

- The questions pertain to outcomes being experienced by people, not perceptions of the leader’s behavior
- Elements are involved that often go beyond the leader’s control. For example, there may be specific organizational policies that control the decisions that a leader can delegate, or the size of a purchase that a subordinate can independently authorize.
- The outcome questions may go beyond the immediate work group to include relationships with other departments, suppliers or customers.

## Step 2. Determine the leadership behaviors that drive this outcome

Analyzing the leadership practices of those who received the highest scores on the Employee Commitment Index enabled us to discover which leadership behaviors were most highly correlated to commitment. These correlations oftentimes reveal insights that are counter intuitive. When people intuitively list the leadership behaviors that would most likely leverage employee commitment, they might suggest being supportive, trusting direct reports, or providing them feedback. Results of an analysis of 16,497 direct reports actually shows that the behaviors that do the most to leverage employee commitment, have more to do with inspiring people, providing clear direction, and setting stretch goals.

Top Five Items that Leverage Employee Commitment:

- Inspires others to high levels of effort and performance.
- Energizes people to achieve exceptional results.
- Creates an atmosphere of continual improvement in which self and others push to exceed the expected results.
- Provides others with a definite sense of direction and purpose.
- Is skillful at getting people to stretch for goals that go beyond what they originally thought possible.

*(These results were compiled from some 50 different organizations.)*

## Step 3. Provide development that magnifies the key behaviors

By analyzing the specific results for a particular organization we were then able to focus development efforts on expanding the positive behaviors that drove employee commitment. Our goal was to encourage every leader to behave like those in the top deciles on these key behaviors, because those results were so valuable to the organization.

In one organization, those behaviors that drove employee commitment were:

- Provides others with a definite sense of direction and purpose.
- Is truly concerned about developing others.
- Helps people understand how meeting customers' needs is central to the mission and goals of the organization.
- Keeps people focused on the highest priority goals and objectives.
- Is careful to honor commitments and keep promises.

While in another organization those behaviors were:

- Energizes people to achieve exceptional results.
- Gives honest feedback in a helpful way.
- Inspires others to high levels of effort and performance.
- Creates an atmosphere of continual improvement in which self and others push to exceed the expected results.
- Finds ways to improve new ideas rather than discourage them.

It appears from our experience so far that what drives employee commitment is organization specific. One solution does not fit all. We have found that even within an organization there are often different key drivers for each division or functional area.

After clearly identifying the needed behaviors, it becomes relatively easy to construct appropriate developmental experiences. For example, if one of the driving behaviors to obtain greater employee commitment is the regular practice of leaders asking for advice and recommendations from all members of the team, that skill can be demonstrated and practiced in leadership development sessions. Any of the ten behaviors described above can be effectively taught to leaders.

#### Step 4. Establish specific methods for following up

Next, we put in place some mechanisms for following up on how often new behaviors are practiced.<sup>4</sup> Much research confirms the importance of follow-up to insure that something actually happens in the aftermath of development efforts.

Such follow-up can occur in a variety of ways:

- Telephone calls
- Additional development sessions
- Written reports
- Managerial discussions
- Periodic 360-degree feedback reports for leaders
- Organizational surveys
- Web-delivered email reminders and follow-up system

We have been extremely impressed with the economy, speed and convenience of a web-delivered follow-up system.

## 2. CASE STUDY ON “DECISION MAKING”

After seeing the value of adding the employee commitment index, we reasoned that a variety of different outcomes could be measured such as:

- Strategic clarity
- Efficiency
- Collaboration
- Ethics and integrity
- Decision making

<sup>4</sup> Software programs are available that efficiently require participants to enter commitments they make during development planning into a database. The participant then receives periodic reminders to update the database with information about the amount of effort they have put into completing their goal, how much progress they have made, a brief description of what they have done, and finally an indication of actions that are planned for the coming period of time. This specific follow-up greatly enhances the degree of implementation.

Our second case study involved the outcome of improved “decision making.” One of our clients concluded that improved “decisiveness” on the part of its leaders was an important component of their future success. They believed that prompt decisions and good decision-making techniques were critical to their organization’s performance.

Here’s how the four-step process was applied in this case:

#### Step 1. Include outcome measures in the tools used for development

With the client’s assistance we developed four questions that measured the decision making quality as seen by the people who reported to a given leader.<sup>5</sup>

The questions were:

1. I feel I have enough involvement in decisions that impact my work
2. Decision making authority and accountability are clearly defined between locations, divisions and functions.
3. I am empowered to make the decisions necessary to do my job.
4. We make decisions quickly and avoid becoming stalled.

Again note that these questions do not measure the leader’s behavior, but go beyond that to measure the current state of “decision making” as seen by the people inside the organization.

#### Step 2. Determine the leadership behaviors that drive this outcome

By establishing this outcome measure, we then determined those behaviors measured by the 360-degree survey that were most highly correlated with “Effective Decision Making.”

<sup>5</sup> While this is one good measure of the quality and speed of decision making, other measures may also be used. It is clearly possible to find outside experts to evaluate the quality of decision making, or ask senior executives to assess the decision making practices of an organizational sub-unit reporting to them. If this were a different topic, such as the level of customer satisfaction being delivered by this organization, hard data could easily be obtained from other relatively objective sources.

## Top 5 Individual Behaviors Correlated With Effective Decision Making

The results of this analysis were:

1. Has the courage to make the changes that will improve the organization.
2. Makes the difficult decisions required to implement business strategy.
3. Is able to make decisions and continually move forward in the face of constant change.
4. Makes high quality decisions by ensuring the right people and methods are used.
5. Inspires others to high levels of effort and performance.

These 5 leadership behaviors became a roadmap for creating the developmental plan.

Because of a strong technical leaning by members of the leadership team, there was an unending quest for more and more data even when further information was not available. The data analysis highlighted the fact that at some point leaders needed to have courage and just make the decision. Sometimes the decisions were not popular but were the right thing to do for the business. Leaders needed to step up and make the decision, and no amount of additional data, studies and information was going to make that difficult decision easier to make.

### Step 3. Provide development that magnifies the key behaviors

With the important behaviors defined, creating targeted development experiences became relatively easy. Such development could include:

- Behavior modeling that uses video tapes or DVDs to present powerful examples of these behaviors being well executed.
- Conceptual explanations of the important steps to follow in applying this skill, followed by practicing the application of those skills to real life situations.
- Case studies that illustrate people displaying these behaviors
- Role-playing

- Simulations that require the use of this behavior
- Small group discussions
- e-learning tools

When the leaders in one organization were asked what they would recommend to improve decision making in their organization, they developed a useful list of changes. Here's their list:

1. Delegate more
2. Decentralize decision making
3. Empower employees at lower levels to make more decisions
4. Work to streamline processes
5. Stamp out bureaucracy that unnecessarily controls people
6. Managers need to do less micro-managing
7. Exhibit more trust in the people we work with
8. Create more transparency in the decision making process management uses
9. Make decisions faster
10. Clarify roles and responsibilities so people know what decisions they can and cannot make

The challenge is then to help this team make their list of new behaviors operational and measurable.

### Step 4. Establish specific methods for following up

Following any developmental activity, if the organization implements some procedures for follow-through, excellent results will be more likely to follow over an extended time period.<sup>6</sup> The same steps outlined in the first case study were applicable here as well.

## OUTCOMES OF THIS APPROACH

While we are in the early stages of exploring the ultimate payback from this approach to developing leaders, initial results are extremely promising. For example:

<sup>6</sup> The same follow up methods suggested in the first case apply to this second case study.

- One organization that wanted to improve employee commitment began with scores at the 40<sup>th</sup> percentile. Two years later their Employee Commitment Index had risen to the 70<sup>th</sup> percentile. Changed leadership behavior appeared to be the major factor responsible for this.
- The organization that sought to improve decision making made some dramatic efforts for change. Each leader in the organization had an individual action plan and the senior leadership team identified five issues that cut across the division. Because each manager and supervisor received individual assessments on their personal decision making effectiveness and their effectiveness on specific leadership behaviors, each person was able to create a personal action plan to improve personal decision making.

## CONCLUSION

Leadership 6.0 essentially brings an “evidence-based” approach to leadership development. It identifies specific organizational outcomes along with leadership behaviors that produce desired outcomes. It brings additional tools to measure important business results, (or the drivers of those results.) It creates a visible, measurable link between our development activities and those results. We can now measure the success of various developmental procedures and discard those that don’t work.

In the past we attempted to develop leaders who were effective at everything. This often overwhelmed leaders without providing them specific recommendations on what was required to achieve the desirable outcomes. This new approach provides greater precision and insight on how to effectively develop leaders. In utilizing it, we can focus our efforts, reduce wasted development, and ultimately produce greater success.

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