

# CAN BANKING LEADERS CHANGE?

Not all banking leaders are prone to resist change. During this leadership initiative we found that leaders in the best bank were open and willing to improve.

## THE CHALLENGE

In this case study, we examine the results of eighty leaders who comprise the top three levels in a division of a large North American bank. The division's senior leader strongly believed that their success was dependent on having excellent leaders at all levels of the organization. Knowing that several of their high-performing leaders were all nearing retirement, he wanted to assess the leadership capability of the top three levels in the division.

They turned to Zenger Folkman to accurately measure their leaders. With Zenger Folkman's evidence-based approach to development, they knew Zenger Folkman would not only provide them with the most accurate measure but ultimately create the best climate for improvement.

## THE SOLUTION

Zenger Folkman started the development process with a 360 assessment of all eighty leaders. It was important that the most senior leaders participated in the assessment. Because the senior leaders were active role models, they created a new cultural norm across the organization to improve their leadership capabilities together.

After the feedback was collected, each leader received their results, attended a development experience, then created an individual development plan. They discussed their development plans and met regularly with their managers for support and to discuss progress. Three months after the experience all managers were given a follow-up survey assessing their direct report's efforts to improve. After eighteen months, all leaders participated in a reassessment of their leadership skills to assess progress.

The pre-test assessment results indicated that the group of eighty leaders was rated at the 57th percentile on their overall leadership effectiveness relative to the Zenger Folkman normative database. The leaders were surprised that, as a group, they were just 7 percentile points above average in their leadership. One leader commented, "We just assumed we were terrific leaders, but we never had a way to assess our effectiveness compared to others." Getting an accurate sense of where a group is starting from provides additional motivation for improvement.

## AT A GLANCE

### The Challenge

- With a number of high-level leaders nearing retirement, this large North American bank wanted to ensure future organizational success by increasing leadership effectiveness across the organization.

### The Solution

- Engaged Zenger Folkman's evidence-based services to measure leaders and establish a leadership development strategy to ensure the maintenance of strong leadership across the entire division
- All 80 leaders in the division participated in *The Extraordinary Leader 360-degree Assessment*
- Each leader reviewed and used their results to begin an individualized development plan

### The Results

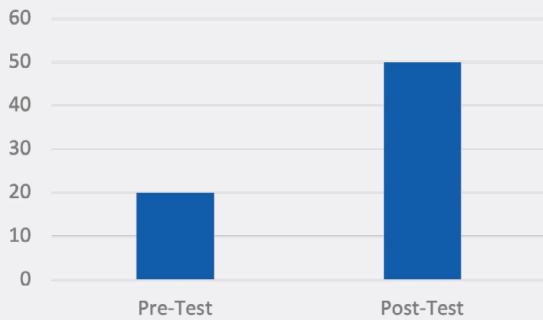
- Manager involvement was key to improving overall leadership effectiveness scores.
- Post-test results showed statistically significant improvement across leaders in the division.
- Non-linear development techniques helped leaders increase the number of 90th percentile competencies.

## THE RESULTS

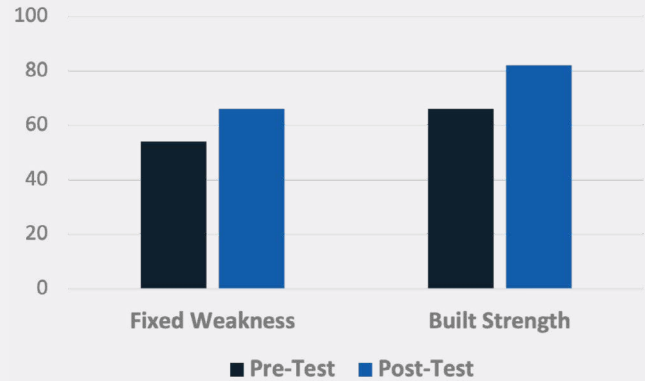
After eighteen months of developmental activities, the post-test results showed a significant level of improvement. The overall effectiveness score for the group of eighty leaders was at the 65th percentile or 15 percentile points above average. These results represent a highly statistically significant level of improvement.

One of the keys to this improvement came from the strength-building approach. The Zenger Folkman research found that great leaders were defined by the presence of strengths, not the absence of weakness. By utilizing the non-linear development techniques, 34% of the leaders increased the number of competencies at the 90th percentile.

### Improvement of 11 Leaders with Fatal Flaws



### Leaders Who Focus on Strengths Make Bigger Improvement



Not every leader in the process improved. Upon analyzing the data, we found that while 70% of the eighty leaders raised their overall leadership effectiveness score, 30% did not.

### LEADERS WITH FATAL FLAWS

Looking at those who improved tells an interesting story. Although Zenger Folkman’s approach is to encourage leaders to focus on their strengths, there is one exception to that advice. While everyone has weaknesses, not everyone has a fatal flaw. A fatal flaw is defined as a weakness at or below the 10th percentile. This represents a leadership skill that is rated extremely negative and can have a detrimental effect on a leader’s performance. Within the group of eighty leaders, fifteen had one or more fatal flaws. The presence of the fatal flaw has a significantly negative impact on the perceived overall effectiveness of leaders. In Zenger Folkman’s global data, people with one or more fatal flaws have an average leadership effectiveness rating at the 18th percentile. By analyzing those fifteen leaders in the case study, we found that eleven of the fifteen made a significant improvement in their leadership effectiveness.

The eleven improving leaders with fatal flaws moved from the 20th percentile in the pre-test results to the 50th percentile in their post-test. This is a 30 percentile point improvement, which is highly statistically significant. Some people are pessimistic about leaders with flaws having the capability to change. However, it is obvious from the results that people with sufficient motivation can change.

### IMPACT OF BUILDING STRENGTHS

We find that even though we encourage people to build their strengths, most continue to focus on fixing their weaknesses. Those leaders without fatal flaws were encouraged to build their strengths. Leaders who focused on their weaknesses experienced a 12 percentile point improvement. That is a significant positive

change. However, those who chose to build their strengths made a 26 percentile gain in their overall leadership effectiveness. When people work on their strengths, there is more motivation and passion for improvement.

### IMPROVED LEADERSHIP EFFECTIVENESS OUTCOME

Zenger Folkman’s research has a body of evidence that leadership skills have a significant positive impact on outcomes such as sales, profitability, customer satisfaction, employee engagement, turnover, and discretionary effort. Research has demonstrated a significant link between employee engagement, customer satisfaction, and profitability in a variety of business settings—including financial services.

The average level of employee engagement in their pre-test for those leaders who improved was at the 60th percentile. The post-test results showed a significant improvement to the 71st percentile. The stretch goal for this group was to move collectively to the 75th percentile. The bottom line is that leadership has a profound effect on the engagement of direct reports, and improvement in leaders is highly correlated with improvement in the engagement of their employees.

### CONCLUSIONS

Leaders in the Banking and Financial Services Industry clearly can change, but to improve, they need an accurate assessment of their current state. We frequently hear that organizations are in a war for talent. The phrase is often pointed toward recruiting talent, but great leaders can be developed from within. Using the right approach and focusing on building strengths provides the motivation and approach to assist an organization to move from merely being good to becoming great.

### GROUNDING IN RESEARCH. BUILT ON STRENGTHS.

Zenger Folkman’s approach makes more of people development, transforming the process into a new, strengths-focused lifestyle that brings science to the art of leadership.