# Linking Leadership Behaviors to Business Outcomes

*By Norm Smallwood*

Over the last 10 years, successive studies from various sources point out that one of the biggest concerns of senior executives is about building better leaders:

- **2019** Conference Board poll of 800 CEOs found that their two of their three top internal business challenges for the year were retaining top talent and developing the next generation of leaders.
- **2014** Deloitte Global Human Capital Trends research shows that leadership remains the top talent issue among businesses around the world, with only 14% stating that they feel their leadership pipeline is "ready."
- **2012** McKinsey asked 500 executives to rank their top three human capital priorities and leadership development was

included as both a current and a future priority by two-thirds of the participants as their number one concern.

- **2010** (IBM) Previously CEOs have identified change as their most pressing challenge. Today, CEOs are telling us that the complexity of operating in an increasingly volatile and uncertain world is their primary challenge. And, a surprising number of them told us that they feel ill-equipped to succeed in this drastically different world.

Given the ongoing challenge, one might think that we are not investing enough to solve the problems. However, the data suggest otherwise. We are spending an enormous amount to solve the problem:

- Approximate global spend on corporate training is $130B.
- The US grew 15% in 2014 to invest $70B on leadership which was the biggest increase in 7 years.
- Consensus that the #1 budget priority is leadership development at 35% or $24B in USA and $45B globally (Deloitte Corporate Learning Factbook).

## Missing Link:

If leadership remains a top priority for companies and companies invest a lot of money and time in developing their leaders, then what's missing in how we're trying to solve this problem?

The adage that to continue to do what we are doing and expect different results

is the definition of insanity applies to leadership. So, either the approach or the expectations need to change.

## Existing Problem:

In our 1999 book, Results Based Leadership, we argued that leadership experts were enamored with leadership attributes which are only able to solve half of the existing leadership dilemma. This bias to attributes or competencies continues
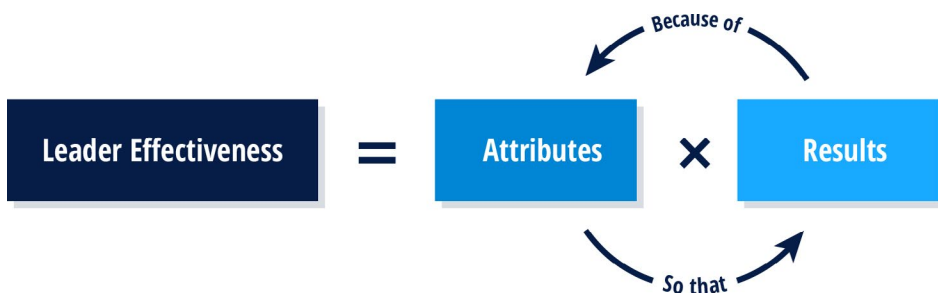


today as evidenced by any popular leadership book about an attribute: emotional intelligence, vision, charisma, agility, resolving conflict and so on. While improving attributes has a positive effect on leadership, it is not enough. The other side of the leadership challenge is results. These results must be balanced across business stakeholders- employees, customers, investors and the organization. Note that there is a multiplier effect in this equation arguing that a low score on either side has significant impact on leadership effectiveness. Effective leaders have attributes times results.

As we applied our ideas to integrate leadership attributes with business results, we realized the value in making the link between leadership behavior and business outcomes explicit. And further, we realized that traditional approaches to leadership, culture, and firm brand identity were too internally focused and siloed within functions to really drive the impactful results our clients sought.

## A Changed Approach:

In order to combat the tendency for internal focus and siloed functions, an outside-in logic must be applied. Considering the market context and corporate and business strategy (as illustrated in Figure 2), an organization is fully equipped to

move forward with the best leadership behaviors in place and linked to business success. Linking leader behaviors and business outcomes requires intentional actions on the leaders' part. Once the ideal behaviors are identified, they can then be linked to outcomes.

Next, we move to Leadership Brand which is derived from Firm Brand Identity. Leaders intentionally build an outside-in, high performing culture that resonates with customers.

Figure 2 shows the elements necessary to measure leadership behaviors and business outcomes:

The outside-in logic must then be passed along to employees and customers by making the firm brand known and expected. Firm brand is the identity of the company in the eyes of target customers. This brand must be made real to both customers and to employees. Southwest Airline's firm brand is, "Cheap, Fun and Ontime." To make the firm brand real to customers, every advertisement as well as customer touch point embodies one or all of these brand messages. To make the firm brand real to employees, HR practices

to hire, develop, compensate, and retain are tied to finding employees who exemplify these brand promises.

So, what does this look like in practice? Here's one example of leadership behaviors: A global hospitality company made a major strategy shift from growing by increasing capacity to growing by developing stronger relationships with targeted customers. This shift was followed by significant investments in reaching out to target customers to inform them of the new value proposition through advertising and brand messaging. Since there was not much impact from the advertising campaign, the senior leadership team invited us to help diagnose the problem. Our insight was that, while unintentional, the new brand was rhetoric to customers because it had not been connected to what leaders or employees needed to do in order to make the new brand real to them. Employees continued to behave as they had done in the past when they interacted with customers. The new branding was creating expectations of an experience that leaders and employees were not prepared to deliver.

To identify what they needed to do to be prepared to deliver the new target experience, we worked with them to define a leadership model aligned to the expectations of stakeholders inside and outside the business. Our approach began with data. What data would help us understand how well property leaders met customer expectations? Which leaders delivered financial performance that contributed to investor expectations? What
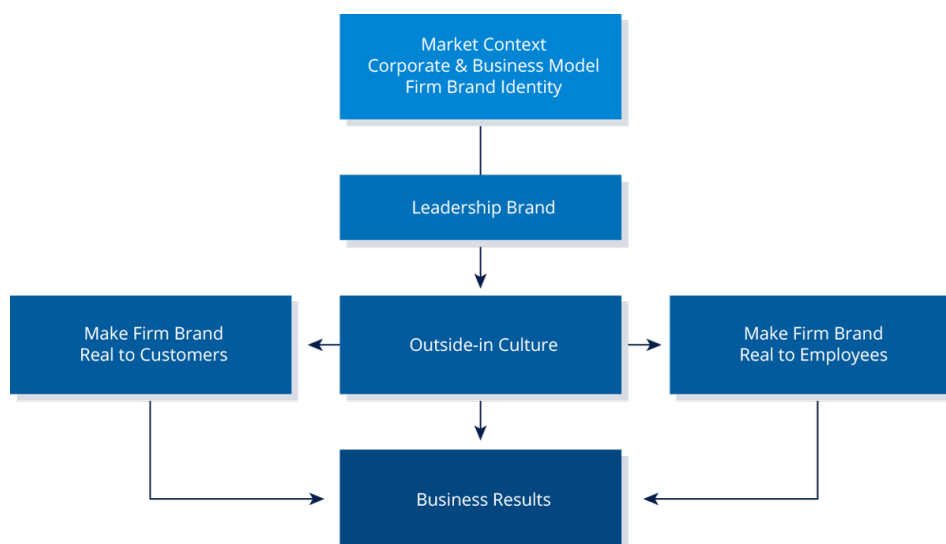
behaviors did leaders exhibit that were effective in engaging their property teams? How did leaders deliver on organizational expectations?

By correlating that business outcome data with the behaviors of property leaders, we were able to identify what good leaders look like—leaders who effectively deliver against all the stakeholder expectations. This data-based, outside-in view of effective leadership ensures the behaviors you are building will lead to the business outcomes you need.

## Summary Thoughts:

In theory and in practice, we have found that taking an outside-in, data-centric approach can answer the question of what good leadership behaviors look like in a way that gets us out of the dilemma of expecting new and different results from the same actions. Identifying behaviors that make the firm brand promise real to customers and employees and then deliberately investing to cultivate and reward those behaviors creates the conditions for your company to begin to see real and measurable results on your investments in leadership.

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