

LEADERSHIP Excellence

Warrin Benoit



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The RBL Group



“We rank Dave Ulrich and Norm Smallwood/RBL #1 in leadership development.”
 —Ken Shelton, editor/publisher since 1984, *Leadership Excellence* magazine

Why Focus on Results?

The RBL Group believes that leaders must deliver both tangible and intangible value to stakeholders by performing on the promises they make. Hence, our work focuses on outcomes, not activities. We help leaders build a brand and exercise competencies to deliver more value in the powerful forms of profitability, productivity, quality and customer delight.

DAVE ULRICH AND NORM SMALLWOOD

Personal Leader Brand

Self-aware leaders may have personal insight and intensity, but unless it is directed in the right ways, it won't have sustainable impact. *A leadership point of view (POV) needs to become a personal leader brand (PLB). Brand focuses outside first, then on the inside. A Leadership POV is internally focused.* 2

DAVE ULRICH AND NORM SMALLWOOD

Leadership as a Brand

A leadership brand represents the identity and repu-

tation of leaders in the company. Leaders demonstrate a brand when they think and act in ways congruent with the desired product or firm brand. A leadership brand exists when leaders at all levels demonstrate a consistent reputation for both attributes and results. 3

DAVE ULRICH AND NORM SMALLWOOD

Leadership Code

Our leadership brand research has led us to two sets of competencies—basic and differentiated. We should measure the extent to which we identify and assess our leaders on both sets. To measure basic competen-

cies, we can map them against the *Leadership Code* competencies. Differentiated competencies can be measured by external stakeholder perception. 4

DAVE ULRICH AND WENDY ULRICH

Abundance Response

As leaders probe *the whys of work*, they empower employees to find personal meaning that creates value for customers, investors, and communities. Abundance implies plenty. If we focus on what we stand to gain from our crises, not just what we stand to lose, abundance thinking can replace deficit thinking. . . . 7

NORM SMALLWOOD AND MARK NYMAN

Strategic Restructuring

Strategy is seldom formulated, articulated, or understood in a way that provides managers with a useful basis for making decisions about restructuring. People often have different things in mind when they use the term *strategy*. These uses fail to provide context that enables people to prioritize effectively or determine what work is strategic to the business. 8

FOR MORE INFORMATION ON THE RBL GROUP VISIT:

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Personal Leader Brand

Go beyond having a leadership POV.



by Dave Ulrich and Norm Smallwood

ONE WAY WE HELP GOOD LEADERS GET better is by inviting them to prepare a statement that reflects their personal *point of view* (POV) on leadership, considering such issues as what leaders believe, how they aspire to behave, and who they are and want to become.

We've enabled individuals to reflect on their leadership in several ways: we've shown film clips of inspiring leaders who articulate their dreams, and then invite the individual to craft a personal vision; we've asked them to do a time log and probe the extent to which their actions reflect their intentions; we've given them feedback assessments that identify their predispositions and style, then helped them create a personal position statement and a career development plan; and we've coached them to be more authentic and true to whom they want to become. These efforts have been rewarding for leaders as they define who they are, what matters most to them, and where they are going—resulting in leadership visions, missions, aspirations, and POVs.

Lately, we've recognized that these efforts complete only half of a successful leadership journey. Self-aware leaders may have personal insight and intensity, but unless it is directed in the right ways, it won't have sustainable impact. *A leadership POV needs to become a personal leader brand (PLB).*

Building a Leader Brand

A PLB has four characteristics:

1. Brand focuses outside first, then on the inside. Most leadership development starts by looking inside. Most POVs begin with "I" statements: *I believe, I aspire to, I want, I hope, I will . . .* These statements have passion, inspiration, and purpose. But they're incomplete. *A brand metaphor focuses on the outside, not inside.* Brand value shows up in the mind of the customer. The pizzazz of Apple, the experience of Disney, the

place of Starbucks, the easiness of Staples, the low price of Walmart are *brand identities* that communicate to customers and investors. Brand power comes from the outside/in.

A leadership POV is internally focused—it's about *who I am as a leader*. A personal leader brand is outside/in and focuses on *how my leadership impacts others*. When a crisis hits, a leader with a personal POV focuses inside to get grounded on values, strengths, and style. This leader has authenticity and emotional intelligence to handle the crisis. But the leader with a personal leader brand perspective asks *how the crisis will affect others*—employees, customers, investors, and communities? This leader's job is to ensure that the response to the crisis serves these stake-



holders. The outside focus determines what is the right thing to do; the inside perspective is about having the character and energy to do the right thing the right way. Both inside and outside perspectives matter, but the sequence must be *first outside, then inside*.

By focusing outside first, leaders ensure that their POV will benefit someone else. Sometimes leaders may have a POV founded on their strengths, but unless they strengthen others, they won't be as valuable or as sustainable. In the movie, "The Bucket List" we learn that the Egyptians believed that the gatekeepers of heaven ask new arrivals two questions about their lives: Did you find joy? Did you bring joy to others? The first question is about building on your strengths to find joy—it is about the self, not others. The second question shifts the focus to helping others find joy. In leadership, this means turning a POV into a brand that serves others.

We recently asked leaders to write their personal POV. Most statements

were consistent with our criteria. But, one stood out as reflective of a PLB:

As a leader, I'm here to serve others and serve a meaningful purpose. I am inspired by the risks we take to deliver greater transparency and value to our customers, to shift the accepted ethical boundaries of the financial services industry. I believe there is always a better way to do business, and superior returns will come with our customers' interests at heart. I hope to be recognized as a leader with courage, who puts the interests of her team and the organization before her own. I strive to make the decisions that are right.

Note that she focuses less on herself and more on the service she provides. Her identity is not from the inside/out but from the outside/in.

Leaders may acquire strengths like authenticity, judgment, emotional intelligence, credibility; however, *until they apply their strengths in ways that create value for others, they won't develop a PLB.*

2. Brand is carried through narrative and story. A leadership POV offers insights and perspectives on what the leader needs to know and do. A PLB offers a story that captures not only *what is known and done*, but also *the emotion and feeling behind it*. Brand has an emotional pull that signals what matters. We wear branded clothing to send a message about who we are. We drive a branded car to communicate our identity. A brand has a personal and public narrative and story.

Leaders who shift from a POV to a brand do more than discuss *what they should know and do to what they feel and value* and ultimately *who they are*. Their PLB offers a narrative about *their identity*.

In helping companies craft a brand that reflects its culture, we often ask, *What are the top three things your company wants to be known for by your best customers in the future?* The responses shift strategy, mission, and vision statements into firm brand and culture. Likewise, we ask leaders, *What are the top three things you as a leader want to be known for?* This question isn't just about what the leader knows and does, but *the identity the leader hopes to create*. This identity forms the leadership story that shapes a personal brand narrative.

3. Brand elicits trust that customers pay for. A hotel we frequent changed its ownership to a different and more respected lodging brand. When we returned after the name change, we paid a 25 percent premium for basically the same room, services, and location. Branded food in malls, airports, and stadiums nets an increase of 20 to 25 percent revenue per square foot.

Branded clothes, pens, shoes, and cars sell for more. Brand also creates intangible market value as investors have more confidence in future prospects.

Leaders who focus on their *brand* elicit *greater productivity* from employees, *more confidence* from customers, and *increased security* for investors. Employees who work for leaders with a strong PLB know more clearly what is expected from them and how to meet the leader's expectations. One leader was known for his passion for innovation and creativity; his employees were willing to take risk, offer new ideas, and challenge the status quo to respond to their leader's brand.

Another leader, known to her customers for her dedication to service, spends much of her time directly with customers, reads and responds to customer concerns, and shops as a *hidden shopper* to have a customer experience.

Brand implies a *partnership* between the firm and its customers. Leaders who coach, collaborate, and communicate are partners with those they lead. They co-create an *agenda for the future* and co-deliver on the shared agenda.

4. Brand is sustainable. Brands have impact beyond any time period, product, or ad campaign. Lasting brands endure because they are patterns, not events. These brands do not emerge merely by rhetoric or design, but by consistent actions over time that communicate and embed a brand promise. Brand recall comes when the brand endures over time and place.

Too many leadership POVs are more rhetoric than resolve, more aspiration than action, and more hopeful than real. Brand promises without results are not sustained. Leadership wish lists need to be replaced with leadership vows. When we ask leaders to prepare their PLB, they commit to *what they have to do to sustain their brand in the eyes of those they serve*. A *brand focus* builds **leadership sustainability**. *Noble ideas* are linked to *daily behaviors* (*simple actions influence long-term results*). *Personal passion* is coupled with *interpersonal awareness* and a *commitment to constant learning*. Personal values create value for others, and endure over time.

We challenge those who develop leaders, and those who want to be better leaders, to move beyond a leadership POV to build their PLB. We make leadership sustainable when we focus outside/in, create stories based on creating value for others, and build trust. LE

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ACTION: Create a Personal Leadership Brand.

Leadership as a Brand

The one brand reflects on the other.



by Dave Ulrich and Norm Smallwood

PRODUCT BRANDS ARE PERVASIVE; IN fact, we buy certain products in part because their brand reflects our self-identity. However, the emphasis in branding has shifted from products to the firms that produce or design them. Today it is less a specific product that entices the customer and more the reputation of the firm—and the firm's brand is sustained and enhanced by the firm's leadership brand.

A leadership brand represents the identity and reputation of leaders in the company. Leaders demonstrate a brand when they think and act in ways congruent with the desired product or firm brand. A leadership brand exists when leaders at all levels demonstrate a consistent reputation for both attributes and results.

Thinking about leadership as a brand offers several insights:

- **Brand has both core and differential elements.** Certain core elements of leadership are common among successful leaders. Leaders need to think about the future and act in the present, engage people and govern organizations, and demonstrate personal qualities that give them credibility. But what differentiates branded leaders is the ability to reflect in their leadership style the attributes and results that customers want to see in the firm. Your leadership brand should reflect the expectations of your customers.

- **Brand focuses on the outside-in.** A leadership brand is valuable to the extent that it results in a firm that is more likely to attract and please consumers. We define effective leadership for a firm by asking, What would customers want this firm to be known for? What do our leaders need to know, do, and deliver to make that

customer-desired identity happen? With this approach, leadership matters because customers and investors put money into the firm. Leadership brand requires that leadership results be assessed by the extent to which leaders deliver value to customers and investors outside the firm.

- **Brand evolves over time to meet the changing market.** Brands change with consumers. Brands evolve, and so do leaders. Successful leaders continually tie their brand or identity to the changing expectations of customers and investors. As customers change, so must the leadership brand.

- **Brand puts leadership into business terms.** Leadership rhetoric is plagued

with fuzzy terms such as *transformation*, *vision*, *aspiration*, *character*, and *empowerment*. A leadership brand focuses on quantifiable business terms of customer share and market value. The ultimate return on a leadership investment should be a "return on intangibles" that shows up in a firm's stock price. When leadership

brand connects to customer share or market value, the rationale for leadership investment is easier to make.

Firms with a leadership brand win with investors because investors grant higher market value for similar earnings, often called *intangibles*. Quality of management or leadership gives investors confidence in the future, leading to a higher share price. Of course, if the perceived brand value is not rooted in reality, or if the brand does not transfer to the demands of the new consumers, the brand image fades. But branded leaders are often in firms that have a higher price-to-earnings ratio.

Firms with branded leadership win with customers because customers have confidence that the leaders will respond to their needs in a consistent and appropriate way. Nordstrom wins in the service game because its leaders are branded with a service mentality. They don't have to ask for permission to serve customers; they do it as a part of who they are. And customers



respond with high customer share.

And, firms with branded leadership win with employees. When a consistent leadership brand exists, employees know what to expect and the engagement-draining dissonance is eliminated. One leader told us that he treated his best customers as if they were his best employees and his best employees as if they were his best customers. If a firm makes a customer brand promise of timely and responsive behavior, the same brand should be reflected in employee relations.

Building Leadership Brand

In recent years, we have defined how leaders can build their personal brand to be consistent with the firm's brand, thus creating leadership market value. Our work with excellent firms has helped us identify six steps:

Step 1: Create a need for leadership brand. Here are three ways to create a need for leadership brand:

- **Plot your earnings and stock price versus those of your competitors.** If your price-to-earnings ratio exceeds the industry average, you likely have a favorable leadership brand. If not, you may be losing intangible value.

- **Identify the leadership brand for your company.** Ask, What are the top three things we want to be known for by our best customers in the future? What attributes and results do we need to exhibit to achieve that reputation? Identify the extent to which your leaders exhibit these attributes.

- **Review your growth strategy.** Ask, do we have enough leaders with the right skills to deliver this strategy? To deliver on strategic aspirations requires money, technology, product innovation, and leadership. Which of these elements is missing?

Step 2: Articulate a declaration of leadership. Branded leadership is more effective with a declaration that states clearly what leaders should know, do, and deliver. It combines attributes and competencies of leaders and their results. It sets the standards of what leaders should know and the results they should deliver. A declaration of leadership brand articulates the personal reputation that a leader aspires to, what he or she wants to be known for.

Step 3: Assess leaders against the leadership brand standard. With a clearly articulated declaration of lead-

ership, a standard is set that can now be assessed. This requires collecting objective data on leaders' behaviors and results from multiple stakeholders—superiors, peers, subordinates, suppliers, customers, investors, and community members. Track the assessment to detect patterns.

Step 4: Invest in leaders to enhance brand. Make three types of investment to enhance the leadership brand: training, on-the-job experience, and off-the-job experience. Training offers structured learning experiences in which people learn principles and apply them. On-the-job experience enables people to learn from their daily experiences. These may be more structured with coaches, mentors, and task forces or less structured through job assignments and presentation opportunities. Off-the-job experience also offers leaders a great source of learning and skill building.

Step 5: Measure the quality of leadership and the impact of leadership investments. Measure investments in next-generation leaders by asking about the business case: Why are we investing in leadership brand? What results do we expect to see? Often this means tracking employee engagement, customer share, or investor intangibles. Measurement may also focus on behaviors that leaders demonstrate. The initial business case should include a plan for routine measurement and assessment of results, followed by adjustments, as necessary.

Step 6: Publicize the leadership brand. Develop awareness that these investments build stakeholder confidence. The CEO should be the manager of the leadership brand, and take the lead in building brand awareness by ensuring that employees, customers, analysts, and investors understand the leadership brand, what leaders are doing to build the brand, and the results that have been achieved.

Branded leadership helps turn the desire for leadership into the actions required to make it happen in a way that is aligned with the strategy. For those who want to become more effective leaders, branded leadership provides a clear roadmap of what they should know, do, and be. LE

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ACTION: What is your firm's leadership brand?

Leadership Code

Apply principles to get desired results.



by Dave Ulrich, Norm Smallwood, and Kate Sweetman

COLD AND ICY WEATHER IS PART OF winter where we live. We prepare by winterizing our homes, but we know that in a few months, it will be warmer again. Seasons come in cycles, and change is predictable. With the advent of winter, we do not completely rebuild our house, replace our windows, or change our lifestyle, but we adjust systems to the season. We build a house that lasts for all seasons.

The global economy is in a major recession. Consumer confidence is low, credit markets are constrained, and job losses rising. While this recession is deeper than many anticipated, some are reacting (and over-reacting) with unprecedented gloom and doom. It is as if some businesses are completely rebuilding to deal with the economic pressures rather than ensuring they have a business that can withstand changes of the season.

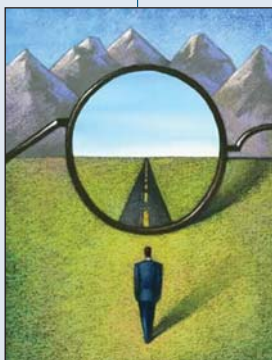
When leaders over-react to changes in seasons driven by economic cycles, they inhibit the building of a viable, competitive organization. While adjustments need to be made in up or down cycles, the basics of good business still apply. Well-built homes work equally well in winter and in summer.

Five Principles for All Seasons

Well-designed leadership development (LD) systems, with fine-tuning, work well in up and down markets; if not, we have designed them poorly.

Once these five principles are in place, changes in economic cycles will not reduce their effectiveness.

1. Focus leadership development on results. LD efforts that emphasize the attributes of leaders, but are not connected to business results, are doomed when tough economic times hit. To bridge leadership actions with results, we encourage you to answer the "so that" query. This query means that each leadership attribute/competence (e.g., setting a vision) should be fol-



lowed by a “so that” query that links that attribute to a result (increased customer share, product innovation). This query focuses on the *outcomes* more than the *activities* of LD training.

Results-focused LD means having a clear focus on the outcomes that leaders will produce as a result of the investment. These outcomes might be investor-related (lower costs, increased margins, or greater access to capital), customer-related (increased revenue from target customers, increased customer service), or organization-related (the ability to move quickly, innovate, or increase efficiency).

In difficult economic times, the goal is not to stop investing in LD, but to use it to help leaders respond to difficult markets—to focus on strategies that serve customers, reduce unnecessary costs, reengineer and streamline work processes, and continually engage employees to solve problems.

2. Invest in leadership systems, not just individual leaders. Most LD programs are designed to increase competence—to help people become better leaders. Personal improvement is a noble goal, but it is not enough. Good leadership investments focus not just on how to be better leaders, but also on *how to build leadership as an organization capability* by designing sustainable leadership systems.

Leadership systems make LD not an isolated event but aligned to other management practices. If a training program teaches participants how to respond to customer expectations, then customer expectations should become an integral part of communications, performance management, succession planning, and organization design choices. When HR practices are integrated, leadership becomes a capability of a company—beyond developing individually talented leaders.

3. Identify unique leadership differentiating competencies. In the *Leadership Code*, we identified five domains where leaders must excel: *strategists* (have a point of view about the future), *executors* (make things happen), *talent managers* (engage and empower employees), *human capital developers* (develop future employees), and *personal proficiency* (through personal credibility). These five domains can be adapted to any season. In tough times, strategists focus, executors ensure accountability, talent managers increase productivity, human capital developers redefine careers, and all leaders act with personal proficiency by modeling bold, value-based, and consistently

wise judgment. But these leadership attributes are not enough.

Successful competency models need to do the basics well, and then go beyond to link with customer expectations. Once it's clear how your firm wants to be known by its top customers, you can begin to build a point of view about leadership which is consistent with those customer expectations. These competencies are unique. For example, under Jeff Immelt, General Electric has shifted its desired identity to be better known for invention, innovation, and imagination. When this desired external identity is the foundation for leadership development investments, leaders are trained to do things that matter most to customers.

The combination of these basic competencies, along with customer-driven differentiating competencies, delivers a combined competency set



we call the “leadership brand.” This brand ensures that LD efforts build basics important to any leader and develop leaders to deliver the desired customer experience—one that is unique to the company.

4. Make the LD experience business related. Some leaders attend training as isolated events. They're like tourists visiting a new country. They take time out from normal life, visit memorable places, take pictures, and return. Too often “tourist training” is isolated from business, filled with engaging cases or discussions, and then leaders return home with little change in behavior.

Leaders and customers should participate in LD experiences. When faculty teaches, participants learn. When business leaders teach, participants act. When customers teach, participants act on the right things.

Focus program content on real business problems. These may come in the form of live cases, action-learning projects, or current business problems. The learning program is not an isolated event within a limited time

frame. Before the learning experience, participants know why they are attending and what they should do better as a result of attending the training. After the learning event, follow up with the participant's leader and others who will ensure that ideas are being implemented.

5. Measure what matters. We should measure whether the investments in LD have made a difference in business results. For example, we might measure how well leaders make the “so that” connection from 360 feedback on their competencies and connect the competency feedback to business results.

Investing in individual leaders is insufficient. CLOs should measure organization capability in leadership, using audits or surveys to assess HR systems alignment to leadership practices. To what extent is HR practice and leadership practice driving the same behavior?

Our leadership brand research has led us to two sets of leadership competencies—basic and differentiated. We should measure the extent to which we have identified and are assessing our leaders on both sets. To measure basic competencies, we can map them against the *Leadership Code* competencies to ensure that we haven't over- or under-invested in the basics. To measure differentiated competencies, we can measure external stakeholder (customer, investor, supplier, analysts) perception of the quality of our leaders. We should also re-assess our differentiating competencies to ensure that leaders are connecting the right customer experiences to employee behaviors.

We might measure the business-relatedness of the training by looking at how often we involve business leaders, customers, and other stakeholders in our training or by doing content analysis of the subject matter of our courses to see what's emphasized.

It is tempting to cut back LD investments in recessionary times, but leaders should not under- or over-react. *Under-reaction* occurs when efforts continue as usual. *Over-reaction* occurs when all leadership investments are stopped or dramatically changed.

The five principles apply in good times and bad. Using these principles, investments in LD can continue so that they help companies respond to tough economic times and to the inevitable growth cycle that will follow. LE

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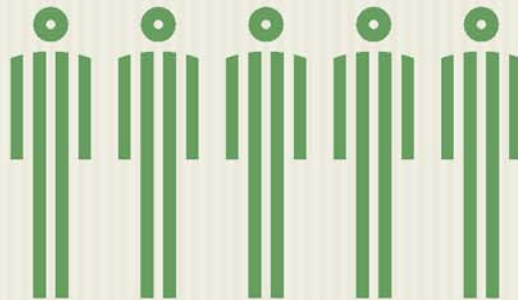
ACTION: Invest well in leadership development.

The **RBL** Group™

[*Results Based Leadership*]

Investors

Customers



Employees

Community

We build leadership capability with an **outside-in** perspective to give stakeholders the results they need.

RESULTS-ORIENTED

All of our work focuses on outcomes, not activities. The outcomes of our work include capabilities the organization requires to succeed, intangible value seen by shareholders, and customer and employee experience. We help organizations deliver direct value in the form of profitability, productivity, quality, and customer delight.

INNOVATIVE


We shape the global intellectual agenda for HR and leadership practices. We have authored over two dozen books and hundreds of articles, and have earned recognition for thought leadership from *BusinessWeek*, *The Wall Street Journal*, *Financial Times*, *Forbes*, *Fortune*, *Fast Company*, *HR Magazine*, and others.


ENGAGING

We combine the insights and knowledge of your leaders with our expertise and process skills to deliver a unique experience for each client. Whether delivering consulting, education, or products, we collaborate with our clients to make things interesting, fun, and relevant.



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Abundance Response

Focus first on meaning.



by Dave Ulrich and Wendy Ulrich

TODAY, MANY OF THE PEOPLE YOU LEAD face daunting challenges that affect their wellbeing. *Deficit thinking* predominates. Many workers respond by giving up on traditional dreams, isolating themselves, reducing expectations, becoming dependent on government or others for support, or finding temporary escape in addictive behaviors.

Many of us have experienced economic malaise and the pitfalls of success. We see seven disturbing trends:

1. Declining mental health and happiness. People seem to be losing touch with their strengths as more lives are dominated by *weakness* and *what's wrong*.

2. Increased concern for environmental demands, social responsibility, organizational purpose, and individual motivation. Eroding corporate reputation, increased cynicism, and poor records on environmental responsibility alienate many high-potential employees.

3. Increased complexity of work. Technological and demographic trends make work more complex, requiring more specialization and more teamwork to respond. *Teamwork* requires cooperation, prioritization, and communication—underdeveloped skills today.

4. Increased isolation. A sense of isolation spreads as job changes, travel, and new assignments undermine the sense of community. People lose the stories, history, heroes, and routines of interactions that form bonds. At work, countering these trends means building a culture that *unites* and *unifies* people.

5. Low commitment. Disengaged employees are less likely to meet goals or to stay with the firm. When only fear of unemployment keeps people on the job, they are not giving their best.

6. Growing disposability and change. We live in a world of disposability of products—and people. When desperate people seek easy solutions without doing the hard work of learning and change, resilience is undermined and growth and learning fade.

7. Greater hostility and enmity. In personal relationships, getting our

way gets in our way, as *compromise* and *civility* are replaced with *contention* and *hostility*. At work, we see *competing with each other* as the pathway to *competitive advantage*. Win-lose battles crowd out win-win solutions. A false hope of the me-first mind-set is that *winning will bring personal satisfaction* (it more often leads to emotional isolation). Civility and happiness come when people find delight in their work.

These negative trends are expensive and time-consuming, and instigate vicious cycles of despair, withdrawal, and breakdowns in meaning and purpose.

The Abundance Response

Leaders can respond to these conditions by creating abundant responses. Crises can shock us into facing questions that we often sidestep: *Who am I? What am I trying to achieve? What makes me happy? What do I believe? What is my purpose? What matters most?*

As leaders probe the *whys of work*, they empower employees to find personal meaning that creates value for customers, investors, and communities. Abundance implies *plenty*: enough and to spare, fullness. If we focus on what we stand to gain from our crises, not just what we stand to lose, abundance thinking can replace deficit thinking.

Abundance looks to future opportunity more than past disappointments, promotes hope over despair, suggests change for the future rather than languishing in the past, and fosters the creation of new meaning. Abundance implies that *we can make meaning even in the midst of challenges*. The abundance we imagine is not just an abundance of visible assets (money, prestige, security, or position), but one of an *intangible sense of purpose, identity, growth, and well-being*. You shift from fear-based deficit thinking to a way of life that focuses on all that you have, not all you have lost—on life's goodness and personal meaning, not just on its precariousness.

To survive, organizations must not only *amass capabilities* but *turn internal capabilities into value for external stakeholders*. Capabilities link *what goes on inside* to *what customers will pay for* and *what investors trust*. Organizational capabilities more readily lead to lasting value when leaders promote *meaning making* as well as money-making. As leaders weave affirming stories, find heroes and causes, embody ethical and trusted values, clarify principles that lend

order and rationality to decisions and routines, and make visible the ways employees' efforts help the company contribute to a greater good, they create organizations that overflow with a sense of meaning and abundance.

Pockets of abundance can flourish anywhere. While we look to leaders to create abundance, *all employees own the responsibility to create an abundant work space for themselves and their team*. Leadership is not confined to the C-suite. As organizations become repositories of abundance, employees gain antidotes to some of the malaise, isolation, and crises of meaning; and they boost the organization's capability for doing what it does best.

AOs are forces for meaning and purpose that counteract ennui and despair. Whether you are a manager of a team wanting to build productivity and engagement, or the leader of an organization committed to values, goals, policies, results, and stories

that make for great places to work, *abundance is a relevant agenda*. Leaders who create abundance build organizations that turn *customer and investor expectations* into *daily employee actions*.

Wrestling with paradox. Creating AOs requires leaders to struggle with paradoxical goals and values. Leaders who attend only to personal needs may create caring organizations that end up bankrupt, while leaders obsessed with making money will likely be socially and emotionally bankrupt if they fail at other things: reputation, relationships, sustainable purpose, engaged employees, and having fun at work.

From turnaround to transformation. Effective leaders create a clear line of sight from *employee meaning* to *customer and investor confidence*. The individual values of key executives need to be coordinated and institutionalized for their goals to be realized. In a transformation, greater emphasis must be put on creating meaning to capture imagination and shape future behavior.

Meaning is made by people. We can find purpose, value, and happiness in many circumstances. But we have to work at making meaning. It takes work to determine *what work means*. Effective leaders help shape the meaning that employees assign to work by focusing on opportunities instead of deficits. LE

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ACTION: Create the abundance response.

Strategic Restructuring

Crafting the right strategy guides efforts and creates value.



by Norm Smallwood and Mark Nyman

DURING ECONOMIC UNCERTAINTY, restructuring is common. While most leaders agree that structure should follow strategy, few have a process for moving from strategy to restructuring. With or without a strategic framework, restructuring goes on. As a result of not basing restructuring decisions on a clear strategy, few restructuring efforts involving downsizing ever improve profitability, even in the short term. Worse, most managers in these firms fear that the long-term viability has been jeopardized. The following story is one that we encounter far too often.

The CEO of a parts manufacturer asked presidents of the business units to consider restructuring to maintain competitive pricing. One president moved swiftly on this counsel. The restructuring plan was completed within five months; it recommended substantial cuts in positions and labor costs. The president implemented the recommendations rapidly and reported his accomplishments at the next meeting with the CEO.

Over the next six months, however, the reorganization and outplacement costs actually increased overall costs. Morale had dropped. Some people said that they were now doing three jobs. Customers reported that quality and delivery specifications had not been met. The president directed managers to resolve these problems quickly, but considered them minor, considering the estimated cost savings.

Weeks later, their largest customer notified the sales department that they were shifting their business to a competitor. The president called the customer and promised that he would correct the problems, and threw in a 6 percent price reduction for all parts. He was shocked when the customer responded that the quality and delivery problems were costing it far more than the value of the price reduction.

Moreover, the customer no longer believed that his firm could provide quality parts and reliable delivery.

Some managers argue that this result is regrettable but *inescapable*. They believe that it is better to do something than nothing and learn as they go.

We disagree. **Leaders who use a clear strategy to guide restructuring can cut fat, not muscle.** They can eliminate *unnecessary work* and have a clear set of shared criteria to guide them. The choices and trade-offs involved in restructuring can only be made after

answering: *Where do we want to go in the future?*

They require a clear strategy. When leaders engage in restructuring and downsizing, they often wreck havoc in the lives of those affected and spread fear and uncertainty. They can't help ask, "Why are we doing this?" They must articulate a clear, strategic justification for restructuring to help people appreciate how the changes boost viability.

Before managers can determine how to do work better, they must first determine what work needs to be done and what processes are critical to perform. Ways to increase revenues and reduce costs need to be examined. Choices can only be made on the basis of strategy.

Strategy Is Key

Strategy is seldom formulated, articulated, or understood in a way that provides managers with a useful basis for making decisions about restructuring. There are many reasons for this, of course—one being that people have different things in mind when they use the term *strategy*. Often *strategy* is used to describe budgets and forecasts. Sometimes managers say *strategy* to designate an objective. These uses fail to provide context that enables people to prioritize effectively or determine what work is strategic to the business.

We advocate an approach to strategy that describes how you will create competitive advantage and distinctiveness by answering two questions:

- 1) What unique technical and social capabilities will you focus on to create and sustain competitive advantage?
- 2) What about your products and

services create distinctiveness in the eyes of your target customers?

When these questions are answered well, they provide an easy-to-communicate strategy that informs what you will pursue and what you will say no to. Equally as important, it provides a framework for identifying what work is strategic and provides context for effectively structuring the business.

Prioritizing Work

Across-the-board cuts—where budgets are reduced some fixed percent—indicate non-strategic restructuring. When the strategy is clear, you can target where you cut and why.

Strategic clarity allows you to answer these questions: What work should be the object of our intense improvement efforts? What activities

need to be improved together and which can be improved separately? What work should be eliminated or outsourced? When is efficiency (doing things right) and when is effectiveness (doing the right things) the most useful driver of improvement?

Strategy clarification assists restructuring by

establishing a basis for prioritizing work. Most businesses that succeed at restructuring identify and protect the work that creates competitive advantage or distinctiveness. A clear understanding of the strategy also helps groups operating outside of the competitive advantage work processes reexamine and restructure their work. If the group is involved in non-competitive advantage work, it must first decide which categories of work it performs: 1. *Strategic support work*, which facilitates accomplishment of competitive advantage work; 2. *Transactional support work*—essential for operation but does not create distinctiveness; 3. *Non-essential work*, or activity that has lost its usefulness but is still done.

Strategically prioritizing work also enables leaders to make effective outsourcing decisions. Outsourcing the wrong work, such as *competitive advantage work*, hurts performance. Strategy is the key to effective restructuring, whether it is done to downsize or position the business for growth. Crafting the right strategy is not easy, but done well few actions create greater value. **LE**

Norm Smallwood and Mark Nyman are principals in Results Based Leadership. Visit www.rblgroup.com.

ACTION: Strategically prioritize your work.

