It is tempting and easy to cut back leadership investments in tough economic conditions. While recession times require appropriate management actions, leaders and CLOs should not under- or over-react. Under-reaction would occur if training continues as usual. Over-reaction would occur if all leadership investments are stopped or dramatically changed. The five principles Ulrich and Smallwood propose help ensure that changes in economic cycles do not affect investments in leadership development.
Leadership Development Principles

by Dave Ulrich and Norm Smallwood

Today it snowed and so we know that winter is coming. In our part of the world, cold, icy, and frigid weather are an inevitable part of winter. We have prepared our homes by using the furnace, not the air conditioner; by winterizing the outside hoses and the sprinkler system; and by adjusting the thermostat. But we also know that in six months, it will be summer again. Seasons come in cycles and change is predictable and inevitable. With the advent of winter, we do not completely rebuild our house, replace our windows, or change our overall lifestyle, but we do adjust the existing systems to the particular season. We have built the kind of house that lasts for all seasons.

Today, the global economy is in a recession. Consumer confidence is low, credit markets are constrained, and job losses have followed. While this recession is deeper and more global than anticipated, some are reacting (and over-reacting) to the economic downturn with almost unprecedented gloom and doom. It is almost as if some businesses are completely rebuilding their business to deal with the present economic pressures rather than making sure they have built a business that will withstand the changes of the season.

When leaders over-react to the change in seasons driven by inevitable economic cycles, they inhibit the building of a viable and competitive organization. While business adjustments need to be made in up or down cycles, the fundamentals of good business apply in both settings. Well-built homes, with minor tweaks, work equally well in winter and in summer. Well-designed leadership development systems, with fine-tuning, work equally well in up and down markets; and, if not, we have designed them poorly. We propose basic principles of leadership development that general managers and CLO’s should master and implement. Once these are in place, changes in economic cycles will not reduce their effectiveness.

PRINCIPLE 1: FOCUS LEADERSHIP DEVELOPMENT ON RESULTS

We often ask two questions to groups of leaders. First, to be effective in the next 12 to 18 months, leaders in your organization must...? The responses to this question are often a list of desired attributes that leaders must possess: set a vision, engage others, have personal integrity, and communicate more. Then we ask a second question: what two to three most critical business issues does your business face in the next 12 to 18 months? The response to this question deals with meeting customer needs, managing cost, and gaining access to capital markets, creating innovative products, and/or competing globally. What is compelling to those of us concerned about leadership development is that the responses to these questions are not connected. This occurs because many organizations have made the deliverables of leadership development about the acquisition of leadership competencies in the first list. If we lose sight of the fact that these competencies are supposed to be connected to delivering the business results described in the second list, we have lost sight of our real objectives. Leadership development efforts emphasizing primarily the attributes of leaders, but that are not connected to business results are doomed when tough economic times hit.

To bridge leadership actions with business results, we have encouraged CLOs to answer the “so that” query. This query means that each leadership attribute or competence (e.g., setting a vision) should be followed by a “so that” that links that attribute to a result (increased customer share, product innovation). The “so that” query focuses on the outcomes more than the activities of training.
Results-focused leadership development 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 of an organization to move quickly, innovate, or increase efficiency). CLOs should spend time not only understanding business strategies, but also the customer, investor, and community drivers of those business strategies. They should make sure that when they describe their leadership development efforts they start with clear business outcomes that have metrics that will measure business outcomes of leadership investments.

When economic times are difficult, the goal is not to stop investing in leadership development, but to use leadership development as an opportunity to help leaders focus on how to respond to difficult markets. In recessionary times, leaders need to focus on strategies to serve customers, to reduce all unnecessary costs, to reengineer and streamline work processes, and to continually engage employees to solve problems.

**PRINCIPLE 2: INVEST IN LEADERSHIP SYSTEMS, NOT JUST INDIVIDUAL LEADERS**

Most leadership programs are developed to increase individual leader competence—to help people become better individual leaders. Personal improvement is a noble goal of leadership development investments, but it is not enough. Good leadership investments focus not just on how to be better individual leaders, but also on how to build leadership as an organizational capability throughout the organization by designing sustainable leadership systems.

Leadership systems make leadership development not an isolated event but events 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 organizational design choices. When HR practices are integrated, leadership becomes a capability of a company more than just developing individually talented leaders.

Successful firms have built strong leadership capabilities that last through different economic seasons. Procter and Gamble, Capital One, Unilever, and Nokia have all been recognized as top companies for leadership because they offer an integrated approach to leadership development.

A strong leadership capability exists when leadership development activities are not marginal events but seen by senior leaders as a key means to implement the business strategy. Evidence of this importance is that leadership development activities are a key means of ensuring that leaders at every level are on the same page about what’s important now and what high performance looks like in this season.

**PRINCIPLE 3: IDENTIFY UNIQUE LEADERSHIP DIFFERENTIATING COMPETENCIES**

Most leadership development investments are based on a point of view about what effective leaders must know, be, and do. Leadership competency models do a good job of identifying knowledge and behaviors required of leaders. In our work on *The Leadership Code*, we have identified five domains where leaders must excel: strategists (have a point of view about the future), executor (able to make things happen), talent managers (engage and empower employees), human capital developers (develop future employees), and being personally proficient (through personal credibility). These five domains of leadership are important and they can be adapted to any economic season. In tough economic 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 good judgment. But these leadership attributes are not enough.

Unfortunately, leadership competency models do not differentiate one organization from another. They are generic. In public training programs, we have had companies remove their company name and then post their competency model on the wall. Then we play a ‘name that company’ game by asking people to find their own company’s competency model and to identify which company goes with which competency model. Very few people (even when they have developed the model) can
find their own company’s leadership competency model much less identify another company with its competency model.

Successful competency models need to do the basics well, and then go beyond to link with customer expectations. Once CLOs are clear about how their firm wants to be known by its top customers, they can begin to build a point of view about leadership 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 the customer-driven differentiating competencies delivers a combined competency set we call “Leadership Brand.” Leadership Brand is important because it ensures that leadership development efforts build the basics that are important to any leader plus it allows a firm to develop leaders to deliver the desired customer experience unique to a particular company.

PRINCIPLE 4: MAKE THE TRAINING EXPERIENCE BUSINESS RELATED

Sometimes leaders attend training as isolated events that are like a tourist visiting a new country. The tourist takes time out from normal life, visits memorable places, takes pictures, and returns to life as usual. Too often “tourist training” exists which is isolated from business, filled with engaging discussions, and then leaders return home with little change in behavior.

Experiences in training should be business related. This means having business leaders and customers participate in the learning process. When faculty teaches, participants learn. When business leaders teach, participants act. When customers teach, participants act on the right things.

Program content should focus on current, real business problems, not abstract academic principles. These business problems may come in the form of live cases, action learning projects, or solving current business problems in the course. The learning program is not an isolated event within a limited (e.g. one week) timeframe. Prior to the learning experience, participants know why they are attending and what they should be better able to do from their training experience. After the learning event, follow up should occur with the participant’s leader and other important people who will make sure that ideas are implemented.

PRINCIPLE 5: MEASURE WHAT MATTERS

Once Principle 1 through Principle 4 are in place, there are many important things to measure that could not be measured without them. Without these principles, what is usually measured are competency acquisition through 360 feedback and satisfaction with courses. With some of these principles in place, we propose a different set of measures.

In Principle 1, we stated that leadership development should be focused on results. So now we should measure whether the investments we have made in leadership have made a difference to business results. For example, we stated that leaders make a “so that” connection from 360 feedback on their competencies and connect the competency feedback to their business results. It’s important to go back and measure whether this has happened.

In Principle 2, we proposed that investing in individual leaders is not enough and that CLOs should measure organizational capability in leadership. This can be measured by audits or surveys to assess HR systems alignment to leadership practices. To what extent is HR practice and leadership practice driving the same behavior?

In Principle 3, we described our leadership brand research that 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 the basic competencies we can map them against the Leadership Code competencies to ensure that we have not over- or under-invested in the basics. To measure the differentiated competencies, we can periodically measure exter-
nal stakeholder (customer, investor, supplier, analysts) perception of the quality of our leaders. We should also periodically re-assess our differentiating competencies to ensure that leaders are connecting the right set of customer experiences to employee behaviors.

Finally, in Principle 4, we suggest that training should be business-related. This could be measured 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.

**CONCLUSION**

It is tempting and easy to cut back leadership investments in tough economic conditions. While recession times require appropriate management actions, leaders and CLOs should not under- or over-react. Under-reaction would occur if training continues as usual. Over-reaction would occur if all leadership investments are stopped or dramatically changed. The five principles we propose are viable in good times and in bad. Using these principles, investments in leadership can continue so that they will help companies respond to the tough economic times as well as to the inevitable growth cycle that will follow.
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