

Is Leadership a Soft Skill?

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In today's new normal, we must adapt if we are to meet the economic and political realities of the next decade. The depth of the current downturn requires deep and rapid change, which is always driven by effective leadership.

All organizations are perfectly designed to get the results they're now getting. All organizations have two things in common, a present and a future. During the present we program our future. If the future you envision is different from your present, you must exercise effective leadership to implement change starting today. Otherwise you will fall into the insanity trap; doing the same thing over and over and expecting different results.

To achieve a different future, effective leaders define their intended vision, translate this into a plan, communicate the plan to employees, and develop their commitment. Defining the strategic direction is an extremely important leadership function. It focuses the team on the longer term. The purpose of strategy is to produce improved results on a continuous basis.

New market and customer realities make change imperative in our current economy if we are to have future sustainable revenue and profitability. Strong leadership is required to change the organization to reach the ideal. These leaders involve their employees in discovering the need for change and include them in the plans for change so they don't become change critics and change resistant.

Change is always carried out by people in the organization. The transformation of a company is really about the growth of people. Organizational transformation is really about the growth of the people of the organization. Effective leadership is the necessary catalyst for the development of people and implementing change.

To build an outstanding organization we must transform at each management level. Managers are task oriented. They focus on the functional areas of business. Changes in process are easy to measure and quantify. Young managers are rewarded for efficiency. They focus on doing things right.

As they progress up the management ranks, we measure their effectiveness by how they change from just doing tasks to how they focusing on doing the RIGHT tasks. Many managers don't make this shift because they don't understand the powerful effect of strong leadership. They continue to focus on role related tactical issues of revenue, shipments, and quality. A manager becomes an effective leader by focusing on developing opportunity and increasing value in the organization.

Leadership has become increasingly important to creating a successful future. However, it is often identified with softness, which implies tolerance and compromising standards. Even those who acknowledge the effects of positive leadership believe that leadership is qualitative, that we can't measure the results of our leadership. This limiting attitude has a far-reaching effect on performance and long term sustainability.

An effective leader builds a results based a culture of enthusiastic, motivated, confident teams of employees committed to achieving the organization's future vision. The effective leader wants to build competitive advantage and long term value.

The Key to Leadership Effectiveness: Leaders Understand Personal Attitudes

People want to be appreciated. Henry James, the father of American Psychology, identified appreciation as one of the most basic human qualities. Observe your employees. You will notice that all of them have the letters "MMFA" emblazoned on their foreheads: "Make me feel appreciated."

Who do your employees work for? A sophisticated view is that you pay your employees to work for themselves. Your most effective employees understand that they work for themselves. You value these employees because of their positive attitudes about work and the way they continually develop their capabilities.

John Maxwell says that people follow a leader because of what the leader can do for them.

An effective leader understands that he needs to have significance in the lives of his employees. He understands the connection between performance and development and builds a culture that promotes and rewards personal growth.

Cost of the Status Quo without Leadership

Lack of leadership commitment to people performance can have an enormous cost. The ideal organization has a team of enthusiastic, motivated employees. What if some employees are not motivated and maybe even become de-motivated?

The cost of this status quo can be significant. When you have low profit margins, for every dollar these employees waste in unproductive time and mistakes, you need to make many more dollars in sales to cover that mistake. For example, if you scrap a \$100 part due to a demotivated employee, not a systems error, and you have a 25% margin you must have sales of \$1200, a multiple of 12, to cover the cost of the scrapped part.

Measuring Effective Leadership

When you develop your people, the rewards can be significant and will drop directly to the bottom line. To illustrate:

Key staff employed to	<u>Cost</u>
• Produce	33% of Revenue
• Sell	15% of Revenue
• Control	15% of Revenue
• Profit	6% of Revenue

A 4% improvement in the effectiveness of key staff reduces cost and increases profits.

	<u>Cost</u>	<u>Reduction</u>
Produce	33.0%	1.3%
Sell	15.0%	.6%
Control	15.0%	<u>.6%</u>
		2.5%
Original Profit	6.0%	
New Profit	6.0% plus	2.5% = 8.5%

The 4% improvement in effectiveness brings a 42% increase in the bottom line.

Of course every organization is different. The key concept: When through effective leadership, you create a small improvement in the effectiveness of key personnel, you always create a much greater impact on profitability.

Effective Leadership

Dramatic results can be achieved when we develop a performance culture focused on employee growth. When employees realize their personal goals as they help meet organizational goals, great results are possible.

Great results accrue directly to the leader. Many forget the adage of leadership. Our success is dependent on the success of our employees. Good managers achieve results through other people. Great managers achieve results through other people and develop them in the process.

The strong leader is not soft. He establishes a culture of accountability where employees work together to reach the vision of the organization. With strong commitment and goal alignment they achieve outstanding measurable results.

He understands that successful people have a positive mental attitude. They continually develop their personal capabilities to manage and lead. The effective leader hires, promotes and fires to attitude.

If leadership is so important, why not develop consistent, high quality leadership throughout the organization? Leadership comes from the collective leadership style of individual employees, particularly those charged with formal leadership responsibility.

Most leadership cultures are the random result of many individual styles. Research indicates that only about 17% of these styles are highly effective. Leadership modeling is as likely to be negative and ineffective as it is to be positive and effective. Development of leadership capability has a significant profit impact. Effective leaders ensure their leadership culture is positive.

Leadership:

- Establishes strategic direction
- Leads organization through change
- Develops people who carry out change
- Improves the status quo
- Motivates employees for a results based culture

And most importantly, it builds organizational value

To quote John Kotter, “A paralyzed senior management comes from having too many managers and not enough leaders. Management’s mandate is to minimize risk and keep the current system operating. Change, by definition, requires creating a new system, which always demands leadership.”

Leadership is directly related to results, results that can be measured. Leadership culture is the single most important factor in determining the level of organizational productivity, achievement – your results.