



Excel Leader Advisory Letter

ISSUED BY THE EXCEL LEADERSHIP GROUP

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Excel's Mission Statement

We help executives create and sustain a high performance, values-based culture that fully engages the talents of all associates to consistently deliver world-class results and achieve higher profits.

Thought for September

A clear definition of the Mission is the foundation for leadership.

-Peter F. Drucker



This month, I'd like to begin drawing a connection between effective leadership, an organization's work culture and profitability. Understanding this connection is essential because every business executive is always looking for ways to increase the bottom line, certainly in this time of global competitiveness, not to mention an economic downturn. One good place to turn that is often overlooked in an organization is the effectiveness of its leadership. And what better way to evaluate the effectiveness of that leadership than to ask those who are being led? That is exactly what Drs. Jack Zenger and Joe Folkman of Zenger/Folkman did when they led a very interesting study for a division of a Fortune 500 commercial bank. Simply put, they found that the 10% of managers rated as "poor" leaders in effect produced losses for their organizations. The 80% of managers rated as "good" made a net profit in their departments. However, when the results for the top 10% or the most "extraordinary" leaders were examined, it was found that the net profit in their departments exceeded those for the "good" managers by a 2-to-1 margin! Thus, the scientific evidence from this study reflects what I have suspected anecdotally for most of my career: There is a strong connection between effective leadership and bottom-line economic value added to the enterprise.

These amazing results, of course, beg at least two fundamentally important questions:

1. What impact do these "extraordinary" leaders have on their organizational culture that would account for the astounding results in terms of adding economic value to their companies?
2. What factors contribute to making the "extraordinary" leaders extraordinary?

Let's tackle the first question. According to Zenger and Folkman, effective leadership influences these five important areas within an organization's work culture or climate:

- Employee satisfaction/commitment
- Employee turnover
- Percent of employees who "think about quitting"
- Satisfaction with pay
- High commitment

As you might expect, those who reported to the most effective or "extraordinary" leaders reported higher levels of satisfaction/commitment, less turnover, fewer people "thinking about quitting", more satisfaction with pay and higher levels of commitment to the goals of the organization. What these results translate into for the organization is less turnover expense, higher productivity and even higher levels of customer satisfaction. This last point is supported by a Sears study which showed that for every five-point increase in employee attitude (as measured by satisfaction surveys) toward their job and the company, customer satisfaction typically goes up by 1.3%, which ultimately results in revenue growth by 0.5%.

To summarize, these results directly support the connection between effective leadership, a company's culture and bottom-line results. As stated previously, this important connection reflects my personal experience as a manager of distribution facilities for a Fortune 50 company. It also underlies the basic mission for The Excel Leadership Group: Effective leaders create high-performance cultures which in turn produce better results and higher profits. Senior executives who are looking for ways to significantly improve their bottom lines would do well to pay close attention to this fact and invest in the personal growth of all leaders in their organizations. Next month, we will begin looking at the factors which make up the "extraordinary" leaders and how to develop them.

As always, I encourage readers to contact me anytime at mike@excelleadership.net with your comments and questions. Have a great month and we'll talk to you in October. Best regards.

Note: Many of the facts and conclusions discussed in this edition were drawn from extensive scientific research conducted by Drs. Jack Zenger and Joe Folkman of Zenger/Folkman and their white paper entitled: "How Extraordinary Leaders Double Profits: Decoding Leadership Trends to Discover the Patterns." Please visit their website at www.zfco.com for information about their company and services.

Join our Web-based "community" devoted to open and honest discussions on topics related to leadership challenges and solutions. To join, simply visit TheExcelLeadershipGroup.net and click on "Community."



phone: 309-370-5040

e-mail: mike@excelleadership.net

website: www.excelleadership.net

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