

Wise Investments in Leadership Effectiveness

If you were a board member or CEO, would you invest in a business strategy or capital expenditure without knowing the fundamentals of the plan, the predicted performance, expected gains and ways to maximize returns? Of course not.

Why aren't the same principles applied when investing in leadership effectiveness? Often the reason is that the rules are not clear or that it appears difficult to measure returns. *We disagree.* There are proven ways to **select, plan for,** and **maximize** returns on leadership investments and reap extremely valuable returns for the organization. In the past decade, numerous studies were conducted at large global multinational corporations. These studies have identified proven and effective methods to select and develop leaders. Our task is to base our effects on these fundamentals to tailor solutions that ensure your organization the highest likelihood of positive returns on your leadership investment. Given the potential and opportunity for compounding returns over time, we boldly recommend investments in your extremely valuable leadership assets...now. Here is our best advice for investing appropriately:

Minimize risk - Select leaders on the correct Fundamentals

Starting out on the wrong foundation drastically increases the risk for failure in leadership investments. Often companies error by trying to save failing leadership development programs rather than selecting the correct individuals at the outset. The analogy is pouring money into a stock that should never have been purchased. Frequent talent selection errors include: choosing the smartest individuals for only their technical expertise, choosing the most articulate candidate, or selecting solely on seniority, personal preferences, or formal education. Results will always be critically important. We also know that, in many situations, the person's capabilities to influence others and adapt to different situations become fundamental differentiators between success and failure over time. *Our advice: select "who" leaders will be based on the fundamentals of both the "what" and the "how".*

Require committed, consistent performance

The wisest investments are those that exceed market expectations and survive (or thrive) during difficult business cycles. It is a privilege to be identified as a future leader of a company and the participants should take nominations seriously. Unfortunately, some leaders at some corporations do not realize the investment that is being made in them and have difficulty prioritizing the time or applying their best effort. The analogy is an investor who owns an underperforming portfolio due to a lack of focus and time on researching, evaluating and improving/readjusting their plan. The fund manager who did well last year still has to work hard this year and not become complacent. Commitment and consistency of engagement level is required to lead others. We are convinced that when a leader does not value a program, they usually do not value

and develop their team, either. *Our advice: at a minimum, require an informed and signed commitment from leaders before investing in development. Leaders should commit that they will be fully engaged or else be removed from any program.*

Introduce challenges to maximize growth

Today's leaders are different than any other group that has come before them. We believe the methods for accelerating their effectiveness must be different as well: edgier, challenging, experiential, modular and "connected" to the challenges the organization is going through. An analogy is the expansion of wireless products and services from established markets to emerging markets such as China, India, the Middle East and South America. These markets will not be building infrastructure for wired telephone service. They will instead wisely implement wireless networks and then leap past other countries. Emerging leaders in emerging markets will require even more creativity to fill gaps in leadership readiness. Preparing these leaders to move quickly into critical positions by asking them to use outdated learning models is not the best solution. *Our advice: do not apply the same learning models of the past. Introduce simulated experiences as well as action learning projects on relevant business problems, network leaders through group and virtual means, and facilitate learning at an accelerated pace.*

Provide feedback from the environment

It is difficult for people to assess their impact. Even the most honest individuals have a limited view as they only have their own perspective. The impact of a leader is partly due to their own skills and abilities, but it is greatly affected either positively or negatively by the perception of those around them. The analogy is seen in behavioral economics: a company's stock price is partly attributed to the fundamentals of the company yet widely affected by the perception of buyers and sellers in the market. This concept is especially important for emerging leaders for two reasons: first, until identified and invested in as a leader they have likely only been measured on their own performance rather than on perceptions of others. Secondly, the awareness from the feedback creates a powerful precedent for improving the "how" they work and influence others. We believe that this feedback highlights the essential awareness that their success is no longer "all about them". *Our advice: provide opportunities for anonymous feedback such as a 360 assessment, simulate experiences and give immediate group and individual performance feedback, and organize interaction with mentors to provide ongoing reflection over time.*

Measure gains and re-invest dividends

Imagine making a \$10000 investment with an annualized 5% dividend-producing return. If you invested today, in 10 years your investment would be worth \$15,000. Key questions: what if you had started investing much earlier? What if each year the return

is higher? What if you had reinvested all of the dividends gained? These investment strategies would bring exponential and lasting gains over the initial investment. Unfortunately, organizations fail to act on these fundamental investment principles with leadership development programs because of one reason: they find it difficult to quantify the gains. You would not realize your gains in the above example if the only measurement was immediately after the initial investment. We agree that the investment should be evaluated. However, we also encourage clients to think broadly by looking at lasting quality of results such as retention, efficient working relationships, and minimized losses from avoiding derailment. Though the individual leader may gain personal benefit, it is the organization that must be the target for the returns. *Our advice: Invest early in the career of future leaders, measure the quality of results through the experience of stakeholders, measure gains over time to determine significant value, and maximize returns by requiring leaders re-invest in the organization by leveraging their experiences up, down, and across the organization.*

As the CEO of an organization who is trying to determine what the best investment is, know the fundamentals of the plan, determine the predicted performance of your new leaders including expected gains and ways to maximize your returns. You are then a wise investor.