

Systematically Building Leadership Capacity

by
Bob Morris

Effective leadership is actually one of the most powerful and sustainable competitive advantages an organization can have.



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During this decade, there has been a crisis of leadership on many fronts. At the corporate level we are all too familiar with the failure of Enron, WorldCom, and Strong Capital Management Funds. Shareholders have lost billions, employees have lost pensions, and some top ranking executives have lost their freedom. Certainly it is easy to point fingers at individuals. Yet the crisis in leadership extends beyond Ken Lay, Bernie Ebbers or Richard Strong. Often, there is a long list of indicted and un-indicted co-conspirators and others who simply turned a blind eye. As reported in a Fortune story about Richard Strong: "When asked whether he was surprised that Strong was being accused of underhanded behavior, his former longstanding business partner, Bill Corneliuson, replies in a heartbeat, 'No not at all. Dick always pushes the envelope.'"

This crisis in leadership is not limited to business. The Catholic Church has been rocked by scandals associated with sexual abuse of parishioners by priests, while superiors looked the other way. Archbishop Bernard Law was forced to step down after the archdiocese in Boston reached the largest settlement ever in a case of clergy abuse – an \$85M payout to 552 victims. The Portland diocese filed for bankruptcy before finally agreeing to a \$44M settlement.

A recent lead story on ABC's World News Tonight was headlined "One More Failure in Leadership". The story recapped how successive commandants at the Air Force Academy not only failed to respond to charges of sexual abuse by female cadets, but actually censured the victims for filing such complaints. More than 150 former cadets have filed suit. And finally, baseball is undergoing a crisis of confidence due to steroid use by ball players. Neither the commissioner nor the head of the player's union have exercised

effective leadership in this widening scandal that threatens the very integrity of the game, so Congress has held hearings and is threatening legislation in the absence of leadership.

By any measure there is a large-scale, growing leadership problem that is contributing to the poor performance of businesses and other institutions. A recent edition of Training & Development puts leadership development at number two on the top ten list of things that keep HR professionals up at night. The Human Resource Institute found in its 2004 global survey that leadership is one of the top three issues out of 120 listed that is impacting organizations worldwide. Finally, the AMA/HRI global leadership survey of 1,573 managers representing a variety of business sectors maintains that “analysts and surveys continue to point to a scarcity of leadership in today’s organizations.”

A Competitive Edge Through Leadership

Ironically, effective leadership is actually one of the most powerful and sustainable competitive advantages an organization can have. Companies can always buy market share such as AIG did with the extended warranty market in the late nineties. They can replicate management techniques like Six Sigma, made famous by Jack Welch at GE, or purchase the same technology as market leaders (e.g. CRM software) to stay competitive. Leadership, on the other hand, is much harder to replicate. Jim Collins’ research suggests that charismatic leaders don’t often make a successful transition from one company to the next.

The importance of leadership in building performance excellence is underscored in a study by Dr. Harry Hertz, director of the National Institute of Standards and Technology (NIST) and head of the Malcolm Baldrige National Quality Award (MBNQA) Program. His research uncovered the single most crucial factor for organizations striving for performance excellence as recognized by the Baldrige Award. Of the following, which factor do all previous MBNQA award winners from 3M to The Ritz-Carlton to SSM Health Care score highest on?

1. Strategy formulation and deployment
2. Visionary leadership
3. IT systems and management
4. Human resource management and employee well-being
5. Customer focus and satisfaction
6. Systematic business process

The answer is visionary leadership.



Within the Baldrige criteria, leadership is not about just one person. It’s about a cadre of individuals from throughout the organization who help set and align a clear strategic direction, articulate a compelling vision and a set of values to achieve the mission, and take public responsibility as a serious duty.

In a time when leadership is being called into question on legal and moral grounds strengthening effective leadership is more important than ever. Dr. Edward Deming posited that 80% of the time business failure is due to a system problem, while only 20% of the time failure is due to a people problem. This is accurate; however, there is an important corollary that

is rarely discussed.

Which combination will consistently produce better outcomes?

- 1) Good systems/poor leadership or
- 2) Poor systems/good leadership

You may argue that this is hard to answer because few organizations can be so simply characterized. Although it is true that some organizations have good systems and good leadership and others have bad

systems and bad leadership, most enterprises reside somewhere in the “middle ground”. For those in the middle, organizations with good leadership clearly outperform those with bad leadership. The reason is pretty simple. Effective leaders are able to manage past or around bad selection or IT systems. Some go so far as to do manual counts to track productivity in the absence of good information management technology. Strong leaders are able to rally the troops to overcome all kinds of system breakdowns, but good systems are seldom able to help poor leaders make strategic decisions about what new markets to enter or whom to hire. In effect, bad leaders can subvert or compromise good systems.

Training Future Leaders

So what can you do to strengthen your organization’s leadership? One approach that is gaining momentum because of the results it produces is the leadership academy or institute. Pioneered by the U.S. military as well as companies like GE and Motorola, this is a tool that is becoming more widely deployed to tackle the leadership challenge. From healthcare cooperatives like the Rural Wisconsin Healthcare Consortium to educational systems like the New York City Public Schools, leadership academies are being implemented as a way to build capacity and achieve higher performance. CEO Robert E. Knowling Jr. of the NYC Leadership Academy explains the performance expectations this way: “When I came in, the Academy was a blank piece of paper. Our mission and vision is to serve as a lever of change for this chancellor and to provide the system with principals with a strong grounding in instructional and transformational leadership who can make a difference for children.” Pretty challenging stuff by any standards, but even more so in New York City where 50% of the students aren’t graduating. Mayor Bloomberg has bet his political career and a number of companies and foundations have bet over \$75M that the leadership academy will produce the kind of payoff in test scores and kids getting degrees that truly makes a difference.”

What exactly is a leadership institute or academy? The approaches and content vary widely, but there are some common elements across all models. First, a true academy is grounded in a substantive curriculum that typically cuts across a number of formal disciplines such as management, communication, ethics, finance, and the like. A leadership academy isn’t presenting a series of workshops on inventory management or selling skills. Second, learning is programmatic in that it unfolds over time. In other words an academy isn’t a one shot deal or a weekend retreat. Academies typically run a semester (4-6 months) or more in length. Third, courses can be presented via a number of channels from online to the classroom, but a critical component in any academy is building the class into a cohesive group. Scott Ransom, CEO of Marshall Erdman & Associates, a national design/build firm of healthcare facilities, claims the greatest benefit he has seen is, “The Academy has really broken down barriers between regions and between our functional silos. People from different areas and units are informally working together much more collaboratively and much less territorially than before on projects.”

Finally, effective institutes include a real world/real business component to the learning through factual case studies, business simulations, and business improvement projects. AAA Vice President of Marketing & Membership Tim Bannon says that, “The investment we reaped from the Academy class projects on two innovative approaches to gaining new business and retaining members was worth the investment in and of itself.” Whether the enterprise is a not-for-profit association, an educational foundation, or a corporation, an academy needs to tackle tangible business problems and/or opportunities as part of the learning.

Can Leadership Learning Be Measured?

For the past five years we have been involved in the research, design, and delivery of leadership academies. We have learned some important lessons along the way and tracked some key business outcomes. The results to date have been promising. Higher customer satisfaction scores, improved market share, and innovative new services and programs are some of the outcomes. Over 90% of the respondents claim they are now more confident as a leader. One graduate who is a director of medical records for a healthcare facility says that, “The biggest benefit to my organization is the confidence the Academy gave me as a leader. It’s producing real benefits in how I look at every situation.” An engineer for a design/build firm similarly states, “The Academy gave me the confidence to have a candid conversation with a member of the management team which will impact financial reimbursement for the company.”



Beyond instilling greater confidence, 85% of our sample maintains that the Academy has improved collaboration and fostered new informal networks. This is one of the benefits of the bonding that comes from being a real class as opposed to just a group assembled for a seminar or retreat. Almost 60% of the graduates see business results in their area or department improving after attending the academy. Given the fact that many respondents have been out of the academy for less than 18 months this is a compelling finding. It suggests that knowledge and understanding are being translated into actions that impact the bottom line.



There is one thing in common across all of the organizations where we have conducted the Academy. They all are on a path of deliberate, strategic cultural transformation. The purpose of this transformation is to build an enterprise of performance excellence, and by so doing improve service to customers and value to all stakeholders, including employees. In this process of transformation to performance excellence, strengthening leadership is more than a temporary fix. It is the key driver for sustaining the organization's ability to manage change and pursue dynamic growth.

As CEO Gordon Nixon of RBC Financial Group summarizes, "Look, you either believe that developing leaders is important or you don't. There are so many variables that could be used to make or break your argument for leadership development. We're not going to play that game. We firmly believe it's important to grow leaders who can run their businesses, their functions, and their regions, yet who can lead with an enterprise-wide perspective. People make this business happen, and we will let our performance speak for the importance of developing leaders."

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