

Lighthouse works with Australia's leading organisations to build leadership capability and maximise profitability by developing their people. We've identified several questions about leadership, which will be addressing in a series of articles, with this one the first in the series.

These are significant questions – some of which don't have "right or wrong" answers. We look forward to engaging with you over the remainder of 2016 to discuss our point of view and develop specific solutions that make sense for your business.

## Your Questions

Leadership Questions	
1	<b>Does Leadership really matter: is effective leadership a primary contributor to business performance and success?</b>
2	<b>How do I measure Leadership Effectiveness for myself? My team? My organisation?</b>
3	<b>How can I achieve Organisation Alignment to drive return on my Leadership Development Investment?</b>
4	<b>How can I develop Individual Capability to move the needle?</b>
5	<b>How can I achieve lasting performance change through Embedding and Commitment?</b>
6	<b>How can Measurement help me achieve return on my Leadership Development Investment?</b>
7	<b>What does Lighthouse research say about "what's next" in Leadership?</b>

## Does leadership really matter?

Much has been written about the importance of leadership. Whether it's on the home front, in our schools, at the office or even on the sports field, we are bombarded with messages about the growing need for effective leadership. When we narrow the focus to the relationship between leadership and business performance, we have a sense that there is a link, but cannot demonstrate the strength of this relationship. At Lighthouse we find that our most successful clients believe that leadership makes a difference. Other organisations may see the relationship but need a more detailed discussion on the merits of investing in leadership when other imperatives are competing for those same dollars.



### What is the link between leadership and business performance?

*Our experience tells us that effective leadership makes a difference.*

*There is plenty of compelling data to demonstrate the relationship between leadership and a variety of business outcomes.*

### Our Common Story

In 1995 I was a new Graduate working on my first project with a prestigious consulting firm. It was exciting. It was scary. It was the opportunity I'd been building towards through years of study. Then I met my project lead. Rich was a quiet guy- unassuming and polite. He was an expert in his field – data center consolidation. He was also the worst boss I've ever had. Rich was not abusive. Not rude, intolerant, or prone to fits of rage. He delivered what the client asked for. But, unfortunately, he did it without me. I spent four months in a sort of "back office" role. While Rich engaged the client and produced the deliverables, I was searching the company intranet for relevant examples, which were never leveraged for the client. The project delivered 'what was asked for' but little additional value. It would be the last project the firm did with that client. I was then sent to a new project- helping a startup mobile phone carrier launch national operations. My new boss was Chris. Chris was engaging. Chris was interested in me and in what I could do. He helped me set clear performance goals and pushed me to perform. Chris had a large team and was doing the same for 8 others on the team. Chris was young but he was going places – and he could articulate the direction and destination. I knew how my role contributed to the success of the project and the client's upcoming market launch. My team counted on me to do my bit. Under Chris's leadership I worked hard – volunteering my discretionary effort. Over the next nine months we successfully launched the client's business, breaking several technology-implementation timeline records. The client went on to be a fixture in the US Telecommunications market and remains a major customer of the firm.

Both Rich and Chris were managers – but only Chris was an effective leader. Working with an effective leader inspires us, challenges us, and brings out our best contribution. I'm sure you have a similar story or two. So we know from our own experiences that leadership matters. Deloitte's latest report "*Global Human Capital Trends 2016*", shows that leadership ranks higher in importance than it did a year ago. In 2016, 89% of companies see leadership as an important or very important issue (up from 87% in 2015), and 57% cite leadership as very important (up from 50%).

So there is general agreement on the importance of leadership, but what *does* the research say about leadership and its contribution to business outcomes?

### **Business Drivers Research**

In 2015 Development Dimensions International (DDI)'s study of 13,000 leaders; 1,500 human resource executives; and 2,000 participating organizations found that "Organisations with the highest quality leaders were 13 times more likely to outperform their competition in key bottom-line metrics such as financial performance, quality of products and services, employee engagement, and customer satisfaction." Source: DDI [Global Leadership Forecast 2014/2015](#)

The Leadership Circle studied leadership and business performance across over 2000 businesses. The study (included in [Mastering Leadership](#) -2016) shows that *if you can improve leadership effectiveness there's a 38% chance of seeing that improvement translate into higher business performance. The data suggests that leadership effectiveness is a 38% lever, contributing heavily to the organisation's overall performance.* This means that improvements in business performance are "38% attributable" to improvements in leadership effectiveness. If leadership accounts for almost 40% of the reason for business performance improvement then the return on leadership investment is clear.

The results of these studies are complimented by research in Employee Engagement and it's close relative: Attrition.

### **Employee Engagement**

Employee engagement and culture are now business issues, not just topics for HR to debate – and there is cause for alarm. Gallup's 2013 global research found that 87 per cent of employees do not consider themselves engaged in their work.

Gallup's recent ([May 2016](#)) meta-analysis of the relationship between team engagement and performance includes more than 82,000 teams in 230 organizations across 49 industries and in 73 different countries. When Gallup researchers compared teams in the top quartile to those in the bottom quartile on the measure of engagement, they found teams scoring in the top 25% of engagement delivered:

- 21% greater profits
- 20% more sales
- 17% better productivity
- 10% better customer service perceptions

compared with teams scoring in the bottom 25%.

Aon Hewitt's Best Employers Highlights Report also shows the connection between employee engagement and profit growth. Researchers found that Best Employers achieved, on average, profit growth almost four times that of other organisations over the past two years.

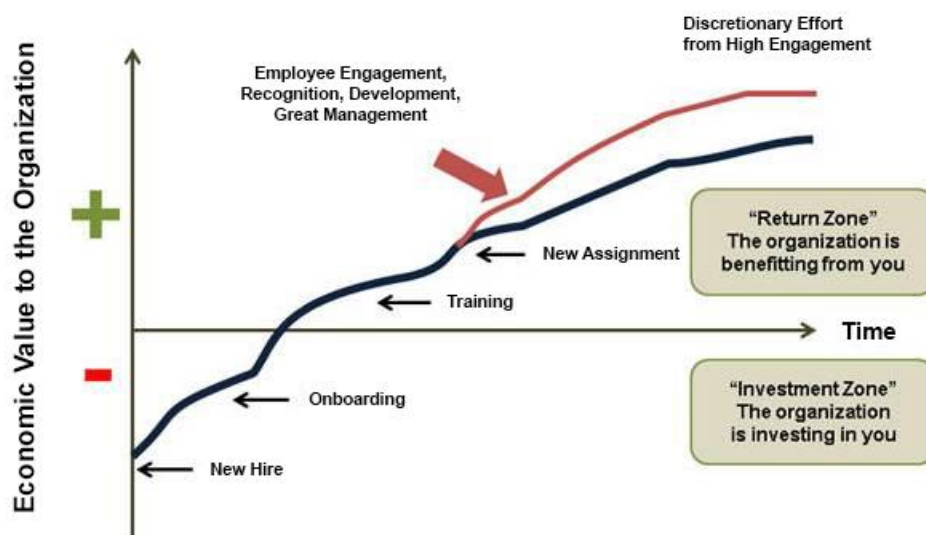
In addition, the Corporate Executive Board found that discretionary effort (that crucial willingness to go above and beyond) can be as much as 50% lower among highly disengaged employees than among their colleagues with average engagement. No CEO, especially in the current environment, can afford to lose so much productivity from a company's core contributors.

### *Attrition*

Staff turnover is a substantial cost to every business, estimated to be an average of 2.5 times annual salary. Recent research by Price Waterhouse Coopers (PWC) found Australia came last in a list of 11 developed countries when it came to staff leaving within 1 year at 23%. So nearly 1 in 4 new employee's leaves their job before their first 12 months is up! The resulting cost of turnover in Australia was estimated at \$3.8 billion in lost productivity and \$385 million in avoidable recruitment costs.

As people stay longer at a company, they become more productive and obtain additional skills to accelerate their performance over time. If we have a highly engaged workforce, this curve tips up even higher—making people more productive as they like the company and their work even more.

## Cost to Value of an Employee



When an employee leaves the company, organisations are forced to bring someone else in who starts at the bottom of the curve. This means organisations incur the:

- Cost of hiring (at the rate of one-half to one-third the salary of a senior person)
- Loss of productivity (the area under the curve)
- Diminished learning curve of the new employee

Source: Bersin by Deloitte, 2014.

### Where to start

Effective leadership development is a CEO's most under-utilised tool to advance the execution of an ambitious strategic agenda. A Korn Ferry survey recently revealed that nearly 40% of respondents said they don't regularly review leadership needs against their business strategy. This is a missed opportunity to achieve critical alignment.

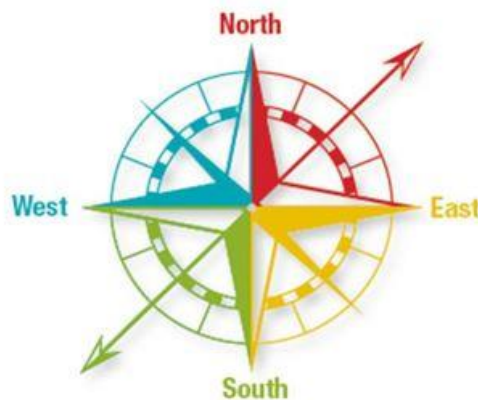
Lighthouse works with organisations to help align business strategy with leadership capability and execution. We use the NEWS Compass to determine where to go and to show us the most effective route to take. NEWS helps clarify four high performance factors, which help people, teams, and organisations gain alignment towards achieving outcomes. The insights generated by NEWS can then be implemented in team meetings and 1:1 Conversations to guarantee traction.



## THE NEWS™ MODEL

Deals with **DIRECTION, MISSION and VISION**  
Identification: Where do we want to be?

Deals with **PLANNING and EXECUTION**. "How will you achieve your goals?"



Deals with **MEANING, VALUES, MOTIVATIONS and DRIVERS**. "Why do you want to go to this direction?"

Deals with **GROWTH and WHAT PREVENTS GROWTH**  
"How will you get beyond these obstacles and limitations?"

### Case Study:

Millward Brown is a British multinational market research firm focused on advertising effectiveness, strategic communication, media and brand equity research. They engaged Lighthouse to help the Senior Management Team improve their collective leadership. Our work with this organisation initially included development of a clear 1, 2 and 3-year strategy with key actions and accountability. Over the next 24 months they extended this work into broader training of their teams in key areas such as people management, presenting skills and client engagement. Millward experienced solid financial growth and record employee satisfaction. Best of all- *the client achieved their three-year financial goal in the first year* and was one of only 11 companies that achieved Aon Hewitt's "Best Employer" status. Millward Brown's MD Ben Dixon attributed these outcomes to having an aligned leadership team and "the clear direction we have established for the business and the guidance and tools Lighthouse have provided".

Stay tuned for our next article: *How do I measure Leadership Effectiveness for myself? My team? My organisation?*

**Lighthouse is a marketing leading partner in building next level leadership capabilities. If you would like to talk about buldign capability in your organization then please get in touch with us at 02 9091 03 05 or 03 9563 6628. For more information on Lighthouse, please visit our website [www.lighthousegroup.co](http://www.lighthousegroup.co). Please sign up for our newsletter to receive future articles in this series.**