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Key Insights from the Extraordinary Leader

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INSIGHT 1.
GREAT LEADERS MAKE A HUGE DIFFERENCE, WHEN COMPARED WITH MERELY GOOD LEADERS.

We have known for some time that huge differences exist between top performers and average performers in any job category. One meta-analysis (a synthesis of some 80 well-conducted studies on productivity) showed that for high-level jobs (and leaders certainly fit that category), the productivity difference between the top person out of 100 and the great majority is huge. For example, the top person performing high-complexity jobs is 127 percent more productive than the mean average person, and infinitely more productive than the 100th person in that curve. The researchers said "infinitely" because the number was so large that it would be lacking precision to say anything other than "infinite."

Our research with a large mortgage company showed that the leaders in

Fig. 1 – Impact of Leadership Effectiveness on Employee Commitment/Satisfaction

the top decile of ratings (90th to 99th), as rated by their managers, [direct reports], and peers, produced twice as much net revenue to the organization (their term for profitability) as that of managers in the 11th through 89th percentiles. So the difference between really great leaders and the others is extraordinary. We have found strong statistically significant relationships between leadership effectiveness and a variety of desirable business outcomes such as profitability, turnover, employee commitment, customer satisfaction, and intention of employees to leave. In almost every study where we have undertaken to understand the impact of various dimensions of organizational effectiveness, leadership effectiveness has consistently had substantial impact.

INSIGHT 2.
ONE ORGANIZATION CAN HAVE MANY GREAT LEADERS.

Being a great leader can be defined by selecting the top 5 or 10 percent from any distribution, but this is artificial. It was done for the sake of ease and objectivity in our research. However, greatness should ultimately be defined against a standard rather than merely comparing people against each other. There is no reason why half the leaders in an organization could not be great if they were developed properly. Better still, why not all? Great leadership is not a competitive activity in which one person's success detracts from another's success.

Four great golfers can play together and all four can come in 10 strokes or more under par on the course. If anything, playing with other great players elevates the play of each individual. Likewise, an organization can have large numbers of leaders performing at a high level and having positive impact on their people and producing excellent business results. The goal should be to have all leaders performing at an extremely high level, and there is no reason why this cannot occur.

Jack Welch's legacy at GE was a strong emphasis on developing a large number of great leaders, many of who went on to lead major divisions of GE, and some who

left to head up other major corporations. Somehow, we must change the mentality that holds that any organization can have only a few really good leaders in it.

INSIGHT 3.
WE HAVE BEEN AIMING TOO LOW IN OUR LEADERSHIP DEVELOPMENT ACTIVITIES.

We contend that one of the major failings in leadership development programs has been the tendency to aim low. Michelangelo said, "The greatest danger for most of us is not that our aim is too high and we miss it but that it is too low and we reach it."

We have often set the target as "getting a little bit better." We have not set our sights on getting people to become outstanding leaders. The more great leaders an organization develops, the more it will become an outstanding organization. There is no reason to accept mediocrity in leadership any more than in software programming, customer service, or selling.

INSIGHT 4.
THE RELATIONSHIP BETWEEN IMPROVED LEADERSHIP AND INCREASED PERFORMANCE OUTCOMES IS NEITHER PRECISELY INCREMENTAL NOR IS IT LINEAR.

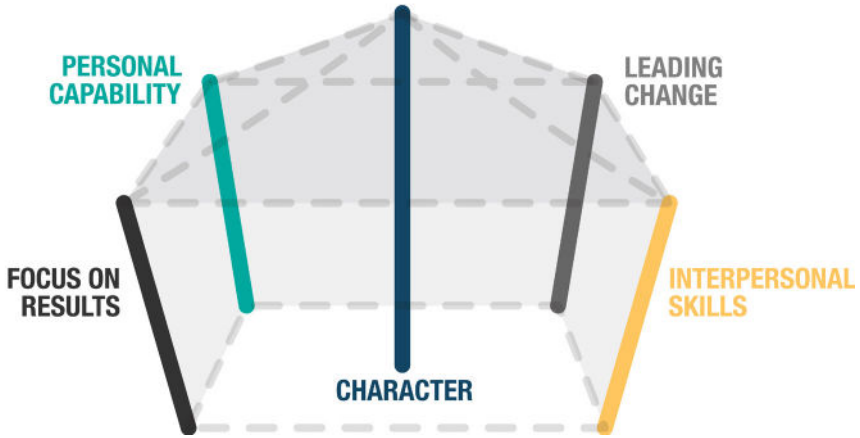
After evaluating a variety of different assessments comparing leadership effectiveness with outcomes as mentioned above, a distinct pattern emerged in almost all of our studies. Poor leaders (those up to the 20th percentile) had poor results, whereas leaders above the 80th percentile achieved exceptional results. Looking at only those two data points, the relationship appears fairly linear, but in each case where we examined those leaders with good results (20th to 80th percentiles), they achieved approximately the same level of outcomes even though their effectiveness ranged from the 20th to the 80th percentile. The concept that leadership effectiveness is not precisely incrementally related to performance outcomes means that incremental improvements in leadership will not create incremental improvements in performance outcomes. Perhaps if it did, people would be more focused on improvement. They would see that a slight improvement in their leadership ability created improved job performance. Leaders whose effectiveness ratings are at the 40th or 50th percentile end up achieving about the same performance as leaders at the 60th or 70th percentile. Those at the 40th or 50th percentile and who choose to conserve the energy involved in change might ask themselves, "What's the point? My results are the same as those of others who are working to improve their leadership." The lack of incremental movement of leadership and performance makes it difficult for people to make the jump to extraordinary performance. And so most choose to be satisfied with good performance rather than to move forward to higher levels. Some organizations as well appear to be satisfied with leaders that are good.

INSIGHT 5.
GREAT LEADERSHIP CONSISTS OF POSSESSING SEVERAL "BUILDING BLOCKS" OF CAPABILITIES, EACH COMPLEMENTING THE OTHERS.

We have described the "building blocks" of:

If people seek to be perceived as great leaders, it behooves them to know which competencies really make a difference in their organizations.

Fig. 2 – The Leadership Tent



- Character
- Personal Capabilities
- Focus on Results
- Interpersonal Skills
- Leading Organizational Change

Possessing only one of them is not likely to have you perceived as an effective leader. In fact, leaders possessing one competency as a strength at the 90th percentile would not be rated at the 90th percentile in terms of overall leadership effectiveness.

INSIGHT 6.
LEADERSHIP CULMINATES IN CHAMPIONING CHANGE.

The highest expression of leadership involves change, and the highest order of change is guiding an organization through a new strategic direction, changing its culture, or changing the fundamental business model. Thus, change is an important and ultimate criterion by which to measure leadership effectiveness.

INSIGHT 7.
ALL COMPETENCIES ARE NOT EQUAL. SOME DIFFERENTIATE GOOD FROM GREAT LEADERS, WHEREAS OTHERS DO NOT.

There has been an enormous amount of money spent, mostly by large corporations, to define competencies. The implication of these lists has often been that all of these were of equal importance, and that the wise manager would devote time to being good at all of them.

Our research, on the contrary, suggests that some competencies tower above others, and which ones are most important often depends on the organization. For example, in one organization we studied, the data showed that the single most important competency for a leader was to be seen as technically competent. Conversely, the quality that put leaders into the bottom rung was their lack of technical competence. This one characteristic was far more important than the second or third distinguishing capability.

The point is that if people seek to be perceived as great leaders, it behooves them to know which competencies really make a difference in their organizations. Our research identified 16 competencies that actually separated the top 10 percent of all leaders from the rest. We believe these are the competencies on which most leaders should focus.

THE 16 DIFFERENTIATING COMPETENCIES

Character

1. Displays High Integrity and Honesty

Personal Capability

2. Technical/Professional Expertise
3. Solves Problems and Analyzes Issues
4. Innovates
5. Practices Self-Development

Focus on Results

6. Drives for Results
7. Establishes Stretch Goals
8. Takes Initiative

Interpersonal Skills

9. Communicates Powerfully and Prolifically
10. Inspires and Motivates Others to High Performance

Becoming good at one competency appears to make people better at another. This is the “cross-training effect.”

11. Builds Relationships
12. Develops Others
13. Collaboration and Teamwork

Leading Change

14. Develops Strategic Perspective
15. Champions Change
16. Connects the Group to the Outside World

INSIGHT 8.
LEADERSHIP COMPETENCIES ARE LINKED CLOSELY TOGETHER.

Although an effort has been made to make them appear unique and specific, the fact of the matter is that leadership competencies are highly intertwined. Several forces appear to be at work to make this happen. One is that becoming good at one competency appears to make people better at another. This is the "cross-training effect." The second way they become linked appears to be from "attribution" or the creation of a "halo effect." If a leader is perceived as being highly effective in working with people, then it is easy to attribute to that person the skills of being committed to the development of [direct reports].

INSIGHT 9.
EFFECTIVE LEADERS HAVE WIDELY DIFFERENT PERSONAL STYLES. THERE IS NO ONE RIGHT WAY TO LEAD.

Military leaders provide some of the clearest contrasts in leadership behavior. Eisenhower was an able administrator and builder of coalitions, and generally self-effacing. MacArthur was strategically focused, sensitive to the culture of the enemy, and highly flamboyant. Patton was impetuous, passionate, and a "lone-ranger." We now have solid research evidence of these widely different styles, especially viewed from one organization to the next.

In our research we tried diligently to discover the one, two, or three capabilities that were common for all extraordinary leaders. We failed. Our research confirms what has been suggested from clinical studies of organizations and leaders. There clearly is no one pattern that covers all organizations or leaders within any one organization. Our data support the conclusion that effective leadership is incredibly complex and diverse. Providing one simple key to leadership is just not workable.

Our inability to find these universal issues was in many ways one of our most profound findings. The research suggests that extraordinary leaders come in all shapes and sizes. Some have strengths in some competencies while others complement them because of their strengths in different competencies. For an organization to have exceptional leadership ability, it needs to assemble the right team with ample diversity and talent to maximize the collective influence of the team.

INSIGHT 10.
EFFECTIVE LEADERSHIP PRACTICES ARE SPECIFIC TO AN ORGANIZATION.

Countless leaders who were successful in an organization switch to another and then fail. This is compelling evidence that leaders must fit the organization.

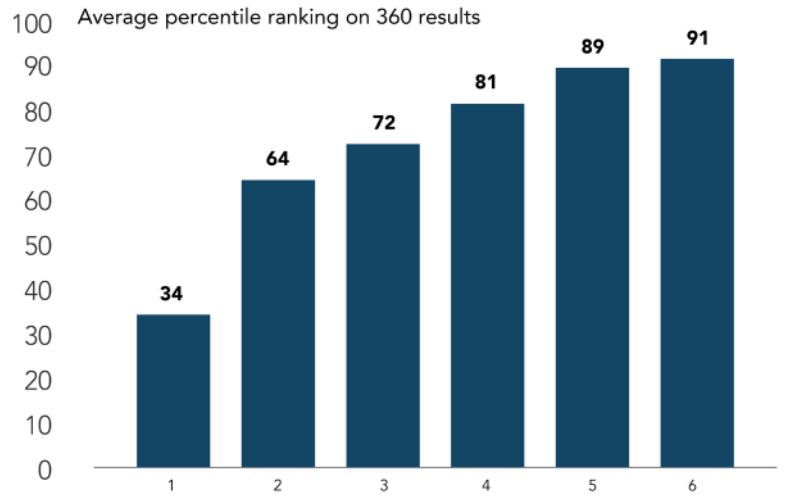
Our research showed wide variations between organizations regarding the specific competencies that were valued most by each one. Leadership always occurs in a context.

INSIGHT 11.
THE KEY TO DEVELOPING GREAT LEADERSHIP IS TO BUILD STRENGTHS.

When people are challenged to improve their leadership effectiveness, they almost automatically assume that the best approach for improvement is fixing weaknesses. In fact, most leadership development processes result in leaders developing an action plan that focuses primarily on weaknesses. Our research has led us to conclude that great leaders are not defined by the absence of weakness, but rather by the presence of clear strengths. Great leaders, as seen through the eyes of [direct reports] and peers, possess multiple strengths, and our research shows a relatively straight-line progression. The more strengths people have, the more likely they are to be perceived as great leaders. For example, one large group of managers had this pattern:

- No strength puts them in the 30th percentile of all leaders in that group.
- One strength placed them at the 60th percentile.
- Three strengths put them at the 80th percentile.

Fig. 3 – Impact of Number of Strengths on Leadership Effectiveness



- Five strengths catapulted them into the 90th percentile.

These strengths are not always the same ones. Of the 16 competencies that we discovered, great leaders did not have the same four strengths. However, these strengths cannot all be from the same cluster. They must be distributed among the various building blocks described earlier.

In general, in examining all of our data, it is clear that the greater the number of strengths you have, the more likely you are to be considered a great leader. This has enormous implications for executive selection processes, which seem often to be seeking people who possess no flaws. It seems that the emphasis should be on seeking people with remarkable configurations of strengths. Proven track records of accomplishment stemming from competencies appear to be the key to finding great leaders. This also has enormous implications for leadership development. In the past, we have often focused our efforts on patching over weaknesses.

Being good at one thing is sufficient for some athletes or musicians, but seldom for leaders. Our research confirmed that a combination of competencies is the key to being highly effective.

When executives are given a 360-degree feedback report, the consistent reaction is to ignore the pages describing their strengths and immediately focus on weaknesses, which in most cases are simply behaviors that are rated as less positive rather than real fatal flaws. It is as if strengths are givens, and the thing to work on is weaknesses or less positive areas. Increasingly we are convinced this is a mistake. It is far better to magnify strengths or create strengths out of those characteristics that are in positive territory but not fully developed. Leaders who are moderately effective and preoccupy themselves with incremental improvement of less positive issues will never move from good to great.

Development is far more successful when the leader focuses primarily on strengths rather than being only concerned with repairing weaknesses. In many cases, it worked well to have a combination of strengths and weaknesses as the development target. But the overall improvement of those working only on weaknesses was only a third of the progress of those who worked on strengths or a combination of strengths and weaknesses.

INSIGHT 12.
POWERFUL COMBINATIONS PRODUCE NEARLY EXPONENTIAL RESULTS.

Being good at one thing is sufficient for some athletes or musicians, but seldom for leaders. Our research confirmed that a combination of competencies is the key to being highly effective. For example, the person who is focused only on getting results often fails to obtain those results. Why? It is akin to a person attempting to row a boat with one paddle. Instead, good results come from a combination of skills, especially those joining the emphasis on results with strong interpersonal behavior and relationships with people.

Neither one, by itself, takes you very far. Together, they produce spectacular outcomes. In one study, we found that if you are in the top quartile in Interpersonal Skills but rated poorly on Focus on Results, the likelihood of you being perceived as a great leader is only 9

percent. If you are in the top quartile on Focus on Results but given low ratings on Interpersonal Skills, the likelihood of being perceived as a great leader is 13 percent. But if you possess both strong Interpersonal Skills and a Focus on Results, then your probability of being perceived as a great leader jumps to 66 percent. It is the powerful combination of those factors that makes a huge difference.

Whether you are working with complex organizations or with one [direct report], there is seldom any one thing responsible for producing a positive outcome. Instead, it is the combination of several forces that produces desired outcomes. In general, leaders are most effective when they possess strengths in each of the major clusters of competencies.

INSIGHT 13.
GREATNESS IS NOT CAUSED BY THE ABSENCE OF WEAKNESS.

Our data reveal that a large percentage of leaders, approximately 84 percent, do not possess any severe weakness, and yet they are not perceived as strong leaders. They are "blah." [Direct reports] do not single out any one weakness as the root cause of the leader being weak. Instead, the combination of being in the "mid-range" on a number of dimensions is the pattern of the mediocre manager. In sum, the absence of weaknesses combined with the absence of any pronounced strengths commits you to being no better than average.

Our research shows that the self-evaluation of most leaders in this category is highly distorted. They feel like they are good leaders. Possibly because they are not really bad at any one area of leadership, they come to believe that they are good. But rather than trying to convince them that they are bad leaders, we think it far more valuable to help this group see what they can do to become outstanding in several areas, and that when they do that, they will in all likelihood be perceived as highly effective leaders.

Our research indicates that good leaders are, in fact, producing better outcomes than those of leaders who are bad. Good is better than bad, but neither they themselves nor their leaders appear to recognize the substantial contribution they could make by moving from being merely good to great.

An example of the focus most executives have in fixing weaknesses was demonstrated in the following consulting engagement:

We conducted an organization-wide study to determine the key factors influencing the success of 100 field offices. We submitted a report that found the issue that was the most powerful factor influencing the success of field offices was the effectiveness of the office manager. After studying the report carefully, the executive team came out with a recommendation to "find the bad managers and fix them." However, after finding the "bad" managers, it was determined that there were not enough of them to explain the organization's overall poor performance. The executives came back doubting the validity of our study. With further analysis, however, we collectively came to the conclusion that the organization's poor performance problem was not because of bad managers but was the result of having a large

number of mediocre ones. Their performance paled in comparison with that of the few exceptional managers, and the key to raising the overall performance of the organization was to help facilitate the improvement of the mediocre managers to the level of the exceptional ones. Greatness is driven by strengths, with "the more the better" being the simple fact.

INSIGHT 14.
GREAT LEADERS ARE NOT PERCEIVED AS HAVING MAJOR WEAKNESSES.

One of the common bits of folk wisdom about leaders is that great leaders have great strengths, but that strengths taken too far become weaknesses. Furthermore, no one is perfect, so great leaders must have highly visible flaws. We were fully expecting to find that notion confirmed by our data.

To our surprise, there is no hint of that. Instead, our data describes the leaders who are seen as highly effective by their [direct reports] as not having flaws. Their scores across all competency categories were remarkably similar on the high side. Frankly, we wondered if there was not a pervasive halo effect that caused people who are really effective at a few skills to be perceived as being good at everything. We fear the converse may also be true: that leaders who are not seen as standing out on several dimensions are perceived as not standing out on any dimension.

In recent decades, our political leaders have seemed to display great strengths that are accompanied by serious flaws. Whether private- and public-sector leaders really differ from elected leaders, or whether there is just more intense public scrutiny placed on elected political leaders, is the subject of a good deal more research.

INSIGHT 15.
FATAL FLAWS MUST BE FIXED.

While our focus will be on developing strengths, there are some circumstances when a focus on weaknesses is warranted. This often happens when the nature of the weakness jeopardizes the center pole of the "leadership tent:" Character. If a person is not honorable, does not keep promises, does not tell the truth to people, or if this person places personal gain above the needs of the organization, then that flaw will cause the person to be ineffective.

There are other "fatal flaws." These begin with an inability to learn from mistakes and include poor interpersonal skills, unwillingness to accept new ideas, lack of accountability, and a lack of initiative.

INSIGHT 16.
LEADERSHIP ATTRIBUTES ARE OFTEN DEVELOPED IN NON-OBVIOUS WAYS.

Our research has helped us uncover a new approach to behavioral change that we have arbitrarily called nonlinear development. We will argue that the vast majority of action plans created by leaders use a linear philosophy regarding behavioral change. But, the perception of competency may be strengthened in non-obvious ways.

We will argue that competencies are not reality but are the perceptions of others about a given leader. There may be non-obvious ways to improve how lead-

ers are perceived. We have called these "competency companions," and these are behaviors that always rise or fall with another competency. While it is impossible to prove cause and effect between the two, the fact that they are laced so tightly together suggests that something important can be learned from them.

The practical implications of this are huge. For example, assume that a leader in an organization receives the following feedback: "Your [direct reports] do not see you as highly motivational or inspirational. They do not feel energized after they interact with you. They do not feel that their horizons are expanded after meeting with you."

The common and seemingly practical way to address this message and change these perceptions would be to do the following:

- Enroll in a public-speaking course to learn how to be more compelling in presentations.
- Read good texts or articles on human motivation.
- Deliberately display more enthusiasm by speaking louder and more rapidly, and with more gestures.
- Attend motivational seminars where prominent, nationally-known motivational speakers team up to present their messages. Your hope would be to get good content and also learn from their style of presentation.

Fig. 4 – Competency Companion Behaviors

Our research, however, on the competency companions to "inspires and motivates others" reveals some different ways to improve people's perceptions on this competency. When people score high on "inspires and motivates others," they also receive high scores on "communicating clear expectations." And when people receive low scores on "inspiring and motivating others," they receive low scores on "communicating clear expectations." There is obviously something about being clear that is closely linked with people

feeling motivated and inspired. So, managers who receive this feedback might want to work hard at being extremely clear about the expectations they convey to others. Further, they may want to check with others periodically to see if their message is coming across with simplicity and clarity. A manager could ask questions such as, "Is there anything that is not clear about this request?" "Would it help if we went over this project description one more time?"

Our message is not that reading a book on motivation, or taking a class in public speaking, or deliberately showing more energy and enthusiasm is a bad thing to do. Instead, the message is that many behaviors and practices come together to create the perception on the part of [direct reports] that their leader is motivational and inspirational. Understanding the competency companions gives the leader additional ways to improve that perception. It appears that the more of these a leader displays, the more likely the leader is to be perceived as a highly effective "motivator and inspirer" of others.

The more linear, "hit-it-straight-on" development seems best geared for moving people from bad to neutral. It may also be of some help in moving people from neutral to the "good" range. The competency companions seem especially helpful for those who desire to move from "good" to "great" or "extraordinary." They open up many new doors for development. Some would perceive these as side doors, maybe even back doors. But for those who have difficulty in following the traditional, linear development process, we believe that competency companions provide exciting new paths to explore.

INSIGHT 17.
LEADERS ARE MADE, NOT BORN.

This controversy continues. The question has not gone away. We attest that leaders are made. While this is certainly not a new point of view, we go on record declaring this to be a fact. We contend that strong evidence exists to support this conclusion. We readily acknowledge that some people start with advantages of intellect or personality, but the case for leaders being made can be confirmed by finding just one organization that does it successfully.

The U.S. Marine Corps has for the past 226 years been developing leaders. We present the argument that from their long experience, they have adopted many practices that are only now being confirmed by research.

INSIGHT 18.
LEADERS CAN IMPROVE THEIR LEADERSHIP EFFECTIVENESS THROUGH SELF-DEVELOPMENT.

There are implications of our research on leadership development undertaken by the individual. These ideas apply to any people in leadership positions who desire to improve their own leadership skills and effectiveness.

A relatively small fraction, approximately 10 [percent] of leaders, have a personal development plan to which they give regular attention. Twice that number have something on paper, but one half of those are not doing anything to follow-up on their development.

INSIGHT 19.
THE ORGANIZATION, WITH A PERSON'S IMMEDIATE [MANAGER], PROVIDES SIGNIFICANT ASSISTANCE IN DEVELOPING LEADERSHIP.

INSIGHT 20.
THE QUALITY OF LEADERSHIP IN AN ORGANIZATION SELDOM EXCEEDS THAT OF THE PERSON AT THE TOP.

In analyzing our many sets of data collected from multiple organizations, we observed that the scores of leaders in the organization rarely exceeded the scores of the most senior leader. That person was the cap on leadership effectiveness.

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About Us

Zenger Folkman relentlessly seeks to rise above the inconsistent, and sometimes misleading, nature of popular leadership philosophies and beliefs brought on by opinion. The discipline of leadership and those who pursue it deserve better. Our most valuable asset is the expertise of combining hard data and statistical analysis with logical explanations and actionable application that help individual leaders thrive and organizations succeed.

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