

Developing the right leaders and culture to get results from your business

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I caught up with the renowned Human Resources guru Norm Smallwood to get his thoughts on how organisations can develop the right leaders and culture to drive the business. Norm Smallwood is a recognised authority in developing businesses and their leaders to deliver results and increase value. His current work relates to increasing business value by building “outside in” organisation, leadership, and people capabilities that measurably impact market value.

Does leadership quality play a significant part in the success of the organisation?

- Absolutely yes. Several years ago Dave Ulrich, Jack Zenger and I wrote a book called Results Based Leadership that looked at the connection between leadership qualities (or competencies) and results. We believe that leaders should start by identifying the needs of their stakeholders (customers, investors, employees, the community, etc.) and then build their qualities so that they can add value.

What does research show and what is happening in practice?

- We have done research and written several books and articles on the connection between leadership and investors (How Leaders Build Value and the Leadership Capital Index), leadership and customers (Leadership Brand), leadership and employees (HR from the outside in) and so on. In practice, most organisations don't start with their stakeholders they start with the leadership qualities that they think they should improve.

How do you measure the quality of leadership in an organisation? What are the indicators we can track?

- In publicly traded companies, we look at Price to earnings ratio over a ten year period of competitors in same industry who have faced same challenges during the same time period. Two companies can have the same earnings but have very different market values depending on their multiple e.g. company A and B both have earnings of 10. Company A has Price to earnings of 10 and company B has price to earnings of 15. Company A has market value of 100 (10 x 10) and company B has market value of 150 (10 x 15). The logic is that company B has higher levels of investor confidence in the future because of quality of leadership.
- In non-publicly traded companies, I'd recommend that you do some interviews of internal and external stakeholders, especially customers to get a view of how they perceive the quality of your

leaders.

Does succession planning work? If so how do you make it work?

- Succession planning does work. Senior leaders of a company should form a team that reviews succession on yearly basis. This process is typically supported by information from HR. Many companies use the 9 grid which looks at performance and potential i.e. is performance low, medium or high and is potential for future, more senior roles, low, medium or high. Candidates are placed within this grid.
- The best companies for developing talent also utilise a concept called corporate talent which means that a group of high potentials careers is owned not by their current geography, business or function but by the company. In this way, the best talent can be moved and can't be held onto leaders in their current area.

What do you think is the role of HR in leadership development?

- Line managers should “own” leadership development and HR should support them to develop leaders. We see six elements that HR can help to build a capability of leadership: 1) build the business case for why we should invest; 2) clarify what effective leaders should know, be and do (their qualities); 3) assess leaders; 4) build the plan to invest in leaders through job assignment, training and development and building a culture of leadership; 5) Measure the impact of the investments in leadership (much easier if there is a business case; 6) communicate with internal and external stakeholders about how what we are doing to improve leaders will also improve our results.

Is organisational culture real? If so how do you build a culture that supports the business?

- I talked about outside in leadership that starts with customers and external stakeholders. Same holds true for culture. A high performing culture exists when employees resonate with customers at every touch point. To do this well, need to clarify the customer value proposition and the firm brand identity (why customers buy from us) and to make that real to customers and to employees. This can be done by mapping every touch point and embedding the value proposition at each touch.

How important is coaching with regard to developing effective leaders?

- I believe that coaching is an essential component to developing leaders. There are many kinds of coaches: coaches that can help me stay on track, coaches that give me feedback on my interpersonal skills and help me improve them, coaches that give me insight into my strategic priorities. These coaches can be external or internal. But, having someone help to hold me accountable to what I said I would do is a key to becoming an authentic leader who does what s/he promises to do.

In 2000, Norm co-founded The RBL Group with Dave Ulrich. Norm has co-authored eight books: Real-Time Strategy, Results-Based Leadership, How Leaders Build Value, Change Champions Field Guide, Leadership Brand, Leadership Code, and Leadership Sustainability. Harvard Business School Press published his latest book, Agile Talent, coauthored with Jon Younger in February 2016. He has published more than a hundred articles in leading journals and newspapers including Washington Post, Forbes, Harvard Business Review and Financial Times and has contributed chapters and Forewords to multiple books. Norm has been a frequent blogger on HBR Online where his blog on Personal Leader Brand was highlighted as one of ten most read of 2010. Norm was a faculty member in executive education at the University of Michigan in the Ross School of Management between 2001 and 2003.

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