

LEADERSHIP: THE KEY TO ORGANIZATIONAL VITALITY

There are many elements that go into creating a successful, vital organization. Customer focus, a great marketing strategy, and passionate employees are just a few of the factors that come to mind. But the one place that organizations should focus on first is leadership. That's because leadership is the engine that drives the other factors.

Research by The Ken Blanchard Companies® has identified that organizational vitality is derived from a combination of devoted customers and passionate employees. Success in these two areas gives a company its best chance to achieve long-term vitality. Organizations looking to the future need to look at their current leadership capacity and determine if they have the leadership bench strength to attract and retain loyal customers and also to attract, retain, and engage loyal employees. (The Leadership Profit Chain, 2005)

In looking at all of the great organizations that The Ken Blanchard Companies has worked with over the years, we have found one thing that sets these organizations apart from average organizations. The defining characteristic is leaders who maintain an equal focus on both results and people. In these organizations, leaders measure their success with people (customers and employees) as much as they measure their financial performance.

A Case in Point

When the Vice President of Leadership Development for a large, financial institution we recently worked with was asked to identify and rectify his firm's various issues, he began by determining the organization's priorities. Maintaining employee engagement, building customer loyalty, and executing revenue growth strategies were high on the list. While the bank was recognized as a leader within the industry, this was not reflected in its customer base or its numbers. "We were running customers off faster than we were acquiring them," the VP explained. To remedy this, leadership at the firm decided to focus on two key assets—their employees and their customers.

For the bank's leadership this meant committing to a leadership and coaching model that "promoted two-way dialogue to enhance the relationship between leader and employee." Special emphasis was placed on "partnering for performance," which opened up communication between managers and direct reports by increasing the quality and frequency of conversations. Leaders adopted the philosophy that leadership is not something you do to people, but something you do with people.

Leaders at this bank began to realize that happy employees—well-taken care of employees—really want to serve their customers. And it started to show in the results with earnings increases across the board including a 50% increase in small business loans, a 44% increase in commercial deposits, a 25% increase in consumer deposits, a 21% increase in consumer loans, and 21% increase in net income.

Leadership Is the Key

The Ken Blanchard Companies has found that in organizations where leading at a higher level is the rule rather than the exception, leaders do four things well.

1. They set their sights on the right target and vision.

Great organizations focus on three bottom lines instead of just one. In addition to financial success, leaders at great organizations know that measuring their success with people—both customers and employees—is just as important as measuring the success of their financial bottom line. In these organizations, developing loyal customers and engaged employees are considered equal to good financial performance. Leaders at these companies know that in order to succeed they must create a motivating environment for employees, which results in better customer service, which leads to higher profits.

2. They treat their customers right.

To keep your customers today, you can't be content just to satisfy them. Instead, you have to create raving fans by providing legendary service—customers who are so excited about the way you treat them that they want to tell everyone about you. Companies that create raving fans routinely do the unexpected on behalf of their customers, and then enjoy the growth generated by customers bragging about them to prospective clients.

3. They treat their people right.

Without committed and empowered employees, you can never provide good service. You can't treat your people poorly and expect them to treat your customers well. Treating your people right begins with good performance planning that gets things going in the right direction by letting direct reports know what they will be held accountable for—goals—and what good behavior looks like—performance standards. It continues with managers who provide the right amount of direction and support that each individual employee needs in order to achieve those goals and performance standards.

4. They have the right kind of leadership.

The most effective leaders realize that leadership is not about them and that they are only as good as the people they lead. These leaders seek to be serving leaders instead of self-serving leaders. In this model, once a vision has been set, leaders move themselves to the bottom of the hierarchy, acting as a cheerleader, supporter, and encourager to the people who report to them.

Conclusion

In *The Heart of Business* Matt Hayes and Jeff Stevens contend that when profit, which is a legitimate goal, becomes the driving reason for being in business, everyone—including stockholders, senior leadership, top managers, and employees—quickly become self-serving, with a focus on their own agenda and personal enrichment.

In business, with that kind of leadership, it is a short leap to thinking that the only reason to be in business is to make money. There is an either/or added to people and results. Leaders falsely believe that they can't focus on both at the same time.

While leaders can be successful in the short run by emphasizing goal accomplishment, what tends to fall by the wayside with this type of thinking is the condition of the human organization. Those leaders don't always take morale and job satisfaction into consideration—only results.

This type of thinking is short-sighted and will not position a company for long-term growth or success. To succeed long term you need to have a "both/and" philosophy where the development of people is of equal importance to performance. Leaders at these companies know that to succeed they must create a motivating environment for employees, which results in better customer service, which leads to higher profits.

This starts by recognizing that leadership must go beyond just goal accomplishment. In addition to financial success, leaders at great organizations know that measuring their success with people—both customers and employees—is just as important as measuring the success of their financial bottom line. In these organizations, *profit becomes the applause you get for taking care of your customers and creating a motivating environment for your people.*

The way to maximize your results as a leader is to have high expectations for both results and relationships. If leaders take care of the people who take care of their customers, profits and financial strength will follow. It's a proven formula that will provide success in both results and relationships.