



A shift to a new leadership level

Vlatka Hlupic is a Professor of Business and Management, Director of the Emergent Leadership and Development research group and Director of the Executive Coaching and Leadership Development Programme at Westminster Business School

The business model is in crisis. It is not only the banks that have engaged in a reckless short-term quest for profits, often in unsustainable ways. Mis-selling and accounting controversies appear almost weekly. Even away from scandals, the picture is troubling.

Corporate performance has declined, whether measured through Return on Assets or Return on Invested Capital. US firms' Return on Assets has dropped 75% since 1965¹. Life expectancy of Fortune 500 companies has plummeted from 75 years to just 15 years in the last half a century. Surveys show that only around 25% of the workforce is passionate about their work.

The maxims and metrics that have held for the past few decades – maximizing shareholder value, quarterly reporting, people as resources – are no longer fit for purpose, if they ever were.

Yet breaking with old habits is proving very difficult. This is because it often requires a quite fundamental rethink, and new behaviours and disciplines, at both the personal and the corporate level.

Individually, as well as moving on from 'command and control' ways of operating, focused on short-term accounting targets, we need to move on from 'command and control' ways of thinking, being and doing. I've been able to demonstrate, along

EMERGENT LEADERSHIP



Figure 1. The Emergent Leadership Model

with other thinkers and coaches, that a more engaging style of leadership leads to superior engagement, focus, service and performance, leading directly to better customer experience, business growth and profits.

The approach I've used defines five Levels of organizational climate and performance, captured in the Emergent Leadership Model (see Figure 1), as described in my book *The Management Shift*².

Level 1 is the lowest level of staff engagement. The atmosphere is toxic, there is apathy or even sabotage by employees. At Level 2 there is a low level of energy, and often high absenteeism. Level 3 defines a competent but unenthusiastic climate – the obedient 'command and control' climate where people do the minimum efficiently, but little more.

The really radical transformation comes when moving to Level 4, which features an enthusiastic and engaged workforce, where people work as teams and go out of their way to help customers. For moments in time, it's also possible to achieve Level 5 – a super-engaged, inspirational way of operating, where unthought-of achievement becomes possible.

The gains from operating at Levels 4 and 5 are multiple: better customer experience, word-of-mouth recommendations; enthusiastic and motivated staff, reduced marketing spend, enhanced margins, enabling better rewards to feed back to employees, and so on. Such organizations tend also to be better at innovation and adapting to changes in technology and demography. A virtuous circle is created.

But to effect this transformation, leaders genuinely have to behave in different ways: to listen to staff, including production and sales staff, and not just issue instructions; to devolve power where possible, but in a responsible way to effective local leaders; to practise and demonstrate high values in their own behaviour.

The evidence for this approach is no longer in doubt, but application is difficult. Not only is personal change in attitudes, beliefs and behaviours a challenge, but it's also the case that enthusing employees is not enough to regenerate a business on its own. People could be engaged behind a flawed strategy, for example. In the most effective organizations, strategy, operations and people are all considered as parts of a joined-up whole.

At the corporate level, one of the legacies of the 20th Century corporation is its compartmentalization into silos – the giant departments of finance, marketing, HR, operations and so on. Separation and specialization were emphasized. While an element of specialization is necessary, too often we have compartmentalization of thinking. For example, employee engagement is too often just left to the HR department to sort out; financial responsibility is hived off to the finance department; brand and reputation to marketing, and so on.

“The maxims and metrics that have held for the past few decades – maximizing shareholder value, quarterly reporting, people as resources – are no longer fit for purpose, if they ever were”

This is inadequate. In the model that I've developed and now tested at 20 employers, large and small in different countries, we look at all dimensions simultaneously, across the board.

This learning has resulted in a six-dimensional approach to business leadership, that I have branded the 6 Box Leadership Model. Three of the boxes refer to people and their development: Individuals, Relationships and Culture; and the other three to the process-related matters: Systems, Strategy and Resources.

A questionnaire-based analysis helps business leaders identify how far they have progressed. The 5 Level method for improving personal leadership and engagement can then feed into a comprehensive approach for improving organizational development across all the crucial disciplines. People can see the links: how moving to a Level 4 leadership style, allied with attention to excellence in strategy and processes, can transform a business's performance. The old silo mentality is left behind and the organization is understood for what it is – a thriving, innovative, living entity, not a half-dead collection of structures and commands.

The changes that my research strongly shows to be necessary are comprehensive. I have called them collectively 'The Management Shift' (based on research published in the book with the same name). This is a transition:

1. From a controlling mindset to an empowering one,
2. From setting rules to establishing principles,
3. From issuing instructions to creating teams,
4. From overseeing transactions to building alliances,
5. From a focus on short-term profits to serving all stakeholders.

The 5-Level Emergent Leadership Model is also used as a basis for personal and professional development of MBA students at Westminster Business School. As a part of the Personal and Professional Development Module, students are familiarised with the model and characteristics of each level and overall principles of 'The Management Shift'. They are then provided with a range of developmental and learning opportunities to help themselves and others to get anchored at Level 4 where engagement, creativity and performance are thriving. ■

1. http://edgeperspectives.typepad.com/edge_perspectives/2010/11/2010-shift-index-passion-and-performance.html

2. *The Management Shift: How to Harness the Power of People and Transform your Organization for Sustainable Success*, by Vlatka Hlupic, is published by Palgrave Macmillan, November 2014.