

Connected leadership

Simon Hayward and **Dr Martyn Newman** examine the importance of leadership connections in organisational success

Has leadership ever been more complex? Although the economy is recovering, we still live in uncertain, unpredictable times. Markets are volatile. Customers are increasingly discerning: if they're not happy, they'll let the world know via social media. There has been a widespread erosion of trust. Organisations everywhere need to become more agile in order to cope with the changing demands of our unpredictable world. Leaders are being forced to change, and the old style of command and control leadership just doesn't cut it any more. We all need to work in a more joined up way – to be more connected.

So how can leaders become more connected? We believe it is critical to communicate a clear direction, purpose and values to engage employees inside the organisation as well as customers beyond it. Leaders can achieve this if they lead through influence rather than control, and devolve decision-making across organisations. This relies on effective communication and connection across

the organisation based on a consistent set of assumptions. We also need to look at connection on a very human level – how can leaders use their emotional intelligence alongside their strategic nous to build meaningful and productive relationships?

Emotional capital

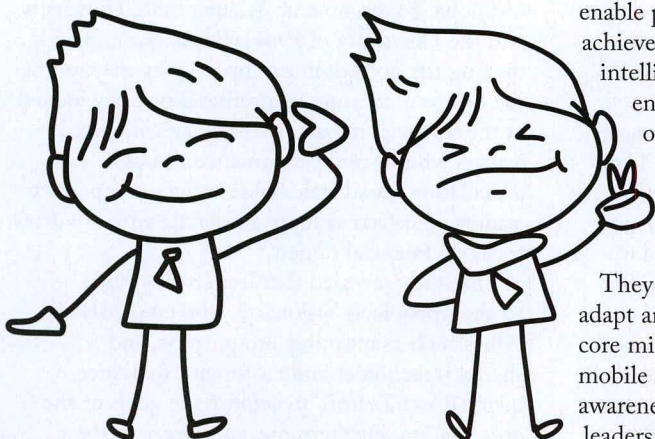
A connected leader needs to be an emotionally intelligent leader, able to manage his or her emotional energy and to mobilise, focus and renew the collective energy of others. Leaders benefit from building awareness of their 'emotional capital' – the feelings, beliefs, perceptions and values that people hold when they engage with their business. The emotional assets in your organisation determine whether or not people will work well with you, buy from you, and enter into business with you. As a leader, the ability to understand and manage your own emotions and to recognise and empathise with the emotions of others can help build critical connections that lead to deep commitment. Emotional capital is valuable because it creates strong relationships that enable people to collaborate more effectively and achieve effective collective outcomes. Emotionally intelligent leaders can create cultures of engagement to maximise productivity across organisations.

More effective collaboration is important to the organisations we work with as they aim to introduce a more connected, shared style of leadership.

They are keen to encourage their people to adapt and learn while remaining true to the core mission of the organisation. At one leading mobile communications company, an increased awareness of emotional intelligence has helped leaders to communicate more authentically, which

References

- 1 <http://bit.ly/1p6hirb>
- 2 <http://bit.ly/1kKAYvt>



People across multiple generations want to know that what they do at work has value, has meaning and is achieving something of which they can be proud

has helped to build more open and productive relationships. This has led to a dramatic increase in engagement, which has had a positive impact on financial results.

Meaning beyond money

Businesses need to make money in order to survive. But the financial crisis has shown us that a short-term focus on profit can ultimately be detrimental to the bottom line. Successful organisations need to have a clear purpose and direction that people can buy into – not just employees, but customers, suppliers and other stakeholders too.

The focus for leaders in business has shifted well beyond traditional financial and knowledge assets, and even beyond accounting for the value of human capital. Emotional capital has become a critical business asset.

People now have high expectations of corporations. Employees want to work for more than just money; they want their work to matter. Customers expect to buy from organisations they feel a connection with. Your brand is more than a name or a logo – it creates trust and recognition and is a promise and an emotional contract with employees, customers and other stakeholders.

Human connections matter more than any of us ever suspected. Our emotional intelligence shapes our behaviour, our relationships, our most important decisions and even our economy. The ability to build critical connections can bring more meaning to the world of work. This helps to influence the bottom line in a much more sustainable way than short-term focus on profit alone ever can.

Engagement, emotional capital and profitability

In a major study examining the relationship of

connection and emotional capital to financial performance, Gallup reported data from more than 47,000 employees in 120 countries around the world. *The State of the Global Workplace*¹ report documents a powerful relationship between reported levels of emotional well-being, employee engagement and profitability.

Analysis of this vast database shows that an organisation's employee engagement scores were strongly related to one of the most commonly scrutinised measures of corporate financial health: earnings per share (EPS). Median EPS for companies were compared with those of their industry competitors. The differences were stark. Engagement was so fundamental that even those who reported at least a basic level of engagement outperformed their competitors by 19 per cent on average. However, results among those in the higher engagement groups were far more impressive; median earnings among those in the 'top decile/exceptional growth' group were more than four times those of their industry competitors.

How employees felt about their employer and their level of emotional engagement strongly predicted the outcome on every metric that related to performance such as increased productivity, profitability and safety, and decreased turnover and absenteeism.

The impact of connected, emotionally intelligent leadership on the bottom line

The relationship between the values that influence a leader's decision-making and employees' willingness to commit discretionary effort is at the centre of a lot of leadership research. In another wide-ranging study from 2009, *Unrequited Profit: How Stakeholder and Economic Values Relate to Subordinates' Perceptions of Leadership and Firm Performance*², researchers from Thunderbird School of Global Management, Arizona State University and the University of Pennsylvania questioned if making the bottom line a top priority may not be the best way to improve profitability. They looked at the financial impact of visionary, connected leaders who inspire performance through articulating broad stakeholder values compared to leaders perceived as more autocratic with a narrow focus on financial targets.

The study revealed that leaders described by their people as 'visionary', who emphasised values such as meaning and purpose, and shared stakeholder and customer experience, inspired 'extra effort' to achieve the goals of the organisation. Furthermore, employees in these

organisations reported increased collaboration, higher levels of innovation, a greater willingness to confront performance issues, increased energy and heightened resilience – in other words, higher levels of emotional capital and connectedness. Over time, the organisations led by visionary, connected and emotionally intelligent leaders significantly outperformed those led by financially focused, autocratic leaders on a combination of subjective and objective measures of ROI and sales growth.

How can leaders create more connected organisations?

Create a shared vision and purpose

When organisations have a clear sense of what they are trying to achieve and a shared understanding of why they exist, there is shared purpose and direction around which people can organise and achieve great things. Leaders need to provide that clarity, to help people make sense of why they are working. People across multiple generations want to know that what they do at work has value, has meaning and is achieving something of which they can be proud. This creates the starting point for leaders to be effective and authentic in the way they influence others to behave.

What does a successful shared vision and purpose look like?

1. We have a shared understanding of why we exist as an organisation.
2. We have a clear sense of what we are trying to achieve as an organisation.
3. Our overall strategy provides consistent parameters for action across all levels of the organisation.
4. A line of sight exists between each person's goals and the organisation's strategic goals.

Build authentic relationships

Leaders who act in a way that is in line with common standards of ethics and who build relationships of trust and respect engender strong commitment among the people they support. Leaders need to be balanced in their judgment and fair in the decisions they make to deserve respect and build trust. The relationships between a manager and his or her team are the bedrock of engaging employees and making critical connections work across the organisation. When these relationships are in place,

leaders can give authority to others to take decisions and make things happen.

What do successful authentic relationships look like?

1. Leaders at all levels build open and trusting relationships with all colleagues.
2. Leaders have strong self-awareness and emotional intelligence.
3. Leaders act, and encourage others to act, on balanced processing of information.
4. Leaders always act in the best interests of the whole organisation.

Distribute power

The key to empowerment is the sharing of power across an organisation so that decisions are made closer to the customer and by people who are capable to make them in line with the overall strategy and purpose of the organisation. This means that people need to be clear about what decisions it is best for them to make, to have good information on which to base those decisions and to understand the implications of their decisions for the rest of the organisation and its wider stakeholders (such as customers or regulators). In this environment there is tremendous scope for teams to achieve great things.

What does successfully distributed power look like?

1. Service oriented decisions are taken as close to the customer as possible.
2. Only key strategic decisions are made centrally.
3. Local decisions are based on the best response to local circumstances within the organisation's overall parameters.
4. Unified management information is available to support



joined-up decision making.

Encourage collaborative achievement

There has been an increasing emphasis on effective team working in recent years as a better way to achieve great performance than through a more traditional command and control approach. When teams are empowered to operate and to co-operate with other teams across the processes of work, performance improvements are common. Great team working is based on the premise of dialogue and mutual influence, where team players provide and take influence from each other depending on the circumstances. They trust each other to make the right call, and work in a co-ordinated way based on voluntary commitment. This tends to drive learning and improvement, as well as the ability to adapt to changing conditions.

What does successful collaborative achievement look like?

1. High performing team working is the norm.
2. There is strong cross functional working and mutual influence across the organisation.
3. Reward structures are based on collective merit more than individualistic performance.
4. Open and purposeful conversations predominate.

The importance of learning and development

Learning is a key characteristic of successful organisations that can adapt to changing conditions. For people in an organisation to feel comfortable to share insight, to take risks and to innovate requires a high degree of emotional safety. It is the leader's responsibility to provide this safety. In our ever more complex world, we know that one size does not really fit all, and that developing and encouraging people to learn, to experiment and to adapt is the only way to keep customers really loyal.

We believe that emotional intelligence can be developed through learning. Many organisations today are finding that evaluating leaders' emotional intelligence and investing in tailored development is helping to improve collaboration, trust and understanding.

The case for becoming more connected

The balance sheet, despite its long-lasting allure, only represents part of an organisation's real value. A company is not simply a commercial entity and its assets cannot be

fully accounted for by inventories of financial capital – or even human capital. It's time that organisations broadened their definition of value and, in particular, the workings of capital. We need to return to the root meaning of company – a collection of people.

Emotions are involved with everything a company does. Many leaders and organisations still do not recognise just how important they are. Emotions provide the foundational building blocks of our most valuable relationships and shape our behaviour and performance. Human connections are powerful. The more adept leaders are at becoming connected, the more influence they have. Emotional capital and leadership connections not only give work more meaning, they help us to deal with the complexity and unpredictability of the modern world, and ultimately improve performance – creating sustainable success.

Conclusion

Instead of organisations creating more controls (and the associated bureaucracy) to become more connected, many want to create a more empowered environment and a new level of simplicity. This in turn requires a high degree of trust among people in the organisation – trust that each person and team will play a part in the process, and trust that each person and team will seek what's best for the whole business based on a shared purpose. Emotional intelligence is key to building this trust and cutting through complexity. In our experience, many organisations aspire to building critical connections that work seamlessly, based on goodwill and shared expectations of a successful future. Simpler, more straightforward, trustworthy and connected companies? More and more, that's what leaders, employees and customers want to see. **TJ**

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