

Developing Leaders...on Both Sides of the Skull

By Ian Cook

How effective are your senior managers, especially the top leadership team? Are they capably navigating the complex market and environment in which your firm operates? Will they be prepared to handle the increasing complexity that's coming over even the next few years?

And what about those high potentials in your future leaders pipeline? Will they be ready to truly lead when the time comes?

I'm not talking about your managers' depth of technical and professional knowledge, nor about their ability to discern future product demand and key trends in the broader insurance field. This article is about developing the kind of leaders who can effectively guide others through a volatile and uncertain world...all the while generating impressive results.

Leaders and Complexity

Much has been written recently about major trends that will increasingly buffet 21st century businesses.

Futurist Bob Johansen¹ identifies elements to which he gives exotic names such as diasporas, amplified organizations, new commons, and open source warfare. Researchers Georg Vielmetter and Yvonne Sell² have distilled six megatrends we must factor in, including globalization, environment, "value pluralism," and technological convergence.

And then there is the insurance industry itself.

"New capital requirements and risk management constraints are reducing financial returns; costs are rising as consumer groups demand more transparency; government austerity programs are reducing fiscal advantages; and new regulations are changing traditional distribution channels"³

Place this next to a key finding from a survey of insurance CEO's by IBM Global Business Services reported, "The vast majority of CEO's anticipate even greater complexity in the future, and more than half doubt their ability to manage it."⁴

Facing complex challenges by taking charge yourself, working harder, running faster, and being the sole hero clearly won't cut it any more. But are your managers operating

at a level of development where they **invite** different perspectives, challenges to their own thinking, and better ideas?

Leaders and Results

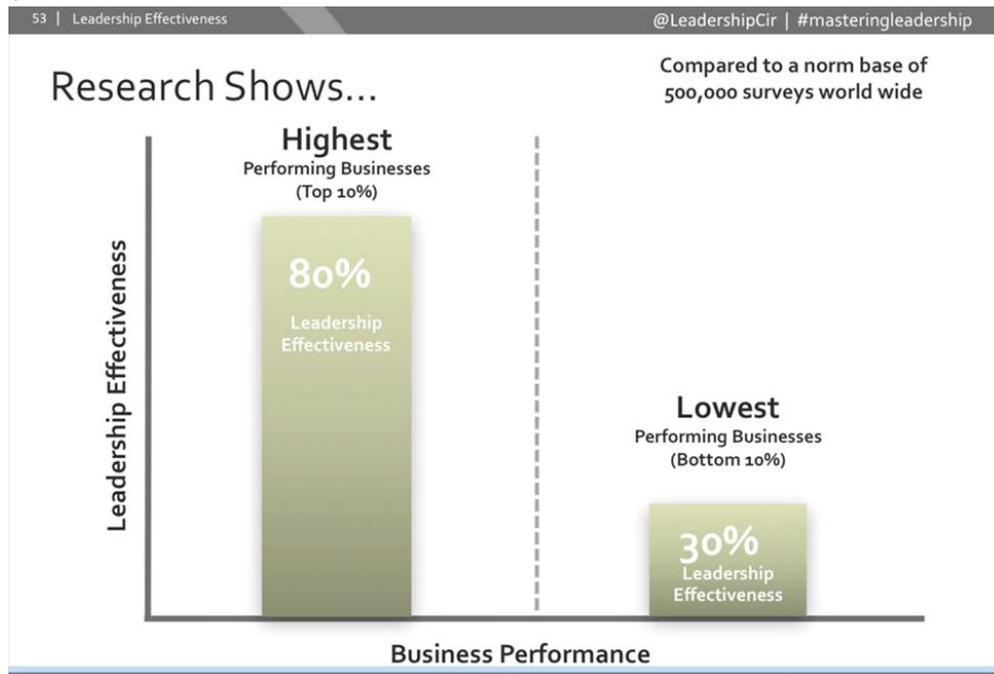
There is some interesting research correlating the level of a leader's effectiveness and the business outcomes he or she delivers.

1. *The Leadership Circle*

First, they developed a *business performance matrix* that reflects a number of performance criteria: revenue, market share, sales, profitability, quality of products and services, new product development, and overall business performance. For leadership effectiveness they drew on particular measures embedded in their 360° assessment, the *Leadership Circle Profile™*.

Running data from over 2000 businesses revealed a .61 correlation between leadership effectiveness and business performance.⁵

They then computed the average leadership effectiveness scores for leaders of the top 10% performing businesses and of the bottom 10%. As Figure 1 shows, in the highest performing businesses, the average effectiveness was at the 80th percentile compared to a norm base of over half a million LC profiles. But the rated effectiveness of the leaders of the bottom 10% of performing businesses averaged only at the 30th percentile.



Leadership Effectiveness in the highest/lowest performing businesses
("Printed with permission from The Leadership Circle")

2. Findings by *Zenger-Folkman* are consistent with the above.

In a study of a U.S. mortgage bank with over 100 branch offices, managers were assessed for their leadership effectiveness. The average profit generated by the top rated 10% of branch managers was more than double the average profit of the middle 80%. The bottom 10% actually registered an average loss. Their further research has revealed that this pattern holds in companies—good (i.e. middle level effectiveness) managers create greater economic value than poor ones and extraordinary ones do significantly better than the rest.⁶

Clearly, the effectiveness of your leaders, particularly at the more senior levels, presents a point of considerable leverage for growth in business results. To quote Zenger and Folkman, “If leaders can move from the “good” level to the extraordinary level at reasonable cost to the organization, the return on that investment will be substantial.”⁷

The Inner Game and Outer Game

When you send an employee off for some training, do you ever wonder why so few of the skills learned are actually converted into permanent, more effective behavior on the job? Is this not especially the case with skills that relate to leadership and human relations?

For example, when someone comes back from a workshop on Interpersonal Communications, what do they typically do? They still don't listen. They still display that lack of sensitivity that prompted you to send them in the first place. Or, when someone takes training on Time & Priority Management, how much more focused and efficient are they? How much more frequently do they meet their commitments and deadlines? From my experience, not very much.

A boss I once had said that getting the skills from training to take hold back at work is like trying to nail jello to the wall. Most of it falls to the floor. So, why do the leadership skills people try to learn and apply so often act like jello? It has everything to do with what has been called the "inner and outer games" of leadership.

A manager's **outer game** is what we see when they lead us. It is how others experience the leader's style. It is comprised of competencies, skills, and behavior. Developing your outer game is about acquiring new skills and turning these into new or adjusted behavior that enables you to lead more effectively.

Let's call this the leader's level of **COMPETENCE**. Most leadership development programs and 360° feedback assessments address this level. They teach "how to" perform skills. Make no mistake about it, competence is critical. Without acquiring and enhancing your skills, you cannot become a better leader. But it's not enough to teach

just "how to" perform certain behaviors. We need to find a way to get these new and improved leader behaviors to "stick," just like that jello nailed—successfully—to the wall.

But there is also an **inner game** of leadership. This is what goes on inside the leader's head as they carry out their leadership role. It involves their beliefs, assumptions, and habitual ways of thinking. It includes the following:

- How they ascribe meaning to situations that arise
- What (or who) they let influence their decisions
- The degree of self awareness and emotional intelligence
- Their core values and beliefs

This we will call the leader's level of **CONSCIOUSNESS**, or, if you prefer, **AWARENESS**. Current inner game patterns are deeply embedded in the neural pathways of the leader's brain. The manager is seldom aware of them, let alone how they drive her outer game behavior. Yet, **if she is to grow her effectiveness to where she can generate the results that those top 10% leaders do, she must first become consciously aware of her current assumptions and how they are placing a ceiling on her potential impact.**

What do I mean by "assumptions" that create a ceiling? Here are a couple of examples:

I can't afford to be wrong or make a bad decision. If I do, my boss, my customers, and my staff will see me as incompetent or of no value and I will not be promoted. (Do you have any perfectionist managers in your company?)

My staff all must like me. If they don't, they won't work hard, my unit's performance will go down, and I won't be promoted. I may even be fired. (Do you have any pleasers in your management ranks?)

In both cases, the manager's behavior is tied to an *unawares* fear of assumed negative outcomes that will jeopardize his security and sense of self-worth. To avoid the outcome and the related anxiety, he must continue to live up to his assumption...thereby continuing to cap his effectiveness.

Two Inner Game Thinking Patterns

Bob Anderson, CEO of The Leadership Circle, employs the metaphor of two operating systems, say, "Leadership 1.0 and 2.0." He says the level of behavior a leader requires to deal with complex business issues and systemic forces cannot be "run" on a lesser developed inner game. The leader's level of consciousness needs to be "upgraded."

For our purposes—leadership development—there are two primary levels of consciousness on which to focus, **Problem-Reacting** and **Outcome-Creating**. These

incorporate two quite different structures of mind, two different mindsets, two different underlying assumptions, and have stunningly different impacts on a leader's potential effectiveness. Here is how they work:

Problem-Reacting

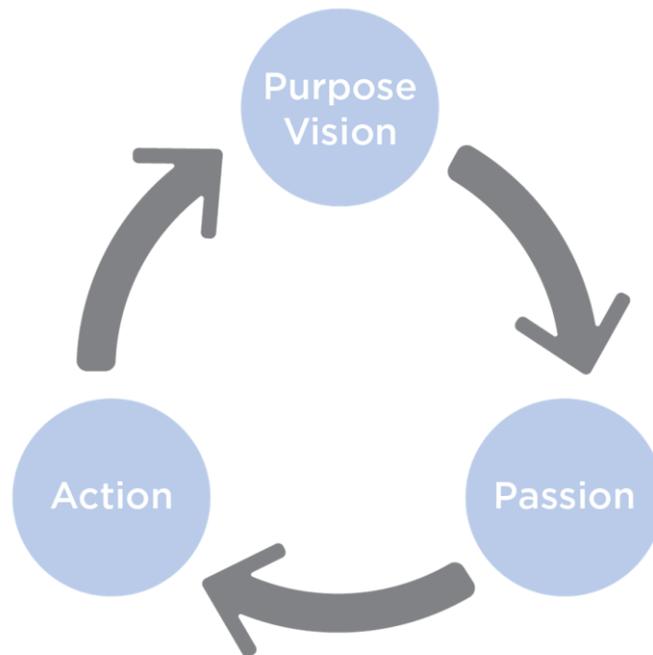


Problem-Reacting structure of mind
("Printed with permission from The Leadership Circle")

At the Problem-Reacting level the leader pretty well runs things status quo until a problem or perceived threat emerges on the leader's plate. The potential negative consequences of this situation trigger fear and anxiety in the leader who mobilizes energy within herself to deal with the problem and thus remove the anxiety. Then she can then relax...until the next "problem" arises.

For example, our perfectionist manager from above has a major decision to be made. Not wanting to risk making a poor one, she proceeds to collect opinions, advice, along with as detailed and as much data as possible. She agonizes over all the input, keeping everyone waiting. While our Problem-Reacting manager believes she wants to make positive impact on the organization and those it serves, her behavior and choices put her own security and reputation first. This is what limits the results she can create. The level of performance such leaders generate tends to fluctuate up and down but, over time, over time, remains essentially a flat line.

Outcome-Creating



Outcome-Creating structure of mind
("Printed with permission from The Leadership Circle")

By contrast, the Outcome-Creating leaders operate with a sustained energy toward a strongly desired goal and purpose. For example, how well they would like their department to be performing in a year's time, what quality level of service they want for their clients, what their stretch vision is for expanding brand awareness.

Instead of being driven by unconscious anxiety, these leaders draw their energy and resilience from the strong positive attraction of the goal. This generates action that moves their team toward the objective. As they move closer to attaining it, their energy only grows and you get a virtual circle that draws their team toward extraordinary results.

The outcome-creating "leadership operating system" engages in purposes regarded as more important than the leader's personal success. It is a mission-driven mindset. Not surprisingly, their effectiveness and the results they attain continue to grow over time. There is essentially no ceiling on performance for these leaders.

What This Means for Developing Your Leaders

Studies indicate that upwards of 75% of adults today function essentially at the Problem-Reacting level.⁸ This includes most managers. Since a manager's level of inner game consciousness determines how he shows up in his outer game, **the sweet spot of leader development is to help your managers migrate from Problem-**

Reacting toward Outcome-Creating. This is especially true for your senior managers and those high potential future leaders who currently populate your internal identified pipeline.

So, first of all take a good look at your current leadership development programs, processes, and training, as well as any 360° feedback assessments you have been using. Do they address only outer game skills? If so, I suggest that you target some of your development resources on shifting the inner game of individual senior managers.

Secondly, have your top leadership team take the lead and engage in some development as a team.

Thirdly, have that same top team take ownership of and drive the leadership development initiative in the company. If you accept, as research has suggested, that outcome-creating leaders and teams represent a significant competitive advantage, don't fob this responsibility off onto your Human Resources or Training department. They can certainly help design and deliver the strategy but they are not the ones to drive it. The executive team is.

The model I use when coaching individual managers and working with full leadership teams is *The Leadership Circle*™. It provides a veritable roadmap for their inner game development. The results from the *Leadership Circle Profile*™ 360° assessment reveal a vivid snapshot of the extent to which the manager is operating from the problem-reacting and outcome-creating mindsets. Of course, no one is totally at only one stage or the other. We are all a blend, all a work in progress.

You will need your coaches/trainers/facilitators to be able to bring up and challenge your participating managers about their underlying assumptions that are limiting what they can create in their departments. With leadership teams the focus should be on the level of authentic and courageous conversations they are able to have. The goal is to grow the team's collective effectiveness, further differentiating your firm from the competition.

This development journey from Problem-Reacting to Outcome-Creating leadership is not for the faint of heart. It requires the manager to gradually let go of a style of supposed personal safety and adopt a new approach to leading that places the organization's success first and foremost:

FROM:	TO:
<ul style="list-style-type: none">● Caution and playing not to lose	<ul style="list-style-type: none">● Achieving results and playing to win
<ul style="list-style-type: none">● Self-protection and aloofness	<ul style="list-style-type: none">● Productive engagement with people
<ul style="list-style-type: none">● Controlling and dictating	<ul style="list-style-type: none">● Bringing out the best in others
<ul style="list-style-type: none">● Going along in order to be liked	<ul style="list-style-type: none">● Courageous authenticity

So, pull out your hammer and nails and pieces of jello. This time they will stay stuck to the wall!

Endnotes

1. Bob Johansen, *Leaders Make the Future: Ten New Leadership Skills for an Uncertain World*, Berrett-Koehler Publishers, 2012.
2. 2. Georg Vielmetter and Yvonne Sell, *Leadership 2030: Six Megatrends You Need to Understand to Lead Your Company into the Future*, AMACOM, 2014.
3. 3. Jurgen Van Weeken, Pascal Verheijden, and Peter Van den Brande, *The Insurance Challenge: Managing Complexity*, A.T. Kearney, 2011.
4. 4. "Capitalizing on Complexity, Insurance Industry Executive Summary," IBM Global Business Services, 2010, p. 1.
5. 5. Robert J. Anderson and William A. Adams, *Mastering Leadership: An Integrated Framework for Breakthrough Performance and Extraordinary Business Results*, Wiley, 2016, pp. 13-14.
6. 6. Dr. Jack Zenger and Dr. Joe Folkman, "How Extraordinary Leaders Double Profits: Why Excellent Leadership Deserves Your Attention," Zenger Folkman White Paper, 2014, pp. 2-3.
7. 7. Dr. Jack Zenger and Dr. Joe Folkman, *The Extraordinary Leader: Turning Good Managers into Great Leaders*, McGraw Hill, 2002.
8. 8. Anderson and Adams, p.73.

Bio Thumbnail

Ian Cook, MILR, CSP, Principal of Fulcrum Associates Inc, helped develop managers, mid-level to executive, for over 250 clients. He speaks on management topics, coaches senior leaders, and facilitates customized leadership team development retreats. Contact Ian through www.888fulcrum.com or at ian@888fulcrum.com.