

The Cost of Investing in People Leadership Negatively Affects the Bottom Line: Fact or Fiction

By Howard Morgan and Paula Kruger

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One of the most significant, continuing debates facing business executives and human relations (HR) professionals is the perceived dichotomy between achieving business results and investing in people leadership initiatives. Indeed, many business leaders believe that investing time and energy on HR leadership enhancement is an unnecessary cost and a diversion or distraction from achieving bottom-line results. This argument against “people investment” becomes particularly persuasive (and opportunistic) when executives face a ground-swell of employee dissatisfaction. And if there *is* a negative impact on shareholder return when companies focus on people leadership, then organizations would be ill-advised to invest in leadership initiatives. This is particularly true in the challenging global economic environment that we currently face. What is the answer? This question led to our analysis of Qwest Communications, a leading provider of voice, video, and data services where leaders have demonstrated that with rigorous attention to people leadership development, cultures can be changed to achieve optimum business returns. The end result: more satisfied employees, greater customer satisfaction, improved leadership, and bottom-line business results that all stakeholders are proud to achieve.

In this chapter, we detail how Qwest Communications was able to achieve these results, demonstrating the benefits and value that a consolidated, strategic leadership approach can bring.

The culture of the “old” Qwest was an extremely challenging business environment: a long-term workforce with leaders who embraced “old school” thinking and who were highly resistant to change.

In 2003, Paula Kruger joined Qwest Communications to become the head of Mass Markets, a division that has approximately 7,400 employees with an average tenure of approximately 14 months. Mass Markets was responsible for approximately 50% of the revenue at Qwest Communications and encompassed the call centers for the company, comprising about 15% of the employee base. When Ms. Kruger joined the organization, Mass Markets’ performance was one of the lowest in the company and employee satisfaction with the organization was very low. This employee perception was well founded given the well-publicized integrity issues of the former CEO as well as mergers and challenging business issues resulting from decisions to abandon rights to cellular offerings.

Ms. Kruger’s challenge was clear: make changes to the organization that would yield significant business improvements. As an accomplished executive, Paula has long believed that “true” leadership is the fundamental factor in driving business improvements through a more committed employee base. To enhance the effectiveness of her leadership team and drive the necessary cultural change, she engaged Howard Morgan of Leadership Research Institute to work with her to effect these changes. The challenge was not an easy one. Indeed, Mass Markets had become the division that talented employees moved away from rather than were attracted to. People who have worked in call-center operations would attest that it is one of the most demanding work environments. Most call centers—regardless of industry—struggle both with retaining good people and with hiring strong employees. Despite this, Paula raised the bar.

Rather than setting a goal that would convey a less-than-optimistic message, she was determined to create a world-class workplace. This standard necessitated the engagement of all people at all levels of the organization. While Ms. Kruger had the passion for what the organization could be, she knew it would not be possible without the commitment and efforts of her broader team. And she was asking for this commitment from people who had experienced many broken promises from former leaders and who were understandably skeptical.

To instill this cultural change—and drive for excellence—the first step was to find leaders who were as passionate as Ms. Kruger was in their belief that the vision was possible. To find these people, she spent the necessary time to determine if they existed within the current organization. (Often this requires searching for those individuals who have been held back—not the obvious choices—rather than the often easier option of recruiting external talent.) Key to driving the necessary changes was assembling a team with sufficient “diversity of thought” that would allow the executive team to work together respectfully while maintaining their unique styles and personalities. To this end, she created a team that had a commitment to achieving excellence, a willingness to take ownership for their businesses/functions, and an understanding of how to achieve the desired results.

Paula’s next step was to provide the leadership team with both a clear vision of what was possible and the necessary skills to make it happen. To help achieve this, Howard Morgan developed a leadership development program that pushed the team to accomplish positive leadership growth—moving the team from past performance issues to a new standard of expectations and desired outcomes. The workshop included a confidential 360 feedback component that ensured the development and communication of an action plan to direct reports,

peers, and managers. This plan focused on the behaviors that would embrace and drive the future organization. Attendance was based on merit: the most respected leaders were the first to be invited to participate. Some would question whether it would have been smarter to send those leaders who were most “in need.” However, Paula’s goal was to encourage, value, and recognize the contribution of the organization’s top performers. She wanted them to lead by example and demonstrate the merits of exemplary leadership to the rest of the organization. Also, it allowed the graduates to co-facilitate future programs and enabled the most respected and admired leaders to help transform the culture from the inside –out. It was a key goal for all to be a part of the transformation, not simply relying on the senior leaders to provide their direction and wisdom from the top down.

Before revealing additional elements of Ms. Kruger’s leadership strategy, it is important to ask the question—did it work? Did the Mass Markets’ business results change in a measureable way that would be unquestioned by internal and external shareholders? In the five-year period ending in 2008, the following results occurred:

1. Mass Markets achieved an extraordinary business turnaround. This achievement was measured through increased sales revenue, efficiency and productivity and rates of absenteeism were half that reported in 2004. Gross revenue per call center (GRPC) was up 32 percent for sales/service and GRPC increased over 200 percent since 2004. At the same time, adherence to schedule was nearly 90 percent compared to 60 percent in 2004.
2. Employee engagement scores increased from below average to among the best in the world. In fact, Mass Markets was awarded the Gallup Great Workplace Award in 2008.
3. The Mass Markets survey results were compiled from employee surveys completed and are shown on the graph below. The “US Working Population” results are collected by Gallup Inc. Further, they define the terms: Engaged—psychological committed; Not Engaged—not psychologically connected; Actively Disengaged—psychologically absent.

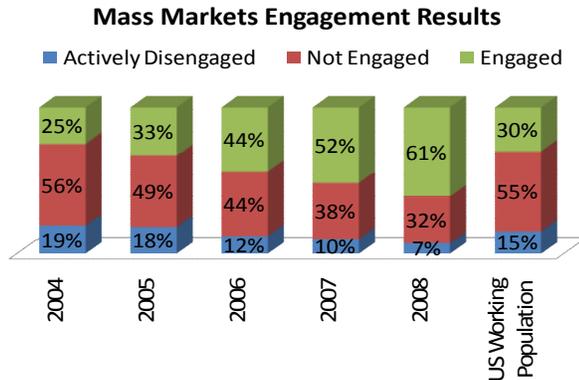


Figure X.1: Mass Markets Engagement Results

These results clearly establish both the viability and benefits of a strategic approach to people leadership: leveraging results through people rather than simply defining the desired results and attempting to drive people to achieve them (a method that had failed at Mass Markets in the past) and a situation found in many companies.) There is little doubt that the speed, quantity, and quality of Mass Markets’ positive results would not have been possible within the five-year time frame without the help of the collective leadership/employee base.

Key Lessons that Can Be Applied to Other Organizations

To accomplish these outcomes, what are the key lessons that can be applied to other organizations? Our thoughts are as follows:

1. Engagement and leadership quality have to be the key strategic goal. Most times getting to the strategic goal has a “people” component. The quality of employees and the leadership provided have to be a focal part of the solution, not just something “nice to do.”
2. Placing the right people in the right jobs. If all people were equal, great performers or poor performers would not exist. However, you can take a great person and put them in the wrong job or location and they can quickly become a less-than-average

- performer. You need to look at each person as an individual and ask yourself, “Is this the person that can get the job done?” If not, ask the question, “Do they have the passion, desire, and talent that fit our organization, and if so, what is the best job fit for them?”
3. Hold each leader/manager responsible for the level of engagement and performance for their organization. That permits the workforce to be tailored to the individual characteristics of their geographic location and increases the responsibility of local leadership to the business outcome; simultaneously, it discourages the “I could not do anything with what I had” mindset.
 4. Although this will make many leaders cringe, performance reviews should be given on a regular and complete basis. What does this mean? In order for employees to be challenged, they need to know where to focus. We too often take the position that a top performer will be satisfied with a statement like, “Everything that you are doing is great. I cannot think of anything that you need to change.” Where is the challenge in this statement that will create the pride and feeling of accomplishment that your top performers require? Also, if you do not aggressively deal with people who are not performing, how can you expect them to change? In fact, the more serious concern is that you will start losing your most talented people—why would they want to work in an environment that is not energized and that has more than its share of nonperformers?
 5. Start looking for successors who embody the talent and capability to lead the change as others are promoted or removed from the organization. Unless you give it proactive thought, most systems reward loyalty or favoritism and do not encourage the innovative thinkers who will spearhead the transformation. Also, focusing on the traits that you are looking for will help clarify the desired behaviors for all.
 6. Develop a communication strategy that not only provides the vision, but also contains the methodology and responsibilities for the journey. In Qwest Mass Markets, the messaging contained a number of integrated components:
 - a. Mass Markets website;
 - b. Monthly executive VP conference calls;
 - c. Introduction of the “one team” concept;
 - d. Best-practice manuals and websites; and
 - e. Podcasts that provided specific information on all dimensions of leadership.
 7. Provide funding for initiatives that identify, encourage, and build employee engagement, productivity, and loyalty. These include items like building employee engagement progress reports into quarterly business updates, investment in leadership education, support for local performance-enhancement plans, and funding for recognition programs. Focusing on recognition plans, make them sincere and meaningful. In most organizations, such plans tend to be too complicated and do not

reward behaviors that will transform an organization. The true test of a recognition/rewards program is what value your best employees give it. By keeping it at a local level, it puts the focus on the manager's "thank you" or small gesture that carries more meaning than the corporate-wide initiative. To accomplish this, Mass Markets focused on several types of recognition and reward:

- a. Formal events similar to those of many organizations;
- b. Local-level celebrations that relied on the judgment and knowledge of local leadership;
- c. Peer-to-peer recognition;
- d. Monthly "thank you" sessions.

The resultant outcome was that employees' answers to the question, "In the last seven days, have you received recognition or praise for doing good work?" went from a mean of score of 3.31 out of 5 in 2004 to a 4.26 in 2008.

8. Create an awareness of the impact of putting the right people in the right jobs. Give people the opportunity to do their best. The quickest ways to the greatest productivity improvements are by having engaged employees who are passionate about their business and the contribution that they make. If employees, at all levels, do not believe that their efforts and contribution make a difference, it will be almost impossible to get their best efforts.
9. Make sure that employees have the right equipment and tools to do the job. Years ago, behavioral innovators such as Abraham Maslow, Frederick Herzberg and others identified certain attributes that are foundational to human performance. They argued that, without these foundational essentials, optimizing performance is impossible. It is difficult to ask talented people to take pride in their work and get the results that you want without giving them the basic equipment and methods to accomplish those results.
10. Frontline input and ownership are essential. All too often, frontline leaders are handed down solutions from senior management that they believe are unworkable for them and their employees. If they cannot understand and embrace the direction, it is very unlikely that they will attain it. Even if they try to accomplish the goal, their lack of passion will make the time line much longer than it needs to be. We have a phrase that captures what we are saying here—"involvement fosters commitment in others."
11. Break down the silos or walls between units. Many organizations strive for this goal but too often the systems within their organizations run counter to what they are trying to achieve. To create an environment of collaboration, we would recommend the following steps:
 - a. Clearly define expectations of how the various departments should interact with each other;

- b. Act quickly to eliminate unnecessary disputes between departments. Once bitter feelings have been allowed to develop, it is difficult to regain the peace;
 - c. Clarify a mechanism that can help departments identify what they need from each other. This is common sense, since the customer sees the collective departmental structure as the company. They do not care about whether it is someone else's responsibility;
 - d. Empower the department to do what is right for the customer. If it is not the best solution, tackle the issue of resolution later but reward the initiative in meeting the customer's needs;
 - e. Unlock the secrets between the various departments; there can be no secrets if the company is going to build trust;
 - f. Create mutual appreciation across department lines to acknowledge the contributions that lead to success rather than foster competition.
12. If you run a shift operation, make sure that people with the power to make decisions are working during each shift. Empowering people requires that they be able to make timely decisions. This allows them to make the decision without concern about possible negative repercussions. It enables the behaviors that you want and goes a long way toward building an engaged workforce.
13. Recognize the critical role that leadership plays in the transformation of the organization. Leadership at all levels needs to believe that they are part of the business success, a vital contributor to developing goals, and rewarded when things go well. Work with the leadership to develop business/profit goals that are challenging, but not unrealistic. Engaged employees are driven by success and their role in it, not by meeting only 50 percent of the target.
14. Make the message of attaining profitability and business growth part of the equation. It is the blending of both of those with building a climate of committed, engaged employees that will enable the results that were achieved by Qwest. Everyone has to believe that they are linked and that each person is part of the necessary steps to attaining the goal.

It is our belief that the most sustainable, profitable results come when you have engaged, committed employees. Senior leaders can only do so much. While they are responsible for developing the culture and vision for the organization, it is the pride and efforts of the customer-interfacing level of the organization that truly defines success. If those who deal with customers on a daily basis are passionate about the company, the customer will want to deal with them. If

customers want to deal with them, the number of customers and revenue per customer will increase.

As leaders, we are enablers of this outcome. We cannot do it ourselves; we must provide the vision and the tactics to allow others to buy-in and attain our goals. Focusing on getting the numbers may be a great short term action but sustainable, long-term change and improved business results only comes from investing in the effective leadership of people.

About the Authors

Howard J. Morgan, a Manager Director of Leadership Research Institute

(howard.morgan@lri.com) and 50 Top Coaches (www.50topcoaches.com), has led major organizational change initiatives in partnership with top leaders and executives at numerous international organizations. He was named as one of the world's 50 top coaches by Linkage, identified as one of five executive coaches with a "proven track record of success" by Executive Excellence and has published several books.

Paula Kruger's line manager career focus has been on transforming large groups of employees into engaged employees in order to achieve revenue and expense targets. She spent almost 20 years at the senior leader level in financial services at Citicorp and American Express. She has spent the last decade as an executive at Cablevision and Qwest Communications.