



Can Banking Leaders Change?

Many people assume banking leaders are prone to resisting change. We found that leaders in the best banks are open to improvement.

By Joe Folkman and Jack Zenger

Many people have the assumption that the majority of leaders in banking are stuck in their ways and resist change. While this may be true of some, we have found that leaders in the best banks are adaptive and open to improvement opportunities.

In this case study, we examine the results of eighty leaders who comprise the top three levels in a division of a large North American bank. The division's senior leader had a strong belief that their success was dependent on having excellent leaders at all levels of the organization. He knew that he had several excellent leaders who he had worked with for a number of years, but they were all nearing retirement. As he thought about his top three levels of leaders he asked his senior HR director if it would be possible to assess the leadership capability of the top three levels in the division. This Division Leader noted to the HR director, "We measure everything else in this company: profits, margins, productivity, turnover, etc., but I don't have a clue how our leaders would stack up with those in other organizations."

They decided to engage the services of Zenger Folkman to accurately measure their leaders, because they felt the evidence-based Zenger Folkman approach to development would not only provide them with the most accurate measure, but ultimately create the best climate for improvement. The Senior HR Director commented, "Their strength-based approach created so much positive momentum that improvement was inevitable."

The development process that Zenger Folkman mapped out was to begin with a 360 assessment of all eighty leaders. An important element in the process was that all of the most senior leaders participated in the assessment. Because the senior leaders were active role models, they created a new cultural norm across the organization of "Let's all improve our leadership capabilities together." Each leader who participated was asked to consult with their manager regarding the colleagues they ought to select as raters. Once the feedback report was generated however, it would only be viewed by the individual receiving the report. The Division Leader noted, "We wanted people to get an accurate accounting of their leadership capabilities and not worry about receiving the highest score." (About 80% of Zenger Folkman clients use this developmental approach to giving people feedback.)

After the feedback was collected, each leader received their individual results, attended a day-long development workshop and then created an individual development plan. Each leader was asked to discuss their development plan with their manager so that they would be supported in the process. Three months after the workshops, all managers were given a follow-up survey assessing their subordinate's efforts to improve. Managers were also asked to meet regularly with their direct reports to discuss progress. After eighteen months, all leaders participated in a reassessment of their leadership skills to assess progress.

The pre-test assessment results indicated that the group of eighty leaders were rated at the 57th percentile on their overall leadership effectiveness relative to the Zenger Folkman normative

THE CHALLENGE

- With a number of high-level leaders nearing retirement, this large North American bank wanted to ensure future organizational success by increasing the level of leadership effectiveness across the organization

THE SOLUTION

- Engaged Zenger Folkman's evidence-based services to measure leaders and establish a leadership development strategy to ensure a maintenance of strong leadership across the entire division
- Implemented *The Extraordinary Leader* 360-degree Assessment for all 80 leaders in the division
- Delivered results to each individual leader, where they were reviewed and used to begin an individualized development plan
- Encouraged leaders to review plans with their managers
- Reassessed leaders 18 months later to evaluate progress

THE RESULTS

- Manager involvement was key to improving overall leadership effectiveness scores
- Post-test results showed statistically significant improvement across leaders in the division
- Non-linear development techniques helped leaders increase the number of 90th percentile competencies

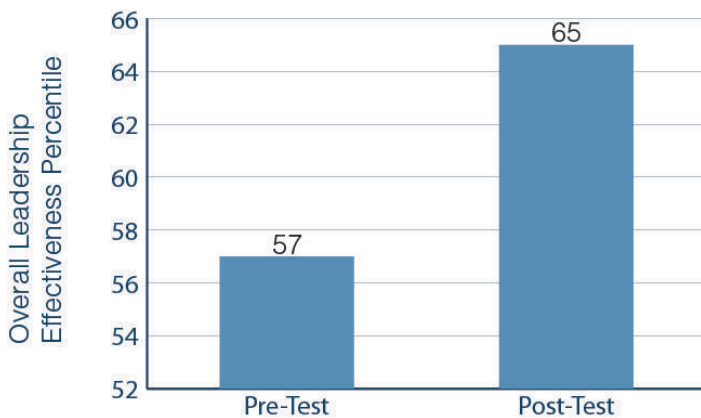


database. This score is a composite of the individual's scores on sixteen competencies. That score indicated that as a group they were just 7 percentile points above average in their leadership. This was a surprise to all of the leaders in the group. One leader commented, "We just assumed we were terrific leaders but we never had a way to assess our effectiveness compared to others." Getting an accurate sense of where a group is starting from provides additional motivation for improvement.

One of the most significant keys to improving the overall leadership effectiveness score was to involve managers so that they would encourage and support the development of their direct reports. Jack Zenger, observing this over his career, commented, "When the manager is involved each leader not only feels more personally accountable, but the manager is also in the position to provide additional developmental assignments. On-the-job development can be one of the most effective ways for people to develop new skills."

After eighteen months of developmental activities, the post-test results showed a significant level of improvement. The overall effectiveness score for the group of eighty leaders was at the 65th percentile or 15 percentile points above average. These results represent a highly statistically significant level of improvement.

Comparison of Pre-Test and Post-Test Results



One of the keys to this improvement came from the strength-building approach. The Zenger Folkman research found that great leaders were defined by the presence of strengths, not the absence of weaknesses. By utilizing the non-linear development techniques, 34% of the leaders were able to increase the number of competencies at the 90th percentile.

Not every leader in the process improved. Upon analyzing the data, we found that while 70% of the eighty leaders raised their overall leadership effectiveness score, 30% did not. There are many reasons that explain why all did not improve. Some were promoted to a higher position and were being held to a higher standard. Others just lacked the personal motivation to attempt improvement.

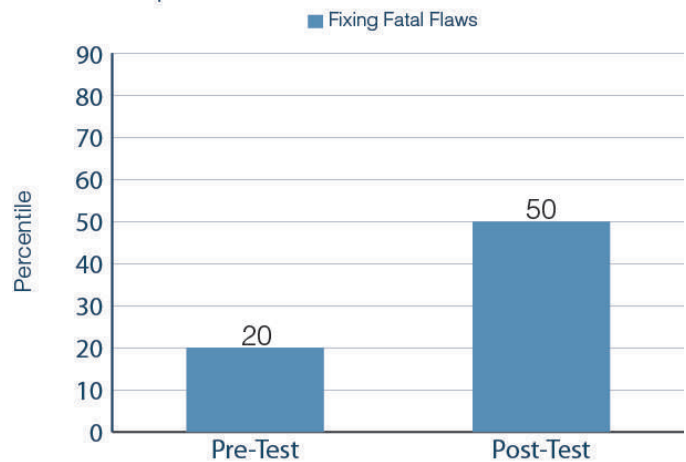
LEADERS WITH FATAL FLAWS

Looking at those who improved tells an interesting story. Although Zenger Folkman's approach is to encourage leaders to focus on their strengths, there is one exception to that advice. While everyone has weaknesses, not everyone has a fatal flaw. A fatal flaw is defined as a weakness at or below the 10th percentile. This represents a leadership skill that is rated extremely negative and that can have a detrimental effect on a leader's performance. Within the group of eighty leaders, fifteen had one or more fatal flaws. The presence of the fatal flaw has a significantly negative impact on the perceived overall effectiveness of leaders. In Zenger Folkman's global data, people with one or more fatal flaws have an average leadership effectiveness rating at the 18th percentile. By analyzing those fifteen leaders in the case study, we found that eleven of the fifteen were able to make a significant improvement in their leadership effectiveness.

For this group of eleven "improving" leaders with fatal flaws, they were able to move from the 20th percentile in the pre-test results to the 50th percentile in their post-test. This is a whopping 30 percentile point improvement, which is highly statistically significant.

Some people are pessimistic about leaders with flaws having the capability to change. The often quoted adage, "You can't teach an old dog new tricks," is often used as the rationalization of that pessimistic view. Well, this study is based on humans, not dogs. It is obvious from the results that human beings with sufficient motivation can change.

Improvement of 11 Leaders with Fatal Flaws



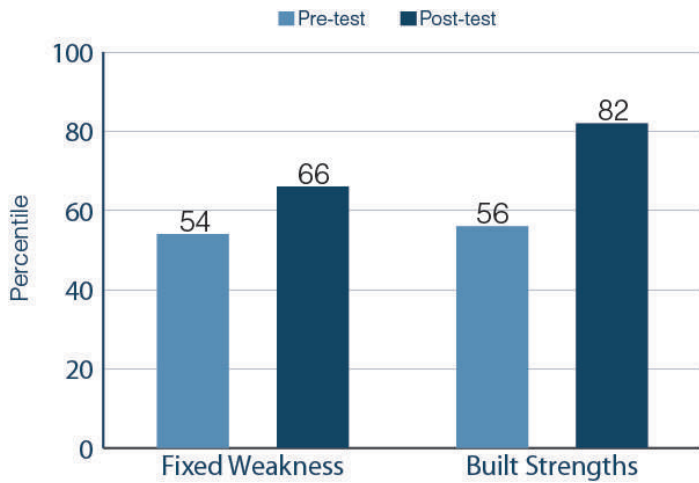
IMPACT OF BUILDING STRENGTHS

We find that even though we encourage people to build their strengths, most people continue to focus on fixing their weaknesses. Those leaders without fatal flaws were encouraged to build their strengths. Leaders often identify a weak competency as very important in their job. The good news is that they can improve. The next graph shows the level of



improvement for leaders who focused more on improving weakness versus those who focused on strengths. When we compared these two groups of people we found that those leaders who focused on their weaknesses experienced a 12 percentile point improvement. That is a significant positive change. However, those who chose to build their strengths were able to make a 26 percentile gain in their overall leadership effectiveness. When people work on their strengths there is more motivation and passion for improvement.

Impact of Building Strengths Versus Fixing Weaknesses

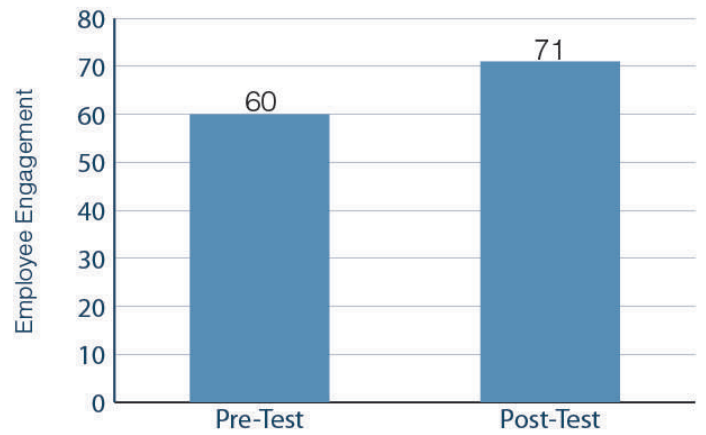


IMPROVED LEADERSHIP EFFECTIVENESS OUTCOME

Zenger Folkman’s research has a body of evidence that leadership skills have a significant positive impact on outcomes such as sales, profitability, customer satisfaction, employee engagement, turnover, and discretionary effort. In this study, we were able to measure the engagement level for direct reports of each leader. Research has demonstrated a significant link between employee engagement, customer satisfaction, and profitability in a variety of business settings—including financial services. The final graph shows the

influence of improvement in leadership effectiveness on direct report scores on the employee engagement scale. The average level of employee engagement in their pre-test for those leaders who improved was at the 60th percentile. The post-test results showed a significant improvement to the 71st percentile. The stretch goal for this group was to move collectively to the 75th percentile. The bottom line is that leadership has a profound effect on the engagement of direct reports, and improvement in leaders is highly correlated with improvement in the engagement of their employees.

Improvement in Employee Engagement for Leaders Who Changed



CONCLUSIONS

Leaders in the Banking and Financial Services Industry clearly can change, but in order to improve they need an accurate assessment of their current state. We frequently hear that organizations are in a war for talent. The phrase is often pointed toward recruiting talent, but great leaders can be developed from within. Using the right approach and focusing on building strengths provides the motivation and approach to assist an organization to move from merely being good to becoming great.

Zenger Folkman helps organizations flourish by increasing the effectiveness of leaders at all levels. Our unique, strengths-based development methodology enables leaders to move faster and higher. Each offering is solidly grounded in research, utilizing our extensive empirical database. The end results are statistically significant improvements in how leaders lead, how their employees engage and how their companies profit; allowing both leaders and organizations to soar to new heights.