

## Figures of speech

**Stereotypes of finance-sector managers as short-termist and obsessed with numbers can unfortunately ring true.**

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As the full effects of the credit crunch emerge, it's not surprising that the financial services sector is reacting in the traditional way – belt-tightening, redundancies, stricter regulation and reduced investment in people. But recent Hay Group research suggests that enhancing leadership could also play a big part in improving performance.

Organisations that keep their cool and identify, retain and build the right kind of leaders will outperform their peers.

The research shows that the best leaders – those who take a longer-term view and engage their team – create energising climates that can improve bottom-line performance by up to 30 per cent. But in-depth talent reviews of 583 leaders in eight financial services firms suggest that only 37 per cent of leaders engage people in this way.

The remaining 63 per cent take a short-term approach and focus on the numbers at the expense of the bigger picture, creating disengaging climates that adversely affect financial performance. We have calculated from current balance sheets that the industry could reap a further £8.5 billion in profits through engaging leadership.

Financial services firms cannot afford to keep paying this price for poor leadership, especially during a downturn, when creating a high-performance climate and engaging people matter more than ever.

So what makes the difference between a leader who creates a demotivating climate to work in and one who creates a high-performing one? Our study shows that it's mainly down to leadership style.

Thirty years of research at Hay Group show there are six leadership styles that have the biggest impact on workplace climate. The more styles a leader uses, the better climate they are likely to create.

Our review of financial services found that leaders creating high-performance environments were consistently using four or more styles of leadership, while the majority, who were creating demotivating environments, used no more than two.

There was also a stark difference in the types of styles being used. Leaders making the biggest impact on team performance were mainly demonstrating visionary, affiliative, participative and coaching styles associated with a longer-term approach. These leaders engage their team's discretionary performance by explaining the "why" behind the "what", showing an interest in their team as people and understanding what motivates them. They also involve their team in decision-making and build capability to enable effective delegation and trust.

In contrast, leaders who had a negative effect on performance over-relied on one leadership style or approach; using either a directive or pace-setting style, or both, showing too much focus on the task in the short term at the expense of the longer-term, bigger picture.

So how can financial services organisations get the best out of their leaders? Winning companies have three priorities:

- Improving focus on the long term: Short-termism is widespread in this sector. Pressure to produce "numbers" daily, weekly and monthly seems to outweigh almost all consideration of the longer view and this translates into controlling leadership behaviour, which is extremely demotivating and demoralising for staff. The best organisations encourage leaders to balance short-term targets and long-term development using a balance of leadership styles.

- Identifying and promoting the right talent: In financial services, leadership roles are too often filled by technical professionals who are the best at what they do but are ill-suited or ill-prepared for the demands involved in leading others. Making a successful transition from professional to manager is possible with the right planning and development. However, there is an old saying that if your task is to climb a tree you are better off selecting a squirrel rather than trying to train a turkey – so it is a good idea to promote people on their leadership potential, not just their performance.

- Embracing development: There continues to be widespread and systematic under-investment in leadership development despite compelling evidence of its effectiveness. Development needs to focus more on how to lead others and how to create engagement. As well as development programmes, it can be helpful to use mentoring, coaching and job assignments out of people's technical areas. In a sector that has become over-reliant on buying in talent, the looming shortage of leaders because of baby-boomers retiring is a real concern.

The best organisations make leadership development a high priority and develop a consistent and coherent approach. They understand that getting leadership right will deliver tangible results. One financial services call-centre we worked with saw a 26 per cent sales increase, reduced absence rates and staff turnover lowered by a third after we had helped their leaders to improve the climate they created in their teams.

A global bank, recognising that its leaders excelled at setting and hitting targets but were weaker in taking others with them, enrolled all its leaders in a development programme. The director of organisation and performance said: “The board convinced people that for the future of the bank it was crucial to improve leadership capability. We worked through our senior vice-presidents and then down to our vice-presidents, which totalled 5,000 people. As a result, the bank has not only seen a marked improvement in the performance of individual leaders but also a change in the climate being created throughout the organisation.”

Organisations emulating the best in the business will gain a significant competitive edge. Unlike other market- or economically driven upheavals that the industry has fallen victim to recently, this is completely within its control. Our work with clients shows that you can measure leadership and use the data to help leaders understand the impact of their behaviour and help them change. It is possible for organisations to make great leaders – leadership is not only an art, it is an ability that can be learnt and applied.

### **The six leadership styles**

Visionary – “Let me tell you where we’re going as a team”

Affiliative – “People first, task second”

Participative – “Let’s decide together”

Coaching – “What did you learn? What would you do differently? What can we improve on?”

Pace-setting – “If you can’t do it right, I’ll do it myself”

Directive – “Just do it the way I tell you to”

### **Further Info**

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