

# THE IMPACT OF LEADERSHIP ON THE BOTTOM LINE

For years, leadership training and development have been recognized as a vital investment for driving organizational success. Now, industry research is showing the quantifiable bottom-line impact of effective organizational leadership initiatives.

For nearly four decades, The Ken Blanchard Companies® has conducted its own and collected corroborating research that measured the impact of training individuals to be effective, inspirational leaders whom others want to follow. The data shows that through effective leadership, organizations increase productivity and maximize the performance potential of the company.

## Setting the Stage for Success

In today's competitive marketplace, few organizations believe that they are capitalizing upon the full potential of their people. Although developing talented people to their full potential is the goal of all organizations, accomplishing it remains elusive for most.

In reality, employees cannot be Self-Reliant Achievers the day they walk in the door. Only a small percentage of employees reach their full potential after joining an organization. Most become average performers, while some do not perform well at all or even quit after being on the job for a short time. This results in lost productivity and an increased cost in recruiting, hiring, and training new employees.

Blanchard® has found that a common need in these organizations is the means to develop people. Only over a period of time, supported with the appropriate coaching, performance management, and leadership style, will employees reach the levels of confidence and competence that enable them to increase productivity and effectiveness, and thus become peak performers.

## The Economic Impact of Leading Employees through the Development Levels

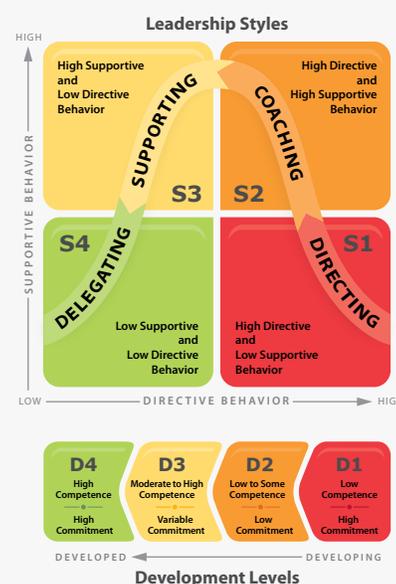
Every organization has learners—both new employees and employees taking on new tasks whose development level (competence and commitment for a task) is either low or variable (D1–D2: see explanation of Situational Leadership® II in sidebar). These employees require an investment of time and leadership, and in the beginning usually cost the organization more in time, training, equipment, and related expenses than can be offset during their initial low levels of productivity.

As employees become more capable and confident, they become more productive and require a less substantial investment of time and money. Over time, with appropriate leadership and coaching, they become Self-Reliant Achievers (D4) and their financial impact and productivity improve exponentially. It is the role and responsibility of the leader to help employees evolve quickly and efficiently through the predictable stages of development. But most leaders are not equipped to handle this task.

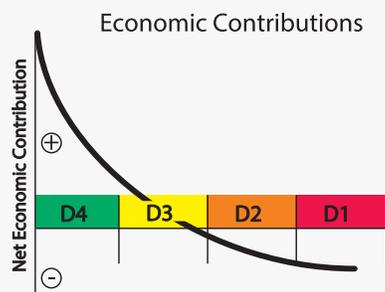
*Is your organization maximizing the potential of each employee?*

*Are your leaders equipped to assist their people in becoming peak performers?*

### Situational Leadership® II Model



The Situational Leadership® II Model is the most widely used and practical system in the world for developing leaders who develop self-reliant, peak performers.



- We estimate that in most organizations without a solid leadership development strategy, only about half of the employees have been developed to the D3 level.
- Organizations we have worked with estimate that at the D3 level, overall productivity and performance plateaus at about 60–65%.
- When the majority of employees in an organization develops to D3 and D4, productivity is maximized.
- We have found that after leadership training occurs, most organizations realize significant improvements in the number of employees moving from Development Level 3 to Development Level 4 on critical tasks.
- This illustrates the tremendous margin for improvement in performance and effectiveness in order to drive overall organizational productivity, and in the importance of solid leadership to support employee development.

## Situational Leadership® II—The Key to Accelerating the Development Process

In order to maximize employee performance, it is critical to have leaders who can assist employees in moving quickly through the development levels to peak performance. Situational Leadership® II is a key ingredient in raising development levels, and thus profitability.

| DEVELOPMENT LEVEL / PROFITABILITY |                  |                    |                    |
|-----------------------------------|------------------|--------------------|--------------------|
| Development Level                 | Investment Level | Productivity Level | Economic Level     |
| D1                                | High             | Low                | Negative           |
| D2                                | High             | Low to Moderate    | Negative/Breakeven |
| D3                                | Medium           | Moderate to High   | Breakeven          |
| D4                                | Low              | High               | Positive           |

Without the application of appropriate leadership styles, employees can stagnate or even regress in their development and performance. According to Blanchard research, most leaders are not able to flexibly use the appropriate leadership style to match the situation.

- 54% of leaders typically use only one leadership style
- 34% use two leadership styles
- 11% use three leadership styles
- and only 1% use all four leadership styles

As the most comprehensive and widely used leadership development model in the world, Situational Leadership® II (SLII®) offers a simple, practical method for developing and managing people, time, and resources effectively. It demonstrates the way for leaders to help their direct reports become Self-Reliant Achievers. SLII also provides a strategy for aligning individual goals with organizational goals.

Since individuals can migrate across the four development levels depending on the newness of the tasks they are juggling, or their lack of familiarity with them, the leader must use the appropriate leadership style to maximize productivity, increase morale, and produce long-term results.

As performance and development levels increase, individuals begin to contribute more directly and substantially to the bottom line—this contribution increases exponentially as employees reach the D4 (Self-Reliant Achiever) level on critical tasks in the organization. The result is an organization in which people feel empowered and therefore are more willing to contribute their ideas and energy.