LEADERSHIP RESEARCH AND WHAT IT MEANS FOR ORGANIZATIONAL CHANGE ACTIVITIES SUCH AS PERFORMANCE AND ASSET MANAGEMENT

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ABSTRACT

Over 150 utility managers have participated in a leadership development process conducted by TAP Resource Development Group (TAP Resource) between 1998 and 2003. To better understand utility leadership, TAP Resource has studied the results of the leadership assessment portion of the development process.

All of the organizations determined that their core Strategic Focus was one of Operational Excellence so the study primarily looked at the leadership style most appropriate for this type of organization. The results of this study present a number of important conclusions, the most significant being the following:

1. A large percentage of utility leaders are not taking a proactive role in the operation of their organization. They apparently cannot or believe they cannot significantly influence the direction or results of their organizations.

2. There is a definite lack of focus on results, on making things happen, on following through in the creation of the vision for the organization.

The first pattern may be creating a significant barrier to the development of effective leadership and the second will definitely inhibit the utilities from implementing the vision, the kind of organization that they want and need to create.

The answer to this problem, based on this study, is that leaders must begin to proactively influence the direction and results of their organizations! Instead of taking a generic approach to leadership development, programs must be implemented that develop leaders aligned with the needs of the organization. Utilities should implement organizational performance systems designed to institutionalize performance and results within the organization.

BACKGROUND

What does leadership mean in today world? That question has become critical for water and wastewater utilities faced with an unprecedented array of challenges. Warren
Bennis, Distinguished Professor of Business Administration at the University of Southern California and a consultant to multinational companies, begins the forward of his book, *Learning to Lead*, with the following statement.

“Writing and studying leadership has become a growth industry in recent years, yet our cities seem to have sunk deeper into crisis, our communities are in turmoil, our political leaders of both parties are repeatedly charged with ethical violations, and the world’s multiple crises demand the immediate attention they are not receiving.”

When we look around us not only at the well publicized examples such as Enron, WorldCom, Qwest and many, many more, in fact the list keeps getting longer and longer, it is all too evident that something seems to be missing among our leaders. When we tighten our scope to the local level we may not see the same bankruptcies, the financial ruin, and the corporate upheaval. But we do see case after case where rate payers are paying more than they should for the services provided, where customers are taken for granted, where millions are spent on the latest fad rather than identifying and addressing core issues, where automated systems are installed and either not used or significantly underused, where large numbers of our workforce are just marking time, and where resources are squandered due to the lack of a clear strategic focus.

What does it take to make a difference? If part of the answer is leadership, just what is leadership? John Kotter in his book, *Leading Change*, states that leadership “...defines what the future should look like, aligns people with that vision, and inspires them to make it happen despite the obstacles.” Dr. William Schneider, author of *The Reengineering Alternative*, defines leadership as “Creating a vision and direction for the organization and mobilizing people to accomplish them.” Dr. Schneider also indicates that to effectively develop leadership within the organization it is important to include both leadership and management. This definition of leadership fits well with a number of sources. Management is about implementation, about making the vision happen.

At TAP Resources Development Group we have worked with many managers in a number of utilities over the last 10 years. Out of that group, we have provided leadership development and coaching services to over 150 utility managers. During that process we have noticed what would appear to be some definite trends. Not wanting to jump to conclusion, we felt it important to examine the data in detail and draw conclusions based on that data. This paper presents the early results of that analysis.

### DATA COLLECTION

In our leadership development programs we use a non-pejorative, 360° assessment instrument that measures the intention, or energy that a manager puts forth towards 22 different leadership and management attributes. These attributes are grouped in 6 categories: Creating a Vision, Developing Followership, Implementing a Vision, Following Through, Achieving Results, and Team Playing. Definitions for these attributes are included in the appendix. The first two, Creating a Vision and Developing
Followership are leadership oriented attributes. Implementing a Vision, Following Through, and Achieving Results are management oriented attributes. The last attribute, Team Playing, is about how the manager relates to people.

In the two leadership categories there are the nine attributes presented in the following table.

**Leadership Attributes**

**Creating a Vision**
- Conservative
- Innovative
- Technical
- Strategic

**Developing Followership**
- Persuasive
- Outgoing
- Excitement
- Restraint

**Table 1**

There are also nine attributes in the three management categories.

**Management Attributes**

**Implementing a Vision**
- Structuring
- Tactical
- Communication
- Delegation

**Following Through**
- Control
- Feedback
- Achieving Results

**Achieving Results**
- Management Focus
- Dominant
- Production

**Table 2**

The third assessment area or category is called Team Playing and is about how managers relate to people. It consists of four attributes.

**Relationship Attributes**

**Team Playing**
- Cooperation
- Consensual
The survey instrument measures the amount of attention the manager places on each of these twenty-two attributes and is reported as a percentile based on where the individual scored compared to the entire sample, which is close to 30,000 participants. So if a manager scores in the 75th percentile in an area it means that he or she scored higher than 75 percent of those that have taken the instrument and that 25 percent of the entire sample scored higher or put more attention or energy into this particular attribute that the manager being evaluated. It is important to note that the instrument does not determine right or wrong. In other words, a high score is not necessarily good and a low score bad. The effectiveness of the manager in that particular attribute can only be determined by the needs of the organization.

How do we determine what attributes are most appropriate for an organization? The most effective way we’ve found is to look at how the organization provides value to its customers, what Treacy and Wiersema call value discipline in their book, *Discipline of Market Leaders*. It is very similar to what we’ve identified in working with utilities as Strategic Focus. Regardless of what it’s called, the important thing is that the manager’s leadership attributes align with how their organization provides value to their customers.

Treacy and Wiersema identified three different ways that organizations provide value to their customers: Customer Intimacy, Operational Excellence, and Product/Service Leadership. Dr. Schneider added a fourth: Enrichment. An organization that has a **Customer Intimacy** type of Strategic Focus provides the customer with a total solution, not just a product or service. It is based on building a synergistic relationship with the customer to insure that products and/or services meet unique customer needs.

**Operational Excellence** types of organizations provide customers with consistent, reliable, dependent products or services at low total cost and at appropriate quality. They often dominate their marketplace, can involve life and death situations, and are distribution intensive. Organizations that provide products and services that continually redefine the state of the art fit into **Product/Service Leadership** type Strategic Focus. They focus on constant innovation and/or creating a market niche in order to stay ahead. **Enrichment** is about customer growth, about realization of higher values.

We have found that highly regulated organizations fall into the Operational Excellence type of Strategic Focus. All the utilities that we have worked with have, at their core, been Operational Excellence. However, the distinction becomes important within the organization because not all departments or divisions within the organization will have the same Strategic Focus. **Figure 1** presents the four types of Strategic Focus.
Clarity about how the organization provides value to its customers (its Strategic Focus) is a very important first step. The next step is aligning leadership with that Strategic Focus. Although most books on leadership talk about leadership from a generic or one-size-fits-all perspective, the research shows that there are actually four different approaches to leadership, as seen in Figure 2. And that the most effective organizations are those where leadership is aligned with Strategic Focus. In this way, Directive leadership aligns with Operational Excellence, Participative with Customer Intimacy, Standard Setter with Product/Service Leadership, etc. It is important to note that, although the most aligned leadership style for an Operational Excellence type organization is Directive, that...
Directive leadership must be balanced by utilizing the principles of the other types in the practice of Directive leadership. The same rationale applies to the other three types of leadership.

Combining the 360° leadership assessment and a determination of the organization’s Strategic Focus provides us with the information to guide an individual leader in creating a leadership development plan specifically designed for that individual leader. University level research has identified the ranges of percentile scores where a more effective Directive manager might be expected to fall. Alignment then becomes a matter of guiding the leader so that they are focusing their energy and intention in the areas that are most appropriate for their type of organization.

THE RESEARCH PROJECT

During the last five years over 150 managers have participated in our leadership development process. All the organizations involved were determined to have an Operational Excellence core Strategic Focus. Because most, if not all, utilities have a core Strategic Focus of Operational Excellence and because their core functions, such as Operations and Maintenance should be Operational Excellence, our analysis has only focused on Directive Leadership.

Our analysis of the data involved logging each manager’s individual percentile score from the 360° leadership assessment, comparing the scores with expected range for an effective directive manager and compiling and comparing the totals. One approach we utilized to look at the results is to tabulate the number and percentage of managers that fall within the expected range. Let’s look again at the leadership attribute referenced above.

We would normally expect a more effective directive manager to give a lot of attention to what has worked well in the past while creating a vision for the organization. Therefore, that managers Conservative scores (under Creating a Vision) would be on the high side (70 percentile and up) while their Innovative scores would be more on the low side (below 35th percentile). Table 4 shows how managers and their direct reports rate themselves in comparison to the expected range. For example, 60% of the managers in the study scored themselves within the expected range when it comes to the amount of attention that they put into considering what worked well in the past in creating a vision for their organization (Conservative).

<table>
<thead>
<tr>
<th>Leadership Score Comparison</th>
<th>All Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MANAGER</td>
</tr>
<tr>
<td>Creating a Vision</td>
<td>(Self)</td>
</tr>
<tr>
<td>Conservative</td>
<td>60.00%</td>
</tr>
<tr>
<td>Innovative</td>
<td>42.67%</td>
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</table>
Perhaps the two most interesting scores in this set are the Technical and Self scores. The Technical attribute relates to the use of the managers expertise and specialized knowledge to study issues and draw conclusions and Self attribute relates to whether the manager looks to themselves or others as the prime vehicle for decision making. The expected range for both attributes is in the middle third of the percentile range. Interestingly, in both cases the scores outside the range split pretty evenly between those that scored above the range (in the upper third) and those that scored below the expected range (the lower third). On the other hand, the manager’s direct reports saw more of a disparity in the manager’s Strategic scores. In this case, the direct reports of the managers involved don’t believe that their managers put appropriate attention on taking a long range, broad approach to problem solving and decision making.

The management scores indicate some interesting things about the attention that managers in the study put toward making things happen, particular from the direct report’s view of the manager. Table 5 presents the percentage of scores that fell in the expected range for the management attributes.

### Table 4

<table>
<thead>
<tr>
<th></th>
<th>MANAGER</th>
<th>DIRECT REPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical</td>
<td>25.33%</td>
<td>23.88%</td>
</tr>
<tr>
<td>Self</td>
<td>21.33%</td>
<td>31.34%</td>
</tr>
<tr>
<td>Strategic</td>
<td>41.33%</td>
<td>26.87%</td>
</tr>
<tr>
<td>Persuasive</td>
<td>52.00%</td>
<td>38.81%</td>
</tr>
<tr>
<td>Outgoing</td>
<td>37.33%</td>
<td>8.96%</td>
</tr>
<tr>
<td>Excitement</td>
<td>61.33%</td>
<td>46.27%</td>
</tr>
<tr>
<td>Restraint</td>
<td>38.67%</td>
<td>46.27%</td>
</tr>
</tbody>
</table>

### Management Score Comparison

<table>
<thead>
<tr>
<th>All Scores</th>
<th>MANAGER</th>
<th>DIRECT REPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imp. the Vision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structuring</td>
<td>48.00%</td>
<td>56.72%</td>
</tr>
<tr>
<td>Tactical</td>
<td>25.33%</td>
<td>17.91%</td>
</tr>
<tr>
<td>Communication</td>
<td>38.67%</td>
<td>35.82%</td>
</tr>
<tr>
<td>Delegation</td>
<td>37.33%</td>
<td>26.87%</td>
</tr>
<tr>
<td>Following Through</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>33.33%</td>
<td>20.90%</td>
</tr>
<tr>
<td>Feedback</td>
<td>37.33%</td>
<td>20.90%</td>
</tr>
<tr>
<td>Achieving Results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mgt. Focus</td>
<td>25.33%</td>
<td>25.37%</td>
</tr>
</tbody>
</table>
The direct report’s view is that utility managers studied don’t put a lot of energy and attention in making the vision a reality; in the areas of Tactical, Delegation, Control, Feedback, Dominant, and Production the direct report scores are mostly outside the expected range. This study would indicate that as a whole utility managers put little effort into adopting a strong orientation toward achievement, into pushing themselves and others to achieve at high levels.

The third set of scores reflects how managers relate to people. In this area, managers score reasonable well compared to many of the other areas in the study; such as in Cooperation, in valuing the ideas and opinions of others (Consensual), and in respect for those in authority (Authority).

CONCLUSIONS

The results of this study present a number of significant conclusions. The data indicates that these utility leaders:

- Are most naturally at home with the technical and process side of their work
- Are careful and tend toward doing what has worked well in the past
- Are often reluctant to take on the mantle of leadership and management
- Are reluctant to function in a results oriented manner
- Are reluctant to hold their people accountable
- Often refrain from monitoring what is happening in their own organizations
Summarizing the data we find two patterns that should be addressed by every utility. The first pattern in this data is reflective of the leadership scores; while the second pattern shows up in a significant majority of the overall management scores.

3. Utility leaders are not taking a proactive role in the operation of their organization. They apparently cannot or believe they cannot significantly influence the direction or results of their organizations.

4. There is a definite lack of focus on results, on making things happen, on following through in the creation of the vision for the organization.

The first pattern may be creating a significant barrier to the development of effective leadership and the second will definitely inhibit the utilities from implementing the vision, the kind of organization that they want and need to create.

In times of relative stability and predictability, a pattern of low follow-through and low results focus would be a concern, but it may not create significant turmoil. In an era of significant change, such as many utility organizations are currently experiencing (and will likely continue for some time), this pattern is alarming because it will create a significant barrier to the successful implementation of organizational change programs from process redesign to automation to asset management.

The answer to this problem, based on the data in this study, is that leaders must begin to proactively influence the direction and results of their organizations! If they don't start now, they won't be prepared to deal with the changes that are coming. And, it will take them a considerable amount of time to get prepared. To accomplish this level of preparedness, utilities must develop leadership throughout the organization and implement a program to emphasize and systematize result through the organization.

RECOMMENDATIONS

Leadership Development

The key to effective leadership in utilities and other municipal organizations is to link leadership with the actual performance of the organization, by bringing the leaders fully into results management and by connecting their development as leaders to that same results-based process. This is accomplished by molding the development program to the needs of the individual leader, the organization that the leader is responsible for and the larger organization, if there is one. This process begins with an assessment process designed to examine the organization’s strategic purpose, its culture and leadership and the alignment of both culture and leadership with the organization’s strategic purpose. The goal of this assessment is to develop and prioritize recommendations and create a strategic action plan for improvement. In most cases the strategic action plan includes
individualized leadership development and a process called an Organizational Performance Management System (OPMS).

Each leader participates in a 360° leadership assessment process to identify individual leadership attributes. These attributes are overlaid with the strategic information obtained from the assessment to create indications of the leader’s particular attributes. Using this information and working with a coach, each leader develops a Leadership Development Plan for their individual situation. These plans are then reviewed with their supervisors and, once finalized, integrated with the performance management system, the OPMS.

Creating A Performance Management System

What is an Organizational Performance Management System? An OPMS is a process designed to integrate a results focus into the very being of the organization. It also helps align leadership with strategy and can influence the balance and/or alignment of an organization’s culture. An OPMS creates an environment where change can be created and implemented in a positive way. It is designed to get the organization on the “winning” track, foster momentum, and celebrate “wins” all along the way.

Although many organizations set goals; what is usually missing is a balanced process for setting, integrating, and tracking their goals and celebrating their successes. Also often missing is an attitude of win-win for all involved. An OPMS sets the framework to resolve these issues and create a balanced system designed around the goals of the organization. In fact, for most “Operational Excellence” organizations, it becomes the central management system for the organization.

The design, development, and implementation of an OPMS consist of the following six steps (see Figure 3):

- Creating a clear focus on the organization’s strategic focus;
- Identifying overall organization, department, unit and cross-unit goals in four key results areas: Customer, Employees, Organization, and Financial
- Identifying measures of goal attainment;
- Developing systems to monitor goal and multi-goal attainment;
- Monitoring, discussing and communicating goal status;
- Celebrating organizational, department and unit goal attainment.
There are three key characteristics of a successful Organizational Performance Management System:

- The OPMS is balanced: successes are not built in one key results area by ignoring another.
- The desired results are strategic: they contribute to the effectiveness and competitive advantage for the organization.
- The OPMS produces results that are lasting: they don’t sacrifice long-term success for short-term gains.

Leadership Development using the OPMS enables the utility to align its management processes and focus the entire organization on implementing a clearly identified strategy and mission. It links various components of the organization’s management system in a way that each time a change is made it adds to the organization’s momentum in moving toward the accomplishment of its strategic purpose. For an “Operational Excellence” type of organization such as most water and wastewater utilities, an OPMS provides the centerpiece, the central management system, for how it operates on a day-to-day basis. It aligns supervision and leadership with action and results.

REFERENCES
APPENDIX

LEADERSHIP ASSESSMENT DEFINITIONS

CREATING A VISION

**Conservative**: Studying problems in light of past practices to ensure predictability reinforce the status quo and minimize risk.

**Innovative**: Feeling comfortable in fast-changing environments; being willing to take risks and to consider new and untested approaches.

**Technical**: Acquiring and maintaining in-depth knowledge in your field or area of focus; using your expertise and specialized knowledge to study issues and draw conclusions.

**Self**: Emphasizing the importance of making decisions independently; looking to yourself as the prime vehicle for decision making.

**Strategic**: Taking a long-range, broad approach to problem solving and decision making through objective analysis, thinking ahead and planning.

DEVELOPING FOLLOWERSHIP

**Persuasive**: Building commitment by convincing others and winning them over to your point of view.

**Outgoing**: Acting in an extroverted, friendly and informal manner; showing a capacity to quickly establish free and easy interpersonal relationships.

**Excitement**: Operating with a good deal of energy, intensity and emotional expression; having a capacity for keeping others enthusiastic and involved.

**Restraint**: Maintaining a low-key, understated and quiet interpersonal demeanor by working to control your emotional expression.

IMPLEMENTING THE VISION

**Structuring**: Adopting a systematic and organized approach; preferring to work in a precise, methodical manner; developing and utilizing guidelines and procedures.

**Tactical**: Emphasizing the production of immediate results by focusing on short-range, hands-on, practical strategies.

**Communication**: Stating clearly what you want and expect from others; clearly expressing your thoughts and ideas; maintaining a precise and constant flow of information.

**Delegation**: Enlisting the talents of others to help meet objectives by giving them important activities and sufficient autonomy to exercise their own judgment.

Following THROUGH

**Control**: Adopting an approach, in which you take nothing for granted, set deadlines for certain actions and are persistent in monitoring the progress of activities to ensure that they are completed on schedule.
**Feedback:** Letting others know in a straightforward manner what you think of them, how well they have performed and if they have met your needs and expectations.

**ACHIEVING RESULTS**

**Management Focus:** Seeking to exert influence by being in positions of authority, taking charge, and leading and directing the efforts of others.

**Dominant:** Pushing vigorously to achieve results / through an approach which is forceful, assertive and competitive.

**Production:** Adopting a strong orientation toward achievement; holding high expectations for yourself and others; pushing yourself and others to achieve at high levels.

**TEAM PLAYING**

**Cooperation:** Accommodating the needs and interests of others by being willing to defer performance on your own objectives in order to assist colleagues with theirs.

**Consensual:** Valuing the ideas and opinions of others and collecting their input as part of your decision-making process.

**Authority:** Showing loyalty to the organization; respecting the ideas and opinions of people in authority and using them as resources for information, direction and decisions.

**Empathy:** Demonstrating an active concern for people and their needs by forming close and supportive relationships with others.