



Leading Change:

HOW TO DEVELOP TRANSFORMATIONAL
LEADERS USING COMPETENCIES



What makes a good leader? The answer to that question is different today than it was a hundred years ago—or even twenty. The world changes, and the qualities of those who lead it successfully must change, too.

At the turn of the century, leaders were often described in terms of charisma, magnetism, and power. They chose a path based on their own vision for the future, and compelled others to follow that path. They commanded, controlled, coerced, and rewarded those around them to drive the organization towards its goal.

Today, leaders are more likely to be described as facilitators, mediators, and conduits—people whose value lies as much in their ability to support the talents of others as in their own inherent talents. They solicit, respect and appreciate multiple perspectives rather than imposing their own. They empower and inspire others to do what they do—and do it better than they ever imagined they could.

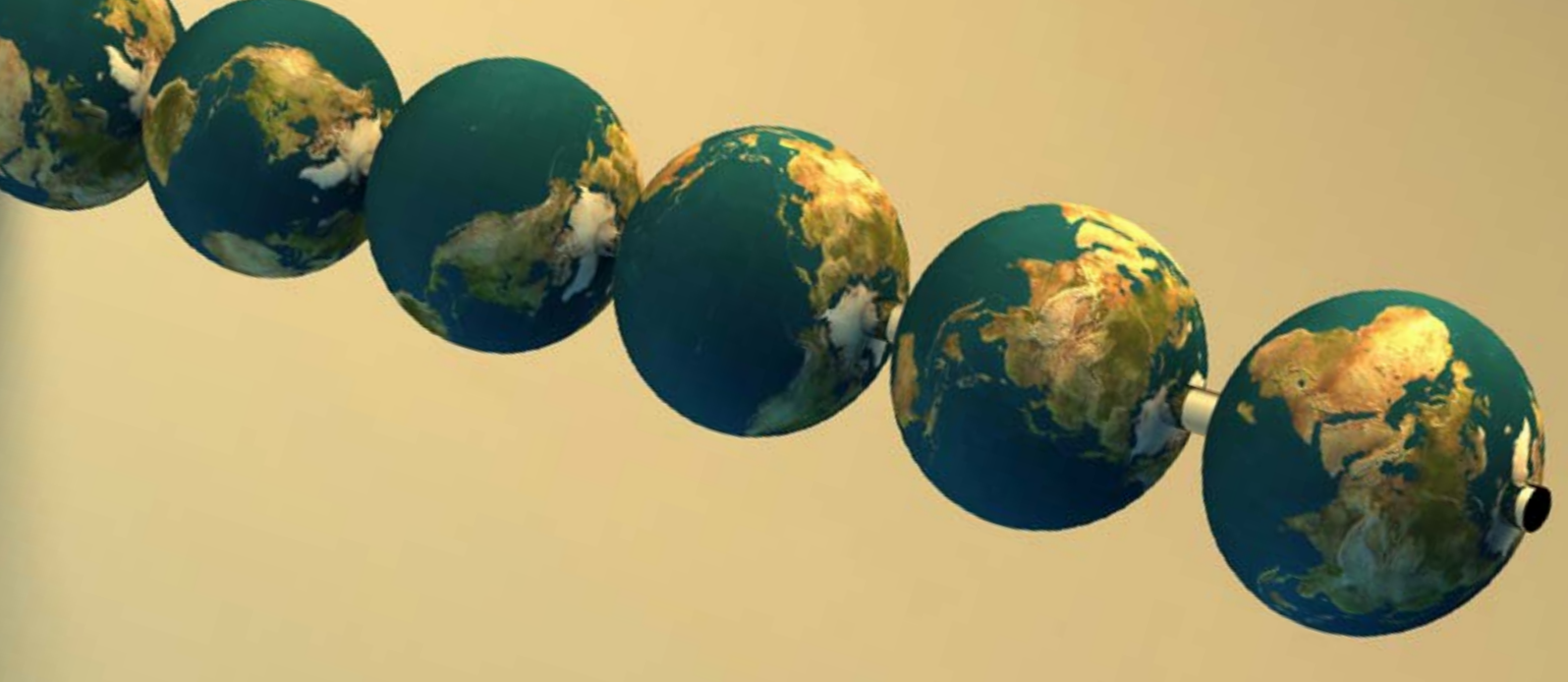
Consider the examples below. One describes a traditional, autocratic leadership style in which one individual drives an agenda based on his or her own vision. The other outlines a receptive, servant leadership style that listens to and empowers others.

Autocratic. *When new CEO Ron Johnson decided to turn traditional, budget-conscious retailer JC Penney into a sleek, upscale shopping experience, he did so on the strength of his own vision, without consulting staff or customers. By the time he was fired 17 months later, he had cost the organization revenues of more than \$4 billion, dragged stock prices down by 50 percent, and alienated the store's dwindling but loyal shoppers. While the company has since course-corrected to some extent, the imprint of this catastrophic failure of leadership will be carried for years to come.*

Receptive. *Compare Johnson's leadership results with those of Cheryl Bachelder, who was similarly tasked with rescuing a once-popular but rapidly failing enterprise. Using an approach she terms "servant leadership," she prioritized listening to and serving the franchisees of Popeyes Louisiana Kitchen Inc. rather than dictating to them. By empathizing, understanding, and responding to their needs, she managed to turn the organization around swiftly, mend franchise relationships, strengthen the brand, and increase share prices fourfold.*

Workers, customers, and investors alike have increasingly come to expect more from the organization—more opportunities for input, more control, more transparency, and more return on their investment of time, talent, or money. As a result, the profile of a leader capable of delivering excellence has changed dramatically. Leaders who see themselves as independent creators rather than skilled conductors of a group endeavor are increasingly out of step.

In this ebook, we'll take a closer look at the transformational leadership approach that has quickly overtaken the traditional model and provide insight into how organizations can identify and nurture those individuals who have the capacity to inspire those around them and act as a catalyst for innovation and creativity.



The world spins. Leadership changes.

The need for strong leadership hasn't changed, but the world has. These seven trends are impacting the way businesses operate, compete, and succeed—and changing the way leadership is defined.

Talent crunch. Finding and keeping the right people with the right skills is getting harder as skill sets become more specialized and competition for those skill sets heats up. As a consequence, it's more important than ever to have a leader capable of driving organizational culture and engagement. Organizations are recognizing this need: the number of respondents for the *Deloitte Human Capital Trends 2015* report who identified culture and engagement as “very important” nearly doubled between 2014 and 2015 from 26 percent to 50 percent.¹

“A lot of leaders talk about doing things differently, but don't know how to go about it. Look outward towards the community and invite the community in. We talk about change and innovation, but we often fight them. It's outside of our comfort zone. A good leader is not afraid to venture beyond that boundary and rethink how they do things.”

-Christine Lamothe, Leadership Competency Consultant, HRSG

have become a powerful force in the business world. Some companies, such as Tom's, a shoe company that donates a pair of shoes to someone in need for every pair sold, or Warby Parker, a prescription eyeglass company that adopted the same model for glasses, are pioneering an entirely new 'one-for-one' business model.

Global workplace. An ability to sensitively handle different cultures is now a leadership fundamental. In her book *The Culture Map*, Erin Meyer, a professor at the international business school INSEAD, argues that while soft skills have always been important, today's leaders must feel comfortable handling a far wider array of differences and be able to distinguish which elements of the interaction stem from differing personalities and which from differing cultural perspectives.

Corporate citizenship. Organizations that do business in a way that supports their values

¹ <http://www2.deloitte.com/content/dam/Deloitte/at/Documents/human-capital/hc-trends-2015.pdf> (p 7)

Others are adopting a double or triple bottom line, where social and/or environmental impact is measured alongside profitability. Whatever form this community- or values-driven activity takes, it's essential to gain the trust and loyalty of employees, business partners, customers, and the wider community.

Servant leadership. As the example of Cheryl Bachelder makes amply clear, the concept of leadership as a form of humble servitude has quickly risen to prominence in the twenty-first century. While servant leadership is not new—Ghandi and Abraham Lincoln were both servant leaders—the idea that business leaders can achieve spectacular success by putting the needs of their followers first is gaining ground. As businesses recognize the value of collaboration, loyalty, and diversity in the workplace, servanthood has taken its place as a key leadership concept.

Millennial movement. Fifteen years ago, Millennials made up a negligible fraction of the workplace: today, more than one in three employees (34 percent) is between the ages of 18 and 34.² Being able to attract and retain this cohort is essential, but according to a recent PricewaterhouseCoopers study, traditional leadership qualities such as personal dynamism, powerful networks, and skill levels fail to make much of an impression on the younger generation. They're attracted to mission-driven, innovative organizations that allow them to feel as though they're part of something meaningful while enabling them to achieve a healthy work-life balance, and they seek out leaders who are inspirational, personable, and visionary.³

“Servant leadership emphasizes the supportive dimension of leadership, acknowledges the critical contribution employees make to a company's success, and asks what the leader can do to facilitate that contribution. A servant leader asks, “How can I help you? What can I do to make your job easier? What can I do to facilitate getting things done?” It's about recognition, empowerment, and accountability.”

-Suzanne Simpson, President & CEO, HRSG

Rapid change. Today's leaders are operating in a post-industrial, post-recession world where disruptive change can—and often does—happen overnight. The pace of technology and the unpredictable currents of a global economy have made change management and the ability to handle complexity and ambiguity essential tools for day-to-day leadership. A recent report from the Center for Creative Leadership explores this accelerated environment and describes it as one of “perpetual white water,” citing an IBM study of 1,500 CEOs that revealed their number-one concern centered on managing growing complexity.⁴

Innovation era. Innovation is a powerful buzzword in today's business landscape. The ability to keep an open mind, to explore fearlessly, and to imagine new possibilities is one of the most sought-after leadership traits today. In *A Whole New Mind: Why Right-Brainers Will Rule the Future*, author Daniel Pink argues that the world has shifted from the “information age” to a “conceptual age,” where those with right brain skills such as empathy and creativity will dominate the new economy. As a consequence, hard skills—having access to the right information—are less critical than the soft skills that help us discover new perspectives, generate new ideas, and establish emotional connections with a range of different audiences.

2 <http://www.pewresearch.org/fact-tank/2015/05/11/millennials-surpass-gen-xers-as-the-largest-generation-in-u-s-labor-force/>

3 http://www.pwc.com/en_US/us/people-management/publications/assets/pwc-nextgen-summary-of-findings.pdf

4 <http://insights.ccl.org/wp-content/uploads/2015/04/futureTrends.pdf> (p 7)



Transformational leadership

Transformational leadership recognizes that organizational excellence comes from an ability to anticipate and respond positively to change. Transformational leaders welcome new ideas and new perspectives, and are able to maintain trust and coherence in volatile times by establishing a vision and values that are shared by everyone in the organization. They are just as committed to achieving results and delivering on promises as their more traditional counterparts, but they recognize that activating the talent and passion within and beyond their organization is an essential part of the process.

Transformational leaders are:

Inspired by potential. The difference between those who manage and those who inspire is the ability to show employees their true potential and support them in achieving it. Leaders who promote confidence and optimism encourage employees to go beyond expectations and work together to achieve organizational goals.

Energized by challenges. Leaders who encourage new perspectives and foster an organizational culture where intellectual curiosity, openness, and creativity are encouraged and rewarded are better equipped to embrace change, seize opportunity, and find creative solutions that elevate the organization above the competition.

Driven by values. Leaders who act with integrity and put the best interests of the organization and the wider community ahead of short-term gains create sustainable success, elicit loyalty from employees, and build trust with the wider world. By modeling honesty, transparency, and humility, they raise the integrity of the entire organization.

Focused on people. When leaders are able to make personal and emotional connections with others—whether with employees, stakeholders, or the general public—they contribute to the strength and resilience of the organization and the broader community in which it operates. They create a healthy,

diverse organizational culture in which different perspectives and experiences thrive, and foster increased commitment from employees.

From traditional to transformational

By inspiring and empowering employees and stakeholders, transformational leaders contrast sharply with traditional leaders, who control behavior through a system of rewards and punishments.

TRADITIONAL

Punishments and rewards
Fear based
Resists change
Appeals to basic needs
Handles crises
Protects the status quo

TRANSFORMATIONAL

Vision and values
Trust based
Embraces change
Appeals to higher needs
Seeks opportunities
Strives for innovation

Developing transformational leaders

Helping leaders to lead has never been easy, and in a complex, fast-moving world, many organizations are feeling even less confident about developing the leadership capacity they need.

Deloitte's *Human Capital Trends report* for 2015 underscores the continued importance of leadership, with nearly nine out of 10 respondents identifying it as "important" or "very important." But it's also the area where organizations worldwide see the greatest gap between the urgency of the need and the readiness to address that need: only 6 percent of organizations feel ready to meet their leadership needs.⁵ DDI's *Global Leadership Forecast* for 2014/2015 echoes this sense of urgency, pointing out that only 25 percent of HR professionals view their organization's leaders as high quality, and only 15 percent of organizations have strong leadership bench strength to help them prepare for the future.⁶

Developing that leadership talent is easily the most pressing issue affecting HR today. Learning was identified as one of the top three talent challenges of 2015, with 85 percent of business and HR leaders reporting that learning was a "very important" or "important" problem. Despite this demand, the gap between importance and readiness to address the issue widened by a factor of three between 2014 and 2015.⁷

As HR professionals seek a solution to this growing problem, competency-based leadership development has emerged as a powerful means of identifying and developing the leadership talent required to steer the organization successfully through a fast-moving and unpredictable business environment.



Companies want to develop strong, engaging leaders, especially when the organization is in growth mode or is going through change. But they have difficulty articulating what it is that they need. They're asking, 'How will we know it when we see it?'

- **Christine Lamothe, Leadership Competency Consultant, HRSG**

5 <http://www2.deloitte.com/content/dam/Deloitte/at/Documents/human-capital/hc-trends-2015.pdf> (p 4)

6 https://www.ddiworld.com/DDI/media/trend-research/global-leadership-forecast-2014-2015_tr_ddi.pdf?ext=.pdf (p 6)

7 <http://www2.deloitte.com/content/dam/Deloitte/at/Documents/human-capital/hc-trends-2015.pdf> (p 27)



Competency-based leadership development

A leader's transformational competencies—their ability to energize and inspire those around them—are an integral part of their value to the organization. A great leader acts as both a catalyst and a compass, igniting transformative performance across the organization and ensuring that everyone sees the way forward.

Identifying the people who possess those vital qualities and nurturing their unique potential is essential to sustainable success for the organization. But how do you measure things like inspiration, vision, and compassion?

Clearly defined leadership competencies give you the tools you need to translate these qualities into observable and measurable behaviors, bringing increased consistency, clarity, and rigor to the process of identifying and nurturing leaders. In simple terms, competencies define the behaviors required to achieve success in a specific role.

When applied to the leadership role, they help to define the ideal behaviors, identify areas for further development, and help leaders see the path to optimal performance. Competency-based management for leaders offers a blueprint for success that anyone can see and understand—including those tasked with identifying the leaders of tomorrow and those to be groomed for leadership roles.

It's not enough to identify leadership competencies—organizations must also help their people actually develop and demonstrate those competencies. And just as the business environment has shifted, so, too, has the learning environment. The new skills required of leaders aren't always the kind learned in a traditional classroom setting, where participants passively take in information. Instead, classroom learning needs to be supplemented with other development programs.



Competencies are a way of articulating the desired behaviors. If you can't articulate and measure them in some way, how can you identify and develop transformational leaders? By surveying the literature, we identified the traits that can be linked directly to organizational transformation, including productivity, revenues, follower behaviors, market dominance, and other key metrics.

- Suzanne Simpson, President & CEO, HRSG

Research has shown that 70 percent of learning takes place as a result of practice and on-the-job experience, so it's essential to provide more interactive, hands-on approaches. Examples include:

- Job rotations, which allow leaders to experience other roles, train across departments, and become more knowledgeable of organization-wide operations.
- Individual coaching and mentoring, where participants are paired with more experienced leaders who provide guidance, offer support, and share knowledge.
- Group coaching and networking, so participants can learn from one another and make valuable connections.
- Action learning, where leaders have the chance to work and learn together on teams by tackling real issues (either short- or long-term cases or projects) and reflecting on their actions.
- eLearning, which allows leaders to learn at their own pace and according to their own schedules.
- Simulations, where leaders can safely practice the competencies they're learning.

In addition to incorporating a wider range of learning options, today's learning environment prioritizes self-directed growth. Leaders must take responsibility for and play an active role in the process of building new competencies. They have to be accountable to themselves and the organization and own their growth. And they need to understand which techniques, approaches, and learning environments work best for them.

When learning options are mapped to competencies and proficiency levels, competencies offer a strong foundation for self-directed learning and development. Leaders can clearly see the learning resources that can help them to get where they need to go, and they have the freedom to choose the development path that fits them best.

Transformational leadership competencies

Transformational leadership competencies distill the behaviors of individuals who successfully lead organizations through complexity, ambiguity, and change, while inspiring and empowering employees to deliver on ambitious organizational goals.

HRSG's transformational leadership competencies are based on decades of research and meta-analytic studies examining the behaviors of leaders who create positive change across the organization and have a measurable impact on employee performance and organizational outcomes. This comprehensive literature review guided the development of **eight transformational leadership competencies** and **12 business and personal competencies** that form building blocks for integrated, holistic talent management and leadership development.

A framework for transformational leadership

HRSG leadership competencies fit into a framework that provides an underlying structure and logic, and a common language for identifying, assessing, and developing competencies for every member of the leadership team. At the same time, it reflects and reinforces the organization's cultural DNA and gives everyone in the organization—from entry level to leadership—a clear sense of how they can achieve its strategic goals.

By selecting competencies from each of the three strata of the framework, you can ensure a well-rounded leadership cadre that can transform, motivate, inspire, and competently navigate a complex business environment. By choosing competencies that align with your organizational goals and values, you can ensure focus and direction. And by choosing the right proficiency levels for each level of leadership, you can ensure your leaders are equipped to confidently meet the challenges their specific role entails.

A successful leadership framework is forward looking and aspirational, but relevant to the present and grounded in the past. It is pragmatic and exciting at the same time. It is comprehensive yet memorable. It is clear to everyone how it ties in with the business strategy and purpose, and gives people a roadmap to achieve the organization's vision and goals. It is congruent with and complements the organization's values. It is simple, compelling, user-friendly and easy to assess; it uses language that resonates with the organization.

- Christine Lamothe, Leadership Competency Consultant, HRSG

HRSG's Holistic Leadership Competency Framework

Transformational Leadership Competencies

Behaviours that inspire the organization and delineate a clear path forward.



Enabling Personal Competencies

Behaviours that consistently ensure successful performance at any level.



Foundational Business Competencies

Behaviors that demonstrate business acumen and strategic understanding.

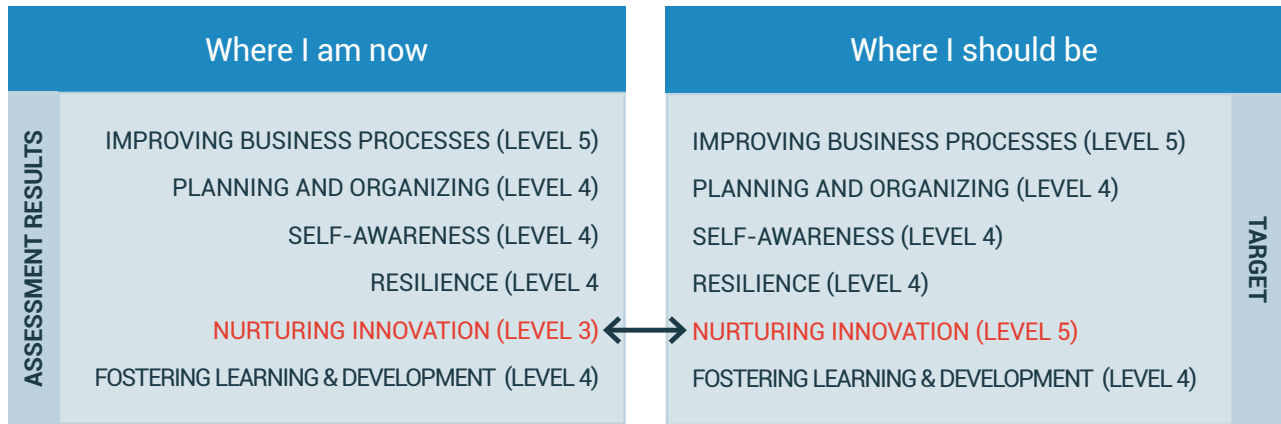


Competency-based development in action

Let's take this example: XYZ Co is a company that has historically dominated the market. But younger, more creative and risk-tolerant organizations have started to encroach on their market share. Top leadership recognizes that to stay ahead, XYZ Co must become more agile and foster innovation at all levels of the organization.

In addition to personal and business competencies, XYZ Co selects two key transformational leadership competencies as their focus: "Nurturing Innovation" and "Fostering Learning and Development." XYZ Co's leadership competency framework provides every organizational leader with a job competency profile that includes the competencies they must demonstrate and the proficiency level at which they must perform.

The HR team also defines a learning and development program that includes learning activities and resources mapped to these competencies. Using this program, leaders are assessed against the job competency profile for their existing role or against a role for which they are being groomed in the future. This gives them a clear understanding of their key strengths as well as areas for development. The outcome is an individualized development program with defined learning resources and an action plan that empowers them to achieve their goals.



How to address the competency gap: Nurturing Innovation





Best practices

Find your DNA. Before articulating organizational leadership, identify the organization's key priorities, purpose, or mission. In competency parlance, this starts with the development of core competencies—the strengths and values shared by everyone in the organization, from entry level to c-suite.

Get CEO buy-in. Effective leadership management needs strong leadership support and engagement. The top echelons of the organization need to believe in the program and see their needs reflected in it. From identifying core organizational strengths to determining the development pathways, leaders should be consulted at key intervals.

Unify the lifecycle. Competencies provide a foundation for ensuring that every step in the talent-management lifecycle is coordinated and aligned. The same yardstick used to measure CEOs should be used to measure entry-level employees. A unified system that reaches across the organization supports greater organizational coherence and succession readiness.

Plan for change. These days, a lot can change in just a few years. Global trends, the competitive landscape, and technological innovation can disrupt and radically alter the way you do business. Plan to revisit your leadership program and the competencies that drive it every few years to ensure they meet emerging business requirements.

Look forward. While developing current leaders is essential, leadership selection and succession management processes can't be overlooked. Make sure your leadership program examines and measures the bench strength in your organization against the future needs of the organization.

The rigor of a framework, the transparency and utility of competencies, and the proven efficacy of a transformational leadership approach deliver a powerful formula for identifying and nurturing the leaders your organization needs.

- Suzanne Simpson, President & CEO, HRSG

Empower your leaders

If you're looking for more effective ways to find and develop the leadership talent your organization needs to move forward, take a closer look at [transformational leadership competencies](#).

For a closer look at HRSG's leadership competencies, and to discuss your leadership competency project, please call 1-866-574-7041 ext. 600 or email info@hrsg.

For more than 25 years...

Organizational excellence through competency-based talent management

Since 1989 HRSG has equipped leaders around the world with the essential leadership competencies needed to achieve organizational results. Our clients view us as their go-to leadership development partner, opening up their lines of communication, transforming their leaders, and preparing them to thrive.

By combining industry-leading competencies, consultative expertise, and competency-management software, we deliver integrated solutions that help clients fast-track their leadership initiatives, experience transformational growth and meet their toughest challenges.

To discuss your leadership initiative and see the HRSG leadership competencies in action, call us at 1-866-574-7041 ext. 600 or email info@hrsg.ca.

