

Inspire, Respect, Reward: re-framing leadership assessment and development

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Abstract

Purpose – The purpose of this paper is to describe how a major financial services organisation used the results of an independent research project to alter its approach to leadership assessment and development.

Design/methodology/approach – The research project involved collecting employee opinion data from roughly equal samples of employees from 22 countries worldwide (total n = 47, 236). Subsequent linkage research analyses involved employee opinions being correlated with measures of customer satisfaction and financial performance for up to 187 organisations worldwide.

Findings – Findings revealed that what employees most want from the top leaders of their organisations is to be inspired, respected and rewarded. Organisations whose leadership teams scored higher on measures of inspiring, respecting and rewarding employees also achieved higher employee engagement, customer satisfaction and financial performance.

Practical implications – These findings spurred the development of a new direction for leadership development and assessment for Lloyds Banking Group, a major financial services organisation based in the United Kingdom.

Originality/value – This research answers a fundamental question from a sample of employees from 22 countries worldwide: what do employees most want from the top leaders of their organisations? Using performance data from up to 187 organisations worldwide this research also demonstrates that organisations whose top leaders provide employees with what they most want achieve superior organisational performance. Knowing this allows organisations to review and revise a wide variety of talent management approaches, including leadership assessment, development and reward systems. It also informs the design of employee survey instruments to ensure coverage of topics with known links to organisational success.

Keywords Employee engagement, Leadership, Organisational performance, Employee surveys, Talent management, Linkage research

Paper type Case study

Leadership research programme

Leadership advice for those at the top has traditionally taken the “how I made it” approach. Take a look at the top-selling leadership books and you will find dozens from chief executive officers (CEOs) who believe their way is the best. Even academic leadership theories have focused on surprisingly small subsets of data. This research programme purposefully took a different approach to the discussion of leadership. This is not a story of one person, and it does not offer wisdom from on high. This research into leadership has been “crowd-sourced”.

The research accesses the wisdom of the crowd to get their take on leadership and organisational success. The crowd consists of more than 47,000 employees from 22 countries around the world. These economies account for almost 80 per cent of the world’s gross domestic product, and the participating employees work in every industry and type of job from truck drivers to tax accountants.

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“What is the most important thing you want from the top leader of your organisation?”

The outputs of the research are relevant to leaders of organisations who want to move beyond the talk of “employees being our most important asset,” and instead, practice their leadership according to their employees’ wants. Importantly, this research is not just about what employees want, but it clearly demonstrates that giving employees what they want makes bottom-line business sense.

Research question and analysis

To begin the research, a very simple question was posed of the global database of workers: “What is the most important thing you want from the top leader of your organisation?” The answers to that question were subjected to an initial sort, followed by a retranslation sort. Once a comprehensive yet manageable taxonomy had been derived, the identified categories were used to assess the prevalence of employee wants in a large, diverse sample of workers and organisations.

Further to the discoveries of what employees want, additional analyses were conducted to identify how giving employees what they want linked to a number of critical business metrics, including customer satisfaction, return on assets (ROA) and total shareholder return.

What employees want

The research into the opinions of the employee crowd revealed that workers have nine “wants,” grouped into three clusters: employees want to be inspired, respected and rewarded.

Inspire

Employees want leaders who:

- *Are highly skilled:* Employees want to work for competent leaders who can size up the situation, make good decisions, solve problems and lead the organisation to higher levels of performance.
- *Provide clear direction:* Employees want clear direction from the “top of the house”. They want leaders who can articulate a strategy for achieving success – “a vision for how we will win in the marketplace”.
- *Communicate honestly and transparently:* Employees want to be able to believe what senior leaders tell them. They want an open, frank assessment of the challenges facing the organisation, an open dialogue regarding the path forward and sincere two-way communication.

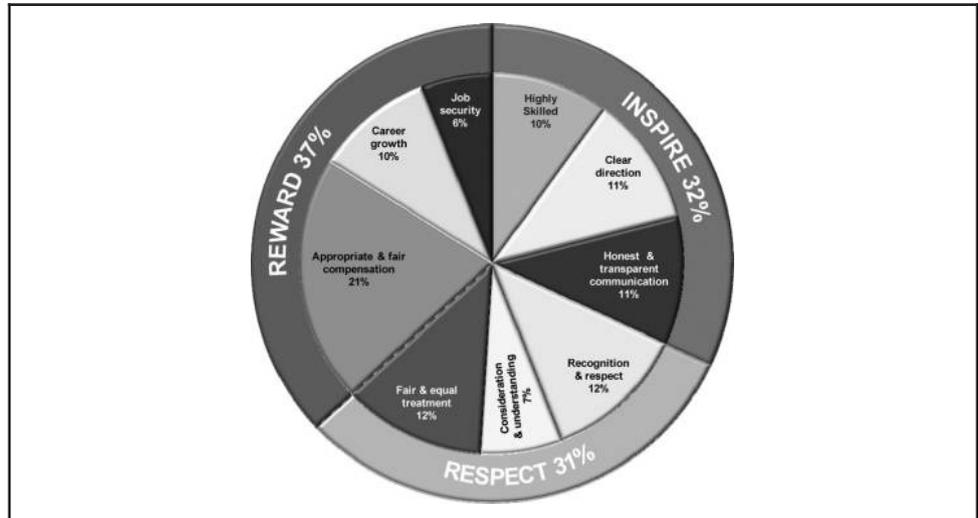
In addition to the results of what employees want (represented in [Figure 1](#)), an analysis of whether employees are getting what they want from their top leaders was conducted. This analysis revealed that, globally speaking, the majority of employees agree that their leaders do have the ability to deal with the organisation’s challenges and “inspire” them. The bad news is that it is a slim majority at just 62 per cent.

Respect

Employees want leaders who:

- *Recognise and respect employees:* Employees want to work for grateful leaders who appreciate the contributions that employees make and ensure they are recognised for

Figure 1 What employees most want from top leaders



those contributions. To have its desired effect, the recognition and respect must be seen as sincere and genuine.

- *Show consideration and understanding of employees:* Employees want top leaders who are available, considerate of their employees, willing to listen to their points of view and willing to empathise with their circumstances.
- *Treat employees fairly and equitably:* Employees want to work for leaders who are fair, objective, impartial and just in their implementation of human resource policies. They want leaders who ensure that both workloads and recognition are distributed fairly and that equal opportunities are provided.

There is clearly room for improvement: just 42 per cent of employees around the world agree that their leaders treat them fairly and “Respect” them.

Reward

Employees want leaders who:

- *Provide fair and appropriate compensation:* Employees want to work for leaders who provide “proper” compensation for the efforts they extend. For most, this refers to salary or wages, but total compensation also includes incentives, bonuses and benefits.
- *Support the career growth of employees:* Employees want to work for top leaders who help them develop their skills and abilities to grow their careers.
- *Provide job security:* Employees want to work for organisations and top leaders who create confidence about a secure future – both for the organisation itself and for individual employees.

Unfortunately, around the world just 48 per cent of employees agree that their leaders “Reward” them in this way. Without this “Reward,” employees are much less likely to be engaged and much more likely to want to leave. For example, we found that 55 per cent of employees globally who could not see opportunities for advancement at their current company had intentions to leave.

The business impact of giving employees what they want

While it is interesting to look at what the crowd of employees wants, does it really provide a leadership framework for business success? In examining organisations with leaders who fulfil their employees’ wants, the following were discovered:

“While it’s interesting to look at what the crowd of employees wants, does it really provide a leadership framework for business success?”

Employee engagement levels more than three times higher than for organisations whose leaders do not provide employees with what they want. Multiple published studies (Rayton *et al.*, 2012) have shown that there is a strong correlation between employee engagement and business success.

Three times the level of employee confidence in the performance of the organisation. Once again, studies (Wiley, 2014) have shown that employee confidence in an organisation’s performance is positively and significantly linked to actual performance results.

Significantly higher customer satisfaction scores (measured via the American Customer Satisfaction Index). Companies whose leaders are best at giving employees what they want achieve an ACSI score of 80.3, which is above the threshold of excellent. Companies whose leaders are poorest at giving employees what they want have a below average ACSI score – the level at which customers are very vulnerable to the persuasive arguments of other providers.

Four times higher ROA. The business benefits of leaders who inspire, respect and reward (IRR) extend into known financial measures such as return on assets. A comparison reveals that companies with high-scoring IRR leaders return approximately 6.7 per cent on their assets compared to just 1.7 per cent for their low-scoring counterparts.

Significantly better three-year total shareholder return (TSR). Three year TSR reflects the extent to which an organisation is optimising and maximising the use of investment capital. It not only considers share performance but also the dividends paid to investors. The range in three year TSR scores between organisations with high- and low-scoring IRR leaders is substantial: 24.7 points.

Inspire, Respect, Reward: a case study in integrated leadership development

These findings came at just the right time for Lloyds Banking Group. The environment for the Group had been challenging, since it was formed in January 2009 with Lloyds TSB’s acquisition of Halifax and Bank of Scotland (HBOS). In the wake of the banking crisis, the Group was working hard to reshape the business by reducing its non-core assets, strengthening its capital base and improving its loan to deposit ratio. Not only that, but it was also striving to rebuild customer trust, improve customer service and increase lending to small to medium-sized enterprises.

As Lloyds began to emerge from the financial crisis, attention turned to centring the business on its customers. The HR function was restructured to support this goal, with leadership development, talent management and employee engagement brought into a single function. This shift, along with the application of the Inspire, Respect, Reward framework, has had a dramatic impact on Lloyds’ thinking. The organisation was able to make connections between those areas much more easily, and this led to valuable insights about leadership capability.

For the first time, Lloyds brought together employee engagement survey results with data from 360 degree assessments and feedback from coaches, leadership development programmes and performance and talent management processes. In reviewing qualitative and anecdotal information, it became apparent that Lloyds’ leaders were concentrating on logical or intellectual leadership rather than engaging the hearts of their teams. This was

validated with quantitative evidence, mapping leaders' 360 degree data against performance ratings. This showed that most leaders' strongest dimensions were in judgement and drive. In contrast, influence and execution were weaker. Even more interesting insights emerged. The execution dimension has two parts – one about delivering the results and the other about developing your team to deliver the results. When Lloyds looked at just the part related to the team delivering results, the performance ratings were much lower. Lloyds' leaders were getting the job done, but they were not engaging their teams and getting the most from them.

Applying the IRR framework gave Lloyds greater understanding of where leaders could have the greatest effect on the engagement and performance of their teams. It was not only the knowledge of the link between IRR and employee engagement that convinced Lloyds, it was the right way forward, it was also the additional validation of the links between the framework and financial results.

The first step for Lloyds was to map the IRR framework onto its employee survey results. This revealed that while scores on the dimensions of Reward and Respect were relatively strong, the dimension of Inspire needed attention. Lloyds performed well in the areas of being fair and having the right processes. After all, the organisation had gone through four to five years of elevated control following the banking crisis. Lloyds had been good at fixing the bank, but it had not completely brought the people along.

Against the IRR framework, Lloyds could see that it had to Inspire its people. This led to a number of new initiatives and ways of working:

- *Talent development* – To get leaders concentrating on the Inspire dimension, Lloyds introduced leadership development around subjects such as mindfulness, conversation, social capital and ethical leadership. This linked in to the more emotional side of the business and working with people. Furthermore, there was a shift in focus from strategy in leadership development programmes to exploration about leaders and how they influence and engage others.
- *Performance ratings* – Lloyds shifted the way it reviewed the performance of its leaders to create an equal focus on what was done and how it was done. Previously, reviews had been dominated by what was done. This shift led to very different and more balanced performance conversations.
- *Talent review* – The broader review process of combining engagement data and 360 degree feedback led to an increased focus on the way leaders show up. This in turn led to some changes in the selection criteria for leaders and several senior-level moves into new roles.
- *Data sharing* – Lloyds made an effort to share its high-quality data analytics with leaders themselves. The Group created appealing and easy to interpret graphics to highlight how leaders showed up against the key indicators of employee engagement, the IRR framework and core leadership behaviours. By sharing these data, it was easier for leaders to take personal responsibility for any needed changes. A workshop provided leaders a better understanding of their employee engagement survey results and the impact they could have. It drove Lloyds' leaders to take action rather than delegate the action planning process to their teams.
- *Society* – Lloyds has a long tradition of involvement with the community and with charity. However, Lloyds has made a major move to connect colleagues more closely with the communities in which they operate. This ranges from partnering with the Alzheimer's Society, providing Business Connector secondees, creating scholarships for disadvantaged students and enabling colleagues to support their local charities. This provides benefits to the company, the communities it serves and to colleagues.

The Inspire, Respect, Reward framework has enabled Lloyds to cut through the clutter of data from an employee engagement survey and focus on something much more valuable

than just the highest and lowest dimension and item scores. The organisation considers this a significant breakthrough.

Lloyds' experience and the original research that went into the Inspire, Respect, Reward framework demonstrates clearly that employees are an amazing resource for insights to help organisations get it right. The keys to success – the answer to the question of how best to lead employees and maximise an organisation's performance – are right there. All you have to do is listen to the crowd.

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About the authors

Jack Wiley is Founder and former President of the Kenexa High Performance Institute (following acquisition the Kenexa High Performance Institute subsequently became known as IBM Smarter Workforce Institute). Wiley is recognised internationally for ground-breaking research that links employee survey results to measures business performance. In 2011, he authored the book: *RESPECT: Delivering Results by Giving Employees What They Really Want* (Jossey-Bass, 2011). Jack's next book for senior leaders is in development. Jack Wiley is the corresponding author and can be contacted at: jackwiley6@gmail.com

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