

The Cost of Poor Leadership

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One of the significant differences between managers and leaders lies in dealing with intangibility. Managing deals with tangibles. It is maintaining predictable results. It involves managing tasks, processes, measurements, and activities that lead to predictable results.

Leading largely deals with intangibles. It involves exhorting, coaching, motivating, and inspiring. It is about empowering, creating synergy, effecting change, and transforming. Leadership is the aspect of running an organization that that you can't directly measure. Yet it has a huge impact, particularly over the longer term.

Both leading and managing are important. Managing competencies are needed to maintain a company's existing momentum. Leadership competencies are needed to facilitate change, enable growth, and create new sources of momentum. Great companies value both. I have yet to see a high performing company that only needed one or the other. In fact most great leaders are also great managers.

It is the intangibles that create sustainable sources of differentiation for an organization. Product and service features are easily imitated. Prices and discounts are easy to match. It is intangibles like superior decision making, highly motivated employees, a climate of innovation, and a magnanimous team spirit that are not easy to duplicate. Intangibles are what make great organizations great.

Tangibles like a well thought-out project plan or streamlined business process are also driven by intangibles. It seems so obvious - the intangibles of great leadership create highly engaged and competent teams which consistently produce positive results.

So it should be apparent that there is a cost associated with poor leadership and the lack of these intangibles. Studies back it up. Studies show that motivated employees work harder and smarter than apathetic ones. Studies show that employees who buy into a clear and purposeful vision are more likely to help a company attain that vision than those that are not bought in. People working together in teams that are truly looking out for the good of each other produce a much higher quality product than do those of a loose collection of individuals.

To put figures to the difference, productivity under strong leadership has been shown to increase by 300%. In other words, one person is able to do the work of three. Employee turnover and unwanted attrition can drop by 75%. How much would it be worth if your hiring, on-boarding, and contribution ramp-up time was cut by 75%?

Add in the costs of unmanaged conflict, unclear roles, confusion over priorities, time spent protecting yourself internally instead of finding ways to increase customer loyalty, poor decision making, apathetic employees, a lack of creativity, and so on, you will find that it is not just minor costs but significant costs that come from poor leadership. Leadership competencies impact top line revenue, customer satisfaction, expenses, and every other part of a company's operation.

Since the quality movement began in the mid-twentieth century, there has been a great deal of focus on improving business processes and the systems that support them. However, it is a company's leadership that makes the decisions about the processes and systems. It's people that execute those processes. Without great leadership at all levels in an organization, processes, systems, and people will underperform their capability. It takes great leadership to deliver tangible results.