

Five Rules of Effective Leaders

By David Ulrich, University of Michigan, and Norm Smallwood, RBL Group



NOTES: THOUGHTS FROM THE THOUGHT LEADERS AT THE ROSS SCHOOL OF BUSINESS

Financial assets don't think or behave. Leaders do. In today's economy, we need to see beyond bailouts and liquidity injections and demand better leadership. The metaphor of a "bailout" is fundamentally flawed; stemming from removing water from a leaky boat or freeing someone from jail. In either case, the bailout is solving the symptom, not the problem. Bailing out a boat without fixing the leak will not solve the problem and same goes for today's suffering firms. We need to identify the holes so that they can be repaired.

If leadership is the answer, then how do we fix it?

Faced with an incredible volume of information about leadership, we (along with our colleague and co-author Kate Sweetman) turned to recognized experts in the field of leadership to simplify and synthesize the mounds of information available on this topic.

Our discussions with them focused on two questions:

1. What percent of effective leadership is basically the same? Are there common rules that leaders must follow?
2. If there are common rules that all leaders must master, what are they?

Their answers – although broad – were consistent, allowing us to conclude that 60 to 70 percent of

leadership effectiveness could be revealed in a code--if we could crack it! Through analysis of data and the interviews along with our own research and experience, a framework emerged we named the Leadership Code – the five rules that make up leadership DNA.

Rule 1: Shape the Future

Leaders that shape the future answer the question "where are we going?" and make sure that those around them understand the direction as well. Strategists figure out where the organization needs to go to succeed, test their ideas pragmatically against current resources (money, people and organizational capabilities) and work with others to figure out how to get to the desired future. The rules for Strategists are about creating, defining, and delivering principles of what is possible.

Rule 2: Make Things Happen

Leaders that make things happen focus on the question "how will we make sure we get there?" Executors translate strategy into action and put the systems in place for others to do the same. They understand how to make change happen, assign accountability, make key decisions and delegate others, all while ensuring teams work well together and keeping promises to multiple stakeholders. The rules for Executors revolve around the discipline for getting things done and the technical expertise for getting them done right.

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Rule 3: Engage Today's Talent

Leaders who optimize talent answer the question "who goes with us on our business journey?" Talent Managers know how to identify, build, and engage talent to get results now. They identify the skills required, recruit talent, engage them, communicate extensively and ensure that employees give their best effort. Talent Managers generate intense personal,

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professional, and organizational loyalty. The rules for Talent Managers center on resolutions to help people develop professionally for the good of the organization.

Rule 4: Build the Next Generation

Leaders who mold the future talent pool answer the question, “Who stays and sustains the organization for the next generation?” Talent Managers ensure shorter-term results through people, while Human Capital Developers ensure the organization has the long-term competencies required for future strategic success; ensuring the organization outlives any single individual. Just as good parents invest in helping their children succeed, Human Capital Developers help future leaders be successful. Throughout the organization, they build a workforce plan focused on future talent, understand how to develop that talent and help employees see their future careers within the company. Human Capital Developers install rules that demonstrate a pledge to building the next generation of talent.

Rule 5: Invest in Yourself

At the heart of the Leadership Code—literally and figuratively—is Personal Proficiency. Effective leaders cannot be reduced to what they know or what they do. Leaders

are learners; drawing on lessons from successes, failures, assignments, books, classes, people and life itself. Passionate about their beliefs and interests, good leaders spend enormous personal energy and attention on what matters to them. Effective leaders inspire loyalty and goodwill in others because they act with integrity and trust. Decisive and impassioned, they are capable of bold and courageous moves. Confident in their ability to deal with situations, they can tolerate ambiguity.

Through our work, we have also determined:

- All leaders must excel at Rule 5. Without the foundation of trust and credibility, you cannot ask others to follow you. While individuals may have different styles (introvert/extrovert, intuitive/sensing, etc.), any individual leader must be seen as having personal proficiency to engage followers. This is probably the toughest of the five domains to train and some individuals are naturally more capable than others.
- All leaders must have one towering strength. Most successful leaders excel in at least one of the first four rules and are predisposed to one of

the four areas.

- Effective leaders must be at least average in their “weaker” leadership domains. It is possible to train someone to improve in one area by identifying and developing behaviors and skills in each domain to be mastered.
- The higher a leader rises within an organization, the more he or she needs to develop excellence in more than one of the four domains.

If the government is going to bail out toxic assets, it must also encourage and assess effective leadership to ensure the long-term sustainability of an organization. Financial stress tests should be coupled with leadership audits. Leaders should be encouraged to build on the basics and held accountable to live by the Leadership Code.

David Ulrich is a professor at the University of Michigan Ross School of Business Executive Education program specializing in human resources and leadership. Reach the next level with proven tools and techniques to elevate your leadership skills.

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