



# Why CEOs Need to Pay More Attention to the True Cost of Weak Leadership

## THE HIDDEN COST OF DISENGAGEMENT

The definition of leadership in modern origination has evolved over the last 20 years, becoming very exclusive rather than inclusive. Merriam-Webster's traditional meaning is "a position as a leader of a group, organization, etc. ... the power or ability to lead other people." In line with that definition, 91% of respondents to the Millennial Leadership Study, conducted by WorkplaceTrends.com and Virtuali, aspire to be a leader. While almost half of the millennials queried define leadership as "empowering others to succeed," 43% said their biggest motivator to be a leader was to empower others.

These noble sentiments, however, miss a critical point. Every person is, or should be, his or her own leader. Believing that only a few qualified people have the right to be a leader is inherently incorrect. To be a responsible family member, community member, citizen, employee, colleague, business manager, or executive, every individual must be a personal leader. If they are not, how can people claim to lead others?

Understanding that one should not seek leadership in others is the starting point to truly strive toward having a better family, community, society, organisation, corporation, and nation.

Should the status quo change with a new definition of leadership, consider the tremendous responsibility it would place on the shoulders of parents, community leaders, government officials, corporate shareholders, and executives. Nevertheless, this key transformation should be a top priority. If ignored, weak leadership in any endeavor has the potential to rapidly consume our natural, human, and financial resources.

This reinvented definition is urgent, vital, and the most important ingredient to achieving fulfillment and success in our personal lives, communities, societies, and organisations. Every passing day is lost to mediocracy, unhappiness, inefficiency, conflict, untapped human effort, and underperforming organisations. Without individuals accepting the challenge to take the lead on a



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personal level, no sustainable solution exists to our diverse problems.

## THE PROBLEM WITH THE STATUS QUO

Companies around the globe are experiencing a growing talent gap at the executive level. According to the Global Workforce Leadership Survey conducted by Saba and WorkplaceTrends.com, 46% of respondents said that leadership was the skill that was the most difficult to find in their workforce. In fact, only one-third (36%) listed leadership as an existing skill in their organisations.

An analysis of responses by U.S. businesses and HR leaders to a 2016 global study by the Hay Group division of Korn Ferry showed a critical need to improve leadership development initiatives. Although U.S. respondents made up nearly one-third of the 7,500 global respondents, their answers generally mirrored responses from other world regions. "The best thought-out business strategy will fail miserably if the leaders within an organization don't have the skills to make it come to fruition," said Dennis Baltzley, senior client partner and

global head of leadership development solutions for Korn Ferry Hay Group. The study found that only:

- 17% were confident they have the right leadership capabilities in place to execute on strategy.
- 18% were confident that their leadership team demonstrated the behaviors needed to successfully deliver on strategic business priorities.

Such studies point to the problem with today's status quo. Unfortunately, the majority of people have defaulted to average performance in many aspects of their lives. At the very best, people appear to be content with mediocre activity and results in every plan they put forward. We convince each other that if our peers are similar to us, then that should be the norm. How could we even think of doing better?

## THE REAL MEANING OF PERFORMANCE PLUS

Optimal performance is about maximum return, whether financial, personal, or societal. Maximum return is not about what peers or the market holds that one can achieve – for example, 3% to 5% annual growth (although with today's norms, these numbers are considered great) or beating peers or the market by another 3% or 5% - which is a mediocre thought. Maximum return is about significant outperformance, about multiples, never a small percentage differential.



Our understanding of outperformance has shaped into some sort of magic. We seek only science in the tangible world and call the intangible world an art form that is difficult to measure. We shy away from the unknown without bothering to explore what is possible. Because of this lack of personal leadership – combined with our acceptance of average outcomes – the problems and difficulties we face continue to accumulate. This approach, or thinking by default, breeds mediocracy.

Over the last 20 years, this backward thinking has prevailed as we become content with our future, encouraging the emergence of disengaged family members, community members, citizens, employees, and executives. The conclusion? Nobody cares. This dangerous thinking carries an enormous price tag, a cost hidden from corporate or government income statements and balance sheets.

## THE ROOT CAUSE OF THE PROBLEM

In a nutshell, the root cause of the status quo comes down to these factors: our misconceived incentive philosophy combined with weak leadership bred by this misalignment in our families, communities, organisations, and governments.

The most critical question every CEO needs to ask, regardless of organisational type or size, is how do we want our incentive philosophy to work? Incentive philosophy is not about how a company rewards its people. Rather, it is about knowing how your people should work to achieve a shared outcome. If managers do not deeply understand why and how their people work within an organised structure, then managers can do anything they want, yet still not achieve optimal performance.

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“We are all crazy about the reward pill and use it like Aspirin.”

## ENGAGING THE DISENGAGED

To achieve optimal results, it is clear that employees who are motivated and engaged have a strong connection to an organisation’s productivity, profitability, and viability as a player in the market. According to a recent Gallup survey, only 32% of employees are engaged at work, with 50.8% not engaged. In fact, engagement statistics have been flat for the past 15 years. These appalling statistics indicate a misalignment throughout the corporate world brought about by misalignment of incentives. What use are incentives if they do not work? Companies that outperform significantly better align their incentive philosophy than those that perform or underperform – an amazingly efficient approach to outperformance.

There appears to be more to outperformance than simply offering rewards to deserving individuals, although rewards remain a very important tool to support motivation to achieve results.

That said, however, it is long past time for managers to resist using their favorite medicine to solve difficult problems: the “reward pill.”

Companies dole out this particular medication as pharmacists distribute Aspirin for various ills, including headache, stomach ache, and blood thinning. In organisational terms, the reward pill seeks to resolve promotion, retention, and hiring issues. But remember, in neither health care nor employee care, the pill is not a cure; it only eliminates the symptoms. In fact, one should not even need to take a pill if the root cause of the problem is effectively addressed.

## THE GAP BETWEEN PERSONAL AND ORGANISATIONAL GOALS

The truth behind underperformance and misalignment of incentives/rewards lies in the misalignment of personal and organisational goals. If one is not clear about personal goals in life, it becomes difficult to discuss





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shared goals between an individual and the organisation to which the person belongs.

Thus, we needlessly consume resources (personal or corporate) when individuals work for the wrong organisation or managers hire the wrong person to achieve a set of specific objectives for the organization. Mountains of submissions from unqualified candidates overwhelm business managers and HR staff, waste time and money, and often lead to bad decisions. The search for hidden talent, particularly in leadership positions, can uncover the leaders – the individuals who lead themselves, as well as possess the capability to lead others – through the use of technology that can align individuals' skills and desires and vision with what a company really wants and needs to go boldly into the future.

What has become the norm of mediocre outcomes and outlooks no longer serves all stakeholders (shareholders, employees, employers, governments, and other partners

we work with to generate value). While it benefits an exclusive few individuals who have become professional experts who think of value creation only as a personal endeavor to lead others, CEOs should not allow this breed to prosper at the cost of all other stakeholders. Shareholders and boards should make CEOs accountable for hiring only the leaders who share this new vision of the future organisation. It is only then that we will have a chance to change and improve – by finding and cultivating talent who can take charge of their own growth while empowering others to achieve shared goals.

## THE STORM AND ITS AFTERMATH

Complacency prevails. To change the interpretation of leadership to effectively nurture the right individuals requires open-mindedness and courage. Rarely do people happily accept change, and this new thinking will be transformational, arriving like an unwelcome storm. But after the winds die down and the sun reappears, we will rebuild as we always do, relying on the human need to move forward.



The result will be worthwhile. Organisations will survive longer and succeed far better than those of prior years, which have often faded into oblivion. And individuals will be more successful in their ability to lead fulfilling personal and career lives, while encouraging others to join in a united effort to better themselves and the organisations with which they interact.

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