# ShareOn
## Corporate Leader Resources

# *Leadership for the Rest of Us*

## A DELPHI Study of Leadership Strategies in Small to Medium Sized Firms

### *What Do the Top Performing Companies Do?*

1 February, 2013

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Introduction

There is very little research that has focused on the strategies that small to medium sized organizations use to develop leaders. In addition, there has been little work done to see if there is any commonality on how a group of high performing companies in a defined geographic area develop leaders. The DELPHI technique was utilized to help research Panelists in a large Midwestern metropolitan area come to agreement on the leadership development strategies they used that were most successful. The research conclusions point to a set of best practices for developing leaders in small to medium sized firms in the short term (1-2 years) and in the longer term (3-5 years). Having a business strategy and a leadership development plan are important. However, focus is more important than a plan or the sheer number of leadership development practices employed. Aligning leadership development strategies with company values and culture differentiate the top performing companies from the others. The top performing companies develop an integrated and disciplined approach to developing leaders in their firms both in the short term and in the longer term.

ShareOn Research Question

ShareOn Corporate Leader Resources, an international leadership development company, (www.goshareon.com) wanted to find out what strategies small to medium sized firms use to develop leaders in a particular geographic area. We chose a large Midwestern metropolitan area. The DELPHI technique promised to be a process that would encourage our Panelists to reach consensus on this question. We also hypothesized that higher performing companies would utilize a different set of strategies than lower performing firms.

What is an SME?

Small and Medium sized Enterprises (SME's) is a designation of company size used by the Small Business Administration (18) of the federal government. While there is no agreed upon size for an SME it is generally considered to be about 50-750 employees. This company size means that the firms are large enough to have a differentiated management structure and moderate complexity of business processes and practices. However, they are generally not large enough to have large staff groups to manage corporate processes.

DELPHI Methodology

The DELPHI process is a method of gathering data from panelists within their sphere of expertise. The DELPHI technique is well suited as a communications methodology for consensus-building by presenting a series of questionnaires delivered using multiple iterations to collect data from a panel of selected subjects. Panelists respond to questions, review the data from the group and answer a next set of questions which are designed to achieve a

consensus of opinion on a specific issue. The Delphi process has been used in various fields of study such as program planning, needs assessment, policy determination, and resource utilization to develop a full range of alternatives, explore or expose underlying assumptions, as well as to correlate judgments on a topic spanning a wide range of disciplines (19, 20, 21).

In **Round One** of our study, we asked the panelists to contribute their thoughts on what strategies their companies are using to develop leaders. We based the questions on the classic book *The Lessons from Experience* plus a review of current literature on leadership development strategies.   In **Round Two** the panelists reviewed all the other DELPHI panelists' comments from Round One and then contributed what they thought the most important factors were for leadership development in the short term (1-2 years) and longer term (3-5 years).

In **Round Three**, we asked panelists about the performance position of their business in their industry and how important leadership development is to short term (1-2 years) and longer term (3-5 years) business performance.  Then we presented the TOP TWO responses from Round Two questions.  Panelists reviewed the information provided for each of the questions and responded by rating the IMPORTANCE and the FEASIBILITY of the two items for each question.   By IMPORTANCE we mean the activity that will bring the most value to small to medium sized companies.   By FEASIBILITY we mean the ease of implementing the strategy in small to medium sized companies.

DELPHI Panelists' Company Demographics

Our sample of companies included manufacturing (36%), health care and social assistance (36%), professional, scientific and technical companies (12%) and a variety of others. Fifty-six percent of the companies are privately held, twenty-eight percent are not for profit, twelve percent are publicly held and four percent have other ownership structures. Fifty-two percent of our panelists' companies are between 50-150 employees, twenty percent are between 150-300 employees, sixteen percent between 301-500 employees and twelve percent between 501-750 employees. Our panelist group consisted of forty-four percent CEO's/Presidents/Owners/General Managers, twenty-four percent Human Resource Executives, sixteen percent Sales and Marketing Executives, twelve percent Operations Executives and four percent Senior Project Executives. All of these companies were in the greater metropolitan area of a Midwestern, US city.

Our panelists ranked their company's performance position as follows: top ten percent = 53%, top twenty-five percent = 26% and middle (twenty-five to seventy-five percent) = 21 %. Fifty-three percent stated that leadership development was highly important for business performance in the short term (1-2 years); forty-two percent said it is important to business

performance in the short term and 5% said it was somewhat important. Seventy-four stated that leadership development was highly important for leadership development in the longer term (3-5 years) and twenty-six percent said it was important for longer term (3-5 years) business performance.

Throughout the study our panelists rated each DELPHI item on the following scale:

4 = Highly Important/Feasible
3 = Important/Feasible
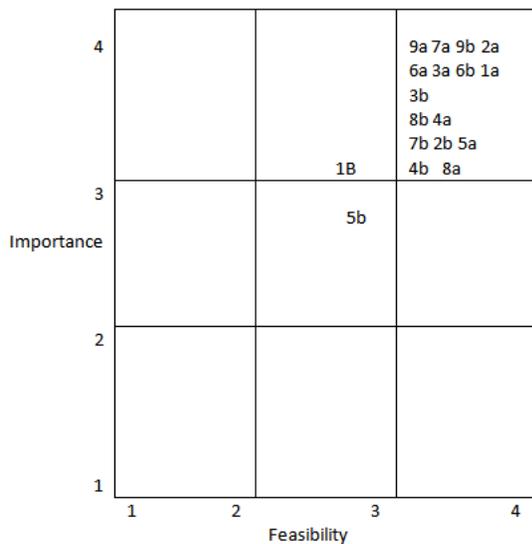2 = Somewhat Important/Feasible
1 = Not Important/Feasible

DELPHI Findings

The following paragraphs summarize the general study findings for all Study Panelists (Round I=25, Round II=21, Round III=19). They are organized by Importance and Feasibility, Short Term and Longer Term use of specific strategies, general Importance and Feasibility and a comparison of strategies use by the top ten percent performing companies versus the group as a whole and those that were not in the top ten percent
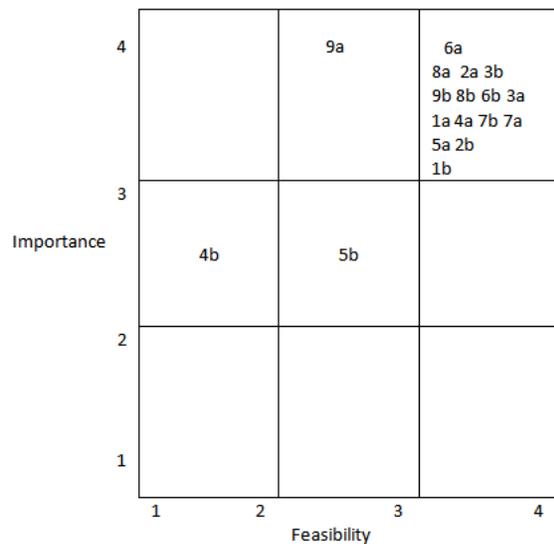
## Importance and Feasibility

Let us begin with the Importance and Feasibility scores. Each panelist was asked to rate each question by its Importance and Feasibility on the 1-4 scale above. Then the response to each Round Three question was plotted as to its Importance and Feasibility.

Short Term Leadership development (1-2 Years)

| Importance | | | |
|---|---|---|---|
| 4 | | | 9a 7a 9b 2a / 6a 3a 6b 1a / 3b / 8b 4a / 7b 2b 5a / 4b  8a |
| | | 1B | |
| 3 | | 5b | |
| 2 | | | |
| 1 | | | |

Feasibility: 1  2  3  4

Longer Term Leadership Development (3-5 Years)

| Importance | | | |
|---|---|---|---|
| 4 | | 9a | 6a / 8a  2a 3b / 9b 8b 6b 3a / 1a 4a 7b 7a / 5a 2b / 1b |
| 3 | 4b | 5b | |
| 2 | | | |
| 1 | | | |

Feasibility: 1  2  3  4

*These matrixes show the approximate location for each leadership strategy in terms of the panelists' average scores on Feasibility and Importance.

Over the three rounds of questions, panelists reached agreement on the most important and feasible leadership strategies. In the short term (1-2 years) 16/18 short term strategies are in the top right quadrant of the matrix. In the longer term (3-5 years) 15/18 of the strategies are also in the top right quadrant of the matrix. This means that 88% of the strategies identified by panelists are considered to be highly important and highly feasible for leadership development both in the short term and in the longer term.

<div align="center">Short Term and Longer Term Use of Specific Strategies</div>

The array of strategies identified by panelists differed in the short term versus the longer term. Leader development becomes less tactical and more focused on strategic business change in the longer term (3-5 years). Having a multi-year strategic plan to guide leadership development activities takes precedence over having an annual plan. The importance of consciously utilizing beliefs, values and culture as drivers of leadership development pervade the top rated survey questions in both the short term and in the longer term.

<div align="center">General Importance and Feasibility Ratings</div>

For all panelists in both the short term (1-2 years) and the longer term (3-5 years), leadership development strategies are more important than they are feasible. In the short term 14/18 strategies are more important than feasible and in the longer term, 17/18 strategies were more important than feasible. This suggests that feasibility is more of a concern in shorter term leadership strategy development.

Leadership strategies are more important in the longer term (3-5 years). The average importance score for all panelists in the longer term (3.52) is higher than in the shorter term (3.43). The average feasibility score in the short term is 3.17 which is higher than the average feasibility score in the longer term which is 3.07. This means that the short term strategies are more feasible but the strategies for longer term leadership development are more important to leader development.

<div align="center">Comparison of Strategies Used by the Top Ten Percent Performing Companies Versus the Group as a Whole and Those Firms That Were Not in the Top Ten Percent</div>

To further analyze our data, we separated the top ten percent from the group as a whole and the top ten percent as compared to the other ninety percent. The eighteen questions were averaged for each grouping for their Importance, Feasibility, Important plus Feasibility and the gap between the Importance and Feasibility scores. Then the standard deviation was

calculated. The scores for each question that were positioned at the average up to the limit of the first standard deviation were noted. Question scores located in the area of the distribution were numbered for each question. Those questions that were in that statistical area that had all four scores in that area were given a four star **** rating and those with three scores in the area were given three star *** ratings. The questions which fall in this area statistically are the questions at or above the average and within the first standard deviation. This denotes the questions with the greatest agreement. (See the red star area in the example chart).
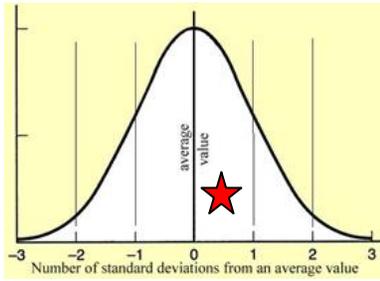
The top ten percent of Panelists by performance utilize fewer leadership development strategies (9) than the study Panelists as a whole (13) or the Panel as a whole minus the top ten percent (16). There are four three and four star rated questions in the short term for the top ten percent of the companies whereas there are eight three and four star rated questions for the ninety percent of firms who did not rate their companies in the top ten percent by performance. Also notice that there is no agreement on four star strategies in the 3-5 years time frame for the ninety percent companies. However, the top ten percent have isolated one question. And, the bottom ninety percent have six three star rankings as compared to four for the top ten percent companies. Finally, notice that the panel as a whole (all study panelists) has more three star questions in the longer term.

<u>Comparison of Top Ten Percent of Companies by Performance with the Group of Panelists as a Whole and the Other Ninety Percent</u>

| **Short Term (1-2 Years)** | | |
| --- | --- | --- |
| *Top 10% of Companies* | *All Study Panelists* | *Bottom 90% of Panelists (Everyone Except Top 10%)* |
| **\*\*\*\* Rankings**<br>• Learning and adapting to new challenges.<br>• Working through a business failure or mistake. | **\*\*\*\* Rankings**<br>• Learning and adapting to new challenges. | **\*\*\*\* Rankings**<br>• Learning and adapting to new challenges.<br>• Having an annual planning process.<br>• Tying the leadership strategy directly to the business strategy.<br>• Learning from a first supervisory experience.<br>• Being good with people. |
| **\*\*\* Rankings**<br>• Having the leadership strategy reflect the values and beliefs of the company.<br>• Being good with people. | **\*\*\* Rankings**<br>• Having the leadership strategy reflect the values and beliefs of the company.<br>• Learning from a first supervisory experience. | **\*\*\* Rankings**<br>• Having the leadership strategy reflect the values and beliefs of the company.<br>• Leading an important company initiative with a taskforce or committee.<br>• Being good at business fundamentals. |

| Longer Term (3-5 Years) | | |
|---|---|---|
| *Top 10% of Companies* | *All Study Panelists* | *Bottom 90% of Panelists (Everyone Except Top 10%)* |
| **** Rankings**<br>• Working through a business failure or mistake.<br><br>**\*\*\* Rankings**<br>• Having leaders consciously describe and promote the culture they want for the company.<br>• Having the leadership strategy reflect the values and beliefs of the company.<br>• Demonstrating how values play out – snapshots of leader behavior that demonstrate individual or corporate values to developing leaders.<br>• Becoming a strategic thinker. | **\*\*\*\* Rankings**<br>• Positive role models.<br>• Being a strategic thinker.<br><br>**\*\*\* Rankings**<br>• Having a multi-year strategic plan that drives performance.<br>• Having leaders consciously describe and promote the culture they want for the company.<br>• Having leaders codify the ideal culture in a statement of values and beliefs.<br>• Having the leadership strategy reflect the values and belief of the company.<br>• Demonstrating how values play out – snapshots of leader behavior that demonstrate individual or corporate values to developing leaders.<br>• Working through a business failure or mistake.<br>• Challenging assignments.<br>• Learning and adapting to new challenges. | **\*\*\*\* Rankings**<br>• None<br><br>**\*\*\* Rankings**<br>• Having a multi-year strategic plan that drives performance.<br>• Tying the leadership strategy directly to the business strategy.<br>• Having the leadership strategy reflect the values and beliefs of the company.<br>• Managing a situation with dramatic increase in scope and complexity.<br>• Demonstrating how values play out – snapshots of leader behavior that demonstrate individual or corporate values to developing leaders.<br>• Learning and adapting to new challenges. |

Also, the top ten percent of panelists rate only 12/18 statements more important than feasible in the short term and only 13/18 strategies more important than feasible in the longer term. This suggests that feasibility appears to be more of a concern in longer term leadership strategy development for the top performing companies. Perhaps this is why they have a shorter list of leadership development strategies that they utilize.

This analysis suggests that the more successful firms are more precise in their short term leadership development efforts versus the bottom ninety percent who seem to have too many leadership development priorities and plans in the short term. Also, it appears significant that the bottom performers lack any agreement on four star questions in the longer term and work instead on strategies that are of lesser importance with less focus than the top ten percent. All

Panelists agree on Learning and Adapting to New Challenges as a key short term strategy. There is no agreement across the groups on a four star longer term leadership development strategy.
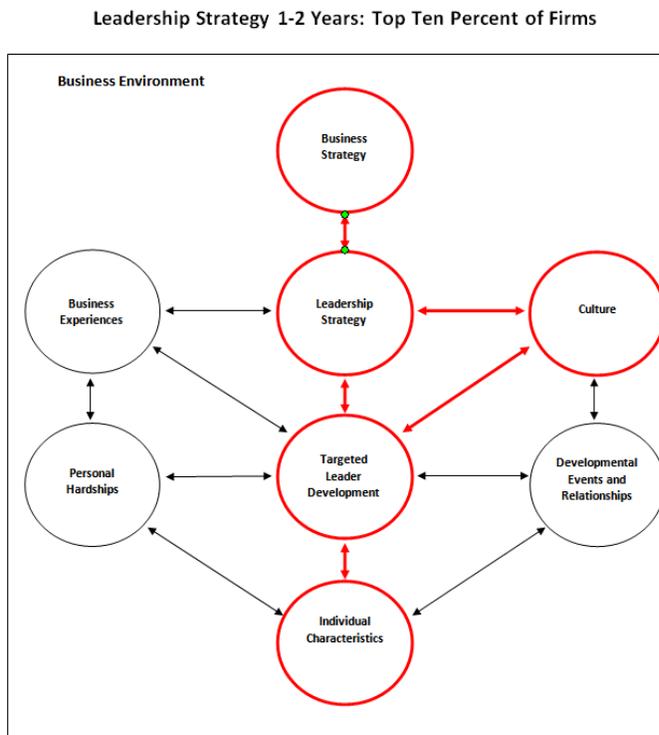
### Question Categories and the Top Ten Percent: Category Power

Business strategy, leadership development strategy, culture, business experiences, personal hardships, developmental events and relationships, targeted leadership development activities and positive and negative leader characteristics of the individual were the question categories of our DELPHI study. The average score of each of the two questions in each category were computed for Importance and Feasibility for all panelists. The standard deviation for each question was also calculated. The scores highlighted below are the categories that fall at the category average and above to the first standard deviations. These categories are the most agreed upon categories in terms of Importance and Feasibility.

The highlighted categories have the most agreed upon power to drive leadership development in the short term (1-2 years) and in the longer term (3-5 years).

| Short Term (1-2 Years) | Category Average | Longer Term (3-5Years) | Category Average |
|---|---|---|---|
| 1. Business Strategy | 6.75 | 1. Business Strategy | 6.65 |
| 2. Culture | 6.85 | 2. Culture | 7.2 |
| 3. Leadership Strategy | 6.85 | 3. Leadership Strategy | 6.9 |
| 4. Business Experiences | 6.3 | 4. Business Experiences | 5.9 |
| 5. Personal Hardships | 6.22 | 5. Personal Hardships | 6.25 |
| 6. Developmental Events and Relationships | 7.15 | 6. Developmental Events and Relationships | 7.06 |
| 7. Targeted Leadership Development Activities | 6.75 | 7. Targeted Leadership Development Activities | 7.1 |
| 8. Positive Characteristics | 6.70 | 8. Positive Characteristics | 7.15 |
| 9. Negative Characteristics | 7.0 | 9. Negative Characteristics | 6.75 |

In the shorter term (1-2 years) the power categories are outlined here in red. The **Business Strategy** questions are: (a) *Having an annual planning process* and, (2) *Having a multi-year strategic plan that drives performance*. The **Leadership Strategy** questions are: (a) *Tying the leadership strategy directly to the business strategy* and (b) *Having the leadership strategy reflect the values and beliefs of the firm*. The **Culture** questions are: (a) *To have company leaders consciously describe and promote the company culture they want for the company* and (b) *For company leaders to codify the company's ideal culture into a statement of beliefs and values.* **The Targeted Leader Development** questions are: (a) *Coaching from person's direct manager* and (b) *Challenging Assignments*. The **Individual Characteristics** questions are overcoming: (1) *Not being good with people* and (b) *Not learning and adapting to new challenges*.
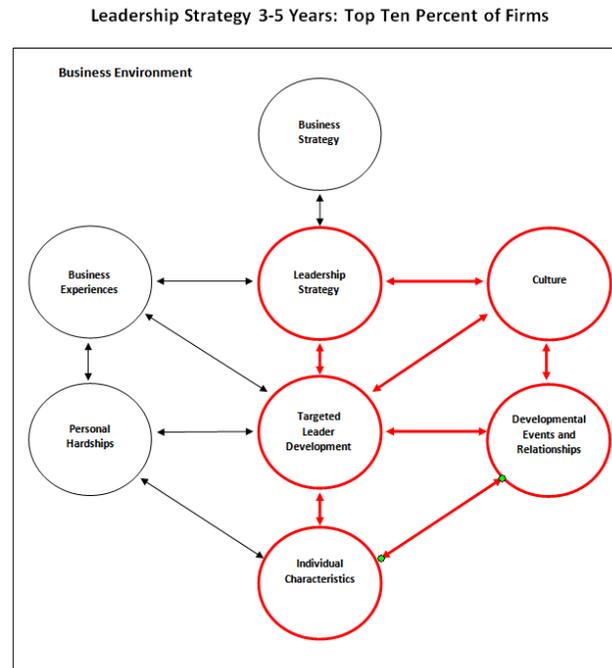
Panelists were asked which strategies are most Important and Feasible for leadership development. The red arrows show the linkages between the categories that drive leader development in the short term (1-2 years).

The critical path in the short term is linking the leadership to the business strategy, having targeted leader development practices and addressing negative personal characteristics of leaders. Culture appears to be a strong enabler of these business and leadership development practices.

**Business Experiences** (a) *Leading a company initiative with a taskforce or committee* and (b) *Managing a situation with dramatic increase in scope and complexity*, **Personal Hardships** (a) *Working through a business failure or mistake* and (b) *Breaking out of a rut-taking on a new career in response to discontent with the current job* and **Developmental Events and Relationships** (a) *Positive role models* and (b) *Learning from a first supervisory experience* were not on the list of agree upon high priority leadership development categories. They are not as important to leadership development in the short term as the other categories.

In the longer term (3-5 years) the power categories for the top ten percent of companies by performance are outlined here in red. Remember that some of the key, ranked questions changed in the longer term perspective as Panelists rated items in Round One and Round Two.

The **Leadership Strategy** questions in the longer term time frame are: (a) *Tying the leadership strategy directly to the business strategy* and (b) *Having the leadership strategy reflect the values and beliefs of the firm* (not changed from the 1-2 year time frame). The **Culture** questions are: (a) *To have company leaders consciously describe and promote the company culture they want for the company* and (b) *For company leaders to codify the company's ideal culture into a statement of beliefs and values.* These also did not change during the DELPHI process. The **Targeted Leader Development** questions did change. They are: (a) *Challenging assignments* and (b) *Individual development planning*. The **Developmental Events and Relationships** questions are: (a) *Positive role models* and (b) *Turning around a failing business or business unit*. The **Individual Characteristics** questions are: (a) *Being a strategic thinker* and (b) *Learning to adapt to new challenges*. Both questions changed from the short term analysis to the longer term analysis.



Leadership Strategy 3-5 Years: Top Ten Percent of Firms

Panelists were asked which strategies are most Important and Feasible for leadership development in the longer term (3-5 years). The red arrows show the linkages between the categories that drive leader development in the longer term.

While business strategy is a strong category for a few top performing companies in the long term there is less agreement on it as a critical category for leadership development in the longer term. There is agreement between the short term and longer term categories of Leadership Strategy, Targeted Leader Development, and Culture. In the longer term perspective, developing the Positive Individual Characteristics (new strategic skills and characteristics needed of leaders) becomes important as well as Developmental Events and relationships which take time to plan and nurture.

**Business Strategy** (a) *Having a multi-year, written strategic plan that drives performance* and (b) *Having an annual planning process* (both questions changed from the short term to the longer term), **Business Experiences** (a) *Managing a situation with dramatic increase in scope*

*and complexity* and (b)*Turning around a failing business or business unit* (both questions changed from the short term to the longer term),  and **Personal Hardships** (a) *Working through a business unit's failure or mistake* and (b)*Breaking out of a rut- -taking on a new career in response to discontent with the current job* (not changed from the short term) were not considered high on the list of agreed upon study categories. They are not as important to leadership development in the short term as the other categories.

Conclusions

We started our research attempting to discover what strategies small to medium sized firms in a large, Midwestern metropolitan city use to develop leaders. We used the DELPHI method which is a technique for gathering Panelists to anonymously share information and reach consensus on the leadership practices in use in small to medium sized (50-750) firms in a Midwestern metropolitan area. Our leader- panelists did reach agreement on most of the items they rated. The array of strategies identified by panelists differed in the short term versus the longer term. Leader development becomes less tactical and more focused on strategic business change in the longer term (3-5 years). Having a multi-year strategic plan to guide leadership development activities takes precedence over having an annual plan. For all panelists in both the short term (1-2 years) and the longer term (3-5 years), leadership development strategies are more important than they are feasible.

We thought that those companies that were higher performers in the group would employ different strategies than those firms who were lesser performers. Our hypothesis was confirmed. The top ten percent of Panelists by performance utilize fewer leadership development strategies (9) than the study Panelists as a whole (13) or the Panel as a whole minus the top ten percent (16). There are four three and four star rated questions in the short term for the top ten percent of the companies, whereas there are eight three and four star rated questions for the ninety percent of firms who did not rate their companies in the top ten percent by performance. Also notice that there is no agreement on four star strategies in the 3-5 years time frame for the ninety percent companies. The top ten percent of panelists rated only 12/18 statements more important than feasible in the short term and only 13/18 strategies more important than feasible in the longer term. The panel as a whole rated 17 of 18 strategies more important than feasible in the short term and 16 of 18 in the longer term. This suggests that feasibility is a larger issue in the group of organizations as a whole than in the top ten percent. This also suggests that feasibility appears to be more of a concern in longer term leadership strategy development for the top performing companies.

We then analyzed the data by the question categories to determine if some categories were more agreed upon as drivers of leadership than others. The critical path in the short term is linking the leadership to the Business Strategy, having Targeted Leader Development practices

and addressing Negative Personal Characteristics of leaders. Culture appears to be a strong enabler of these business and leadership development practices.

There is agreement between the short term and longer term categories of Leadership Strategy, Targeted Leader Development, and Culture. In the longer term perspective, developing the Positive Individual Characteristics (new strategic skills and characteristics needed of leaders) becomes important as well as Developmental Events and relationships which take time to plan and nurture.

We initially thought, based on our literature review, that on-the-job training and important hardships would be more important to leader development than our panelists thought. On-the-job (assignments) did not make it to the forefront of the questions and categories from Round I to Round II. However, challenging assignments as job experiences did make the list both in the short term and in the longer term in the category Target Leader Development. Turning around a failing business or business unit as an assignment made the long term list in the category Developmental Events and Relationships category. Perhaps personal hardships as a category were not considered as important as we thought because we asked our panelists to comment on what their company as an organization does. The personal hardship category might lend itself better to a personal rather than organizational assessment.

Implications for Leaders of Small to Medium Sized Firms

Our research points to a set of best practices for developing leaders in small to medium sized firms. In the short term (1-2 years) firms should focus on linking their leadership development plans to their business strategy as well as developing a culture that supports and nurtures values and beliefs congruent to their leadership plan and business strategy. This aligns leadership efforts for business performance results. They should also provide targeted leader development strategies for individuals and address negative personal leadership characteristics, such as not being good with people and not learning and adapting to new challenges. In the longer term (3-5 years) companies should focus on their leadership development strategy, developing a culture and values that support leadership development and provide targeted leader development strategies for the individual. They should also work to develop positive, strategic leader characteristics and skills such as becoming more of a strategic thinker and learning to adapt to new challenges. Intentionally providing developmental events and relationships for developing leaders should be a key focus of attention as well. We also believe that companies should develop an integrated and disciplined approach to developing leaders in their firms. A business strategy that is decoupled from the company's culture, or targeted leader development activities that are not aligned with the characteristics of potential leaders would create confusion, inefficiency and lead to poor business performance. Leadership development is a system of plans and activities that improve business performance. Although

leadership development is idiosyncratic, based in part on ownership, performance, industry and culture, leadership strategies are common to this diverse group of small to medium sized firms. The strategies identified hold promise for other companies (small, medium and large) seeking to focus, integrate and maximize their leadership development efforts.

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