

Leadership Development in ESOP Companies

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Deep leadership capacity is a hallmark of strong, sustainable companies. When leaders and managers have strong leadership skills and when those skills extend to more people in an organization, a company's ability to manage internal and external challenges is enhanced, and unanticipated changes in personnel can be managed with minimal disruption.

Developing the leadership skills of leaders and managers in ESOP firms also responds to employee expectations. Employee owners generally have high expectations of anyone in a leadership position in *their* company. They expect good communication, clear explanations for decisions, and opportunities to have input and be involved in problem solving and decision making. They expect to be treated fairly and respectfully and they want to know that what they do contributes value to their company. They expect their leaders to be able to manage excellently, make good decisions, and give them constructive feedback that will enhance their own development, all in addition to being highly skilled in their particular functional area. Like other companies, ESOP companies often make the mistake of promoting people to management and leadership positions because they do their jobs well or have functional expertise rather than because they demonstrate solid leadership abilities. Improving their leadership skills will make them more effective as managers and better able to live up to employees' expectations.

Strengthening the leadership skills of employee owners beyond those already in leadership positions demonstrates a commitment to employees' professional development and better positions people

for promotion opportunities. Focused attention to developing people's leadership capabilities can strengthen the performance of each individual and the company overall.

Ten Core Principles for Effective Leadership Development Programs

The best leadership development programs are customized by or for each company. However, there is a set of basic principles that distinguish the most effective programs.

1. *Defined leadership competencies.*

These are the leadership skills and knowledge most important for your firm and for building the culture you believe will result in achieving your goals. For example, in companies that believe an ownership culture will drive performance, skills relevant for communication, inclusion and engagement, team building, empowerment, and developing others may be some of the most essential. Defined competencies, then, become the core focus for designing the company's leadership development program.

2. *Senior level involvement.* Participating in leadership development programs is most likely to be viewed as important when it is championed by a senior leader and fully supported by the senior team. An evaluation of a program in an ESOP company identified a direct correlation between participants' buy-in to the program and their perception of their manager's belief in the importance of the program. Programs have more impact when senior team members are involved as role models and are supporting individual's development plans as well as providing opportunities for par-

ticipants to be involved in projects that have strategic importance for the company. Finally, when leaders themselves go through some of the key elements of the program, they better understand them and can better coach their people who are participants.

3. *Model à Teach à Practice à Apply à Assess à Reinforce & Repeat.* The development of leadership skills is not limited to classroom learning. Skills only take hold when they are applied in day-to-day settings. A conclusion drawn from another program's evaluation was that the more skills were reinforced after the formal program concluded, the better people understood them and the more those skills became a permanent part of participants' repertoires. Skill reinforcement might take place through ongoing group meetings led by company leaders after the formal program ended, through continual updating of development plans of through reading and discussion groups.

4. *360 feedback and setting individual development goals.* Feedback from a 360 assessment based on the defined competencies provides an impetus for people to work on improving specific skills. Because having an accurate self-assessment has been identified as a major predictor of an individual's future success, a self-assessment is a good way to begin this process. The self-assessment and the 360 feedback are most useful when people use them to set goals for improving their performance on one or two skills at a time. Also, by sharing their goals with their supervisor and/or their peers, they can be supported in their development.

5. *Start with the basics: communication skills.* It can be tempting to skip these basic skills in favor of more advanced skills. Experience shows that many people, even in management positions, won't have these skills. Competencies such as empowering people, developing others, and building teams, all are dependent on having a strong foundation in communication skills.

(Please see OWNERSHIP, page 6)

(from *PRESIDENT*, page 2)

Is it impossible to have ESOPs, and ESOP policy take a bigger role in national debate?

While I am usually pessimistic in the short term, believe it or not, I am a long-term optimist on this topic because recently in private conversations I have heard thoughtful leaders, both elected and non-elected, giving new, somewhat ill formed, consideration of having a “new” way to strengthen the economy, of having average pay employees not be employees of either the government, or be cogs in business entities where they have no stake, and no say.

From turmoil, often comes new thinking, which often leads to old ideas that have not been really embraced before by the majority becoming more accepted.

In sum, and oddly, the trauma of 2009 could end up being the best development for employee ownership thinking as a national focus ever, or since Dr. Kelso put the basic ideas forward in the 60s and 70s for employee stock ownership. Key is whether the ESOP community with its traditional open-mindedness, and civility, seize the opportunities to be more visible with the message of the good things employee ownership through ESOPs can do.

Best wishes for 2010.



J. Michael Keeling
President, The ESOP Association

(from *OWNERSHIP*, page 3)

6. *Link skills to day-to-day work and results.* Emphasizing the relevance of each competency to job effectiveness, adds to participants’ understanding of why strengthening these skills is important. For example, participant’s commitment to improving their listening skills is greater when they understand that using them with clients results in fewer order errors, increased client satisfaction, or being able to sell more products or services to a client.

7. *Create opportunities for applying skills beyond one’s job.* Participants have their horizons expanded and new venues for applying the skills they are learning when the leadership development program includes individual or group projects that have strategic importance for their company (e.g., investigating the feasibility of a new product or service, entering a new market, etc.) Project outcomes can produce an additional positive program result for the company.

8. *Pursue multiple channels for development.* There are many ways of developing leadership competencies in addition to an internal program, including: programs that are offered externally; individual approaches such as creating annual individual development goals that include action plans; external courses; reading; and, individual or group coaching programs. Having program graduates become program teachers is another means of more deeply reinforcing their understanding of the skills;

9. *Integrate leadership competencies into ongoing processes.* Making leadership competencies an integral part of a company culture depends on including them as essential criteria in all people management processes: job descriptions; criteria for evaluating job applicants; foundational skills required for promotion; one basis of individual’s annual professional development plan, and an important element in the company’s performance assessment process.

10. *Evaluate and refine.* Setting goals for the program before it is implemented will make it easier to evaluate program effectiveness. Program evaluation then can be used to continually refine and improve the leadership development process, ensuring that it is a good use of resources.

Move Leadership Beyond the Top

More important than where a company begins leadership development, is where leadership development ends. Company benefits will be greater if leadership development opportunities eventually are made available to people who are not yet in leadership positions. Leadership skills can benefit everyone. Strengthening the communication skills of every employee will create better communication throughout the company. People will talk to one another more respectfully; give one another more constructive feedback; and, surface issues and concerns in a productive manner. It would also be reasonable to expect better communication with customers and vendors.

Making leadership development an ongoing, ingrained element in an ESOP company’s operations and implementing it deep in the company are important for long term sustainability. Positive outcomes include: more people sharing responsibilities; more capacity for addressing challenges and responding to opportunities; stronger employee owner relationships; fewer distractions due to interpersonal tensions; better collaborative problem solving; and, enhanced efficiency overall.

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