

Sweat the small stuff

Examining the hidden cost of leadership neglect in your company

In 2006, *The Engineering Economist* published an article on the cost of “managerial neglect” in supply chain delivery. Let’s build on this notion and ask, “What is the hidden cost of leadership neglect in your company?” That is, what is the uncaptured value of simply demonstrating consistent practices across leaders that provide sufficient direction, skillfulness, opportunity and motivation for employees to perform to their capability?

Consider Keith Creel’s experience as a newly appointed senior vice president of Canadian National Railway’s Eastern Canada Region. Creel chose to make safety the vehicle for bringing culture change to his workforce.

On paper, it appeared that his managers

were already doing what they could. They were generally meeting their standard for monthly safety inspections.

When he looked more closely, however, he discovered missed opportunities. For instance, despite regular inspections, many workers still weren’t performing thorough checks on railroad cars before they left the yard.

During a conversation with an employee, Creel discovered the culprit was a seemingly minor failure in leadership behavior. Managers weren’t sitting down with employees to talk about the results of inspections.

Employees didn’t know they were being held to higher safety standards, so they didn’t get the message that safety mattered to management. Without this extra communication, it was proving difficult to change a culture that traditionally prized the timely turnaround of trains.

Be consistent

Most senior leaders today are investing in leadership skills, yet many organizations still don’t see consistently high levels of practice.

As a researcher at The Conference Board noted, “The study and practice of leadership and leadership development continues to be a work in progress, albeit one that shows frustratingly little progress”—and that’s after 50 years of sustained research.

A big problem is that leaders don’t appreciate how much certain day-to-day practices matter. And, they don’t know how much value gets lost when managers

fail to adopt desired behaviors or do so incompletely.

Stay accountable

Creel began holding his managers accountable for having discussions with employees as part of each safety observation. He adopted a number of other helpful leadership behaviors as well. This effort paid off. One of the company’s main rail yards saw a 58 percent safety improvement and a doubling of performance on certain key targets within 18 months.

Results like this are not unusual. An industrial company reaped \$500 million in reduced costs by taking steps to improve behavior.

In manufacturing, companies saw \$380 million in savings in two years and a 75 percent reduction in unplanned shutdowns and safety incidents within nine months.

Rigorous statistical testing has confirmed that such results owed precisely to leaders’ behavior change rather than to other factors.

Simple practices matter

Seemingly insignificant differences in how leaders behave can make a huge difference. The bad news is that, in most companies, a significant percentage of leaders are overlooking simple practices that matter. The good news is such practices can be learned and yield near immediate return.

So, what’s at stake? Executives at a *Fortune* 100 health care company discovered their “strong adopter” managers who deliberately improved day-to-day leadership practices outperformed their counterparts by 255 percent.

You need to ask yourself: “How much value am I leaving on the table due to leadership neglect?” ●



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CLG Inc. is a business management consultancy that advises executives on how to achieve new performance, culture change and lasting competitive advantage through the principles of applied behavioral science.

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