Getting strategy right means matching people with jobs—a match that often depends on where a business is on the commodity continuum.

It goes without saying that you cannot pigeonhole. Good people are too multifaceted. That said, I would still make the case that due to their skills and personalities, some people work more effectively in commodities and others are better in highly differentiated products or services. . . . The right people for [a commodity] business are hard-driving, meticulous and detail oriented. They are not dreamers, they’re hand-to-hand combat fighters. . . . At the other end of the spectrum, it’s generally a different kind of person who thrives, not better or worse, just different.

—Jack Welch

In Chapter 5, we described the situational approach to leadership as an approach that suggested to the leader what to do in different situations. This requires a great deal of flexibility on the part of the leader (Yukl, 2006). In the contingency theory of leadership, it is assumed that the leader’s style is relatively stable and needs to be matched with the most appropriate situation for the leader’s style (Daft, 2005). Fiedler and Chemers (1974) call contingency theory a leader-match theory. The closer the match between leader style and a particular situation, the more effective the leader will be.

Leadership Styles

As with the theories in Chapters 4 and 5, in contingency theory leadership, styles are broadly described as falling into two categories: task motivated and relationship motivated (Dubrin, 2007). Fiedler (1967) placed these two styles on opposite ends of a continuum and developed a scale he called the Least Preferred Coworker (LPC) scale. When a leader
scores high on the LPC, it means that the leader is relationship oriented, whereas being low on the LPC means that the leader is task oriented (Daft, 2005). Task-oriented leaders want to achieve goals. Relationship-oriented leaders want to develop close relationships with their followers (Yukl, 2006).

SITUATIONAL VARIABLES

The contingency model helps leaders evaluate three variables using a dichotomous measure. In essence, leaders ask three questions: Are the leader-member relations good or poor? Is the task structure high or low? Is the leader’s position power strong or weak? Answering these three questions allows leaders to determine what situation they are in and whether their style is a good match for that situation (see Figure 6.1).

Criteria for assessing these three variables are shown in Table 6.1. The variables need to be assessed in the order they are presented in Figure 6.1 and Table 6.1. As these are fairly self-explanatory, we will discuss the intersection of leadership styles with the situations defined by these three variables.

As mentioned, the order of these three variables is important. Leaders should examine leader-member relations, then task structure, and, finally, position power (Yukl, 2006). Good leader-member relations combined with high task structure and strong leader position power (Position 1 in Figure 6.1) is a very favorable situation for leaders. Poor leader-member relations combined with low task structure and weak leader position power (Position 8 in Figure 6.1) is the most unfavorable situation for leaders.

Contingency theory suggests that leaders with a low LPC score (those who are very task motivated) will be most effective in these two situations. In addition, leaders with middle LPC scores will be effective in Position 1 as well as being effective when the situation is assessed as being somewhat less favorable (Positions 2 to 3 in Figure 6.1). Furthermore, leaders with low LPC scores are effective in Positions 2 to 3. Finally, in situations that are moderately favorable to somewhat less favorable (Positions 4 to 7 in Figure 6.1), leaders with a high LPC score (very relationship oriented) will be most effective (Dubrin, 2007).

Figure 6.1 Contingency Model

*Source: Adapted from Fiedler (1967). Used by permission.*
Table 6.1 Three Variables in the Contingency Model

<table>
<thead>
<tr>
<th>Leader-member relations</th>
<th>Good</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Subordinates</td>
<td>Atmosphere</td>
</tr>
<tr>
<td></td>
<td>—like leader</td>
<td>—unfriendly</td>
</tr>
<tr>
<td></td>
<td>—trust leader</td>
<td>—friction between leader/followers</td>
</tr>
<tr>
<td></td>
<td>—get along with leader</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fidler (1995) has suggested why a mismatch between situation and style may not work. A mismatch leads to anxiety and stress, more stress leads to coping mechanisms developed earlier in a leader’s career, and these less developed coping</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Task structure</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Task accomplishment</td>
<td>Task accomplishment</td>
</tr>
<tr>
<td></td>
<td>—requirements clear</td>
<td>—requirements vague and unclear</td>
</tr>
<tr>
<td></td>
<td>—few paths to achieving task</td>
<td>—many paths to achieving task</td>
</tr>
<tr>
<td></td>
<td>—end to task clear</td>
<td>—end to task vague</td>
</tr>
<tr>
<td></td>
<td>—solutions limited</td>
<td>—many correct solutions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leader’s position power</th>
<th>Strong</th>
<th>Weak</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Leader has authority to</td>
<td>Leader has no authority to</td>
</tr>
<tr>
<td></td>
<td>—hire subordinates</td>
<td>—hire subordinates</td>
</tr>
<tr>
<td></td>
<td>—fire subordinates</td>
<td>—fire subordinates</td>
</tr>
<tr>
<td></td>
<td>—promote</td>
<td>—promote</td>
</tr>
<tr>
<td></td>
<td>—give pay raises</td>
<td>—give pay raises</td>
</tr>
</tbody>
</table>

mechanisms lead to bad leader decisions and, consequently, negative task outcomes (Northouse, 2007).

However, while we may not be able to explain why a mismatch between style and situation does not work and a match does work, we can predict whether a leader will be effective in certain situations and not in others. Consequently, assess several work-related situations based on the three variables in the contingency model, assess your own leadership style (are you mostly task oriented, relationship oriented, or somewhere in the middle?), and choose the best situation for your leadership style (Daft, 2005).

REFERENCES


THE CASES

**A Difficult Hiring Decision at Central Bank**

The case is designed to encourage readers to select among three highly qualified candidates for an important managerial position. In doing so, readers are required to establish the set of criteria that they believe should be taken into account when making an important hiring decision for the bank. Through the process of considering and prioritizing potential criteria with respect to the three potential candidates, readers are led to evaluate and reflect on the vision, mission, and core value of the bank.

**Christina Gold Leading Change at Western Union**

The chief executive officer of Western Union had just begun implementing a new organization structure. Changing the structure set out a clear message of Gold’s desire to change the company’s mind-set to a new more global culture. Already the CEO was finding that leaders in the United States were reluctant to give up control of product lines. At the regional level, she had keen leaders in place who wanted to push out the responsibility within their own regions and move toward a decentralized plan. While the CEO supported this notion in principle, she wanted to ensure that the right leaders could be placed in decentralized offices in order to execute on the six strategic pillars that she had laid out for the organization. One thing was certain—the CEO had made it clear that no revenue decreases would be forgiven amid the change. Many considerations had arisen: What pace of change should she take? How would she deal with resistance to change? How could she ensure that the new structure would support Western Union’s global expansion?
What Engages Employees the Most, 
or the Ten Cs of Employee Engagement

In selecting this reading, I looked for one that suggested leaders need to be high on relationship behaviors. I believe that most businesses will be in that middle portion (Positions 4 to 7) on the contingency model, and this is where the model suggests that we need relationship-oriented leaders.

Practitioners and academics have argued that an engaged workforce can create competitive advantage. These authors say that it is imperative for leaders to identify the level of engagement in their organization and implement behavioral strategies that will facilitate full engagement. In clear terms, they describe how leaders can do that.

The Challenge

Martin Smith, vice-president (VP), Regional Sales at Central Bank, had recently been let go, and the search for his replacement was taking place. As part of the recruitment process, several candidates for the position needed to be ranked, while taking into account Central Bank’s recently established vision, mission and values (see Exhibit 1).

Background

The position would require managing a number of employees in a region just outside of Toronto (see Exhibit 2).

Through conversations with Smith’s former supervisor, Central Bank’s Executive Resources established the background that led to Smith’s dismissal:

- “Values driven” and well liked by his staff
- Strong community tiesPROFILE
- Lowest turnover rate in segment
- Employee satisfaction scores in middle of pack
- Region in last place; results poor/growth stalled
- Integration of new segment incomplete
- Critical new processes/procedures not bought into or implemented
-Dismissed the previous week, decision unpopular in Region
- Three years away from early retirement, 30 years with Central Bank

Smith’s former supervisor also provided a summary of “what went wrong”:

- Need to be liked got in the way of critical changes
- Thought there was a trade-off between performance and values
- Couldn’t make the tough people calls
BUSINESS UNIT DESCRIPTION
With over 1,200 locations in the Canadian marketplace, our premiere Retail Banking segment represents the soul of the Central Bank brand and is the key to our long-term success. Our in-branch retail professionals provide a range of financial services to clients, from savings and chequing accounts, mortgages and loans, small business credit solutions and investment products, to complete financial planning.

PURPOSE OF POSITION
To lead effective and profitable sales execution of multiple customer offers in the Region and to maximize the contribution generated by its retail customers. Lead the advancement of the Region’s market share and profitability through delivery of an excellent customer and employee experience.

Work closely and cooperatively with internal service and operations providers and other regional colleagues to better position Central Bank as the pre-eminent financial services provider in Canada. To improve Central Bank’s reputation with customers, regulators and government and create an environment where employees can excel.

Provide leadership to the design and execution of segment-wide and cross-segment initiatives.
ACCOUNTABILITIES OF POSITION (KEY OUTCOMES AND ACTIVITIES)

Establish a vision and clear purpose for the region; inspire commitment to the vision in employees and colleagues in a manner that puts the best interests of Central Bank and its customers first.

Develop, communicate and manage an aggressive regional sales plan aligned to national strategies and based on a deep understanding of regional market conditions, customer segments and resource requirements; drive the sales, business development and sales management processes for the region.

Build a customer-focused, high-performing sales team in the region that focuses on maximizing profitability, growth and customer loyalty; employ rigorous hiring practices/policies to ensure newly hired and current sales staff subscribe to all of Central Bank's values and professional standards.

Ensure all delegated roles, responsibilities and accountabilities are well defined and understood; apply metrics to measure and manage performance and foster continuous improvement.

Lead employees through periods of organizational change and maintain high levels of motivation during transition period; coach and mentor staff; actively support staff in their professional growth and personal development.

Deliver customer offers in accordance with core Central Bank business strategies, risk management requirements and Brand standards; build keen awareness of governance and regulatory requirements and closely manage process to monitor adherence.

Develop close partnerships with local leaders of all customer segments; build integrated sales plans where possible to maximize customer coverage.

Model the values of the organization internally and in the community; encourage staff to actively participate in their communities and publicly acknowledge their efforts.

COMPETENCIES (SKILLS AND KNOWLEDGE)

Highly developed leadership skills; experience turning around a business or managing significant business change is highly desirable.

Proven ability to develop and manage a world-class sales force in a highly competitive business environment. Candidates must have:

- a track record for delivering aggressive financial and business growth targets;
- a staffing model and experience recruiting high performing sales staff;
- a well-honed and highly successful coaching methodology;
- demonstrated sales prospecting and sales tracking capabilities.

Expert knowledge of business and financial planning processes is required; demonstrated financial discipline and cost management capabilities.

Ability to manage relationships between various customer offers, delivery channels and support/supplier groups; demonstrated ability to work collaboratively across Central Bank to achieve collective business goals and satisfy customer needs.

Ability to instill respect for risk management and compliance requirements and deliver effective processes/systems to manage all aspects of operational, regulatory, market, credit and reputational risk.

Ability to translate strategic intent into action, communicate action/direction openly and effectively up, down and across the region.

Able to represent Central Bank in various external communities of interest.

ATTRIBUTES REQUIRED

Trustworthy (e.g., Integrity); Relationship builder; Team Player/Builder; Accountability (i.e., Results orientation); Customer focus; Adaptability
Said he bought into sales process/disciplines but didn’t enforce the process
• Hadn’t built appropriate relationships with colleagues in other strategic business units; no previous goodwill to help smooth integration of new segment
• Business continually left on table due to poor teamwork between segments
• Would blame others (often Head Office) for lack of success
• Should have moved on Smith earlier, but he’d been around for so long

Smith’s former supervisor provided an indication of what he believed was needed:

• Major turnaround
• Build new team; exit players who can’t deliver
• Hire well; recruit people who can deliver and have required values
• Get buy-in into new sales processes/value of a more disciplined approach
• Employ a person who can build trust/relationships with other segments to grow business
• Hire a candidate who could ultimately prove to be a good “succession” candidate.

The Candidates

Following an initial screening and interview process (see Exhibit 3) conducted by Central

1. Describe the culture in which you do your best work.

Charlotte Webb:
I’m the sort of person who likes a work environment that provides some challenges professionally. So far, Central Bank has provided that for me. What’s most important to me now is the ability to grow career-wise. I like working with bright people, in an organization that is willing to take some risks. I’m not talking about recklessness, but I like working for an organization that wants to operate at the “cutting edge” with respect to conducting business, one that is attuned to the market, uses technology and analytics to the fullest, and knows where it wants to play. It’s also important to me how organizations treat their people, that people are rewarded not only for achieving goals, but for how they are achieved as well.

Scott Warren:
I guess I can speak best about the Royal, which puts a heavy focus on being number one. That’s the sort of place where I do my best work. I like everything to be fast paced, with clear deadlines to meet. As well, when the firm allows its managers and employees to take reasonable risks, and be rewarded for results, that’s best for me, that’s when I’m most motivated. I also like “hands-off” managers, I really don’t like being micromanaged.

James Skinner:
The First Northern bank culture works for me, it’s critical to me that employees and customers are treated with respect and dignity, where people can work as a team. I don’t subscribe to the “star” system, where only the top performers receive all of the rewards. I like to think through the short- and long-term implications of what we do, and I appreciate a culture that supports that. I really dislike the “churn” that results from poor planning and last minute changes. Those sorts of twists and turns are really tough on people.

2. What’s the toughest call you have had to make?

Charlotte Webb:
While working at a Central Bank branch as a summer student, a friend of my dad’s came in, and asked me for some personal information on his ex-wife’s bank accounts. They were going through an ugly divorce, and
it was very awkward for me given my family's connection to say no, and my desire to please an important customer. I knew that I shouldn't give him the information, and I politely refused, but he became very vocal and threatened to pull out his accounts. I knew I was doing the right thing but it was pretty tough, I was so junior at the time.

Scott Warren:
I can't say anything I've ever had to do was really that “tough” or “difficult.” I guess I'm just the sort of person who does what has to be done, and tries not to think too much about it afterwards. But if I had to pick something, it would be when I was working as an executive director in corporate finance in Australia, and there was pressure coming from Head Office to close off our loan book, since we were beginning to close down Australia. One of our clients was in trouble could easily have been put on the watch list. He had a seasonal business and was desperate to buy more time. It was still within my discretion in terms of what to do, but it was somewhat of a tough call to let his account ride since I could have had some difficulties with Toronto, but I did think the guy deserved a chance, and in the end everything worked out and we got our money back.

James Skinner:
Well, it probably was last year when my wife got sick, and I had to give up an opportunity to become a senior VP in the Calgary office. It was an opportunity that I had been waiting for, for years. In the end you make the right decision for your family, but it wasn't easy, letting the opportunity that I had worked for slip through my fingers.

3. What would you be afraid to find if you got this job?

Charlotte Webb:
I wouldn't exactly say “afraid” is the right word, but if you're asking me what I think the biggest challenges would be, I would say winning over the staff, who will know I don't have a lot of line experience, and introducing sales discipline to the group, but it's a challenge I'm happy to accept. It's not the first time I've gone in without all the required skills, but I think my record shows I've not only met the desired targets, but exceeded them as well.

Scott Warren:
I'm concerned that it would take forever for me to get ahead, and that people don't really get rewarded for producing results. I'm willing to do whatever it takes, to deliver, but my expectation would be that I would be rewarded accordingly.

James Skinner:
This is a very important question for me, so I'm very glad you asked it. I am concerned whether Central Bank is more focused on the “numbers,” than on people. I know this is perhaps the wrong perception, but I'm also concerned about teamwork issues at Central Bank; too many “silos” and “revolving doors.” It's certainly perceived to be a very different culture here, but despite my concerns, I believe I'm up for the challenge.

4. How do you feel about the recent emphasis being placed on corporate governance?

Charlotte Webb:
It certainly has been a lot of work for managers throughout the organization. I used to spend 5 percent of my time on what I would loosely call governance, but in the last year that has shot up to 45 percent. No one could argue that this isn't critical, or necessary, but I certainly would hope that once we have installed the governance engine,
that the time requirements will be reduced. It's not just about enforcing rules and regulations and policies, it's also about making sure you've hired the right people.

Scott Warren:

I guess you're referring to Sarbanes-Oxley and the Basel Accord stuff. I'm really not sure whether it will make a difference at the end of the day in terms of discouraging the "bad apples"—I think all of those CEOs and CFOs involved in the recent scandals knew what they were doing was wrong, but did it anyways. People always seem to find a way around laws and regulations. But at the end of the day, it's important for the banks to comply with what the regulators want, because none of us can afford to lose the trust of our customers. But hopefully as the checks and balances are built into the system, it won't continue to be as cumbersome as it has been at the front end.

James Skinner:

I'm very happy to see the renewed emphasis being placed on corporate governance. It's been needed for a while to remind everyone of the importance of having rules and regulations. I think that people have forgotten that firms have responsibilities to their shareholders and the public. I believe that unfortunately sometimes very ethical people can be placed into an organization with certain pressures to perform that can make them do some very bad things. We need to renew the public's faith in the corporate world, and this seems to be the best way of doing it.

5. Describe an ethical dilemma you have faced in the workplace and how it was resolved.

Charlotte Webb:

I was in an awkward situation a few years ago. The department was required to dramatically reduce its expenditures. What this meant was that we could no longer sponsor things like department lunches, or have prizes for reaching certain goals. At first the managers accepted it, but then a number of people started to become upset when they saw how the VP, who enforced the rules with all of us, was continuing to spend on lavish dinners, staying at upscale hotels, and continuing to use limos. None of these expenses seemed to lead to a return on business, everyone could see the VP taking people out, he wasn't even discreet about it. When people started complaining to me, I decided to see the VP. I suggested to him that he might be setting a poor example for everyone, and that he might want to cut down on the expenses before someone decided to raise the issue with his supervisor. He became very annoyed, said he wasn't really prepared to discuss it with me further, that there was an agenda that I wasn't fully aware of. Although it appeared afterwards that he did in fact cut down on some of the excesses, unfortunately our working relationship was strained from then on, in fact sometimes he was quite verbally abusive to me, and on one occasion he even pushed me to tears in front of a group of colleagues. After that, I just took the first opportunity I could to move out of that division.

Scott Warren:

I'm not sure if I've ever really faced a true ethical dilemma, but I did have an issue once that related to Royal's Code of Conduct. In about half my branches, I have responsibility for wealth management, we were courting some high net worth individuals, and I wanted to plan a day that they would really enjoy and differentiate us from the other banks. But that meant taking me over my approved entertainment budget. I knew Royal's code spoke about "moderate" business entertainment, but these were some pretty important potential clients. I wanted to take them golfing and for dinner at Glen Abbey, since I certainly couldn't take them to the local municipal course. I debated whether I needed to get my supervisor's approval since I suspected my supervisor would probably stick to the code, and wouldn't be able to see the bigger picture. As it happened, my supervisor was away on vacation, and I was able to get it approved by Head Office. When my supervisor returned he was very upset at first that I had gone over his head to get approval, until he found out that I managed to bring in about $30 million dollars in new assets, which he agreed justified the few thousand spent.
Bank’s Executive Resources, the number of final candidates had been reduced to three. The following provides a summary of each of the final candidate’s profiles.

1. Candidate: Charlotte Webb (Internal Candidate)

Current Position: Senior Director, Customer Experience, Marketing Division (Toronto)

Status: First round interview with VP, Executive Resources completed

Background

Webb was the only internal candidate to be short-listed. She worked at Central Bank during summers while in university, initially as a teller, and then in the marketing division and for one year between her undergraduate and postgraduate degrees. Webb was recruited to the World Bank from the London School of Economics, and assigned to the World Bank offices in Geneva and Washington, DC, for a total of four years.

A desire to return to Canada prompted her to reconnect with Central Bank. Initially hired as a senior analyst in January of 1998 by the Corporate Strategy unit, she had exposure to many of Central Bank’s businesses and, while in that role, led a number of strategically critical and enterprise-wide projects. In 2001, Webb was seconded into Central Bank’s Small Business Division to help implement a new go-to-market strategy she had crafted. The role was made permanent, and she was appointed general manager (GM), Small Business Sales and Operations in early 2002. In January of 2004, Webb applied for and secured her current role in the Marketing Division (see attached résumé, Exhibit 4, for greater detail).

People were eager to work for Webb because of the emphasis she put on personal development. Many of her “graduates” had gone on to bigger and better roles because of the challenges/exposure she provided and her willingness to hire on potential and coach/mentor for missing skills.

Webb was currently viewed as one of Central Bank’s highest potential level 10s. She sustained high performance ratings over the last six years and had been the recipient of numerous internal awards based on her superior contributions to the organization. While this new position would constitute Webb’s first front-line role, this experience would fill an important development gap for her.

At her most recent performance review, Webb requested just such an opportunity to round out her experience and wondered aloud how many more years she was destined to spend at the same level. She also voiced disappointment that Central Bank had gone outside the organization repeatedly for VP hires, overlooking talented insiders. Retaining Webb was a priority for Central Bank.

Education

Havergal alumna. Has undergraduate degree in Mathematics and Statistics from the University of Waterloo. Graduate of the London School of Economics.
CASES IN LEADERSHIP

Charlotte M. Webb
177 Roxborough Drive, Toronto, Ontario M8T 2C7
Phone: 416-376-8827
E-mail: charlotte.webb@cibc.ca

CAREER SUMMARY
Seasoned author and executor of far reaching corporate strategies that deliver tangible business results. Demonstrated thought, people and values leadership capabilities. Award winning corporate and community citizen.

EDUCATION
1991 Bachelor of Science, Applied Mathematics & Statistics, University of Waterloo (Ontario Scholar - full scholarship to university)

PROFESSIONAL EXPERIENCE
Central Bank: 1998—Present
February 2003—Present
Senior Director, Customer Experience & Communication, Marketing Division
- Led initiative to transform customer experience at Central Bank in all delivery channels. Worked across SBU lines to engage all relevant participants in cultural and operational changes required to position Central Bank as the premiere Canadian Bank.
- Diagnosed root causes of customer dissatisfaction and defection; segmented issues into employee and operations related challenges and recommended solutions. Received approval for 80% of suggestions, achieving buy-in from all business units and infrastructure groups. (Cost reduction delaying implementation of remaining 20%).
- Developed innovative training programs for front line staff that minimized time away from customers, provided a standard Central Bank customer interface across Central Bank, improving both customer and employee satisfaction ratings.
- Worked with product groups and front line management to reduce product “fatigue”; reduced number and complexity of products available, producing just-in-time interactive training modules that significantly increased sales volumes.
- With process re-engineering specialists, explored solutions to common customer irritants related to lengthy or unreliable processes/procedures; liaised with Technology & Operations Division to resolve existing challenges and gain support for new initiatives.

August 2000—January 2003
General Manager, Small Business Sales & Operations
- Led Small Business executives through design of new go-to-market strategy for segment; assessed lifetime value of small business client by conducting statistical and segmentation analysis; analysed competitive environment and best practices.
- Provided strategic options and led deliberations to validate and choose optimal direction; worked with VP, Strategic Initiatives to translate strategy into operational plan for deployment across Canada.

Exhibit 4 Résumé: Charlotte E. Webb
• Implemented new sales and resourcing model for segment which included new client team configuration, revised roles and accountabilities and new sales discipline. Provided tools to assess sales versus service capabilities and introduced new compensation plan to incent sales force.
• Worked with central operations group to achieve better efficiencies and improve client service; liaised with Branch Banking group to facilitate improved in-branch service of Small Business clients and to increase cross selling opportunities.
• Achieved: 24% revenue growth, versus corporate target of 12%; ten point increase in client satisfaction ratings, grew market share by 5%.

May 1998—August 2000
Senior Analyst, Corporate Strategy, Office of the Chairman
Responsibilities included leading projects, analyzing/developing new business opportunities; providing analytical support for key business decisions.
Projects included:
• Customer Strategy Project for Business Segment: Led customer preference/conjoint statistical analysis, resulting in the divesture of unprofitable unit and increased investment in profitable business.

August 1994—November 1997
The World Bank, Washington, D.C.; Geneva
• Supporting teams comprised of World Bank, Eastern European Development Commission and the United Nations in the financial restructuring of the Balkan States.
• Conducted preliminary needs assessment for economic reconstruction of the Ukraine. Supported commission examining banking needs/functions in various developing countries.

Scholarships and Awards
1999 Present: Rated “exceeds expectation” on all performance evaluations
2004, 2002, 2001 Quarterly Achiever Award Recipient
1991 Big Sister of the Year Award
1992 Young Woman of Distinction, Toronto YWCA
1987 Ontario Scholar
1987 University of Waterloo Entrance Scholarship

Affiliations:
• United Way Coordinator and Spokesperson
• Run for the Cure Campaign Manager for GTA
• Board of Directors, Centre for Family Literacy
• Chair of Fund Raising, Bayview Centre for Abused Women
Strengths Relative to This Role

- Highly intelligent, superior analytic and strategic skills
- Very eager to learn, had taken every opportunity to acquire new skills/perspectives
- Big-picture thinker, had long-term perspective
- Very high energy level, expected a lot of herself and others
- Positive, can-do attitude, engaging, gets things done
- Quick study, had grasped complex and diverse business equations with relative ease
- Superior knowledge of financial needs and delivery preferences of this segment’s customers (currently leading initiative to enhance the quality of customer experience in all delivery channels)
- Had successfully developed strategies, objectives and sales programs for several business segments, key contributor to the sales measurement and tracking systems currently in use
- Had operationalized and executed a sales program for Small Business that resulted in aggressive growth, successfully led a roll-out of sales process across Canada
- Respected and well liked by her team, Employee Commitment Index (ECI) scores among highest in Bank
- Very principled, good examples of doing the right, rather than the expedient, thing
- Good influencing skills, successfully delivered initiatives across SBU lines despite competing agendas

Of Interest

- This candidate had been very active in both Central Bank’s Run for the Cure and United Way efforts. Several years ago, Webb was named “Young Woman of Distinction” by the Toronto YWCA for her work with the Big Sisters’ group. Albeit junior, she was a popular member of Central Bank’s informal women’s network
- Webb is the niece of a Central Bank Board member. The Director commented on “Webb’s great interest in this role” when he bumped into the hiring manager at a recent social gathering

Webb was five months pregnant, and it was not clear how long a maternity leave she would require.

2. Candidate: Scott Warren

Current Position: VP, Retail Bank, Toronto West & Hamilton, Regional Bank

Status: Interviewed by executive search firm and VP, Executive Resources, Central Bank

Background

Warren originally planned to pursue a career in the foreign service or international law but a stint with Nesbitt Burns (between his undergraduate and law degrees) sharpened his interest in financial services. Recruited to McKinsey’s Montreal office after articling with a prominent Ottawa law firm. Recruited by Regional Bank (former client) two years later to work on a high-profile new venture in Australia; Warren returned to Toronto after the venture was terminated and was put on an accelerated management program. Served 12-month stints in both Audit and Risk and was then selected from bank’s high-potential pool to work as executive assistant to Regional Bank’s chairman. Warren moved out of the chairman’s office into his first
executive posting and his first line role. He had been in this post, the smallest territory nationally, since December 2001 (see Exhibit 5).

Warren was chaffing against Regional Bank’s long-term and disciplined approach to development and felt that he should have been moved to a bigger, more complex mandate or promoted to senior vice-president (SVP). He believed that he could move up the ladder more quickly here, given (in his view) Central Bank’s penchant for hiring externally and promoting on perceived potential rather than experience. Warren was told by Regional Bank in March that a move was imminent but this promise seemed to have been lost in the noise around the massive restructuring of Regional Bank’s senior ranks. Most troubling was the fact that Warren’s sponsor had been exited.

Education

Toronto French School Alumnius; BA, Government, Harvard; LLB, Osgoode Hall Law School, York University

Strengths Relative to This Role

- Extremely bright, versatile player; voracious learner
- Driven, results oriented, huge capacity for work
- Executed turnaround of small but lucrative territory, moved area from last to first place in 18 months
- Exited 35 percent of sales staff and redeployed additional 15 percent more
- Designed hiring profile/recruitment process for sales staff now adopted by the rest of the bank
- Increased sales volumes by 60 percent for the last two years, significantly exceeding profitability and cost management targets
- Worked closely with customer relationship management (CRM) area and Risk Management to hone prospecting skills and reduce losses
- Contributed to and piloted new sales training program for Regional Bank, led national initiative to “measure and manage” more effectively
- Key contributor to bank initiatives within his division and across the bank
- Moved to west end of the city to better participate in community activities

For Consideration

- Hinted of intellectual arrogance, a bit condescending around Regional Bank’s “superiority”
- Difficult to get handle on what Warren personally accomplished in Australia; became vague when pressed for details, alluded to Regional Bank strategic gaffe
- Believe Warren cares about people but suspect he doesn’t always show it
- Intense, could be overpowering for more reticent team members
- May not always give credit to others; seemed to be a one-man show on occasion
- Activity level on the job and elsewhere was awesome, but how much is too much?
- Enthusiasm engaging but candidate interrupted, wanted to speak rather than listen

Warren’s tenure in any position had not exceeded two years—not sure how much success candidate can claim for projects initiated before his arrival or executed after his departure.

Of Interest

- Warren was working on his MBA (Richard Ivey School of Business, University of Western Ontario) and was actively campaigning to be the next and youngest president of the National Club, which he hoped to revitalize. He was also an avid runner (finishing both the Boston and New York marathons in the middle of the pack) and longtime skier (visited his family’s chalet at Mount Tremblant in Quebec as often as possible).

A preliminary and very discreet reference was obtained from a former peer (now a SVP at Central Bank) of Warren’s at Regional Bank. The individual confirmed Warren’s long-term potential, superior results and high-potential status at Regional Bank but described him as “overly ambitious” and “political.”

3. Candidate: James (Jim) Skinner

Current Position: District Vice-President, First Northern Bank

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PROFILE

A seasoned financial services professional with broad managerial experience. Motivated by challenging environment, aggressive goals, teamwork and the opportunity to make a tangible contribution to an organization's performance.

PROFESSIONAL EXPERIENCE

Royal Bank of Canada

December 2002—Present  
Regional Vice President, Toronto West & Hamilton

Led all aspects of Regional Bank’s retail business in Toronto West & Hamilton area; executed dramatic turn around of region (last to first place) within first 18 months. Sales volumes increased by 60%; significantly exceeding profitability and cost management targets. Steps to achievements:

• Assessed existing branch location and resource deployment; closed branches in four unprofitable locations, piloted two new state of the art branches with enhanced physical design and front-end technology.
• Significantly upgraded Regional talent pool, exiting 35% and redeploying 15% of workforce; designed and implemented comprehensive assessment process (now adopted by Regional Bank overall) for sales ability; seeded region with top talent identified in recruitment blitz.
• Used available Customer Relationship Management (CRM) tools and Risk Management expertise to mine more affluent pockets in region, greatly increasing the number in profitable customers and reducing credit losses.
• Helped design and pilot training program for front line staff; content included advanced use of CRM tools, prospecting techniques and selling “the Regional Bank way”.
• Re-segmented customer population along “share of wallet” and potential to cross-sell lines; focused efforts on high yield sales activities resulting in increased sales volume of most profitable products.
• Negotiated successful referral program with Regional Bank colleagues to grow customer base.
• Led measure and manage project for Regional Bank Branch Banking, redesigning sales metrics and rewards.

October 2001—October 2002  
Acting Vice President, Office of the President & CEO

• Chosen from the high potential pool for assignment. Responsible for ensuring the smooth operation of the President & CEO’s business day by anticipating needs, organizing events, undertaking strategic analysis and preparing presentations. Work with departments throughout the organization to deliver pertinent and timely information to the President and CEO’s office.
• Operate as a conduit for information from the bank’s various divisions to the President & CEO’s office.

June 2000—October 2001  
Accelerated Management Program, Toronto, Canada

• Audit Division: Participated in audits of Wealth Management and Retail Banking units in Canada, West Indies and Guernsey. Co-led project to define new Audit philosophy for Regional Bank and to enhance the effectiveness of the function.
• Risk Management: Assigned to Credit Adjudication for Commercial Bank Group; participated in initiative to re-engineer end-to-end credit processes relating to Commercial and Corporate Banking.
Status: Interviewed by executive search firm and VP, Executive Resources, Central Bank

Background

Skinner grew up in Toronto’s East end where his father owned a printing business. He ran the office for his father for two years after his graduation from Ryerson University. At the suggestion of the manager, Skinner joined the local First Northern Bank branch where his family banked. He progressed through the ranks to Bank Manager (including a two-year stint in the West Indies) and was moved through increasingly senior roles in Human Resources, Commercial Bank and Risk Management, returning to retail banking as a District Vice-President in 2000 (see attached resume, Exhibit 6, for more detail).

Beginning in 1996, First Northern Bank agreed to sponsor Skinner’s executive MBA (EMBA)

February 1998—March 2000
Executive Director, Regional Bank, Australia

- Crafted strategy, provided legal expertise for Regional Bank entry into Australian corporate finance market; led integration efforts with newly acquired firm.
- Originated, negotiated and executed senior debt, mezzanine and equity financings for acquisitions, leveraged buy-outs, and other structured corporate finance transactions.
- Developed valuation models and negotiated to sell Regional Bank’s corporate finance business in Australia.

January 1996—February 1998
Management Consultant, McKinsey & Co., Montreal, Canada

- Created customer profitability strategy for Travel and Hospitality client. Helped reposition brand, did service profit chain analysis and recommended product and service innovations which resulted in brand turnaround.
- Helped Canadian Oil & Gas company launch new venture for European exploration and production, significantly broadening their operating base and increasing profitability.
- Performed business unit, product/channel and customer profitability studies for retail wealth management business unit, resulting in product bundling and pricing policy changes.
- Developed acquisition and integration strategy for Corporate banking arm of leading Canadian bank. Developed detailed integration plan and managed “first 100 days” project teams, including contractual negotiations, regulatory requirements and infrastructure build.

May 1994—May 1995
Articling Student, Wise, Strong & Kessler, Barristers and Solicitors, Ottawa, Ontario

- Provided corporate, commercial, securities, tax, insolvency, and litigation legal services.

EDUCATION

1994 LLB (Bachelor of Laws), Osgoode Hall Law School, York University
1991 BA (with Honors), Government, Harvard University

ACHIEVEMENTS AND INTERESTS

Fluent in French
Currently working on MBA (Richard Ivey School of Business, The University of Western Ontario)
Qualified for and completed the Boston and NYC marathons in 2003 and 2004
Competitive skier—competed with Team Canada in 1994 Winter Games
Member of the National Club (nominated to run in Presidential election 2005)
program in recognition of his strong leadership capabilities and to supplement his rather weak academic background.

Skinner was in the process of moving to Calgary to a larger and more senior District VP role (with a promise to re-evaluate the role for possible upgrading to SVP) when his wife became seriously ill. Skinner elected to remain in Toronto where family support and better treatment is available to his wife. His old role was backfilled quickly with a rising star, and Skinner has spent the last 10 months without portfolio, working on special assignments and getting progressively frustrated. He was open to talking to headhunters for the first time in his career.

**Education**

- High School; Business Administration Diploma, Ryerson University; Fellow, Institute of Canadian Bankers; Canadian Securities Course; EMBA, University of Toronto

**Strengths Relative to This Role**

- People management/motivation was a key strength
- Able to build trust, trusted advisor to senior management and staff alike
- Clearly saw the correlation between employee satisfaction and customer satisfaction

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**PROFESSIONAL EXPERIENCE**

**Bank of First Northern**

1979 to present

**February 2004—Present**

On interim assignment with EVP, Retail Branch Banking.

Projects include:

- Initiative examining correlation between employee and customer satisfaction.
- Macro planning for replacement of segment’s aging executive population.
- Roll out of new technology/CRM tools to branch network.

**March 2000—December 2003**

**District Vice President, Toronto East**

- Assumed responsibility for troubled Toronto East Region during restructuring of GTA regional territories. Merged two smaller districts into largest mandate in Ontario, reduced FTE and rolled out new sales process concurrently.
- Formed Employee Association to ensure employee voice heard during major transition, to augment communication strategy and garner input/insight into regional dynamics and build marketing strategies.

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**Exhibit 6** Résumé: James (Jim) Skinner
November 1995—June 1995
General Manager, Performance Excellence, Western Canada

Seconded to Regional Head Office to deploy successful sales & services strategies developed for Main Branch, Calgary across the Western Division.

- Developed and implemented a business retention and development plan for the Division;
- Expanded the Regional Call Centre's mandate to augment customer support;
- Aligned service response to segments, providing differentiated service to high value customers;
- Developed and implemented Local Market Management in the Division;
- Met retention objectives and exceeded sales targets by 120MM by year end.

October 1998—March 2000
General Manager, Credit, Ontario Region

- Co-led initiative to re-engineer credit approving/adjudication and compliance reporting process for Small Business and Agriculture portfolios.
- Engaged line staff in streamlining front end credit approval processes, using behavioural scoring and technology assisted decisioning tools.
- Introduced base line accreditation requirements for Risk Managers and credit training for all front line originators.
- Dramatically reduced credit losses and significantly improved credit approval time.

August 1996—October 1998
General Manager, Small Business Banking, Central Toronto

- Implemented Small Business strategy in Central Toronto, the largest market in Canada; led the change management effort to reposition the Small Business offer, adding wealth management products to traditional credit focus.
- Chaired the GTA Risk Committee, significantly improving the region's risk profile through the development and implementation of sound risk and governance practices and policies.
- Achieved highest improvement award in Employee Index in 1997.
- Publicly recognized for strong contribution to operations and infrastructure groups.
- Partnered with external groups to develop added value programs for Small Business clients.
- Delivered on cost containment and client retention targets, exceeding sales targets by 31%.

June 1995—August 1996
General Manager, Service Effectiveness, Western Canada, Calgary

- Assessed staff for sales versus servicing skills, finding jobs for all employees displaced in process; introduced disciplined sales process to Region, traveling to all branches at least bi-monthly to personally coach branch managers and communicate expectations to all levels.
- Initiated annual “Customer First Award” for District employee who best exemplifies customer service and monthly award (extra vacation days or gift certificates) for “Best Assist” given for teamwork resulting in new or expanded business.
- Built strong alliances with segment peers to increase business flow and provide broader market and community coverage.
- Recognized as most improved district in 2001. Received Best District Award (Ontario) 2003 and 2004 for highest sales volumes, top quartile Employee Commitment and lowest NIX ratio.

- Developed and implemented a business retention and development plan for the Division;
- Expanded the Regional Call Centre's mandate to augment customer support;
- Aligned service response to segments, providing differentiated service to high value customers;
- Developed and implemented Local Market Management in the Division;
- Met retention objectives and exceeded sales targets by 120MM by year end.
### August 1992—May 1995
**Director, Retail and Private Banking Services, Main Branch, Calgary**

Responsible for managing Retail and Private Banking, Main Branch, Calgary

- Designed and launched a customer-centric sales and service model; differentiated high net worth customer experience from standard service
- Restructured Main Branch to better implement new customer strategy, make productivity gains and increase profitability.
- Increased individual sales capacity by 95%, increased branch customer satisfaction ratings (in top 10 branches nationally). Won national Customer Service Excellence Award.

### June 1990—July 1992
**Human Resources Officer, Head Office, Toronto**

Seconded to Human Resources to help implement a major restructuring of Retail Banking; provided field perspective for organization design, training and recruitment specialists:

- Conducted span of control and capacity planning for realigned districts;
- Helped design and facilitate new training and orientation programs;
- Revamped roles and responsibilities for newly crafted line positions;
- Established selection criteria for senior District leaders and conducted first line interviews.

### 1985—1990
**Branch Manager**

- Managed increasingly larger and more complex branches in Ontario, Western Canada and Atlantic Canada. Key achievements: (1) The effective leadership and development of staff; (2) Continually exceeding sales and profitability goals.

### 1979—1985
- Progressed through a number of line roles to Branch Manager

### EDUCATION

- **1996** EMBA, University of Toronto
- **1991** Fellow, Institute of Canadian Bankers
- **1981** Canadian Securities Course
- **1975** Business Administration Diploma, Ryerson

### AFFILIATIONS

- Director, Canadian Parkinson Society
- Treasurer, Pickering Lions Club
- Trustee, Separate School Board, Durham Region
- Coach, Boys Intermediate Soccer

Exhibit 6 (Continued)
Track record for turning around underperforming units grounded in First Northern Bank way: doing more with less, employees for life, if humanly possible
Didn’t shoot from the hip, down to earth, honest and open
Achieved results through people and teamwork
Results focused, takes time to understand the variables
Strong on process, cutting time and money where possible
Mature, strong communicator

For Consideration
While capable of meeting immediate business and “values” needs, Skinner may be a less viable succession candidate
Not clear if Skinner could take necessary tough stand without usual First Northern Bank safety net for employees
Whether Skinner was committed to leaving First Northern Bank was unclear; Skinner’s ability to adjust to/change Central Bank’s culture was also questionable
Significant front-line experience, but candidate lacked analytical/strategic depth

Of Interest
Skinner, a First Northern Bank lifer, was reluctant to leave but felt he needed to find a “real job” soon. He was concerned about the adverse publicity Central Bank had generated over the last few years and his perception that it “chews up and spits out executives,” “eating its young,” to quote Skinner
During the interview (his first, in 26 years) Skinner confessed he was very nervous about starting over again at 50 and was worried about adjusting to a new corporate culture
His wife required periodic visits to the Mayo Clinic and First Northern Bank had been very supportive with time off and professional support for him and his three teenagers. He wondered if Central Bank would be as helpful and compassionate

CHRISTINA GOLD LEADING CHANGE AT WESTERN UNION

Prepared by Jordan Mitchell under the supervision of Professor Alison Konrad

Introduction
In early 2003, Christina Gold, chief executive officer (CEO) of Western Union, had just begun implementing a new organization structure. Gold had joined Western Union in May 2002 with a key focus of unifying the company’s U.S. operations with its international division. In guiding the company to act as one entity, Gold proposed a change from a U.S. centric product line focus to a regional structure with three main divisions: the Americas; Europe, Africa, the Middle East and South Asia; and Asia-Pacific.

Changing the structure sent out a clear message of Gold’s desired change in mind-set to a new type of global culture. Already, Gold was finding that leaders in the United States were reluctant to give up control of product lines. At the regional level, she had keen leaders who wanted to push out the responsibility within their own regions and move towards a decentralized plan. While Gold supported this notion in principle, she wanted to ensure that the right leaders could be placed in decentralized offices in order to execute on the six strategic pillars that she had laid out for the organization. As well, she wanted...
to match responsibility with authority by giving the regional heads profit and loss responsibility. With this responsibility at the regional level, she wondered how new products would develop under a regional structure. Gold was also aware of the need to consider recruiting, training and development of new leaders as the company was growing most rapidly in emerging markets, such as India, China, Eastern Europe and Africa.

One thing was certain—Gold had made it clear that no revenue decreases would be forgiven amidst the change. Many considerations had arisen: What pace of change should she take? How would she deal with the resistance to change? How could she ensure that the new structure would support Western Union’s global expansion?

Christina Gold

Born in 1947 in the Netherlands, Gold moved to Canada at age five. She attended Carleton University in Ottawa where she earned a degree in geography in 1969, and upon graduating, secured a job at a coupon-centre clearing-house. A year later in 1970, she joined Avon Canada as an entry-level inventory control clerk. Gold worked her way up through more than 20 positions before being promoted to president of the entire Canadian Avon division in 1989. Gold became well known for training sales representatives on selling techniques and time management. Dedicated time to joining representatives on sales calls, Gold explained her rationale; “I’d go out with the sales reps who were doing well and with the ones who were doing badly, and I’d pass what the successful ones were doing on to the others.”

In November 1993, Gold was selected from a number of candidates to run the entire North American Avon organization in New York. For several months, she and her husband maintained a commuting marriage between New York and Montreal before he was able to relocate to New York. Within six months at Avon, she was credited with rejuvenating the energy level among sales representatives, with one sales representative sending her flowers with a note saying, “Thanks for bringing springtime back to Avon.” In a show of appreciation to the sales force, Gold asked that all salaried Avon employees hand-write 100 thank-you notes to representatives. But Gold clarified an important aspect of communication, “Motivation isn’t all prizes and things. It’s listening.”

In 1996, Gold was promoted to lead the development of global direct selling in an executive vice-president role, and in the same year was named one of the top 25 U.S. managers. During the same time, Gold was one of the three women insiders predicted to be promoted to the CEO post of Avon; however, all three of the internal candidates were passed over for Charles Perrin, former CEO of Duracell International Inc. Gold left Avon in early 1998 after a 28-year career and established The Beaconsfield Group, a consultancy focused on global direct selling and marketing/distribution strategies. In September 1999, Gold was selected as the CEO of Excel Communications, a $1.3 billion Dallas-based firm, to lead the company’s rollout of direct telecommunications selling. With the changing infrastructure in the telecommunications landscape within the next three years, Gold successfully launched a direct-selling strategy. In May 2002, Gold transitioned after Bell Canada Enterprises (BCE) sold the company. Gold became president of First Data Corporation’s largest division—Western Union.

First Data Corporation in Brief

First Data Corporation was established in 1992, when American Express spun off the division through an initial public offering. Three years later in 1995, First Data merged with First Financial Management Corporation, which owned Western Union.

First Data’s focus was facilitating the purchase of goods and services through almost any form of payment. In carrying out its business aim, First Data provided electronic commerce and payment services solutions to three million merchants, 1,400 card issuers and millions of individuals by the end of 2002. As First Data stated on its Web site, “You may not realize it, but First Data touches your life every day.
Whether writing a check at the supermarket, buying dinner with your credit card or ordering a book online, we’re connecting with you to make those transactions happen—safely and securely. It had four central business segments: payment services, merchant services, card issuing services and emerging payments.

First Data had realized steady growth and had experienced a compound annual growth rate of 7.5 percent in revenues and 21.6 percent in net income from 1998 to 2002. As of the end of 2002, First Data had revenues of $7.6 billion and net income of $1.2 billion. First Data’s strategy to grow hinged on expanding the reach of its core businesses, developing long-term contractual agreements with customers for steady and predictable revenue flows and responding to new e-commerce initiatives.

Western Union In Brief

Western Union was founded in Rochester, New York, as The New York and Mississippi Valley Printing Telegraph Company in 1851. When the name changed to Western Union, the intent was to integrate acquired companies and unite the United States from east to west. Western Union had a number of firsts, such as the invention of the stock ticker in 1866, the electronic money transfer in 1871, the credit card in 1914, the singing telegram in 1933 and intercity facsimile service in 1935.

Western Union posted sales of $3.2 billion in 2002, an 18 percent increase from the prior year. Eighty percent of Western Union’s revenues came from consumer-to-consumer (C2C) money transfers. The number of consumer money transfers grew from 55.8 million in 2001 to 67.8 in 2002 with predictions that the number of these transfers would rise to more than 80 million in 2003. The remaining 20 percent of revenues was derived from consumer-to-business (C2B) transactions.

By early 2003, Western Union had approximately 4,500 employees of which 40 percent were based in the United States. Most of the workforce was non-unionized except for 1,200 call centre employees located in the Missouri, U.S. branch office. Western Union operated in 182,000 locations in 195 countries. More than 59,000 of the locations were located in North America (United States, Canada and Mexico), while the remaining 123,000 were made up of international agent locations. Agreements with international agents were typically made with banks and national post offices.

Agent Network

All of Western Union’s international agents entered information into a common data processing system, where the payment was processed and made available to the receiving location. A consumer sending money paid a transfer fee on the amount sent to the receiver. Both the “sending” and “receiving” agents received a commission as did Western Union’s corporate operation. Western Union also benefited from the differences in exchange rate spreads, which it recorded as additional revenue.

Robin Heller, Western Union’s soon-to-be vice-president, operations talked about how the company maintained consistency across its expansive agent network:

We have to ensure the same brand promise whether someone is at a retail brick-and-mortar location, online or by telephone. We do that by asking for the same pieces of information in the same order and we make it very easy to execute. From that, we look at what we need to do to add to our training, the forms we use or the screens that agents use. We use the same system across the entire world.

Christina Gold shared her view of what it took to lead a geographically separated operation:

You have to be sensitive to other cultures and other people, and that’s true in New York City as well as in Bangkok. Each person’s needs are different, and the leader has to be aware and flexible enough to work with each person effectively. One thing that does get in the way is language and communication issues. Using abbreviations and acronyms in Japan, for example, can make people feel ostracized. It’s
not inclusive. People feel left out or misunderstood. Another thing that can happen is that people do not understand what you are asking of them—they don’t see it as a directive, but rather as a general comment. So to be effective in a global team requires more patience, more focus, you need to repeat things and get feedback to ensure people understand each other. Everything takes more thought and more patience. It’s important not to jump to conclusions and to really listen.

Western Union’s Consumer

Western Union’s major consumer segment was the migrant worker who earned money in one country and used money transfer services to send funds to family and loved ones in another country. This target consumer typically did not have a bank account. Hikmet Ersek, senior vice-president, EMEA (Europe/Middle East/Africa and South Asia), Western Union stated, “We’re dealing with a lot of immigrants who may experience problems in their host countries and where they work. The idea is that they will be served well and with a smile.”

Heller spoke about the importance of customizing the Western Union experience to significantly different audiences:

Our agents will try to localize the look and feel and the location of the office. They do the marketing at a local level. Take Africa for instance: in Africa there’s a big festival culture so, we do skits or little plays at the festival to advertise our services.

See Exhibit 1 for an example of Western Union’s advertising from around the world.

Western Union’s Strategy

By late 2002, Gold and her executive team had developed six core strategies for Western Union:

1. Develop a global brand
2. Enhance global network distribution
3. Expand adjacent markets such as WesternUnion .com and Prepaid services
4. Develop future business leaders within the organization
5. Increase productivity
6. Execute on service excellence

Gold talked about the driver of Western Union’s growth and the challenges going forward:

[The driver is] obviously the core business, which is the money transfer business. The consumer-to-consumer business is the growth engine. We’re looking to grow our commercial business, our bill-payment business in the United States. And we’re now extending that globally. We are starting to develop (our prepaid business) around the globe. Our challenge and our opportunity is to keep that growth in the double digits. I think part of it’s really looking at building the right brand for Western Union. The fact we’re growing so quickly and growing around the globe are key things as we develop our business and our brand in India and China.

Reorganization

In order to align the company’s organizational structure to the six core strategic focuses, Gold began a reorganizing program in early 2003. Prior to the reorganization effort, the structure mirrored Western Union’s parent company, First Data, in that it had a U.S. business and an international business.

The executive team was made up of Christina Gold as president and six other senior executives. Four senior vice-presidents were in charge of the following product lines: Consumer Money Transfer, Mexican Money Transfer, Bill Payments and Corporate Services. One executive commented on the individuals responsible for the worldwide development of products: “The four executives run those products for the entire world, but they are very U.S.-centric.”

The other two executive positions were Western Union’s chief financial officer (CFO) and the senior vice-president of Western Union International. Annmarie Neal, senior vice-president, Talent, First Data and co-acting senior vice-president of human resources for Western Union, was one of the first to draw out a rough
The Contingency Theory of Leadership

Exhibit 1  Examples of Global Western Union Advertising

Source: Company files.
version of the new structure on a white board. She talked about the goals in making a change to the structure:

The main impetus is to allow Western Union to bring their services to market more effectively. The second major reason is to manage redundancy. We have a head of marketing for both the U.S. and international businesses. So one of the biggest thrusts is to have brand consistency across the globe. We also want to build the financial infrastructure and really place the financial decisioning in the right areas. With information technology, the aim is to have common platforms. For human resources, the idea is to have the ability to move talent around the globe. Whether that be from South East Asia or to the Americas. Western Union is very domestic in resources, but we see all the growth coming from other areas.

Alternatives Considered

In developing the new proposed structure, Gold and her executive team first established the core strategic focus and looked at each region and considered structures that would be effective. Alternatives included making minor changes to the product line—focused structure, rolling out a structure organized by functional area such as sales, marketing, operations, finance and IT or considering a structure based on geography. The team chose to reorganize the company into a decentralized structure covering three main regions: the Americas; Europe, the Middle East and Africa; and Asia/Pacific. Annmarie Neal described the process for choosing a regional structure:

We really wanted to reflect the global business and cut down on the idea of a domestic and international business. So, it became pretty obvious that we would choose a regional structure, but our organizational structure is constantly evolving. When we looked at a product organization structure, we realized pretty quickly that it wasn’t going to work, simply because we had a number of products in the domestic business. But we really had only one business in the international market, which was money transfers. So we discarded that option pretty quickly. One of the big debates was the corporate role of marketing and what should be done at the regional level. We decided that strategy for loyalty and brand would reside at the corporate level whereas the execution of such strategies would be done in the regions.

Gold gave her view:

Currently, we have a domestic business and an international division. It doesn’t make sense for a global business the way it is now; whatever country you’re in is “domestic.” So, [the idea is to] have a regional structure. [My hope is that] we will have common goals and share a lot more ideas. There will be a lot more communication and sharing of resources. For example, the plan is to have a global marketing plan whereas currently we have separate marketing for domestic and each international area. It’ll be much better from a customer perspective because the global services allow each region to spend their time focusing on specific customer needs.

Challenges With Reorganizing

In making the change, Gold had to first convince the First Data management team and then the First Data board of directors. The total cost of the restructuring was estimated at US$4 million and included provisions for relocation and recruitment in a few key positions. Gold’s one central mandate for the organization was that revenues could not be negatively affected. In facilitating the change, Gold used her executive team, as well as the services of human resources, to define the key processes, design the structure of the new organization and define responsibility within the structure.

Defining Responsibility

In defining responsibility, two main issues had arisen: Who would lead the development of new products? and Who would have profit and loss accountability in the organization?

Development of New Products

The company had been promoting three new business areas: commercial services, the Web site,
WesternUnion.com and the prepaid card. Prepaid cards included a gamut of products ranging from prepaid wireless and telephone cards to prepaid debit cards.

Company executives needed to decide whether there should be a product leader or whether regional leaders could take on the responsibility. Some executives argued that sufficient time could not be devoted to developing them at a regional level. Ersek stated:

Something like the prepaid card is led by a product manager. I think that until it becomes big enough, it should stay under the product manager and then it is handed over to the regional heads. See, prepaid cards for me makes up about $200,000 in revenues, out of over $1.5 billion in revenues. My priority will be the larger numbers. But a product manager can put the marketing effort into this, build the product and then hand it off.

**Profit and Loss (P&L) Responsibility**

Another central challenge was deciding on whether profit and loss responsibility should rest with the regional heads or whether it should be based on corridors. Western Union defined corridors as, “country-to-country money-transfer pairs” such as the U.S.-Mexico, UAE-India and Spain-Morocco. The company’s worldwide operations had approximately 15,000 corridors with approximately 500 of the top corridors making up 80 percent of money transfer activity. Changes in the corridors were heavily influenced by immigration patterns, country regulations and geo-economic conditions.

While it was common that many corridors would be based within one region, such as the United States to Mexico under the Americas canopy, it was also common that corridors crossed international frontiers. Ersek explained:

We have the unique challenge of sending and receiving. If I send money from Spain to Brazil, I need someone in Brazil. One of the big discussions is whether to have region or corridor heads. Some people feel that we needed to give the P&L responsibility to corridor heads. I am against this.

Part of the reason, is that there have been big dynamic changes in corridor traffic.

Some managers felt that changes to corridor traffic were heavily linked to external factors outside of the control of Western Union making it too difficult to hold leaders responsible for top-line revenue results. Other executives believed that responsibility would be clearer if it mirrored the transaction flow between countries.

**Decentralization at the Regional Level**

While decentralization was not a prerequisite in the new regional design, some executives felt that decentralization would enable the regions to get closer to the company’s customers.

In the Europe, Middle East, Africa and South Asia division, the recently appointed Vice-President, Hikmet Ersek, wanted to decentralize the region by opening up a number of smaller offices in each country. Ersek believed the plan would put Western Union closer to its customers and agents allowing faster response times and enhanced service. Ersek stated, “I want to move from having five offices to having 35 or more different offices—like small agile teams. Obviously, there are some things that need to be central, like creating the brand and network development.”

However, moving to the decentralized plan had its challenges. Ersek indicated:

In order to decentralize, there are lots of questions from the legal and finance departments at the headquarters in Denver. Eventually, I want to put an office in Tashkent. However for many people Tashkent is an unknown quantity and they have some concerns. Finding the right people is a challenge. In a place like Tashkent, in Uzbekistan, we would have to find people who understood the code of conduct. We have to have people that we can trust. They need to accept and understand what it means to be part of a U.S. and a global company. Also, many of the local agents think that we are opening up branches. So, we have to assure them that we are opening up offices to support the agents.
Other executives felt that decentralization had its limits due to cost and human resource constraints. Neal balanced Ersek’s view:

I want to listen to all of the ideas around the globe. But, decentralizing regions could add to a significant increase in infrastructure cost. There’s colonization in spirit and I think with some adaptation it could work. Where it gets tricky, is making a change without thinking through implications for the rest of the organization. We need to think about leveraging opportunities around the globe.

Recruiting for New Positions

Proposed changes in leadership included moving the head of Western Union International in Paris, France, to the company’s headquarters in Colorado to assume the position of president of Western Union Americas, including all countries on both continents.

Formerly the senior Vice-President for Eastern Europe, Hikmet Ersek, had taken the role as the senior vice president responsible for Europe, the Middle East, Africa and South Asia. A role was still required to be filled for the Asia-Pacific division as the former president of the Asian division had left the company. Two new corporate roles were set to be created: senior vice-president of business development to be filled by Mike Yerington, a 30-year Western Union veteran, and senior vice-president, operations to be filled by Robin Heller. Scott Schierman would continue as chief financial officer with greater day-to-day operational duties.

Overall, Western Union recruited approximately 500 individuals a year—some of the roles were to fill the four percent attrition rate, while others were to fill positions created by internal growth. One of the major challenges was recruiting individuals who possessed an understanding of operating in China and India. While growth was through adding agents in both countries, Western Union did not have to recruit staff in each location. However, the company needed to place people at the corporate level to manage the marketing, operations and information technological consistency. As Neal explained: “A lot of folks confuse being global with being from a different country. It doesn’t mean that you’re global if you have a different colored passport. We’re looking for people that have a global mind-set.”

Executive Development Programs

As of early 2003, First Data was making changes to the company’s development program. Previously, the program was called First Leaders, which contained 12 modules whereby participants could learn about aspects of leadership such as enhancing communication, risk-taking, conflict resolution and motivating employees. Jana Johnson, vice-president, executive development, First Data, commented on the old program:

What you had was a director sitting in a room with administrative assistants and attendance was not mandatory. So, a lot of times people wouldn’t come or people would attend a call on their cell phone and the types of issues that were coming up weren’t necessarily helpful for everyone.

With the effectiveness of the old program dwindling, First Data executives planned a new leadership series, “First Executives,” that was more in line with developing a pipeline of leaders for top management positions. Johnson explained the burning need at the First Data level, “At the First Data level, one of the critical things was succession planning and we identified 134 top critical positions. Specifically the goal was to have three high-confidence candidates per critical role by 2007.”

The new program—First Executives—had 30 participants at an original cost of $7,500 per person in First Data of which 15 were Western Union executives. The plan was to add another 30 participants by the end of 2003. Each participant was given an executive coach who helped develop managerial and leadership abilities. In addition, they were all given mentors and given the opportunity to shadow a senior executive.

The Culture Change

The words “culture change” were frequently talked about within both First Data and Western
Union. First Data had the reputation of being a conservative culture steeped in the financial industry. Some observers felt that the Western Union had a stronger identity due to its history and product focus. Ersek talked about the difference in the culture between Western Union and its parent:

A company like First Data is driven by statistics, this has to be the case if you are listed on America’s “Most Admired” list and if you are a major employer. With Western Union outside of America we still have the pioneering spirit that made Western Union famous in America. For Western Union International, the sky is the limit. We are still growing in double digits.

Johnson talked about change in both organizations:

It’s a culture of change and we need leadership change. We’re big and we know we’re big. We know we need to change but we’re just not sure what we need to change into. You can’t control change, but you have to learn how to manage it and how to lead it. It’s the messiness of change. And, it is messy.

Heller offered her view of changing Western Union:

The biggest issue is probably the fear of the unknown and the fear of change. It’s very important that we have the talent in place first and then we can look at the restructuring. You can always do any amount of restructuring or managing change that you need to do if you have the right people.

Gold as the Leader of the Change

“She was masterful at reading the organization’s readiness,” commented Neal on Gold’s leadership in initiating the organizational design change. Executives credited Gold with instilling a deep understanding of branding and marketing at Western Union while managing disparate personalities and cultures. Heller explained how Gold fostered leadership among Western Union executives and how she was leading the change:

She doesn’t bring rank into the situation. She always has time for us—she has a high level of accessibility and with her grinding schedule it’s amazing. She’s very much about inquiring and asking instead of telling. She gives feedback and ideas and listens openly to other ideas. Everyone has a voice. But don’t take that the wrong way. She can make decisions. She can definitely make decisions! She takes it all in and then makes the call.

Ersek talked about his relationship with Gold:

She gives autonomy, but she also keeps a hand on things. She is tough and has high standards and expects all her managers to adhere to these standards. This is something I admire very much about her, because she doesn’t expect anything of anybody she cannot deliver herself. And, sometimes, I say, “Christina, that’s not doable,” and she says, “I’ll help you do it.” After she understood my region, her leadership has basically been, “What’s your decision, Hikmet?” And through that, she is sending signs to others that the responsibility is being pushed into the regions.

Neal observed Gold:

Christina’s a very tough executive. And by tough, I mean that she sets very high objectives. She is constantly stretching her executives. Christina is masterful in managing the globe and I don’t mean just the employees. I’m talking about developing strong relationships with our agents and with government officials. I think a major thing about her leadership is how she empowers her revenue-generator executives. It’s hard to keep track with some being several hours away and in a different time zones. But, she seems to manage this exceptionally well.

Considerations Moving Forward

Gold was eager to lead Western Union through a major structural change from a company organized by product line to a geographically aligned organization. Gold wanted to ensure that the structure would support the company’s strategic aims and give strength to Western Union’s global expansion. She had a number of considerations: the pace of change, how to assuage resistance to the change and how to ensure that the new structure would help to follow the new strategic direction.
Practitioners and academics have argued that an engaged workforce can create competitive advantage. These authors say that it is imperative for leaders to identify the level of engagement in their organization and implement behavioural strategies that will facilitate full engagement. In clear terms, they describe how leaders can do that.

A professor in a recent executive education program on leadership elicited a lot of laughs by telling the following joke: “A CEO was asked how many people work in his company: ‘About half of them,’ he responded.” After the session, several participants put a more serious face on the problem when, while chatting, they bemoaned the fact that, in their organization, a significant number of people had mentally “checked out.”

Quite clearly, CEOs and managers should be very concerned about a waste of time, effort and resources in their organizations. The reason is simple: If people are not engaged, how can these same leaders attain those business objectives that are critical to improving organizational performance? What do we mean by employee engagement? How much does a lack of employee engagement cost an organization? What steps can leaders take to make employees want to give it their best? These and other questions are the focus of this article.

WHAT ENGAGES EMPLOYEES THE MOST OR, THE TEN C’S OF EMPLOYEE ENGAGEMENT

Prepared by Gerard H. Seijts and Dan Crim

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WHAT IS EMPLOYEE ENGAGEMENT?

An engaged employee is a person who is fully involved in, and enthusiastic about, his or her work. In his book, Getting Engaged: The New Workplace Loyalty, author Tim Rutledge explains that truly engaged employees are attracted to, and inspired by, their work (“I want to do this”), committed (“I am dedicated to the success of what I am doing”), and fascinated (“I love what I am doing”). Engaged employees care about the future of the company and are willing to invest the discretionary effort—exceeding duty’s call—to see that the organization succeeds. In his book, Rutledge urged managers to implement retention
plans so that they could keep their top talent. The need to do so is supported by a 1998 McKinsey & Co. study entitled *The War for Talent* that reported that a shortage of skilled employees was an emerging trend. Today, there is widespread agreement among academics and practitioners that engaged employees are those who are emotionally connected to the organization and cognitively vigilant.

**Is There a Crisis in Employee Engagement?**

We believe that executives must be concerned about the level of engagement in the workplace. For example, the *Gallup Management Journal* publishes a semi-annual Employment Engagement Index. The most recent U.S. results indicate that:

- Only 29 percent of employees are actively engaged in their jobs. These employees work with passion and feel a profound connection to their company. People that are actively engaged help move the organization forward.
- Fifty-four percent of employees are not engaged. These employees have essentially “checked out,” sleepwalking through their workday and putting time—but not passion—into their work. These people embody what Jack Welch said several years ago. To paraphrase him: “Never mistake activity for accomplishment.”
- Seventeen percent of employees are actively disengaged. These employees are busy acting out their unhappiness, undermining what their engaged co-workers are trying to accomplish.

A Towers Perrin 2005 *Global Workforce Survey* involving about 85,000 people working full-time for large and mid-sized firms found similarly disturbing findings. Only 14 percent of all employees worldwide were highly engaged in their job. The number of Canadians that reported being highly engaged was 17 percent. Sixty-two percent of the employees surveyed indicated they were moderately engaged at best; 66 percent of employees in Canada were moderately engaged. And 24 percent reported that they are actively disengaged; the corresponding number in Canada was 17 percent.

The survey also indicated that on a country-by-country basis, the percentages of highly engaged, moderately engaged, and actively disengaged employees varied considerably. And the results showed some interesting, perhaps counter-intuitive, results. For example, Mexico and Brazil have the highest percentages of engaged employees, while Japan and Italy have the largest percentages of disengaged employees. In their report, the authors interpreted these and other findings as an indication that employee engagement has relatively little to do with macro-economic conditions. Instead, it is the unique elements of the work experience that are most likely to influence engagement.

**Does Engagement Really Make a Difference?**

Should executives be concerned about these findings? Perhaps a more interesting question to executives is: “Is there a strong relationship between, say, high scores on employee engagement indices and organizational performance?” It seems obvious that engaged employees are more productive than their disengaged counterparts. For example, a recent meta-analysis published in the *Journal of Applied Psychology* concluded that, “… employee satisfaction and engagement are related to meaningful business outcomes at a magnitude that is important to many organizations.” A compelling question is this: How much more productive is an engaged workforce compared to a non-engaged workforce?

Several case studies shine some light on the practical significance of an engaged workforce. For example, New Century Financial Corporation, a U.S. specialty mortgage banking company, found that account executives in the wholesale division who were actively disengaged produced 28 percent less revenue than their colleagues who were engaged. Furthermore, those not engaged generated 23 percent less revenue than their engaged counterparts. Engaged employees also outperformed the not engaged and actively disengaged employees in other divisions. New Century Financial Corporation statistics also showed that
employee engagement does not merely correlate with bottom line results—it drives results.

Employee engagement also affects the mindset of people. Engaged employees believe that they can make a difference in the organizations they work for. Confidence in the knowledge, skills, and abilities that people possess—in both themselves and others—is a powerful predictor of behavior and subsequent performance. Thus, consider some of the results of the Towers Perrin survey cited earlier:

- Eighty-four percent of highly engaged employees believe they can positively impact the quality of their organization’s products, compared with only 31 percent of the disengaged.
- Seventy-two percent of highly engaged employees believe they can positively affect customer service, versus 27 percent of the disengaged.
- Sixty-eight percent of highly engaged employees believe they can positively impact costs in their job or unit, compared with just 19 percent of the disengaged.

Given these data, it is not difficult to understand that companies that do a better job of engaging their employees do outperform their competition. Employee engagement can not only make a real difference, it can set the great organizations apart from the merely good ones.

Leading the Turnaround

Consider the words of Ralph Stayer, CEO of Johnsonville Sausage. In the book, Flight of the Buffalo: Soaring to Excellence, Learning to Let Employees Lead, he writes:

I learned what I had to in order to succeed, but I never thought that learning was all that important. My willingness to do whatever it takes to succeed is what fueled Johnsonville’s growth. In 1980 I hit the wall. I realized that if I kept doing what I had always done, I was going to keep getting what I was getting. And I didn’t like what I was getting. I would never achieve my dream. I could see the rest of my business life being a never-ending stream of crises, problems, and dropped balls. We could keep growing and have decent profits, but it wasn’t the success I was looking for.

The CEO observed that his employees were disinterested in their work. They were careless—dropping equipment, wasting materials, and often not accepting any responsibility for their work. They showed up for work, did what they were told to do, and, at the end of their shift, went home; the same routine would be repeated the next day. An employee-attitude survey showed average results. To Stayer, it appeared that the only person who was excited about Johnsonville was himself. He began to feel like a babysitter for his executives and staff. Stayer also realized that he could not inspire Johnsonville to greatness and as a result, the business he was running was becoming vulnerable.

Stayer found solutions to these problems in a meeting with Lee Thayer, a communications professor. Thayer explained to Stayer that a critical task for a leader is to create a climate that enables employees to unleash their potential. It is not the job of a CEO to make employees listen to what you have to say; it is about setting up the system so that people want to listen. The combination of the right environment and a culture that creates wants instead of requirements places few limits on what employees can achieve. Thayer’s message resonated with Stayer, as it should among business executives.

Stayer began to recognize the difference between compliance and commitment, and that an engaged workforce was what he needed to help improve organizational performance. He also learned that he needed to change his own leadership behaviour first. Leaders cannot “demand” more engagement and stronger performance; they can’t stand on the sideline and speak only “when the play goes wrong” if an engaged workforce and great performance are what they desire. But what should leaders do, or consider doing, to increase the level of engagement among employees?

The Ten C’s of Employee Engagement

How can leaders engage employees’ heads, hearts, and hands? The literature offers several avenues for action; we summarize these as the Ten C’s of employee engagement.
1. Connect: Leaders must show that they value employees. In *First, Break All the Rules*, Marcus Buckingham and Curt Coffman argue that managers trump companies. Employee-focused initiatives such as profit sharing and implementing work-life balance initiatives are important. However, if employees’ relationship with their managers is fractured, then no amount of perks will persuade employees to perform at top levels. Employee engagement is a direct reflection of how employees feel about their relationship with the boss. Employees look at whether organizations and their leader walk the talk when they proclaim that, “Our employees are our most valuable asset.”

One anecdote illustrates the *Connect* dimension well. In November 2003, the CEO of WestJet Airlines, Clive Beddoe, was invited to give a presentation to the Canadian Club of London. Beddoe showed up late, a few minutes before he was to deliver his speech. He had met with WestJet employees at the London Airport and had taken a few minutes to explain the corporate strategy and some new initiatives to them. He also answered employees’ questions. To paraphrase Beddoe, “We had a great discussion that took a bit longer than I had anticipated.” Beddoe’s actions showed that he cares about the employees. The employees, sensing that he is sincere, care about Beddoe and the organization; they “reward” his behavior with engagement.

2. Career: Leaders should provide challenging and meaningful work with opportunities for career advancement. Most people want to do new things in their job. For example, do organizations provide job rotation for their top talent? Are people assigned stretch goals? Do leaders hold people accountable for progress? Are jobs enriched in duties and responsibilities? Good leaders challenge employees; but at the same time, they must instill the confidence that the challenges can be met. Not giving people the knowledge and tools to be successful is unethical and demotivating; it is also likely to lead to stress, frustration, and, ultimately, lack of engagement. In her book *Confidence: How Winning Streaks and Losing Streaks Begin and End*, Rosabeth Moss Kanter explains that confidence is based on three cornerstones: accountability, collaboration, and initiative.

3. Clarity: Leaders must communicate a clear vision. People want to understand the vision that senior leadership has for the organization, and the goals that leaders or departmental heads have for the division, unit, or team. Success in life and organizations is, to a great extent, determined by how clear individuals are about their goals and what they really want to achieve. In sum, employees need to understand what the organization’s goals are, why they are important, and how the goals can best be attained. Clarity about what the organization stands for, what it wants to achieve, and how people can contribute to the organization’s success is not always evident. Consider, for example, what Jack Stack, CEO of SRC Holdings Corp., wrote about the importance of teaching the basics of business:

The most crippling problem in American business is sheer ignorance about how business works. What we see is a whole mess of people going to a baseball game and nobody is telling them what the rules are. That baseball game is business. People try to steal from first base to second base, but they don’t even know how that fits into the big picture. What we try to do is break down business in such a way that employees realize that in order to win the World Series, you’ve got to steal x number of bases, hit y number of RBIs and have the pitchers pitch z number of innings. And if you put all these variables together, you can really attain your hopes and dreams... don’t use information to intimidate, control or manipulate people. Use it to teach people how to work together to achieve common goals and thereby gain control over their lives.

4. Convey: Leaders clarify their expectations about employees and provide feedback on their functioning in the organization. Good leaders establish processes and procedures that help people master important tasks and facilitate goal achievement. There is a great anecdote about the legendary UCLA basketball coach, John
Wooden. He showed how important feedback—positive and constructive—is in the pursuit of greatness. Among the secrets of his phenomenal success was that he kept detailed diaries on each of his players. He kept track of small improvements he felt the players could make and did make. At the end of each practice, he would share his thoughts with the players. The lesson here is that good leaders work daily to improve the skills of their people and create small wins that help the team, unit, or organization perform at its best.

5. Congratulate: Business leaders can learn a great deal from Wooden’s approach. Surveys show that, over and over, employees feel that they receive immediate feedback when their performance is poor, or below expectations. These same employees also report that praise and recognition for strong performance is much less common. Exceptional leaders give recognition, and they do so a lot; they coach and convey.

6. Contribute: People want to know that their input matters and that they are contributing to the organization’s success in a meaningful way. This might be easy to articulate in settings such as hospitals and educational institutions. But what about, say, the retail industry? Sears Roebuck & Co. started a turnaround in 1992. Part of the turnaround plan was the development of a set of measures—known as Total Performance Indicators—which gauged how well Sears was doing with its employees, customers, and investors. The implementation of the measurement system led to three startling conclusions. First, an employee’s understanding of the connection between her work—as operationalized by specific job-relevant behaviors—and the strategic objectives of the company had a positive impact on job performance. Second, an employee’s attitude towards the job and the company had the greatest impact on loyalty and customer service than all the other employee factors combined. Third, improvements in employee attitude led to improvements in job-relevant behavior; this, in turn, increased customer satisfaction and an improvement in revenue growth. In sum, good leaders help people see and feel how they are contributing to the organization’s success and future.

7. Control: Employees value control over the flow and pace of their jobs and leaders can create opportunities for employees to exercise this control. Do leaders consult with their employees with regard to their needs? For example, is it possible to accommodate the needs of a mother or an employee infected with HIV so that they can attend to childcare concerns or a medical appointment? Are leaders flexible and attuned to the needs of the employees as well as the organization? Do leaders involve employees in decision making, particularly when employees will be directly affected by the decision? Do employees have a say in setting goals or milestones that are deemed important? Are employees able to voice their ideas, and does leadership show that contributions are valued? H. Norman Schwarzkopf, retired U.S. Army General, once remarked:

I have seen competent leaders who stood in front of a platoon and all they saw was a platoon. But great leaders stand in front of a platoon and see it as 44 individuals, each of whom has aspirations, each of whom wants to live, each of whom wants to do good.

A feeling of “being in on things,” and of being given opportunities to participate in decision making often reduces stress; it also creates trust and a culture where people want to take ownership of problems and their solutions. There are numerous examples of organizations whose implementation of an open-book management style and creating room for employees to contribute to making decisions had a positive effect on engagement and organizational performance. The success of Microsoft, for example, stems in part from Bill Gates’ belief that smart people anywhere in the company should have the power to drive an initiative. Initiatives such as Six Sigma are dependent, in part, on the active participation of employees on the shop floor.
8. **Collaborate:** Studies show that, when employees work in teams and have the trust and cooperation of their team members, they outperform individuals and teams which lack good relationships. Great leaders are team builders; they create an environment that fosters trust and collaboration. Surveys indicate that being cared about by colleagues is a strong predictor of employee engagement. Thus, a continuous challenge for leaders is to rally individuals to collaborate on organizational, departmental, and group goals, while excluding individuals pursuing their self-interest.

9. **Credibility:** Leaders should strive to maintain a company’s reputation and demonstrate high ethical standards. People want to be proud of their jobs, their performance, and their organization. WestJet Airlines is among the most admired organizations in Canada. The company has achieved numerous awards. For example, in 2005, it earned the number one spot for best corporate culture in Canada. On September 26, 2005, WestJet launched the “Because We’re Owners!” campaign. Why do WestJet employees care so much about their organization? Why do over 85 percent of them own shares in the company? Employees believe so strongly in what WestJet is trying to do and are so excited about its strong performance record that they commit their own money into shares.

10. **Confidence:** Good leaders help create confidence in a company by being exemplars of high ethical and performance standards. To illustrate, consider what happened to Harry Stonecipher, the former CEO of Boeing. He made the restoration of corporate ethics in the organization a top priority but was soon after embarrassed by the disclosure of an extramarital affair with a female employee. His poor judgment impaired his ability to lead and he lost a key ingredient for success—credibility. Thus the board asked him to resign. Employees working at Qwest and Continental Airlines were so embarrassed about working for their organizations that they would not wear their company’s uniform on their way to and from work. At WorldCom, most employees were shocked, horrified, and embarrassed when the accounting scandal broke at the company. New leadership was faced with the major challenges of regaining public trust and fostering employee engagement.

Practitioners and academics have argued that competitive advantage can be gained by creating an engaged workforce. The data and argument that we present above are a compelling case for why leaders need to make employee engagement one of their priorities. Leaders should actively try to identify the level of engagement in their organization, find the reasons behind the lack of full engagement, strive to eliminate those reasons, and implement behavioral strategies that will facilitate full engagement. These efforts should be ongoing. Employee engagement is hard to achieve and if not sustained by leaders it can wither with relative ease.