Results-based leadership: an interview with Dave Ulrich

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Abstract

Business leaders can add to their bottom line by being more attentive to “soft” organization factors, such as the commitment level of employees, the quality of leaders, and the linkage of both to obtaining results. Such “intangible” factors account for 50 percent of a company’s market value. Results-based leadership is the key source of increasing this intangible value. The selection and development of leaders in the organization should begin with the question, “What is it we need to deliver for the company?” Next determine the behaviors the leaders need to deliver those results. Too many companies do the reverse. For example, a firm wants leaders who have a vision “so that” the company will be able to innovate products faster than competitors. Or, the business wants leaders who can build teams quickly “so that” the time from concept to commercialization of a product is 20 percent faster in two years. Four attributes of leadership are suggested: setting direction for where the organization is headed; demonstrating personal character; mobilizing individual employee commitment; engendering the organization’s capability (building systems). Linking these attributes to results, there are four steps offered that will help build results-based leaders: believe that leadership matters; develop a leadership brand; assess leaders and find their gaps; invest in leadership. A four by four matrix tool is offered as an aid to promote the linkage between capabilities and results. Empowerment becomes easy when the four levers (information, competence, authority, and rewards) are taken across the four boundaries of every company (vertical, horizontal, external and global). A succinct example: most firms move authority vertically from top to bottom but fail when they keep information, competence and rewards at the top.

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Introduction

This interview focuses on Dave Ulrich’s (see Exhibit 1) recent book Results-based Leadership. In discussing implementation issues, the interview covers some of his General Electric experiences and recent research.

Ulrich has been a leader in moving human resources from a staff backwater to its new place at the CEO’s right hand, helping with the process of building intellectual capital, creating strategic clarity, and driving change. The first part of the interview focuses on how to achieve results by building the capability and commitment of employees. The middle section identifies and addresses development of the essential organizational capabilities to utilize the resulting human capital. The final part explores how to use these tools effectively to address problems.

William Finnie: What prompted you to write Results-based Leadership?

Dave Ulrich: The research started four years ago when one of my co-authors, Jack Zenger, and I bought over 30 books on leadership. As I read them, I kept asking myself, with all the effort that is being expended on leadership, why do all the corporate management surveys conclude there’s a dearth of good leadership? What’s missing in these books? The result was blindingly obvious. All of the books seem to have wish lists of characteristics or attributes of leaders. The obvious issue was, “Where are the results?” If a leader doesn’t produce results, then they’re not going to be very effective in what they do. My co-authors and I began to build a framework of leadership that shifts the debate. It doesn’t disagree with the
importance of attributes, but rediscovers the obvious. It focuses on results in a rigorous way and makes sure what management knows and does leads to the desired outcomes (see sidebar “Results-based leadership establishes four criteria to assess whether leaders focus on desired results”).

**Stewart Early**: What’s been the reaction to this leadership framework?

**Ulrich**: Nobody disagrees that results are important. But some leadership writers fall prey to the attribute Holy Grail: if you can find the seven to ten attributes of great leaders, you can train someone to be a leader. Writers are not careful enough to ask, how did the leader deliver the results that were needed?

We’ve received a good response from business leaders. They look at their training programs. They say that by the time the training is done, they’ve got leaders who have wonderful behaviors, but they’re not sure those leaders are delivering results. They like the idea of starting training by asking, “What is it we have to deliver for the company?” Then determine the behaviors our leaders need to deliver those results.

**Early**: How do you directly link the use of leadership attributes with results?

**Ulrich**: One of the simple tests of a leadership attribute model is: by listening to what you say a successful leader must know or do in your firm, can someone discern your firm’s business strategy?

For example, in the pharmaceutical industry, firms want leaders who have a vision “so that” the company will be able to innovate products faster than competitors. Firms want leaders who build teams quickly “so that” the time from concept to commercialization of a product is 20 percent faster in two years. This approach turns leadership attributes into results and begins to establish a performance metric, the cycle time for product innovation.

**Finnie**: After you read the 30 books, you distilled four attributes of leadership: setting direction, demonstrating personal character, mobilizing individual commitment and engendering organizational capability. Did you have those as ideas before you read the 30 books?

**Ulrich**: Not at all. As we read those books, those were the four attributes that emerged. Setting direction is where the organization is headed. Mobilizing the individual is getting people committed. Engendering the organization is building organizational systems. Personal character is central.

**Finnie**: In your chapter on employee results, you define human capital as employee competence multiplied by employee commitment. You then discuss “six Bs” for building employee competence (see sidebar “The six Bs for building employee competence”). Let’s talk about implementation. In his book, *Jack: Straight from the Gut*, Jack Welch emphasizes his 20-70-10 approach. What are your thoughts on GE’s bonus and bouncing system of 20 -70 -10?

**Ulrich**: The premise behind 20-70-10 makes sense. You know the top 20 percent, who lead change at all levels. You know the bottom 10 percent, who make achieving superior long-term results more difficult. And everyone else is in the middle. The top 20 percent get pay increases and bonuses three or four times the middle 70 percent. The bottom 10 percent get no pay increase or bonus and must leave the firm if they are in the bottom 10 percent two years in a row. Importantly, the bottom 10 percent includes people who achieve their numbers but whose management style causes high potential employees to leave the company.

The 20-70-10 approach brings performance discipline and accountability into an organization. If you perform well, a good thing will happen. If you perform badly, a bad thing will happen. With 20-70-10, you get the discipline without making fine gradations that cause employees to blame the instrument. Where I’ve seen 20-70-10 work is when it’s used to shake up an old culture to make it more performance focused. Do it for a couple of years and then use some other kind of metric for measuring performance.

**Early**: Bouncing the bottom 10 percent could be very threatening to a company that’s not performance oriented. Do you have any suggestions for introducing Welch’s system into such a situation? Must it start with the CEO?

**Ulrich**: I think it starts with the CEO. Look at the CEO candidates who have left General Electric. Jim McNerney is putting in a 20-70-10 equivalent at 3M. He’s saying in effect. “3M has been a wonderful company with a heritage of innovation and good products but it has not been as disciplined and accountable as it could have been”. As he weaves in 20-70-10, people will move towards a stronger performance orientation. In a year or two, Jim’s passion will begin to permeate 3M. He may then shift to another mechanism or another set of tools to maintain accountability. The most strategic human resource decision a company could ever make is to help place its poorest performers with a competitor – and hope they stay a long time! So 3M receives another huge benefit if rivals hire its bottom 10 percent.

**Finnie**: The other component of human capital is employee commitment. What do you mean by “employee commitment”
and how can a company build commitment?

**Ulrich:** Commitment at the individual level means engagement and dedication. I’m going to avoid the word loyalty, which implies almost a blind commitment. Rather, commitment at the individual level means intentional engagement. Employees identify with the goals of the firm. They are proud to be there.

The second measure of individual commitment is discretionary energy. Committed employees put energy behind something without being monitored. Discretionary energy isn’t about working hard because somebody is standing over them with a Frederick Taylor stopwatch. It’s about working hard because you believe in the goals of the firm.

Our thinking has gotten clearer since we wrote the book. According to a recent literature analysis that Tony Rucci and I did, there are seven things that help build commitment at the individual level. We represent them with the acronym VOI²C²E:

- **Vision.** People want to find meaning or purpose in their work. It’s what I observed in employees and volunteers at the Olympics, for just one example. They found purpose. They are serving a cause that is good so they work very hard.
- **Opportunity.** People want a chance to learn, grow, advance, and become better at what they do.
- **Incentives.** Money can still be a motivator as long as there’s enough available and it’s tied to specific goals. To deny that is naive.
- **Impact.** People want to do work where they see the impact of what they do. For example, auto industry employees can see an impact of what they do if they are members of high performing teams that build a car, but not if they are just workers on the assembly line.
- **Community.** Work is a social system. Employees are more committed when they are on a team and work with people who they know and feel connected to.
- **Communication.** People feel more committed when they know what’s going on. They feel as if they have data and information about the firm and about its purposes.
- **Entrepreneurship.** We’ve redefined entrepreneurship in this context as work-life flexibility. People are more committed when they have a chance to control how and where the work is done.

Different people want different parts of the VOI²C²E framework. Some folks are more motivated by money than by meaning or vision. People may change what they want in their VOI²C²E during their career. Earlier in my career, I may have been more motivated by money because I didn’t have any. Now that I have a little more money, I may be more motivated by impact.

We advise managers to think about who their highest performing people are and then ask, what is the VOI²C²E they can provide to those high performing people that will help them stay committed? Managers need to find those things that motivate the high performing people.

**Early:** The second dimension of a balanced set of results has to do with the organization. How important is this?

**Ulrich:** If you ask knowledgeable people to pick firms they admire, they might list companies like Microsoft, GE, Southwest Airlines, and Nike. Then suppose you ask, “How many levels of management do these companies have and what’s their structure?” These same people will react as if you’ve asked a stupid question. They believe it’s irrelevant how many levels of management GE or Microsoft has. They believe that what researchers should care about is what admirable companies are good at doing. Microsoft is very adept at innovation. GE is good at global collaboration. Nike is very good at brand management. So my colleagues and I have begun to argue that an organization is good not because of its structure. It’s good because of the set of capabilities that are embedded in the firm. We have concluded that a firm has a personality that is not just defined only by its structure.

An organization has capabilities that help it perform and win. These capabilities must be tied to its strategy. First, determine how your business will differentiate itself in a competitive market. What is it that you as an organization want to be known for by your customers and investors? Only then can you determine the organizational capabilities needed to do that. The typology of capabilities has the same four dimensions as results: employees, customers, investors, and organization.

One set of capabilities involves employees. Do you have the right talent in this organization to win? This gets back to the commitment and the competence of the employees.

Another set of capabilities involves customers. Does your organization know its value proposition to its customers? Does it efficiently target customers who value that proposition? Does it have the ability to give the customer an exceptional
experience when they interact with the firm? You want customer share, not market share. Target your key accounts and then get customer share from those key accounts. You gain that capability by targeting and building a good experience with key customers.

Investors want firms to have three capabilities: growth, cost control, and management of intangibles. Does a firm have a capacity to grow and expand the business? Does it have the ability to improve productivity, get process improvements, and manage costs? Does it have the ability to manage intangibles like reputation?

The fourth area is the organization, which is I think the heart of capabilities for the future. Results-based leaders focus on promoting six organizational capabilities:

- **Leadership.** Do we have the ability to build the next generation of leadership in what we do?
- **A shared mindset.** Do we have a strong culture and firm identity in the mind of our employees and customers?
- **Boundarylessness.** Do we have the ability to collaborate in teams and work across organizational units?
- **Learning and knowledge management.** Do we have the ability to generate and generalize ideas with impact?
- **Accountability.** Do we have the ability to be disciplined and deliver what we promise?
- **Speed.** Can we act with agility? Do we have the capacity to change and adapt quickly?

**Finnie:** You talk about collaboration or boundarylessness as one of the six key capabilities for an organization to achieve superior results. How do you implement boundarylessness?

**Ulrich:** It is surprisingly easy to describe the two-dimensional process. To look at the first dimension you start with a four by four matrix. First, every firm has four boundaries:

1. **(1) Vertical.** How do we share things from the top to the bottom?
2. **(2) Horizontal.** How do we move things from department to department or function to function?
3. **(3) External.** How do we move things from the supplier to the firm to the customer?
4. **(4) Global.** How do we move things across the country and around the world?

The second dimension is what we have that crosses those boundaries. Again, there are four components of work.

1. **(1) Information.** Do we share information from the top to the bottom? Does the front-line employee have sufficient economic literacy? Do we share information horizontally?
2. **(2) Competence.** Do we move skills horizontally? Do we move skills from inside out?
3. **(3) Authority.** This is the one that most participative management firms start with. They say, we’ll push authority, responsibility, and accountability down from the top to the bottom.
4. **(4) Rewards.** Do we provide the right incentives?

Empowerment or boundarylessness is really easy. Take those four levers across all four boundaries. I'll give you a quick illustration of why this is a fairly simple concept. One of the things firms often move vertically from top to bottom is authority. They push decision making down to the front line. Too often, however, they keep information, competence and rewards at the top.

**Early:** Accountability – the ability to have discipline, to re-engineer work processes, and to create employee ownership – is another important capability that is a focus of results-based leadership. How do you build accountability?

**Ulrich:** A book the consultant Norm Smallwood and I just finished presents four steps in building accountability based on work by Steve Kerr, General Electric’s chief learning officer:

1. **(1) A clear strategy.** If we don’t know where we’re headed, we’ll never have accountability.
2. **(2) Measurement.** If you don’t measure it, the strategy isn’t going to happen.
3. **(3) Consequences.** These are the incentives, either positive or negative, for meeting those measures.
4. **(4) Feedback.** As Larry Bossidy and Ram Charan say in their new book, *Execution*, “follow-up is essential”.

The way I like to explain this is with the following story. I try to get my teenage son to clean his room. First, we have to agree this is worth doing (establishing a clear strategy). That’s not always going to happen because cleaning his room is not high on his priority list. Then we have to measure cleanliness, and our definitions of clean are radically different. Third, there must be consequences. So he looks at me and says, “Dad, you’re out of town for the next ten days, how will you know if it’s clean?” So there’s no consequence if he cleans or doesn’t clean. Fourth is feedback. Do I follow up?

Organizations have the same issues. If an organization’s strategy is ambiguous, it will never have good accountability. Measurement requires identifying the specific behaviors and outcomes the strategy implies. Third, what will the consequences be? If you make or miss a set of measures, will a good or bad thing happen? In the absence of
consequences, there is just no reason to work hard to deliver the strategy. Fourth, we need candor and feedback, which enable us to learn and build a successful cycle.

**Early:** Measurement is very important to accountability. But the emphasis on shareholder value has sometimes created accountability measures that don’t work. What are some of the considerations that produce good measures?

**Ulrich:** Sometimes companies select measures because they are easy to quantify, such as when a bonus is tied to the market value or stock price of the firm. However, what these firms do is create motivated observers who watch the stock ticker on a TV monitor and scream and cheer, “Go up, go up, go up stock price”. But if employees can’t see the connection between their behavior on the job today and the stock price tomorrow, they won’t be accountable for consequences of their performance. So one of the criteria of a good measurement system is that it tracks results that employees are truly responsible for.

**Finnie:** The wrong consequences and incentives can produce a dysfunctional team. Are there any systems that are useful for promoting performance measures that encourage teamwork?

**Ulrich:** Yes there are. But the answer is not only in the measure chosen. It is also in the process used to create the measure. A process you might use starts by getting this dysfunctional team in a room together:

- **First,** ask them about strategy. What are the goals this team needs to accomplish to be successful?
- **Second,** how would they know that they have met those goals? What are the measures they need to track?
  Desired behaviors probably include more teamwork, more sharing of information, less finger-pointing, and less blaming. Have the team brainstorm about behaviors and outcomes. This will begin to put in place some definitive measures that they will hold themselves accountable for and that are consistent with the strategy they put in place.
- **Third,** discuss consequences. If they follow the new standards, list the good things that will happen. They'll have more autonomy. They'll have more control over their work. They'll have more opportunity for training, and they may make more money. On the other hand, if they don't follow those standards, bad things will happen. At the extreme, if they continue finger pointing and blaming, they may lose their job. Other bad things are likely to occur. For example, they won't have a bonus. They won't be able to get the good assignments. When the firm hires people, they won't have a voice in the selection. And they will be basically excluded from the process of running the business.
- **Fourth** is feedback. They should have a way to monitor the results so that they aren’t surprised at their performance review. They should be kept aware of how they are doing continually.

**Early:** Should senior executives strive to “engineer in” early successes with easy fixes as a way of building momentum?

**Ulrich:** Our current thinking draws from research by Malcom Gladwell. In his book, *The Tipping Point*, he talks about sustained change. His research convinced me that if you’re going to create sustained change in a company, there’s not usually one epiphany that changes everything. It’s a whole lot of cumulative little things that begin to tip in the direction of change. The curve begins slowly and then accelerates as momentum builds. The premise of our book, *The GE Work-out*, is that you start with low hanging fruit.

**Finnie:** What is the core idea underlying the GE work-out process?

**Ulrich:** The GE work-out idea is so simple: Put people in a room, give them control over silly policies that get in their way of being effective, and let them stop doing dumb things. There are reports, approvals, meetings, measures, policies, and practices that every big organization creates that impair the ability of employees to do work that matters to them. When committed employees have an opportunity to get rid of silly work, they will. In the process they become more committed and engaged. The organization gets things done faster. The magic is in the implementation of the idea. Work-out is simply a set of disciplines that helps employees do that in a structured way. Work-out is a wonderful tool for helping employees begin the process of both culture change at a strategic level and employee engagement at a very personal level.

**Early:** Can results-based leadership be practiced at all levels of an organization?

**Ulrich:** Assume a company has five management levels. One of our exercises is to ask managers to divide 100 points across those five levels of leadership. Some firms’ managers put 50 points at the top level. Implicitly, they are saying that strategy is defined by geniuses at the top and implemented by idiots at the bottom. Some firms’ managers realistically put their points all at the bottom. The goal of these firms would be to do a lot of training and keep their senior leaders out of the way so they don’t mess things up.

We believe the right distribution should be 20-20-20-20 20 because what you really want to do is build what we call
branded leadership at all five levels of the organization equally. If one level of the organization doesn’t get many points, then why have it? There’s no value there. The real essence of leadership is building a leadership brand that permeates each level of the organization.

**Early:** So results-based leadership requires people at each of those levels to think thoroughly about who their customers are?

**Ulrich:** If I’m a first time supervisor, my customers may be a little different than if I’m the CEO. But I’d still have customers.

**Early:** Are there some examples of companies that have actually done that?

**Ulrich:** GE, for one, seems to have built a leadership brand. Here’s one of our tests. Pick a leader at any level in your company, for example, at a manufacturing plant. If we were to observe a manufacturing manager in your company and managers doing the same job in three other firms, how long would it take before we knew whether the leader we were observing was from your company?

**Early:** How do companies build a results based-leadership brand?

**Ulrich:** Norm Smallwood and I suggest that there are four steps in building result-based leaders:

1. (1) Believe that leadership matters. If we pay attention to the quality of leadership, good things will happen.
2. (2) Develop a leadership brand. What is our theory of an effective leader? How do we measure effective leadership? What attributes and results are we seeking?
3. (3) Assess leaders and find their gaps. Given that a leader needs both attributes and results, how would we assess leaders and their ability to do both of those things?
4. (4) Invest in leadership. Where do we invest in order to build better leaders (formal training, assignments, etc.)?

**Early:** How much value does coaching have as a way of building results-based leadership capability?

**Ulrich:** Coaching is one of the obvious ways to invest in building leaders. It works because it starts with an analysis of a potential leader’s predispositions. A coach will find out that I’m a predisposed introvert. That’s my nature. But a coach will say, “Dave, when you teach, you need to be an extrovert, and here are the behaviors of extroversion. You stand in front of the desk, not behind the desk. You ask people questions, don’t just lecture. You look people in the eye.” A coach will then help the leader demonstrate those behaviors and deliver better results. Good coaches will help leaders learn behaviors they can exhibit that will lead to the better results.

**Finnie:** You mentioned several executives who were understudies for Jack Welch at GE. Jim McNerney went to 3M, Robert Nardelli went to Home Depot, and Jeff Immelt took over at GE. Times change; organizations change and become different. What should these people do differently in the post-Welch era?

**Ulrich:** Great question. The headline answer is, “Adapt, don’t adopt”. What worked at GE for Welch in the 1990s will not work for Immelt at GE in the 2000s or Nardelli at Home Depot or McNerney at 3M. In order to adapt, you’ve got to understand what you did before that seemed to work. Then ask, “What do we have to do to adapt it to the current situation?”

Take 3M as an example. McNerney seems to have made the judgment that it’s a firm with great technical competence but one that is just not as rigorous on accountability as GE. He’d likely recall the three things GE did on accountability and adapt them to 3M. For example, at GE they had leadership development. At 3M they are now building a leadership development agenda, but it doesn’t look at all like what GE managers did. It’s a 3M leadership agenda with the 3M fingerprints on it. So, I’d say, first codify what you learned in the past. Not just the experience but the principle behind the experience. Second, look at the present situation and say, how could I adapt that principle to appropriately respond in this situation?

**Early:** And in the process you want to give the new organization a lot of ownership and understanding and commitment to make it work?

**Ulrich:** Absolutely. When people touch stuff, they feel committed to it. It’s one of those obvious principles. One of the worst things would be to say, “Here’s what we did at GE. Let’s go do it here”. People would feel like that’s adopting, not adapting. It’s an imposed process. Instead say, “Here are some things we did at GE; help us figure out how could they be adapted to the present work environment”.

**Finnie:** Any final thoughts?
Ulrich: Strategists and business leaders need to pay more attention to this “soft” organization stuff that we’ve been talking about. The income statement and balance sheet only explain 50 percent of market value. The other 50 percent of market value is this intangible leadership, organization, and people stuff.

For many years, GE has been rewarded with favorable market value for its earning. Enron crashes because of its negative intangibles. I think the whole area of results-based leadership is a source of intangible value for a firm. Executives, investors, strategists, and consultants who figure out what those intangibles are and how to create and measure them will add enormous value to a company. That’s the capstone I would put on this discussion.
Results-based leadership establishes four criteria to assess whether leaders focus on desired results:

- **Balanced.** To what extent do the results balance across employees, organization, customers, and investors?
- **Strategic.** To what extent do the results align with strategy and the purpose of the organization? How do they relate to the business focus and the chosen customer value proposition – why customers buy your products or services?
- **Lasting.** To what extent do the results produce short-term gains without inhibiting or preventing longer term success?
- **Selfless.** To what extent do the results move the entire organization ahead, not just the leader’s own career or department? To what extent do the results build organizational capability?

Much of this interview focuses on building and measuring employee and organization results.
The six Bs for building employee competence

1. Buy. Acquire new talent by recruiting individuals from outside the firm or from other departments or divisions within the firm.

2. Build. Train or develop talent through education, formal job training, job rotation, job assignments, and action learning.


4. Borrow. Partner with consultants, vendors, customers, or suppliers outside the firm to garner new ideas.

5. Bounce. Remove low-performing or under-performing individuals.

6. Bind. Retain the most talented employees.