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Bringing Work to Life

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## Welcome

Welcome to the latest issue of Bringing Work to Life. We explored the following topics in issues over the past twelve months (all newsletters are available at [www.elsdon.com/newsletters.htm](http://www.elsdon.com/newsletters.htm)):

- Leadership courage (July 2005)
- The real scoop (June 2005)
- Listening to the organization (May 2005)
- A kinder, gentler place (April 2005)
- Accelerating into your new position (March 2005)
- Workforce leadership (February 2005)
- Searching for success (January 2005)
- Ethics and leadership (Year End 2004)
- Linking workforce development to value creation (November December 2004)
- How to decide if an organization will be a good fit for you (October November 2004)
- Confronting one of our fears as leaders - the fear of public speaking (September October 2004)
- Bringing meaning to our work lives (August September 2004)

This month we continue our exploration of leadership by looking at leadership roles.

## Leadership Roles

Much has been written about defining leadership in terms of competencies. While there may be almost as many definitions of competencies as there are competencies themselves, we can acknowledge that competencies involve a combination of skills, knowledge and attitudes needed to performing particular job functions well. They

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Ron is author of *Affiliation in the Workplace: Value Creation in the New Organization* (2003), a book describing leadership approaches to integrate the needs of the individual with the needs of the organization for the benefit of both. Ron holds a Ph.D. from Cambridge University in Chemical Engineering, an M.A. from John F. Kennedy University in Career Development and a first class honors degree from Leeds University in Chemical Engineering. With his co-author he was awarded the Walker Prize by the Human Resource Planning Society for the paper that best advances state-of-the-art thinking or practices in human resources.

are based on an analytical approach to leadership, breaking it into defined pieces. Complementing this approach is an examination of leadership roles. Leadership roles help us explore effective leadership in this rapidly changing external world. The following figure shows a number of key leadership roles, some familiar and some less so.



Traditional management approaches have emphasized variants on the “plan, execute, monitor and control” theme. While elements of these themes remain relevant, the emphasis on hierarchy and structure does not meet the needs of the organization of the future. Just as a monarchy lost its relevance in the political arena for an educated and vibrant populace, so the command-and-control model is losing relevance for the workforce of the post-information society. Instead a different set of leadership roles draws on concepts of servant leadership (for example Max DePree, *Leadership Jazz*). These roles are as follows:

- Guide
- Mentor
- Coach
- Conductor
- Artist
- Visionary
- Entrepreneur
- Innovator
- General
- Change Agent
- Connector

As an organization evolves the relative importance of these roles will shift. For example the Innovator is crucial in the early stages of an organization's life cycle,

the General is important in more mature stages, and the Visionary is important at all stages. Indeed it is unlikely that any one individual will be equally effective in all areas. However, an effective leadership team will include a broad range of these skills and harness them to the needs of the organization at each point in time. This is an area where effective coaching can develop dormant skills. Let us examine each role in more depth.

*Guide.* Whole Foods Market Inc. has taken a concept of providing nourishing, healthy food and built a successful and growing business. This was done while respecting the value of the workforce. Whole Foods Market is one of the *Fortune* Top 100 best companies to work for in the United States. Whole Foods Market has an internal policy that the compensation of any officer in the organization is limited to fourteen times the average full-time salary of all team members (employees); amounts in excess can be deferred. No mega-salary for the CEO here, simply a level of compensation linked to others in the organization. This is a powerful values statement that shows the regard the leadership of this organization feels for its employees. It is an example of the organization's leaders providing strong guidance about the kind of organization they are creating and the behaviors they encourage within the organization. Business bestseller lists have been replete with stories of CEOs who have enhanced their own egos and lined their own pocketbooks. Whole Foods Market is a telling testament to the principles of servant leadership. Their leaders act as guides not only for their own organization but also for all of us.

*Mentor.* I remember beginning my first position responsible for a new business area. This was in a competitive industry sector where the fledgling business was significantly smaller than our competition. On my first day in the new position my boss sat me down in front of his desk and pointed to a small rock on the corner of the desk. On that rock was an inscription along the lines of: "The customer is always right." There were many occasions over the next three years, as the business grew and flourished, when we grappled with the challenges of meeting customer needs. While there were many customer compliments, there were other times when customers were frustrated or angry and they weren't reticent. I never forgot the words on that stone. Due to the skills and commitment of others the business flourished, and it did so while respecting customers and employees. My boss had provided a simple and important example of being a mentor to a rookie. It was an invaluable lesson. Imagine the power that could be harnessed in an environment where mentoring is as natural as breathing, for mentoring is born in us and somehow our organizational structures can cause it to be lost or hidden.

*Coach.* Closely aligned with the role of mentor is that of coach. The distinction is in the frequency and focus of the relationship. While a mentor is focused on being a resource as needed, a coach is an active supporter who is consulted regularly. As coaches, leaders are there to encourage, exhort and help employees set goals that cause them to reach new levels of performance. I recall an incident from my teenage years. I had been volunteered as a member of a swimming team for an intramural event in the English equivalent of an American high school. Swimming was not my forte; in fact I was hopeless at it but had to participate. The event took place on a Saturday night in a pool with quite a few cheering (and jeering) spectators. It came to my event. Four of us were competing. It involved four laps of the pool and predictably by the end I was in last place, a full half-length behind the third-placed participant. I finally arrived at the finish point, too exhausted to

even pull myself out of the pool. I was expecting a searing criticism, for that was common in that school. Then something unusual happened. The team coach, an older boy, helped pull me out of the water. He looked at me and said: "Well done, we really appreciate your efforts. Thank you." I was too shocked by these few words of kindness to say anything, but they have remained with me for more than thirty-five years. I have forgotten the many small slights and put-downs, those acts that diminish rather than elevate. But I have not forgotten the brave words of that coach.

A coaching relationship can involve elements of counseling, performance development and business consulting, with the mix shifting according to the needs of the moment. Coaching flourishes in an environment that supports individual development and decision making. For example, the apocryphal statements in the Nordstrom employee handbook: Rule No. 1: Use your best judgment in all situations. There will be no additional rules (Michael Tushman). These statements encourage the expression of individual initiative. Implicit in the role of the coach is concern for the development of the individual, occurring in the context of organizational needs. So the coach is a source of wisdom and insight, a listener and most of all a developer of human potential. The oil that helps the gears connect smoothly. It is a role that can be adopted at any level in an organization and it is an ennobling experience for both coach and the person being coached.

*Conductor.* The conductor of an orchestra might seem like an unlikely analogy for the organizational leader. After all an orchestra is tightly scripted, following a predetermined path. However, there are many similarities. The role requires the execution of complex skills that include deep functional knowledge of the creative process needed to bring music to life. The conductor must couple this functional knowledge with the ability to bring consensus to a group of creative and independent individuals. The conductor must know how to follow the script or plan he or she has been given, and how to create unique expressions from this script. The conductor has a discriminating audience that expects technical virtuosity and delivery that meet predetermined commitments. The conductor is a public figure who is an active proponent of the works of the orchestra, and who must create in such a way that the orchestra generates income to support itself. All of these aspects have parallels in the organizational world and the world of the workforce. Workforce conducting is just as creative and complex, with outcomes that can enhance organizations and communities just as the music from the orchestra enriches. An example from the corporate world is that of Microsoft and Bill Gates, where the introduction of succeeding generations of software is a series of carefully orchestrated scripts that reach millions.

*Artist.* Closely related to the Conductor is the Artist. The Artist is steeped in the creative process, using a given medium to generate a new vision and, in so doing, offer insights and perspectives on beauty that were previously hidden. The work of the Artist is bounded only by his or her imagination and proficiency. It comes to life in the response evoked in those receiving the gift of the Artist's creation. Likewise leadership in an organization creates a work of art from the medium of the workforce, with much beauty in the complexity and dynamics this represents. A business example that, both in a physical and in a metaphorical sense, demonstrates this is Apple Computer. Even the design of its products transcends a purely functional physical form, to delight customers with innovation in style. Functional

performance has also reflected constant striving for new, creative approaches that expand the boundaries of prior experience and require the development of novel software and hardware. Here we see the convergence of business form and function in an artistic expression that generates an emotional response both from customers and from employees. Such artistic expression is an important part of the early creative stages of a new organization, and an established organization that views innovation and flare as core business processes.

*Visionary.* A visionary stance, that transcends the daily strife and toil, is essential for leadership to engage and energize the workforce. An example is Southwest Airlines. Southwest repeatedly takes a distinctive and different position. This is evident in its operational activities, where an emphasis on efficiency and providing basics well results in rapid aircraft turnaround, low fares and lively flights. However, this approach extends beyond the operational to the organization's relationship with employees. In the aftermath of the September 11, 2001 terrorist incidents in New York, when the airline industry was reeling, many airlines were making deep cuts in the employee ranks. Not Southwest; here the emphasis was on strengthening the relationship with employees, ensuring continuity of employment, recognizing the possibility of penalizing short-term earnings, knowing the benefit of engendering longer-term employee commitment. Many would cite the visionary stance taken by Southwest's management in their business and operational practices. And they do represent impressive accomplishments. However, I suggest that the stance taken with their workforce is equally visionary, requiring organizational courage and commitment.

*Entrepreneur.* It might seem that the hallways of a large oil company are an unlikely place to find an example of entrepreneurial leadership. However, this example demonstrates that entrepreneurial leadership is by no means limited to the high-tech arena. Most of us come into contact with polyester daily. It could be through the fibers in clothing or in furnishings; it could be soft-drink bottles. Polyester is part of daily life, helping clothe people, insulate houses, and package food and supplies. In the mid-1950s polyester was made from a raw material that was produced by a complex, multi-step chemical process. At that time, enterprising scientists working for an organization known as the Scientific Design Company discovered a new, simpler and more cost-effective process to make a different raw material and significantly lower the cost of making polyester. At that same time, Amoco Corporation was in the process of founding a chemical company, and was able to produce from its refineries a chemical that could form the starting point for the new synthesis route to polyester.

By serendipity a chemist from Amoco met a scientist from the Scientific Design Company at a social event and together they understood the potential for the new Scientific Design discovery. Amoco's leaders, upon learning of this opportunity, immediately recognized its commercial value and purchased the rights to the technology. At this point there were still many technical hurdles to be overcome, related to the intricacies of full-scale, commercial production and securing needed purity. Nevertheless, Amoco's leadership made the investment in the technology purchase, followed by major investments in research, and in commercial facilities. At each stage there was significant technical risk of failure. Today this is a multibillion-dollar business for the organization (it is now part of British Petroleum by acquisition). The organization is now the world leader in the production of the

key intermediate for making polyester. There are manufacturing plants at many locations around the world based on this technology. The entrepreneurial leadership of those pioneers led to the foundation of a company, and ripples from it benefit many of us in our daily lives today. The entrepreneurial role of the leader is vital to the continued reinvention of organizations as environments and opportunities change.

*Innovator.* Closely related to the role of Entrepreneur is the role of Innovator. The Innovator works at the edge of the envelope, exploring new boundaries and new approaches. One company has made an art of innovation. That company is 3M, where the abilities to spot new opportunities and to harness technology to realize those opportunities are core to the company's values. In relation to the workforce this means encouraging innovation in individual businesses by keeping small units, dividing operations as needed to maintain focus. 3M views the innovative effectiveness of small tightly knit teams as outweighing the diseconomies of innovation that can arise with large scale.

An example of the Innovator role in the development and application of technology is the commercialization of xerography. The ubiquitous copy machine began as a brainchild of Chester Carlson, who recognized how to harness the natural forces of static electricity into a practical application. The leaders in the field of conventional photography rejected the idea as impractical. That rejection led to the formation of a new company, the Haloid Company, which later became the Xerox Corporation and founded a multibillion-dollar industry. As the wheel turns full circle, leaders of the Xerox Corporation now struggle to maintain the innovative spark that characterized its foundation. The role of Innovator is vital to sustaining the life spark and growth of organizations.

*General.* These innovative, entrepreneurial roles require structure and process to be effective. This is the role of the General. Here the focus is on organizational efficiency, on establishing those processes and systems that allow the different parts of the organization to function effectively together. An example of this is General Electric, a behemoth in organizational terms that has continued to grow and prosper. It operates under strong central guidelines, requiring individual units to be first- or second-ranked competitors in their sectors. Strict financial controls and sophisticated planning and control methodologies guide performance.

*Change Agent.* In a stable world the General can reign supreme seeking ever-greater efficiencies. However, the world is one of surprises. They can take the form of technology advances that can rapidly make an existing product obsolete, such as compact discs replacing tapes. They can take the form of major social change, such as the entry of women into the workforce from the 1950s through the 1980s in the United States. Changes can take the form of shifts in the economy such as the changes in GDP growth rates, or shifts in political perspective such as the U.S. government's changed position in the Microsoft antitrust case. In this shifting environment the role of leaders as organizational change agents is critical. An example from the world of chemicals is DuPont, where different leaders have successfully re-directed the organization's focus many times throughout a more than 200 year history.

*Connector.* I came across an interesting example recently of an organization that

ran a number of call centers. In call centers, employee attrition is typically high, to the point that it is easy to assume such attrition is inevitable. In this organization high attrition was indeed the norm. However, one of the call centers had a different profile with attrition at a much lower level. Leadership wondered why this was so and talked to the supervisor of this one call center. On being asked about what she did, her response was that she tried to find something about each new employee on a personal level she could connect with. With one person it might be their children, with another a favorite hobby. It didn't matter, just that she could connect with that employee on a personal level. Then she made a point of talking with that person regularly and asking about their personal area of interest. This single investment of her time and interest led to a dramatic reduction in attrition. This behavior was almost certainly coupled with other equally supportive practices. It demonstrates the important role of connecting for organizational leaders.

It might seem that fulfilling these roles well is an overwhelming challenge. Indeed it is a lot to ask of any one individual. However, it is a practical objective for a leadership team and for distributed leadership in an organization, for example in the HR function. A first step is to define the key leadership roles needed to support each segment of the workforce. This can begin by clarifying the characteristics of different segments of the workforce (described in “Affiliation in the Workplace”). Based on such an analysis, the most critical leadership roles can be identified and prioritized. The capabilities of leadership teams can then be harnessed to address these roles. This involves understanding the strengths and aspirations of each person on the leadership teams, and then providing each person with development support for the roles that are a natural fit. This support may take the form of coaching, it may take the form of educational experiences or it may take the form of on-the-job experiences. Regardless, it means recognizing the importance of developing individuals who can effectively execute the needed leadership roles. It also means developing a description of expert execution in each role and a means for supporting progress against such an ideal. By taking such steps exceptional leadership can emerge to create inspiring, successful organizations for the benefit of all.

(Much of this article is excerpted from *Affiliation in the Workplace: Value Creation in the New Organization*, Ron Elsdon, Praeger, 2003. Should you wish to know more about EOR's comprehensive leadership development capabilities please feel free to contact us at [renewal@elsdon.com](mailto:renewal@elsdon.com), 925 838 2362)

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## Workforce Performance and Resourcing

Our traditional financial measures, such as return on investment or return on assets focus on tangible, physical assets. In “Affiliation in the Workplace” we began to explore how, in an increasingly information and service based economy, we can link organizational performance to the workforce. Recent examples of similar approaches are in the latest SHRM Human Capital Benchmarking Study (2005). The following table shows some selected key items from the SHRM study. For each of five measured items we show the lowest, median and the highest sector values. The number of organizations providing data varied from 400 to 700 according to the specific data set, covering many for-profit, public sector and not-for-profit areas, across the U.S.

## Industry Sector Profile (2004)

Item	Lowest	Median	Highest
Revenue per full time employee	Nonprofit service: \$69,767	\$145,455	Utilities: \$404,444
Pre-tax net income per full time empl.	Educational svcs: 0	\$12,450	Insurance: \$68,182
Salaries as % operating expense	Utilities: 17%	40%	High tech: 53%
HR expense per full time employee	Educational svcs: \$495	\$1,077	High tech: \$1,806
% of total positions filled by internal or external hires	Manufacturing, durables: 7%	16%	Health: 24%



*New Beginnings*  
Career and College Guidance

Data Source: SHRM Human Capital Benchmarking Study 2005



*Eldon Organizational Renewal*

The first item shows revenue per full time employee varying from \$60,767 for the non-profit service sector to \$404,444 for the utilities sector, with a median of \$145,455. While the data is not provided, the higher values are likely associated with greater use of tangible assets.

This revenue translates to the second item, pre-tax net income per full time employee, which ranges from 0 for educational services to \$68,182 for the insurance sector with a median value of \$12,450. Based on pre-tax net income and revenue the median margin (pre-tax net income/revenue) is 8.6%.

We see the significance of investing in people in the third item, which shows salaries ranging from 17% of operating expenses for utilities to 53% for high tech with a median of 40%.

Given this profile it is not surprising that the high tech sector invests the most in HR per full time employee as shown in the fourth item. The sector investing the least in HR (Educational Services) also shows the lowest pre-tax net income per full time employee.

The importance of investing in support of the workforce is also underlined by the fifth item, % of full time positions filled by internal or external hires. Healthcare, which continues to grow rapidly with our aging population, filled 24% of all positions during 2004. One in every four positions was newly filled during the year. Let's look at the overall profile for healthcare in the following table:

## Health Care Profile (2004)

Item	Value
Revenue per full time employee	\$92,000
Pre-tax net income per full time employee	\$2,613
Salaries as % operating expenses	46%
HR expense per full time employee	\$847
% of total positions filled by internal or external hires	24%



*New Beginnings*  
Career and College Guidance

Data Source: SHRM Human Capital  
Benchmarking Study 2005



*Elsdon Organizational Renewal*

Revenue per full time employee at \$92,000 for healthcare was significantly below the median of all sectors of \$145,455 reflecting its service foundation. Earnings are also well below the median, in part due to the non-profit nature of many entities in this sector and the challenges of operating effectively in this service focused environment. One of the challenges present in the sector is the relatively low level of workforce support investment, with HR expense per full time employee at only 79% of the median even though the number of positions filled is the highest of any sector, at 150% of the median. Leaders in healthcare organizations, as in other sectors, can examine steps to strengthen workforce support and, as a result, reap the rewards of enhanced performance.

Support for this is further evident when we examine the relationship between earnings per employee and HR spending per employee. In “Affiliation in the Workplace” we developed a model that showed the rationale for an optimum level of HR spending per employee. The actual value of the optimum depends on the specific characteristics in a given organization. For the organization studied in the book the optimum was about \$5400 per employee based only on the influence of attrition rates and using operating income per employee as a proxy for value creation per employee. The following figure shows how pre-tax net income per employee varies with HR spending for the SHRM sample.

## Relationship Between Net Income and HR Spending



*New Beginnings*  
Career and College Guidance

Data Source: SHRM Human Capital  
Benchmarking Study 2005



*Elsdon Organizational Renewal*

Here we see pre-tax net income per employee increasing as additional investments are made in HR. While, based on this limited data, we cannot say with certainty that HR spending over this range does increase earnings per employee; there is good indication of a positive relationship. Twenty-seven percent of the variation of the data in the figure above is explained by the variation in HR spending per employee. Based on the earlier modeling work it is likely that the HR investments in the SHRM data are significantly below the optimum, confirmed by the line in the figure above continuing to rise with increasing HR expense per employee. This underlines the importance of examining workforce support investments not as a cost to be minimized, but as a strategic resource to be optimized.

### Quote

“Research is to see what everybody else has seen, and to think what nobody else has thought.”

Albert Szent-Gyorgyi (Peter’s Quotations).

## Upcoming Elsdon Organizational Renewal (EOR) Events and Recent Mentions

### Upcoming Events

- “Using Measurement to Guide Employee Development and Training” Strategic Metrics and HR Measurement Conference, NCHRA, Sir Francis Drake Hotel, San Francisco

- August 31, 2005
- NCHRA Meetings & Events : Event Registration
- “Networking and Connecting” presentation for U.C. Berkeley, Haas School of Business Alumni, Haas School, Berkeley
  - September 20, 2005

## Recent Mentions

- Reviews of “Affiliation in the Workplace: Value Creation in the New Organization.”
  - Harvard Business School
    - [HBS Working Knowledge: Organizations](#)
  - Global Diversity Institute
    - [Global Diversity Institute - The Journal of Diversity Praxis](#)
  - Journal of Asian Economics
    - [ScienceDirect - Journal of Asian Economics : Ron Elsdon, Affiliation in the Workplace: Value Creation in the New Organization, Praeger Publishers, Westport, CT \(2003\) 280 pp. \(hardcover\), ISBN 1-56720-436-8, \\$49.95.](#)
- The Alliance of Chief Executives
  - [Alliance of CEOs - Ron Elsdon](#)
- “Reaching for Our Deep Gladness”
  - Article in May, 2005 NCDA Career Convergence Magazine
    - [NCDA Career Convergence Magazine](#)
- Review of MBTI Step II workshop
  - CCDA News, April 2005
    - [California Career Development Association - Articles](#)
- Recent mention in article on cost of turnover
  - East Bay Business Times, April 2005
    - [Turnover costs exceed employers' estimates - 2005-04-25](#)
- “Worklife Survival: Finding a Fit”
  - Article for HR West, February 2005 (Northern California Human Resource Association)
    - <http://www.nchra.org/StaticContent/Download/EXT0205007.pdf>
- Recent interview in the education field “Affiliation as a Unifying Principle in Education”
  - Career Pro News
    - [Affiliation and Education](#)

- Review of ICDC Global Issues Forum
  - CCDA, January 2005
    - [California Career Development Association - Articles](#)

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## About EOR: Our Value Contribution

We enhance your workforce, leadership and organization by:

- Using proprietary approaches to understand workforce and leadership challenges
- Creating tailored action plans and solutions to strengthen workforce and leadership practices
- Building individual capabilities and contributions

We enable you to focus on external results and building value, confident that your organization and leadership are operating at peak effectiveness.

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## Our Mission

To support your organization by enhancing performance, productivity and effectiveness through revitalized workforce relationships and leadership practices.

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## Our Approach and Values

We tailor our engagements to the needs of each organization with a process designed to surface critical issues, identify root causes, build effective solutions, monitor progress and implement.

With a scope that ranges from system and organizational interventions to work with individuals, our focus is on the heart of the relationship among the individual, the organization and the community. We believe that organizational and community prosperity are built on enabling each person to fulfill his or her potential.

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## Our Services

We work with individuals and groups in your organization to drive performance and development for both the short and long term. As a result people will choose to work in your organization and will prosper there.

We bring solutions when you need to:

- Reverse declining revenues and performance
- Revitalize your workforce
- Stem the loss of key talent
- Redirect your organization to new areas
- Stop losing customers or market share

- Penetrate new markets
- Combat aggressive competitors
- Handle major change
- Break down communication barriers
- Energize your leadership team
- Successfully build on an acquisition or merger

Our proprietary services include:

- State-of-the-art tools to take the pulse of your organization and then move to action
  - Web enabled systems
  - Experts to gather and analyze information, moving your organization to action
- Individual leadership coaching to give you world class leadership capabilities
  - Leaders who know themselves and their aspirations, build their capabilities and become catalysts developing others
- Workshops to build interpersonal skills in your organization so that:
  - Communication is timely, concise, accurate and personal
  - People listen to each other
  - Negotiations are quick and effective
  - Differences create rather than destroy value
  - Teams move forward, get results and quickly commercialize new products and services
  - People understand and link their motivations to your organizational needs
  - Your teams understand what it takes to create a committed, energized workforce
  - People use their time well
- Systems that make it easy to drive performance and build capabilities by:
  - Linking objectives throughout the organization
  - Strengthening key competencies
  - Making sure you have the bench strength where and when you need it
  - Giving people tools to take charge of their own careers and development and have a major long term influence on your organization
- Proprietary simulation and modeling techniques that let you explore how to maximize the value of your workforce



- Move from guessing what might happen to looking in depth at the financial impact of different approaches