

ALIGNING FIRM, LEADERSHIP, AND PERSONAL BRAND

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Different kinds of alignment offer distinct benefits. Vertical alignment occurs when organization components are aligned to business strategy—for example, when information systems provide strategic management information, or when financial information is collected in a manner that allows strategic choices. Horizontal alignment occurs when organization components align with each other—when information systems and performance management systems reinforce the same behavior. External to internal alignment results when people have a clear line of sight from external expectations to internal actions. Alignment is always desirable, because it promotes financial performance, customer share, and employee commitment.

But desiring alignment and delivering it are two different matters. We have seen dedicated leaders try to get alignment in a piecemeal way. They implement a communication program one quarter, a customer awareness program the next, and then follow up with a training program or incentive system. These separate and uncoordinated efforts do not lead to alignment; they need something to tie them together.

We have found that the concept of a brand promotes alignment between external expectations and internal

actions. In marketing terms, brand represents the expectations associated with a product or service that differentiates it from competitor offerings in the minds of customers and influences customer opinion, choice, and behavior. We can adapt this definition to define three additional levels of brand beyond product brand (firm brand, leadership brand, and personal brand) that turn external expectations into internal actions (see Figure 1). Using these three levels of brand, we define four components that are necessary to create alignment between external and internal factors.

Component 1: Translate Business Conditions into Strategic Clarity

At a corporate level, strategy deals with finding the right portfolio of businesses. This includes investing in emerging markets, new ventures, or other opportunities from the cash generated in mature markets and traditional products to build a corporate portfolio that ensures a positive future.

At the business level, leaders build a strategy that focuses on how to identify and serve targeted customers.

A customer-centric strategy implies that a business identifies, anticipates, and serves customers so that key customers continually purchase products or services from the company pursuing the strategy. A strategy may define the product mix, service levels, distribution channels, price points, product features, and other dimensions that customers may prefer.

Corporate and business strategies position an organization for future success. Strategic leaders create a point of view about their organization's future that enables them to manage their business mix (corporate strategy) and gain customer share (business strategy).

Too often we find firms with more strategic clutter than clarity. Leaders in these firms have become enamored of the latest strategy twist and continually articulate a new way to position the firm. Nonetheless, it is possible to develop or enhance the required clarity. In one company, a newly appointed leader asked each of his direct reports to answer the question "What are we doing to win in our markets?" in 15 words or less. When his 12 direct reports reported back their statements, he found that there was about 70 percent over-

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lap among their answers. Their differences were then discussed so that the team could gain strategic clarity. This strategic clarity exercise and subsequent discussion enabled executives in his company to be clear about their strategy and how it positioned them among changing business conditions. Strategic *clarity* is less about which word to use to define strategy (mission, vision, goals, and so forth) and more about a shared understanding of where the organization is headed and how to position the organization for success.

Component 2: Translate Strategic Clarity into a Firm Brand

Strategic clarity is not enough. Strategic clarity declares intent about how the business is positioned to win in the future. This intent enables leaders to allocate resources, focus attention, and engage employees. But too often strategy statements focus inside a company, not outside. Elegant strategies that don't shape customer expectations and actions fail to deliver lasting value. The concept of a brand helps focus a firm's strategy on its identity in the mind of customers rather than on internally focused strategic decisions.

A firm's brand is its identity in the mind of its best customers. Firm brand is an evolution from product brand. A company may be known for a specific product, but when that reputation shifts to the company, the company begins to create a firm brand that outlasts any single products. McDonald's may have started being known for hamburgers, but over time its identity has shifted to other types of fast food (fries,

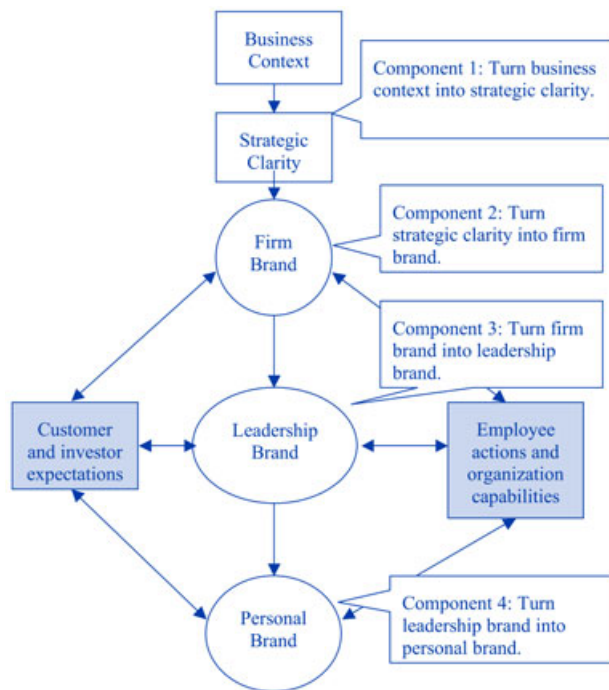


FIGURE 1. OVERALL LOGIC OF ALIGNMENT

chicken sandwiches, salads, and so on), a play area for children, and a convenient and low-cost meal alternative. Virgin started as a chic place to buy music, but the Virgin brand has now carried the firm's reputation into airlines, trains, financial services, and entertainment. Many firms have worked to build a firm brand that encourages customers to buy more products or services, employees to be more loyal, and investors to buy more shares.

Most of the world's top firm brands shape customer expectations and create enormous value. The value of a strong brand is simple; it not only raises awareness and reputation, it inspires customers to pay a premium for it. We pay more for Polo shirts, Nike shoes, 3M Post-it notes, Mont Blanc pens, Prada accessories, Gucci jewelry, and Starbucks coffee because of the image created by the brand. When airports shifted from generic food to branded food (Starbucks, A&W, Chili's) revenue per square foot rose about 25 percent. A firm's brand reputation also affects investor confidence in future earnings, or intangibles, which represent an average of 50 percent of a firm's market value and are embedded in how customers perceive the future value of the firm.

Business Week annually identifies "the world's best brands." These brands create an identity in the mind of customers: Wal-Mart (everyday low prices), FedEx (being absolutely, positively on time), Lexus (pursuit of perfection), McKinsey (analytical, smart strategists), and Apple (innovation and design). The firm brand is not just for customers outside the company, but for employees inside. When the expectations of customers (or investors or communities) outside

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translate into employee actions, the *firm brand becomes the basis for an organization's culture*. Culture is generally defined from the inside out: an organization's values, norms, attitudes, and how things are done. This traditional inside-out approach to culture often begins with executives' thoughtfully considering what matters most to them and putting their personal aspirations into culture statements that they then share with employees.

Using the brand logic, culture may be depicted from the outside in. In this approach defining culture begins by answering one question: Given our strategy, what are the top things we (our organization as a whole, business unit, or division) want to be known for by our best customers (or other stakeholders like investors or communities) in the future? When executives debate and gain consensus on this externally focused question, they clarify their firm brand.

The firm brand can then be converted into an organization's culture. What a firm is known for by its customers becomes the values, norms, and how things are done by its employees in three ways. First, the firm brand becomes the intellectual agenda that shapes what executives communicate throughout the organization. At Apple, the commitment to design and innovation is not just an advertising and product theme, it is an internal employee mantra. At Wal-Mart the pursuit of low costs is repeatedly shared with employees in speeches and executive presentations. Second, the firm brand becomes the behavioral agenda for how employees should behave. At Wal-Mart, employees who find ways to save money (buyers who find lower-cost providers, facility managers who reduce utility costs, and so forth) are praised. At Apple, employees are constantly urged to innovate products or services. Third, the firm brand becomes the process agenda that guides processes such as investments, staffing, compensation, and technology. Wal-Mart builds systems (compensation, facility management, supplier management, and so forth) that encourage low costs. Apple hires and compensates people for design skills. When intellectual, behavioral, and process agendas align around a firm brand, customer expectations become the basis for an organization's culture.

Component 3: Translate Firm Brand into Leadership Brand

Ultimately, for culture to permeate a company, it must shift what leaders know and do. Leaders send signals to employees about what matters and how to approach work. Leadership brand implies that leaders' knowledge, skills, and values are shaped by customer expectations. A leadership brand exists in a company when customers' expectations translate to employee actions because of leadership practices.

Firms with a strong leadership brand have translated their customer expectations into leadership competencies. Wal-Mart's leaders are known for managing costs efficiently and getting things done on time; FedEx leaders are known for managing logistics, discipline at meeting deadlines, and rapid problem solving; Lexus leaders are known for managing quality processes (lean manufacturing and design, Six Sigma) to improve constantly; McKinsey leaders are known for leading teams that deconstruct business problems, synthesize data, and develop solutions; and Apple leaders are known for creating new products and services that break the industry norms.

In these and other firms that have translated firm brand to leadership brand, we have found that they build on two premises and deliver two elements of a leadership brand.

Premise 1: Shared Leadership Capabilities Matter More Than Individual Leaders' Abilities

Many studies focus on the individual as a leader and examine the personal knowledge or attributes that an individual demonstrates as a good leader. Firms with a leadership brand focus less on what any one individual possesses and more on the leadership capabilities shared within the firm. This is like the shift from product to firm brand. Marriott builds individual product brands (Residence Inn, Fairfield Inn, and the rest), but the firm is more worried about the Marriott reputation for service that permeates all these separate brands. Firms with leadership brand emphasize less the great leader and

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more the processes that create effective leadership at every level and develop the next generation of leaders. These processes might include performance management, succession planning, job assignment, training, and other development opportunities.

Leadership success is measured not by how well any single individual performs but by the backup of talent. One company tracked the number of "fully qualified" backups for its top 1 percent of employees. This ratio emphasized the depth of talent in the organization. Another organization tracked how many future leaders in the organization came from each leader. Some leaders were seen as consumers of talent: talent went into their organization unit and stayed there. Other leaders were seen as producers of talent; they could point to other leaders throughout the organization whom they had helped develop. In the short term a powerful and strong individual leader may get results, but in the long term, *leadership* is more important.

Premise 2: Begin from the Outside, Not the Inside

Often when defining successful and unsuccessful leaders, companies look at what has worked *inside the company*. A common methodology is to identify 30 high-performing and 30 average (or low-performing) leaders, then to interview them and determine what knowledge, skills, or values differentiate the two groups. This inwardly focused assessment misses customers (and investors or communities outside the organization). Firm brands are not revered because employees like

them—they are revered because customers buy them. A firm’s leadership brand may be defined by starting with the overall firm brand (which identifies what the firm is known for by its best customers), then turning that identity into a set of specific knowledge, skills, and values required by leaders in the organization. By beginning on the outside, internal leaders are much more likely to do things that make sense to customers and other stakeholders outside the organization.

These two premises (leaders and leadership and inside and outside) form the core of what we have termed leadership brand. Figure 2 visually captures this work. Many excellent leadership studies fall into cell 1 (Competent Leaders) and focus on how the individual leader can better develop the capacity to lead by both demonstrating attributes and delivering results. Others have studied the

importance of leaders each developing a personal reputation that distinguishes them from others (cell 2, Celebrity Leaders). These studies emphasize how individual leaders become prominent by their personal brand and reputation. Still others have done a very good job of defining the processes such as talent management, succession planning, and organization development to build the next generation of leaders (cell 3, Leadership Capability). We don’t disagree with this work, but want to build on it by focusing on how leaders at every level of an organization can be prepared to turn customer expectations into employee and organization behaviors (cell 4). We call this the leadership brand. Simply stated, *leadership brand is the capability of leaders at every level to bridge customer expectations to employee and organizational behavior.*

Any brand takes time to build and includes two major

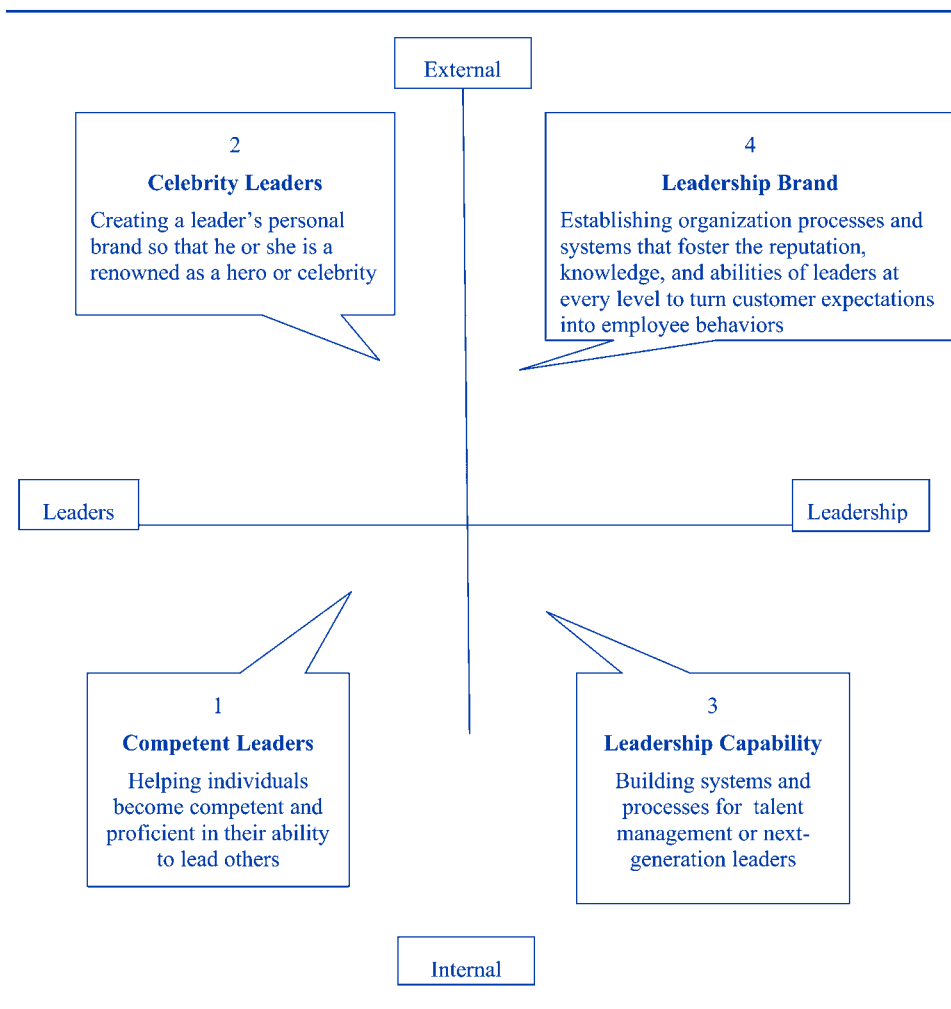


FIGURE 2. PREMISES OF LEADERSHIP BRAND

elements: the fundamentals and the differentiators. A BMW automobile, for example, has the fundamentals of any car: the chassis, drive chain, suspension system, and so on. It also has brand differentiators—the quietness of its engine and the high level of its maintenance service among them—that bespeak high quality. Both the fundamentals and the differentiators must be carefully crafted, but the fundamentals must be in place first.

Element 1: Leadership Fundamentals

As a prerequisite to building a leadership brand, firms must first master five leadership fundamentals. First, leaders must master strategy; they need to have a point of view about the future and be able to position the firm for continued success with customers. Second, they must be able to execute, which means they must be able to deliver results, to make change happen, and to build organizational systems that work. Third, they must manage today’s talent, meaning that they must be able to motivate, engage, and communicate with employees. Fourth, they must find ways to develop tomorrow’s talent by delegating, planning, and grooming employees for future leadership. Finally, they must show personal proficiency—demonstrating an ability to learn, act with integrity, exercise social and emotional intelligence, make bold decisions, and engender trust (see Figure 3).

Companies often put too much emphasis on one of these fundamentals at the expense of the others. One company we worked with identified 12 requirements

for a successful leader (characteristics like personal integrity, willingness to learn, consistency, and so on), but nine of them fell into the personal proficiency domain of the fundamentals. Another company listed ten requirements (such as the ability to make decisions quickly, manage change, deliver results, work well in teams, and so on), but eight of them fell into the execution domain. A successful leadership development model should incorporate all five leadership fundamentals. An individual leader may have a predisposition in some areas and should be strong in at least one, but must demonstrate a high level of competence in all five. Without excellence in all the fundamental elements of leadership, leaders can be good, but they will not be outstanding. Once these fundamentals are established, companies can move on to shaping their organization’s leadership brand.

Element 2: Leadership Differentiators

In our work with major leadership theorists, we have found that the fundamentals seem to represent from 60 to 70 percent of successful leadership. The remaining 30 to 40 percent are the differentiators, or the unique knowledge, skills, or values that leaders demonstrate that turn customer expectations into employee actions.

Determining leadership differentiators means that targeted customers, investors, or other external stakeholders should be involved to define the firm brand and also to help identify how leaders make that firm brand real. At Apple, the design innovation firm brand means that

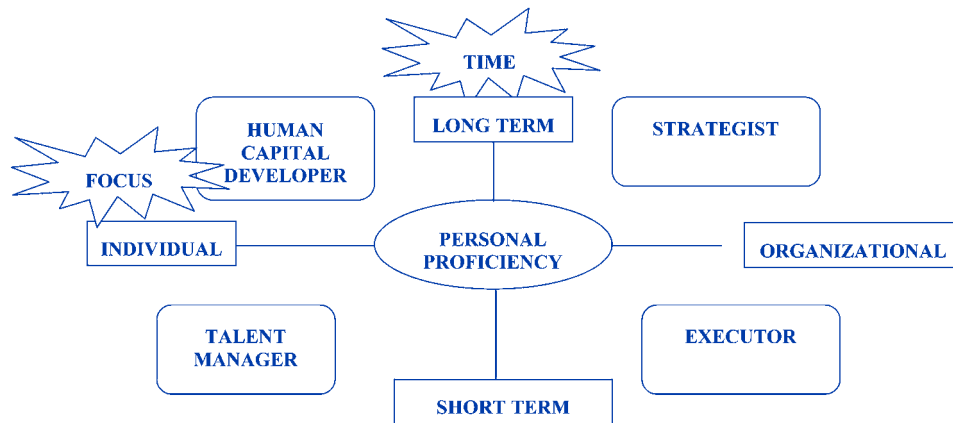


FIGURE 3. LEADERSHIP FUNDAMENTALS

leaders at all levels need to exhibit creativity, technical savvy, and a sense of style. These externally defined criteria become the standards for hiring, promoting, assessing, and developing leaders. Firms that define leadership from the outside in will be better able to align external demands to internal realities.

This means that the internal processes to create leaders are linked to external expectations. Recruiting efforts may involve customers in defining standards for new hires, recommending people who might work for the company, and screening potential candidates. Training programs may include customers in their development, design, and delivery. If targeted customers were to look at a performance appraisal form, they would see behavior and outcome standards that reflect what these customers would like more of from the firm. Communication initiatives inside a company should include external customer perspectives, and public relations messages outside should be consistent with executive messages inside.

When the processes to develop future leaders link external expectations to internal organization actions, leadership brand follows.

Component 4: Translate Your Organization's Leadership Brand into an Authentic Personal Leader Brand

We all carry a personal brand identity whether we are aware of it or not. A personal leader brand is a reputation that others respond to and reinforce. The benefit of consciously shaping a personal brand is focus; when you know with utmost clarity what you want to be known

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for, it's easier to let go of the tasks and projects that don't let you deliver on that brand and to concentrate on activities that build your brand. It is also easier to select a company where your personal brand aligns with the leadership and firm brands required by its strategy.

When our personal brand aligns with leadership and firm brands, we are congruent and more likely to be productive. Nordstrom is known for exceptional service and its leaders are accountable to the extent that they respond to questions, care for others, and otherwise engage in service. Employees who are not predisposed to service would be misfits at Nordstrom. An employee who prefers innovation and challenging authority over consistency and the attitude that the customer is always right would not fit at Nordstrom.

While we all have a personal brand, it is important to recognize and align it. Recognizing our personal leadership brand comes when we recognize work that we find easy, energizing, and enjoyable. Two people facing the same tasks may have very different responses to the work, based on their predispositions. For example, an ambiguous and unstructured task requiring individual performance to complete it (for example, doing individual research) may be something that comes naturally to those, who find it energizing; it captures attention and passion and it offers a challenge the individual enjoys solving. Others may find such work demanding, draining, and depressing. They may find that they are predisposed to more structured work done in teams.

Aligning personal brand to leadership and firm brand moves beyond building on your strengths. If one's personal strengths are not consistent with what is required to connect customers and employees, they are the wrong strengths. A personal brand succeeds because one's personal strengths are aligned with customer expectations and employee actions. It is not enough to have strengths; they need to be connected to customer and employee expectations.

In addition, once leaders identify their personal brand, they can begin to find ways to align with their organization. They can ask themselves, Are there jobs, tasks, or organizations where my personal brand is more likely to fit? Where will it not fit in? They can also find ways

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to surround themselves with people who have a brand different from theirs. It is dangerous for leaders to be exactly alike and a good leader will ensure that future leaders have talents and skills that will match future customer expectations.

Employees' personal brands align with external stakeholders when they think and act as if they are customers or investors.

Shifting the Focus

Linking the concepts of leadership and brand offers new insights into how to lead. Over the last twenty years many have become enamored of the psychological competencies that make individual leaders more effective. This individual view of leaders is necessary but not sufficient. Framing leadership as an organization capability that connects customer expectations and employee actions has enormous consequences. First it shifts from focusing on the person to the process of building next-

generation leaders. Second, it emphasizes how leaders deliver results to employees, customers, and investors. External stakeholders set the criteria by which internal leaders are judged. Leadership value is created not just inside an organization (from employees) but outside from customers, investors, and communities. Third, it increases a focus on how leadership builds confidence in the future. Leadership is not just about individual effectiveness. It's also about delivering value today and in the future. Finally, our logic builds a business case for leadership and ensures ongoing investments in good times and bad. Our experience is that when the logic is about improving individual leaders, investments typically stop when business conditions demand cost efficiencies. If leadership is an organization capability, then thinking about alignment is a legitimate topic.

Few doubt that alignment is a good thing. Alignment means that an organization's strategy can be translated into a firm, leadership, and personal brand. What I am known for as an individual in my organization can be matched to the strategy of the organization.

Horizontal alignment means that the brand shifts external expectations from customers, investors, and other stakeholders into employee actions. In this regard, a firm brand becomes a company's culture, a leadership brand becomes a customer-centric competency model, and a personal brand comes when an employee thinks like a customer of the firm.



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This article builds on Dave and Norm's latest book, "Leadership Brand: Developing Customer Focused Leaders to Drive Performance and Build Lasting Value," which has just been published.