leadership obviously matters, its importance varies with the context. But how do you determine effective leadership and identify leaders to emulate or to avoid? The answer matters a great deal. There are many views and complex dynamics, much of which are grounded in dubious research.

Simplification is the ultimate sophistication, said Leonardo da Vinci. The massive leadership industry is anything but simple. Part of the complexity is due to the thinly disguised self-interest of those in the leadership business.

Every self-proclaimed guru or author typically, with no significant leadership experience, seek to define effective leadership in a manner that plays to their particular solution or orientation. An effective leader undoubtedly has to be able to create impact. But what type of impact? Simple one way is to look at the two dimensions in which most leaders operate — external and internal to the organisation.

External impact relates to financial results, market share, customer experience, share price performance and the like. The standard modus operandi is to study these externally and to attribute the outcome to the leader under question.

It is generally observed that if things go well, leaders are quick to take credit. The favourable tail winds are conveniently ignored but they matter greatly. This ignores the myriad macro reasons that influence performance, which often makes most of the difference. Leadership gets confused with culpability. This process of identifying effective leaders is riddled with flaws.

The next near-death leap of faith is to retrofit reasons for a leader’s success, which are opaque at best. A rose-coloured walk down memory lane by a leader or researcher often completes the backstory where a narrative is created to explain the underlying story. In all this supposedly rigorous research, vital question go unasked. Were there other leaders who had the same attributes and were not successful? This is never addressed, which is a big flaw. Can the so-called lessons gleaned from so-called effective leaders be replicated? The promise is that they can. But it is a promise that is impossible to verify. Internal impact rarely gets much attention and is a much better reflection of effective leadership. And the impact that matters most is on people. For all the talk about leadership, the other side of coin is followership, which is rarely discussed.

What exactly is followership? It is whether people in the organisation want to willingly work for a leader. Will they follow the leader to another organisation, all things being the same? Ganging followership is relatively simple since one can ask some direct questions and get unambiguous answers. One organisation I know uses followership as a critical determinant for promotions. This organisation has motivated employees with little internal politics and is a consistent leader in its field. Another organisation I am very familiar with is dominated by politics and upward management and an excessive reliance on external impact to place individuals in leadership roles.

Leaders have mastered the art of taking credit for tail winds. Employees succumb under the hypercyber and double talk. More than half the executive leadership would fail the test of followership miserably.

What creates followership? It is more than just being popular or likeable. It is more than having monetary advantage. It depends upon wider company factors rather than the leader alone. People in an organisation will want to follow you if you combine smarts with fairness, trust, genuine care and helping individuals succeed professionally, to name a few.

If a leader plays politics, treats people disrespectfully, is self-centred, hypocritical and the like, most employees would not work for such a leader. It is remarkable how many individuals who are in leadership positions do not meet the test of followership.

Another issue that is replete with fairy tales is how one ascends to a leadership role. When interviewed or asked to share their experiences, many leaders either suffer from self-delusion or amnesia regarding what got them to the top. Rewriting history in a common past is forgotten. Forgotten is the context on the board, luck, connections, skill at internal politics and the like.

Recently, a CEO I know was giving career guidance to his employees and emphasised the need to be modest, to focus on their jobs and to let their good work speak for itself. Remarkably, he seemed to have forgotten the self-promotion he engaged in over a long period of time. Researchers, authors and leadership purveyors never uncover these inconvenient facts since it interferes with the predetermined narrative. Since skill is generally a given, selection often depends upon superficial factors of perception.

But if you asked followers, the real story would be easily revealed.

As a US politician once said, “Every politician wants you to believe he was born in a log cabin that he built himself.” It is simply not true. All leaders have blunders and often skeletons in their closet, which is a reality and should not be a surprise.

The real issue is the attempt to portray leaders as personifications of perfection. Looking primarily through the lens of external impact to identify effective leaders can be perilous. A far better way to identify leaders to promote and emulate is to check their followership. This simple measure is the ultimate sophistication.

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Important to know how trust is linked to your growth

FROM PREVIOUS PAGE

is relevant and specific to trust-building. In this day, given your organization and how much, and in what areas you are falling behind your peers. Also, who are the stakeholders you need to concentrate on you clearly can’t be all things to all people.

Your business model may have a bearing on who trusts you more as observed from the trust profiles of our Building Trust Awards finalists. KIC organisations tend to have stronger trust with their customers while B2B organisations perform better among their investors.

As our finalists are large public-listed companies, it wasn’t surprising that most of them performed well in investor trust, considering their efforts in engaging with investors via their reporting or investor relations activities.

As for customer trust, it was difficult to draw conclusions on performance without understanding the type of customers they engage with and the objective of such engagements.

Furthermore, their trust profiles with customers varied based on the sector they are in. Based on our experience, there are innovative ways to engage a diverse group of customers these days, from social listening to monitor online conversations and introducing online chat services to respond faster to customer feedback/complaints, to offering more customised services to meet the customers’ individual needs.

As illustrated in the earlier pharmaceutical company case study, how much trust you need to achieve your business objectives and your approach to doing it varies with each stage of your business cycle and the stakeholders you interact with.

Your performance continually be tested through events beyond your control in this volatile environment. Hence, it’s important to know how trust is linked to your growth so that you can be more tactical in planning where (and whom) to spend your efforts on.

Having a good understanding of how trust leads to your growth can help you to be prepared for ambitious business cycles and eventualities. With better control over your future, you can turn trust into an organisational asset, where you realise tangible return on investment from it — significant returns that will see you through both buoyant and challenging business environments.

Indeed, there are clear benefits to measuring trust, contributing directly to your wider business goals. With the right planning and strategies, trust can flourish, sending out a strong message about your leadership as a brand and a business. So, make trust count and results will follow.

Pauline Ho is the assurance leader of PwC Malaysia

Playing from the same page

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To construct a strong new board for the benefit of the company, the chairman must earn on an honest assessment of the collective skills and attributes of the existing board. Only then can the company ascertain that the right expertise, experience or perspective that needs to be filled on its board. And only then can the search for the right candidate to fill the position begin.

So you see, there is little difference between populating an orchestra like the Malaysian Philharmonic Orchestra and that of a good company board. As with the musicians

in the orchestral pit, the board must comprise individuals of differing backgrounds, knowledge and skills.

Ensuring that these knowledge and skill sets contribute to the success of the company, the chairman, like the conductor, must ensure they are playing from the same sheet, employing the same positive mindset. Then and only then will they help produce music to the ears of their respective audiences.

Zakie Shariff sits on the board of two local universities and has a deep interest in developing strong corporate leaders

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My Say

BY CAROLINE FREUND

The case for higher estate taxes

A ccording to convention, a wisdom, inequality is an inevitable byproduct of strong economic growth. Talent, innovation and entrepreneur ship will inevitably capture the lion’s share of the income being generated and efforts to redistribute wealth can only be counter-productive because they weaken the incentives that drive an economy forward.

The truth, of course, is more complicated. Not all sources of wealth — and by extension all types of inequality — are the same. Indeed, the wealth that is created when new products, processes and technologies are introduced correlates with faster economic growth. But wealth obtained by other means has a much smaller effect, if any, on the economy. So, there is no reason it cannot be safely redistributed.

Consider, for example, the rise of a billionaire class, which many think represents the most extreme form of inequality. There are, essentially, four paths to becoming a billionaire: Company founders and executives, like Bill Gates and Jack Ma, are rich by providing useful products and services. Financial wizards, like George Soros and Warren Buffet, generated their wealth through smart investments. Politically connected businessmen, such as the Mexican telecommunications tycoon Carlos Slim or the Russian president Vlagi Al’tok-perov, used their influence to make fortunes through resource extraction, state-protected monopolies or the privatization of government property. Finally, many extremely rich people, such as Liliane Bettencourt and Christy Walton, inherited their money.

Company founders and executives make up the largest share of the world’s billionaires — nearly 40%. This is good news for economic growth, as this group creates millions of jobs and helps countries remain competitive in the global economy.

But make up the second largest percentage (30%), however, followed by financial wizards (20%) and politically connected business owners (10%). Because the economic benefits from these sources of wealth are more questions, government equipment that these funds should be protected from redistribution is far less compelling.

Smart economic policy should aim not only to reduce inequality but also to steer resources towards productive forms of wealth creation limiting less productive forms.

Far from being a drag on productivity, estate taxes could spur economic activity. As the 19th century industrialist Andrew Carnegie pointed out in his 1916 letter to the president of the Visible, estate taxes would financially benefit the less taxable and energies of the sun and hopes to make the economy more productive and less wealthy but life than he otherwise would be.

Indeed, US tax data from 1922 and 1923 indicates that individuals who receive large inheritances are significantly more likely to leave the labour force

Unsurprisingly, estate taxes are very effective at reducing inequality. The difference can be seen in a comparison between the US and Europe. American estate taxes have historically been higher than European taxes; they peaked at 77% in the 1950s and 1960s. As a result, American fortunes have tended to fade more rapidly.

Just a third of American billionaires inherited their wealth and fewer than 10% of these fortunes date back more than three generations. By comparison, more than half of their European counterparts inherited their wealth and 20% of those fortunes are more than three generations old.

Tackling inequality is shaping up to be one of the defining challenges of the coming decade. As policy makers around the world, there is no reason that estate and inheritance taxes should not be at the top of their list.

Caroline Freund is Senior Fellow at the Peterson Institute for International Economics

Smart economic policy should aim not only to reduce inequality but also to steer resources towards productive forms of wealth creation limiting less productive forms.