

Do good leaders make a difference to the bottom line?

Much has been written about the virtues and qualities of “good” leaders as compared to “poor” leaders. Most everyone has encountered both effective leaders and ineffective leaders at some time in their working career. One question I’m often asked is, “do good leaders make a difference to the bottom line?” The answer is yes. John H. Zenger and Joseph Folkman, authors of *The Extraordinary Leader* (McGraw-Hill, 2002; <http://www.zfco.com/>) conducted extensive research regarding leadership effectiveness. Zenger and Folkman used a comprehensive 360 evaluation to segment their leader database (200,000 individuals) into the bottom group, the middle group, and the top group (the top 10 – 20 percent). Their research validates that effective leaders (top 10 - 20 percent) make a difference to the bottom line. Here is a partial summary of their findings:

- **Employee turnover**
 - Bottom 30 percent of leaders had 19 percent employee turnover
 - Middle 60 percent of leaders had 14 percent employee turnover
 - Top 10 percent of leaders had 9 percent employee turnover
- **Customer satisfaction**
 - Bottom 20 percent of leaders had 21 percent customer satisfaction
 - Middle 60 percent of leaders had 50 percent customer satisfaction
 - Top 20 percent of leaders had 82 percent customer satisfaction
- **Net profits**
 - Bottom 10 percent of leaders had a net profit LOSS of \$1,176,454
 - Middle 80 percent of leaders had a net profit GAIN of \$2,384,588
 - Top 10 percent of leaders had a net profit GAIN of \$4,516,974

The last statistic of net profit gain is remarkable. Zenger and Folkman found that the top 10 percent of leaders generated more than DOUBLE the net profit of other 90 percent of leaders combined. The bottom line – effective leaders do make a difference.

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