



Credible Leaders Boost Engagement and Productivity

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Manager/employee relationships require four components to work in sync in order to thrive and boost business outcomes, says business psychologist Sebastian Salicru.

In a paper he presented at an Institute of Public Administration Australia (IPPA) event, Salicru proposed "a new leadership model for our times - the leadership contract".

He says the current challenges businesses face - including unprecedented change and uncertainty, and demand for high levels of innovation - can only be met with "extraordinary leadership - leadership that has integrity and is holistic, ethical, authentic, responsible, adaptive and results-driven".

Employers need to understand the factors that affect the relationships between leaders and their constituencies (followers or collaborators), he says, and "the leadership contract provides this understanding".

Salicru, a business and performance psychologist at PTS Consultants, says the leadership contract (LC) is based on the concept of the psychological contract (PC), which lies at the heart of any human relationship. The PC "describes the unwritten bargains that exist in relationships, and is one of the most emergent topics in organisational research".

Its unspoken expectations might not be clearly voiced, but "they are real and pervasive - and they drive behaviour", he says.

"In fact, like the LC, the PC resides in the interaction between individuals, rather than in the individuals themselves."

Salicru says the four components of the leadership contract are:

1. **The leader's promise - the contract makers**

This is "the nature of the deal" and comprises two contract-makers - the leader's values or principles, and their behaviours, Salicru says.

A leader's promise begs a number of questions implicit in followers' minds:

- Who are you for them?
- Why should they follow or even listen to you?
- What possibilities and hope do you offer them?
- What's important to you?
- What do you stand for?

"The answers to these questions are critical," he says. "Even if unexpressed or unarticulated, they are the criteria against which your followers will later assess whether you have fulfilled their expectations."

2. The leader's credibility - the contract's health

A leader's credibility is the "delivery of the deal", Salicru says. It comprises whether they meet their followers' expectations; how much they are trusted; and how fair they are perceived to be in all affairs.

The questions that followers will consider include:

- Are you walking your talk?
- Are you putting your money where your mouth is? and
- Are you delivering what you were expected to deliver?

3. Leadership impact - The consequences of the contract

This element comprises four leadership outcomes that relate directly to followers' behaviours:

- commitment - the force that binds a leader and their people together, and that is related to the strength of followers' emotional involvement with their leader and his or her cause;
- satisfaction - the extent to which followers are pleased to be working with the leader;
- discretionary effort - working beyond what is expected or required (including helping others, volunteering for additional duties, looking for ways to perform more effectively, sharing information with others, and voluntarily thinking about work problems and challenges outside working hours); and
- innovation - coming up with or adopting new ideas and/or practices. Salicru says innovation can yield up to a 20-fold return on investment, and encompasses searching out new technologies, processes or concepts; generating creative ideas; implementing new ideas; promoting and championing new ideas; and developing plans and schedules for implementing new ideas.

"These four outcomes impact team and organisational performance in ways that make the difference between achieving average and superior performance."

4. Results - Extraordinary performance and outcomes

When the first three components of the LC are strong, the results component steps beyond the "mediocre, average or business-as-usual", Salicru says.

A healthy leadership contract translates into solid intentions by employees to remain in the employment relationship, Salicru says, "This, in turn, translates into high levels of employee engagement and retention rates, and low turnover."

"Conversely, a poor or unhealthy contract (low level of leader credibility) leads to low levels of follower commitment, satisfaction, effort and innovation. This translates into mediocre or poor performance. And it also translates into low employee engagement and retention, and high turnover."

He recommends that employers measure the strength of their leadership contracts to provide "clear indicators of your leadership strengths and shortcomings", and address development needs through leadership coaching.

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