

Leadership's Impact on Organizational Climate

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INTRODUCTION

The changes in management of dairies include the shift in how we manage personnel in order to get the most out of their potential and passion for work. Dairies no longer have the same access to personnel applying as in years past. Changes in immigration reform are a risk to the labor pool available to dairies. Leadership and its impact on the entire employment cycle is one of the talent management aspects for managers to influence in their day-to-day operations, impacting results and the bottom line. The direct relationship of specific leadership behaviors on employee engagement raises the importance of the role of managers on employee productivity.

THE CASE FOR WHY PAY ATTENTION TO LEADER'S IMPACT

Must we make the case for why we should pay attention to the impact leaders have on their enterprise culture? For one, when leaders' behaviors negatively impact employee engagement, productivity goes down, which impacts the bottom line. The spectrum is wide for how leaders see their role in creating an organizational culture, from those who don't see that this matters, to those already doing great things to increase engagement. The reality our industry faces is that employees are just not coming around looking for jobs as much as they used to. We were spoiled for a number of years in that regard. Many owners and managers in the industry complain about the lack of applicants.

LEADERS DIRECTLY IMPACT CLIMATE AND CULTURE

It is well documented today that leaders and their styles and communication directly impact employee engagement, climate, and culture. Think about it, employees in any enterprise interact at different levels with their leaders, they are always looking to their behaviors and their words. This has been demonstrated in a Dutch study (Koene et al., 2002) where they examined the effect of different leadership styles on 2 financial measures of organizational performance and 3 measures of organizational climate in 50 supermarket stores of a large supermarket chain in the Netherlands. Their findings show a clear relationship of local leadership with the financial performance and organizational climate in the stores. The findings also show that the leadership styles have differential effects. Charismatic leadership and consideration have a substantial effect on climate and financial performance in the small stores, suggesting the relevance of personal leadership of the store manager in these small stores.

More than 60 y of research by the Hay Group shows that your leadership makes the biggest difference in team performance. Your behavior can create – or undermine – a climate of motivation, innovation, and productivity for your dairy team members. And the leadership styles you use can influence this climate by as much as 50 to 70 %.

Nothing saps performance like a bad team atmosphere. And the difference between a good and bad climate comes down to your leaders and how they behave.

It should be clear to you that at the dairy, we know our employees do better when they are motivated, involved, and clear about the job to be done. It's easier to give extra effort. But what makes a team productive?

Hay Group research shows that business performance can improve by up to 30 % when employees experience a great climate: energizing work, a positive atmosphere, and feeling part of their team's success. And a leader's behavior is the biggest factor in creating the right climate for their team. Improve your leaders' effectiveness and you'll improve business performance. The best leaders create a climate that motivates their team. Regarding leadership styles, most leaders I come across on dairies are not self-aware or aware of the different leadership styles. Hay Group research shows that the world's top leaders draw on a repertoire of 6 different leadership styles; they change their approach according to the situation, the challenge, and the person they're dealing with at any given time. Most of the time, leaders are drawing on 1 or 2 leadership styles they have become used to using, and are probably very comfortable with, it is a habit.

STRATEGIC VERSUS OPERATIONAL FOCUS

Most dairies across the industry maintain an operational focus on human resources (**HR**). It is understandable, cows have to get milked, fed, bred, and managed. People help us complete those tasks. People have to get paid and their schedules managed. This traps most dairy managers and owners into the daily grind and operational focus,

not leaving any time for thinking more strategically; i.e. taking on the big perspective for helping them solve some of their current talent management challenges. Take organizational development and training for example. What percentage of dairies take an operational approach to problems, like a mastitis problem? Do they chose training employees on the milking procedure and cleanliness, or even what is mastitis and how it is caused, versus a more strategic approach of asking a larger question on what development does the workforce need for the next fiscal year (which does likely involve training, but involves much more). As leaders take a more strategic focus for themselves, they can step back and work on the larger issues facing the dairy. One focus area is to be clear on what the main strategy is for people. You have strategies (or objectives) around levels of production, milk quality, and reproduction. Now you need to add a strategy or objective around people; whatever your focus will be for the year or next couple of years.

THE LEADER'S ROLE IN EMPLOYEE ENGAGEMENT AND PRODUCTIVITY

The era of trying to use techniques or gimmicks here and there to improve employee motivation is gone. Also, the era of pretending that my own leadership as a dairy leader doesn't impact climate, is also gone. Any business trying to make a dent in talent management must work on making their leaders self aware. Gostick and Elton (2009) have found in some studies that close to 50 % of an employee's engagement is driven by the quality of the relationship with their supervisor. They found, thru their research across different industries globally, how 5 fundamental behaviors of leaders impact engagement directly. When

expressed by employees, these behaviors include:

- a. My leader establishes trust with me: one of the key drivers in developing long lasting relationships.
- b. My leader communicates with me constantly: another key driver in developing long lasting relationships, but also the role of continuous feedback (about 50% of the total communication needed from their leader)
- c. My leader works with me to establish SMART goals. We work to fine tune goals for our work.
- d. My leader holds me accountable: this accountability is held both ways, supporting communication and trust.
- e. My leader recognizes my work: he/she sees me, tells me specifically what I am doing to support results.

Many organizations have focused their leaders on developing these qualities and have changed the percent engagement in their organizations, increasing productivity, and impacting the bottom line positively.

LEADERS AND THEIR IMMEDIATE TEAM OF MANAGERS/SUPERVISORS

In large part, the effectiveness of leaders on a dairy hinges on their effectiveness of managing their immediate team of managers or supervisors, and then in turn those managers managing their supervisors and supervisors managing their teams. Part of the operational focus that top leaders have many times, keeps them in the woods, going to the front lines even when they have middle managers/supervisors in place. In fact, the one team they need to work with most of the time is their direct team of managers and/or supervisors. Top leaders need to focus time and effort with that team, which is likely to be 5 to 8 people tops.

TRUST AS THE LUBRICANT TO MAKING THINGS HAPPEN

Warren Bennis, one of the most impactful leadership Gurus of the last decades put it perfectly, “trust is the lubrication that makes it possible for organizations to work.” We saw above how developing trust in your organization can have a direct impact on the organizational climate, and on engagement. This is such a soft skill that many times dairies don’t pay sufficient attention to developing it. Think about what trust makes possible. Trust allows you to be able to delegate work to your managers/supervisors. Trust allows you to have conversations that matter, that focus on feedback, be able to say what needs to be said. Trust allows you to let go of control and let others do what they need to do. You then can focus on the strategic, more important aspects of the current and future needs of the dairy. And when everyone around your dairy sees you modeling and practicing trust, they in turn trust back, thru the thick and thin of dairying these days. And this trust creates followership.

THE ROLE OF THE LEADER IN SUPPORTING THE ON-BOARDING PROCESS

Leaders of a dairy, more than anyone else, should have intricate involvement in the entire employee experience including talent acquisition and retention. From speaking to many out there about the company, to being constantly recruiting, instead of only when recruitment is urgent. Leaders need to have the skills of recruitment, selecting via experiential interviews, and getting involved in talking to new employees during orientation. Forming strong relationships during the on-boarding

process with key people so that feedback can be provided all the time is imperative, particularly for those reporting directly to you. The entire employee experience, from applying to jobs on the dairy, thru the first 90 d of employment, should be directly supported by the top leaders. This impacts engagement of employees, early in their entire work life at your dairy.

THE LEADER'S ROLE IN MEASURING – METRICS

Successful dairies achieve their results in part because they are able to measure the impact of the work on results. Metrics for the talent management or HR part of your business has become a must. It is not enough anymore to just continue to hire, try to retain, and fire people. Your role as a leader must also include measuring aspects of HR, not just production measures.

Some of the metrics dairies can measure are:

- 1. Time to hire (avg time per hire).**
This is a key metric for recruitment for a dairy. This metric shows the efficiency of the recruitment process and provides insight into the difficulty of filling a certain job position at the dairy.
- 2. Cost per hire (total cost of hiring/the number of new hires).**
Similar to the time to hire, the 'cost per hire' metric shows how much it costs the dairy to hire new employees. This also serves as an indicator of the efficiency of the recruitment process.
- 3. Early turnover (% of recruits leaving in the first year, first 6 mo., first 3 mo., first month).** This is probably the most important metric to determine hiring success in a dairy. Early turnover is also very expensive. This metric can indicate whether there is a mis-match

between the person and the dairy or between the person and his/her position. What is it that we are doing on dairies that results in the highest early turnover being experienced in the parlor? It usually takes weeks to months before employees have fully learned the ropes and reach their optimum productivity level. The cost of this turnover is important to assess for a dairy.

- 4. Time till promotion (avg time in months until internal promotion).**
This straightforward metric is useful in explaining why your high potentials and high performers leave the dairy.
- 5. Revenue per employee (revenue/total number of employees).** This metric shows the efficiency of the dairy as a whole. The 'revenue per employee' metric is an indicator of the quality of hired employees. I have also seen on dairies a metric around pounds of milk shipped/employee, for milking employees. Similar metrics can be used in feeding, breeding, etc.
- 6. Performance and potential (the 9-box grid).** The 9-box grid is a tool helpful in measuring and mapping both an individual's performance and potential in 3 levels. This model shows which employees are underperformers, valued specialists, emerging potentials, or top talents on a dairy. This metric is great for differentiating between, for example, wanted and unwanted turnover. A dairy's top leadership should consider using this tool to map talent once a year.
- 7. Engagement rating.** An engaged workforce is a productive workforce on a dairy, or on any business for

that matter. Leaders must know how specific behaviors of theirs impact engagement, as mentioned above. Engagement might be the most important *soft* HR outcome. People who like their job and who are proud of their company are generally more engaged, even if the work environment is stressful and pressure is high. Engaged employees perform better and are more likely to perceive stress as an exciting challenge, not as a burden. Additionally, team engagement is an important metric for a team manager's success. There are several tools available out there to measure engagement (Galvez, 2018).

8. **Cost of HR per employee (e.g. \$ 600).** This metric shows the cost efficiency of HR expressed in dollars.
9. **Ratio of HR professionals to employees (e.g. 1:60).** Another measure that shows HR's cost efficiency. A dairy with fully developed analytical capabilities should be able to have a smaller number of HR professionals do more.
10. **Ratio of HR business partners per employee (e.g. 1:80).** A similar metric to the previous one. Again, a set of highly developed analytic capabilities will enable HR to measure and predict the impact of HR policies. This will enable HR to be more efficient and reduce the number of business partners.
11. **Turnover (number of leavers/total population in the organization).** This metric shows how many

workers leave the dairy in a given year. When combined with, for instance, a performance metric, the *turnover* metric can track the difference in attrition in high and low performers. Preferably you would like to see low performers leave the dairy and high performers stay. This metric also provides HR business partners with a great amount of information about the departments and functions in which employees feel at home, and where in the organization they do not want to work. Additionally, attrition could be a key metric in measuring a manager's success.

12. **Absenteeism (absence %).** Like turnover, absenteeism is also a strong indicator of dissatisfaction and a predictor of turnover on a dairy. This metric can give information to prevent this kind of leave, as long-term absence can be very costly. Again, differences between individual managers and departments are very interesting indicators of (potential) problems and bottlenecks.

As you can see there are a lot of different examples of HR metrics. While some metrics are easier to implement than others, all of them provide insights into the workforce and HR. Combining these insights will prove vital for making substantiated decisions with proven impact.

CONCLUSIONS

Leaders on dairies must know the impact they create in their organizational climate and culture.

- Beginning with working on being more self-aware of their own leadership styles and learning about other styles,

- Continuously working on specific behaviors that drive engagement, and then
- Moving to actually measuring the impact of self on culture.

Leaders can and should work on evolving their behaviors so that they can create the best impact on productivity and results.

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