

# Leadership and Performance: Receiving Returns on Investments Into People

By [Nadezhda Diakonova](#)

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## Nadezhda Diakonova

Senior Consultant

Hay Group

Companies working on the Russian market have delivered impressive results over the last few years. Striving to get the best people, companies were historically focusing on material reward. The predominant mentality was "why invest in people if they would leave anyway while enough cash is available to buy replacements?" This approach, combined with a lack of qualified resources on the market, led to constant increases in the size of compensation packages; the speed of that growth was significantly higher in Russia than in Europe or the United States, even during the crisis period and after it. Employees were readily responding to opportunities to build very quick careers and to double or even triple their incomes in a very short period: The average employee stays in a company for only three years on our market.

The assumption that most companies made when stepping into that type of "war for talent" was that money was the key driver needed to make people deliver their best. However, as each of us knows from our own practical experience, money can bring us to a company, but it will never be enough to make us feel fully dedicated and committed to go the extra mile.

What is it then that motivates people to perform at their best and stay longer with a company? Studies show that when people are both engaged and enabled, performance increases dramatically. Here is how top organizations achieve this.

- Know who you are: Hay Group survey "Best Companies for Leadership" shows that top rated firms all share clarity of mission and identity. Nearly 90 percent of them have developed an explicit employer brand compared to only two-thirds of peers.
- Spend wisely: The world's "most admired companies" resist the temptation to set purely financial measures for success, focusing instead on metrics that work for the long term: teamwork, customer loyalty, building human capital.
- Inspire your people: The best companies empower their employees to behave like leaders, compared with only two-thirds of peers, as well as setting store by leadership qualities such as inspiration and teamwork.

As we can see, success all comes down to the quality of leadership in the organization — something that Russian companies actually do not typically use to measure their success or benchmark themselves against. Russian companies are sitting on large reserves of untapped efficiency and productivity, which they are yet to unleash from their employees. Having analyzed the results of assessment and development work in Russia, we see that every second employee in Russian organizations is working in a demotivating climate created by the employee's immediate manager.

To access these reserves, organizations should help their managers create a work climate that fosters a culture of high performance within the organization. This type of climate is reliant on the leadership styles that managers use when dealing with employees on a day-to-day basis. Investing into development of your leaders, helping them identify and develop specific behaviors needed for success in different roles and in different organizations would definitely help our companies grow further and deliver on promises made to their shareholders.

Creating a motivating climate within an organization can typically increase bottom line performance by up to 30 percent. If our organizations were to concentrate on improving the climate in the workplace, they could relatively easily benefit from this type of performance increase.

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