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The Importance of Investing in Leadership

By Lani Van Dusen

Many equipment leasing and finance organizations have been investing in leadership, but at varying levels. This article provides evidence that the level of investment has a direct relationship to the level of leadership effectiveness. In turn, the level of leadership effectiveness has a direct relationship to organizational performance.

The Impact of Alternative Finance on the Equipment Finance and Leasing Industry

By Charles B. Wendel

Alternative finance companies are increasing their lending. This article examines why and describes their typical business models. It also looks at how they can best work with equipment leasing and finance firms to serve more borrowing clients and increase revenues.

Special Considerations For Perfection Opinions Covering Electronic Chattel Paper As Collateral

By Margo H.K. Tank and R. David Whitaker

The equipment leasing industry is expanding its use of electronic records and signatures to document equipment leases. Inclusion of electronic chattel paper in a perfection opinion will require the attorney preparing the opinion to understand both the structure for establishing "control" under UCC Section 9-105 and the technology platform being used to manage the electronic chattel paper and transfer control.

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The Importance of Investing in Leadership

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Many equipment leasing and finance organizations have been investing in leadership, but at varying levels. This article provides evidence that the level of investment has a direct relationship to the level of leadership effectiveness. In turn, the level of leadership effectiveness has a direct relationship to organizational performance.

Editor's note: This article is based on the December 2014 Foundation study by the Full Circle Group titled Leadership—The Next Productivity Frontier. The study is available at www.leasefoundation.org.

In today's volatile and competitive market, equipment leasing and finance organizations are looking for ways to meet the challenges. One promising possibility is for leadership to evolve in a way that is both intentional and capable enough to effectively capitalize on the opportunity embedded in the complexity. This evolution requires a substantial investment in leadership and begs the question, Is there a notable return on this investment? The purpose of this article is to answer this question by isolating the relationship between investment and leadership effectiveness and between leadership effectiveness and organizational performance.

The findings presented in this article are based on a larger research study conducted by the author during 2014 for the Equipment Leasing and Finance Foundation. The Foundation

recruited 26 organizations of varying size and type to participate in the study. Data were collected using three methods:

1. Individual interviews were conducted with executives from all 26 equipment leasing and finance organizations to assess the nature and scope of leadership challenges, current investment strategies, satisfaction with leadership development efforts, and perceived impact of leadership.
2. Key performance indicators from organizational documents (e.g., annual reports) and extant data (e.g., customer satisfaction survey results) were reviewed and summarized for 20 of these organizations, providing a measure of current organizational performance.
3. The Leadership Culture Survey™, which is a professional assessment tool for

measuring the competencies and styles of the leadership culture. It was administered to 162 leaders in 17 of these organizations. This instrument validly and reliably measures both ideal and actual leadership effectiveness and provides a percentile score that compares performance results with that of a nationally normed database of leaders from across industries.

Details about the methodology employed as well as additional findings beyond the scope of this article can be found in the Foundation report titled *Leadership—The Next Productivity Frontier*.

CHARACTERISTICS OF EFFECTIVE LEADERSHIP

To fully comprehend the impact of investing in leadership, it is

important to understand what effective leadership looks like. The top 10 leadership competencies consistently identified as necessary for success in the equipment leasing and finance industry include:

- **Sustainable productivity.** Leadership achieves results in a way that maintains or enhances the overall long-term effectiveness of the organization. This includes the ability to balance human and technical resources and to maintain a long-term perspective that permits the organization to build on achievement as opposed to simply maximizing temporary gains.
- **Decisiveness.** Leadership makes decisions in a timely manner and is comfortable moving forward in uncertainty. This includes the ability to focus quickly on the key issues and to make efficient use of data to arrive at decisions.

- **Fosters team play.** Leadership fosters high-performance teamwork across the organization. This includes the ability to create a positive climate that supports people doing their best.
 - **Strategic focus.** Leadership establishes and follows a thorough discipline of strategic planning that focuses the organization on the “right stuff.” This includes an understanding of the organization’s strengths and weaknesses as well as current market trends, and the ability to use this understanding to develop business strategies that will be successful in the marketplace.
 - **Purposeful and visionary.** Leadership provides a clearly communicated organizational purpose and vision, aligns the organization, and models commitment to this direction. This includes the ability to remain optimistic, see the possibilities (through thinking outside the box), and inspire others to follow along.
 - **Interpersonal intelligence.** Leadership interacts effectively with others, demonstrating trust and respect. This includes the ability to engage others through listening skills and honest and direct feedback.
 - **Mentoring and developing.** Leadership enhances the professional growth of others through mentoring and providing development opportunities. This includes empowering employees to take on challenging tasks and delegating to them the responsibility for completing tasks.
 - **Composure.** In the midst of conflict and high-tension situations, leadership remains composed and centered. This includes the ability to handle stress and pressure well by maintaining a calm, focused perspective.
 - **Personal learner.** Leadership demonstrates a strong and active interest in learning and notices when a new direction is needed. This includes the ability to learn from mistakes and a willingness to remain open to change.
 - **Courageous authenticity.** Leadership is willing to take risks and deal with challenges head on. This includes the ability to confront others in a constructive manner and surface issues so that problems can be resolved quickly.
- Taken together, these competencies suggest that effective leadership creates a compelling

vision, and then translates that vision into strategies, strategies into goals, and goals into actions that achieve results. This is accomplished through leadership skills in developing individuals and teams, creating a supportive climate that inspires others to strive and improve, and establishing cooperative collaborations through effective communication and interpersonal abilities.

NATURE AND SCOPE OF LEADERSHIP INVESTMENT

The key aspects of leadership investment can be classified into three categories: financial and strategic commitment, professional development practices, and performance and feedback. However, within these areas, the form and level of investment varies widely among equipment leasing and finance organizations. Examples of high-level and low-level investment in each of these areas are included in Table 1.

Financial and Strategic Commitment

Commitment reflects the extent to which an organization has incorporated leadership into its

organizational identity. This category includes:

- Budgetary considerations
- Strategic goals for leadership
- Level of, and amount of support for, participation in leadership development

For some equipment leasing and finance organizations, a focus on leadership has become an integral part of the business. These organizations strongly encourage and support leadership development, including creating a line item for development in the budget and providing numerous opportunities for employees to engage in development activities. Other equipment leasing and finance organizations, particularly startup companies, are just now becoming aware of the importance of leadership and they have yet to set organizational leadership goals or budget for leadership work.

In addition, equipment leasing and finance organizations with hierarchical structures (e.g., banks and larger independents) are more likely to embrace the need to address leadership and budget accordingly than organizations with flatter structures (e.g., smaller independents)

that may only have a few leaders or owners and little or no potential for promotion among the employee population. However, there are some notable

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exceptions among flat-structured organizations, in which leadership strategy includes providing professional leadership training to all employees, regardless of function or position in the organization, as a way of improving overall organizational performance.

Professional Development Practices

Most of the leadership investment an organization makes is centered on providing opportunities for leaders to develop and improve the quality of their

Table 1. Distinctions in Nature and Scope of Investment in Equipment Leasing and Finance Organizations Making High-Level or Low-Level Investments in Leadership

Area of investment	High-level investment	Low-level investment
Financial and strategic commitment	<ul style="list-style-type: none"> ■ Leadership development is one of the “Top 5” priorities. ■ Operating budgets include monies committed to leadership development. ■ Has an articulated leadership strategy or widely accepted practices that have been communicated throughout the organization. ■ Encourages or requires all leaders in the organization to engage in leadership development. ■ Provides two or more weeks of time for professional development. 	<ul style="list-style-type: none"> ■ Leadership development is not a priority (or is outside the “Top 10”). ■ No specific budget has been developed for leadership work and when required, money is taken from discretionary funds. ■ Has no leadership strategy or organizational goals related to leadership. ■ Leaves it up to individuals as to whether or not they pursue leadership development. ■ Provides less than one week of time for professional development.
Professional development practices	<ul style="list-style-type: none"> ■ The organization has identified internal resources or external partners that are dedicated to facilitating leadership development. ■ Leadership performance is regularly assessed and used to tailor professional development. ■ Uses many different development approaches, with a heavy emphasis on peer coaching and mentoring and includes both individual and collective leadership training in which leaders throughout the organization work on common goals. ■ A significant portion of professional development content is focused on leadership skills and closing leadership effectiveness gaps. ■ Potential leaders are identified and placed into accelerated development programs. 	<ul style="list-style-type: none"> ■ Leadership development occurs on a catch-as-catch-can basis. ■ Professional development is based on canned programs or left up to the individual to determine. ■ When professional development is offered, it is typically focused on individual improvement and relies heavily on didactic and on-the-job training. ■ Most professional development content is focused on operational training (e.g., systems, processes, and techniques). ■ Has not addressed talent awareness.
Performance and feedback	<ul style="list-style-type: none"> ■ Leadership development is a formal part of the performance review process. ■ Leaders create individualized development plans and solicit feedback on progress. ■ Leaders regularly meet together to discuss leadership issues and hold one another accountable for results. ■ Both direct and indirect measures of leadership performance are assessed quarterly or yearly. 	<ul style="list-style-type: none"> ■ There is no accountability for performance specifically tied to leadership improvement. ■ Indirect measures of leadership performance (e.g., customer and employee satisfaction surveys) are assessed every three to five years, or not at all.

Source: Based on findings from the Foundation study conducted by the author.

skills and performance as a leader. This includes investments focused on:

- Acquiring resources for delivery of professional development
- Choosing and implementing a development approach(es)
- Selecting and/or tailoring development content
- Identifying potential leaders to include in a development program

Some equipment leasing and finance organizations use an informed and intentional approach to leadership development. These organizations spend extensive time in generating a comprehensive development plan based on assessments of the performance and needs of their leaders. They are thoughtful about the specific approaches they will employ, being sure to include interpersonal approaches (such as peer coaching) that foster deeper leadership conversations. They also tailor content to address both individual and collective leadership goals so that leadership for the entire organization improves.

Other equipment leasing and finance organizations fly by the

seat of their pants, spending much less time and resources on professional development practices. These organizations tend to rely more on prescribed development programs, which are typically focused on operational goals for improving business systems, processes, and techniques. Such practices require less investment but also run the risk of not effectively targeting leadership needs.

Making significant investments in this area can be costly in terms of both time and resources. As a consequence many equipment leasing and finance organizations—particularly smaller organizations that do not have an HR department and large companies with multiple offices requiring coordination of development efforts—choose to focus only on individual development with a small group of leaders. However, there are exceptions—for example, one small, captive organization excels in providing both individual and collective training focused on common leadership goals.

Performance and Feedback

The final category of investment reflects the time and effort

Some equipment leasing and finance organizations have invested in formal practices that increase individual and collective accountability for leadership progress.

required to determine the success of leadership development efforts and to hold leaders accountable for progress. This category includes:

- Assessing leadership performance
- Providing feedback to leaders on areas in need of improvement
- Incorporating leadership goals and progress into business and team conversations

Some equipment leasing and finance organizations have invested in formal practices that increase individual and collective accountability for leadership progress. These organizations use a combination of measures (including performance reviews and 360-degree assessments—ratings from individuals in the leader’s work circle) to under-

stand what components of current leadership development are working well and where revision is needed. Further, individual leaders in the majority of these organizations are encouraged to develop a personalized plan for building on their strengths and addressing their challenges.

Other equipment leasing and finance organizations have made only minimal investments in this area, typically using feedback from corporate-generated satisfaction surveys to attempt to draw conclusions about the success of development efforts. The differences in investment in this area appear to have little to do with the size or type of organization and much more to do with the knowledge and capability of employees to design and implement meaningful assessment. Those organizations with significant investments in this area often rely on external resources to generate the necessary feedback.

RELATIONSHIP OF INVESTMENT AND LEADERSHIP EFFECTIVENESS

It is uncommon to find an equipment leasing and finance

organization with significant levels of investment in all of the areas mentioned above. It is equally uncommon to find such organizations that have not made at least a minimal investment in one or more of the areas described above. Although any given equipment leasing and finance organization may not look exactly like either the high-investment or the low-investment profile presented in Table 2, some equipment leasing and finance organizations closely resemble (differing by only one or two elements) the

two distinctive patterns. When the leadership effectiveness (as measured by performance on competencies) of organizations with a high-level investment is compared to that of organizations with a low-level investment, a significant, and perhaps not surprising, pattern of effectiveness emerges, as illustrated in Figure 1.

Clearly, the greater the investment in leadership, the more likely the most desirable leadership characteristics will be expressed. Interestingly, even

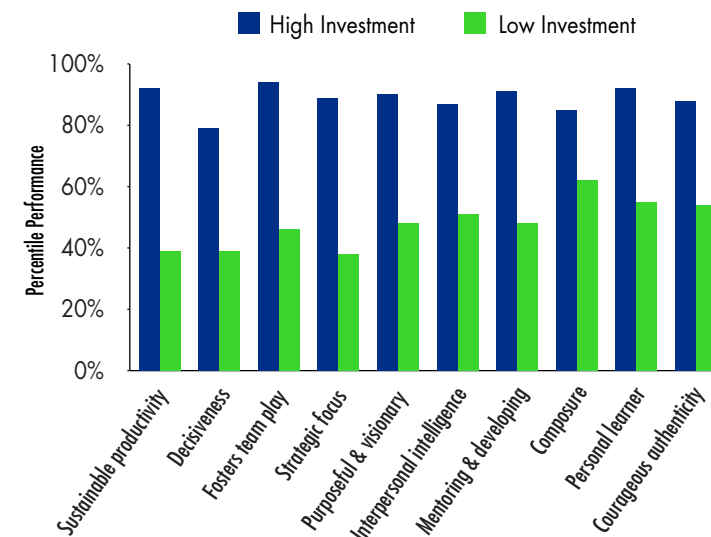
capabilities that may be a more innate expression of leadership, such as composure, appear to improve through concerted development efforts. Other related findings suggest that significant levels of investment result in:

- Quality leaders across all levels of the organization
- Better collective leadership, particularly in terms of leadership integration and communication

RELATIONSHIP OF LEADERSHIP EFFECTIVENESS AND ORGANIZATIONAL PERFORMANCE

As the performance of leaders improves, the impact leadership has on the organization increases. The correlation between leadership effectiveness performance and executive ratings of leadership impact in equipment leasing and finance organizations is illustrated in Figure 2. The correlation is quite strong ($r = .73, p < .002$) and suggests that leadership effectiveness accounts for 53% of the variance in impact on equipment leasing and finance organizational performance.

Figure 1. Leadership Effectiveness in ELF Organizations Making Either a High-Level or Low-Level Investment in Leadership



Source: Based on findings from the Foundation study conducted by the author.

Further, when comparing key performance indicators of equipment leasing and finance organizations with more and less effective leadership, several significant differences emerge, as summarized in Table 2.

Leadership is influencing these organizational outcomes in five key ways.

- **Leadership influences the culture in which employees work.** Effective leadership fosters a unified and empowered culture in which employees thrive and productivity soars. Less effective leadership produces a culture that is stale

and fractionated, with little trust and no open exchange of ideas. Further, because less effective leadership is often engaged in micromanaging the work, processes and results are slowed down, productivity suffers, and the ability to retain quality employees decreases.

- **Leadership sets the strategic direction for the organization.** Effective leadership creates a compelling vision, clearly communicates and engages workers around expectations, and ensures that there is alignment throughout the organization, increasing

the likelihood that organizational objectives and long-term results will be achieved. In contrast, less effective leadership lacks a clear understanding of where the company needs to go and how progress will be measured, focusing instead on leading from a firefighting mentality that drains resources and creates a demoralizing environment.

- **Leadership is one of the core drivers of organizational economic growth and positioning in the industry.** Effective leaderships stays alert to shifts in the market and is sensitive to customer/

shareholder needs and so can adapt to changes, solve problems quickly, and balance resources to meet customer needs. Less effective leadership is resistant to change, is unaware of current market trends, or lacks a customer focus, often operating from a survival mode. This in turn results in little growth and may ultimately spell the demise of the organization.

- **Leadership either reinforces or devalues the organization’s values by the example it sets.** Effective leadership serves as a good role model, subsequently

inspiring others to strive for excellence and continuous improvement. Less effective leadership does not always adhere to the organization’s values, subsequently increasing distrust and diminishing unity, often resulting in a lack of accountability and mediocre organizational performance.

- **Leadership is responsible for developing future leaders.** Effective leadership takes the time to identify potential leaders and develop that talent (often growing this talent internally), ensuring the sustainability of the organization.

Figure 2. Correlation of Leadership Effectiveness with Impact on Organizational Performance

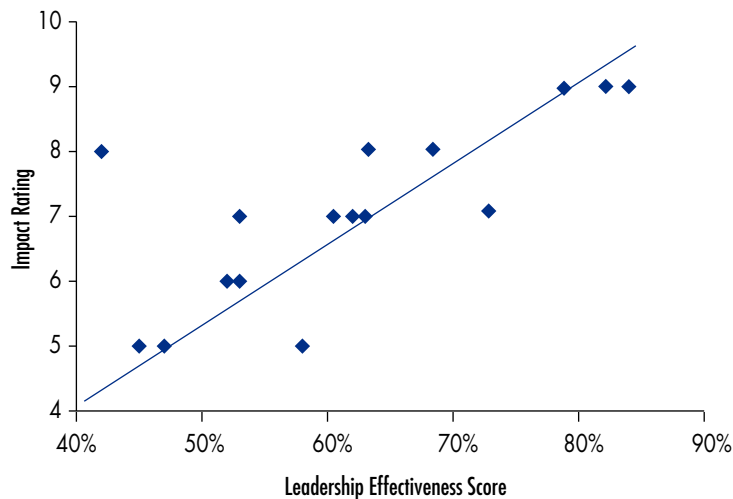


Table 2. Differences in Key Performance Indicators for Equipment Leasing and Finance Organizations with More and Less Effective Leadership

Equipment leasing and finance organizations with more effective leadership	Equipment leasing and finance organizations with less effective leadership
Growth in revenue in the last year averaged 11%	Growth in revenue in the last year averaged 2.7%
Turnover rates averaged less than 3%	Turnover rates averaged close to 6%
High employee satisfaction (typically in the 90–95% range) and good customer satisfaction, often accompanied by citations/accommodations from outside agencies	Often don’t measure employee or customer satisfaction and/or results are only moderately high
Innovative and quick to adapt	Slow to respond to changing conditions
Have leaders in the pipeline	Have no succession plan
Continuously high levels of employee productivity	Moderate or periodically high levels of productivity
Candid, frequent communications that keep everyone informed	Inauthentic communications that hide results
Culture is unified and strategically aligned	Culture is fractionated and leaders are working in silos

Source: Based on findings from the Foundation study conducted by the author.

Less effective leadership rarely engages in succession planning, which creates a leadership void that overburdens the few existing leaders (running the risk of burnout or low productivity) and discourages the retention of quality talent, who may see the lack of opportunity for advancement as a reason to seek employment elsewhere.

INCREASING NEED FOR EFFECTIVE LEADERS

Several trends within the equipment leasing and finance industry intensify the need for effective leadership. Organizations with leadership that is inadequate to these challenges may find that they are no longer competitively viable.

Maturation of Startup Companies

As startup companies become established, they must focus on creating the company infrastructure and carving out a niche in the marketplace. Success in meeting these challenges depends on the effectiveness of leaders in creating a compelling vision and translating that vision into actionable direction. That

effectiveness includes making decisions about the necessary roles and responsibilities: skills that are embedded within the Purposeful and Visionary, Strategic Focus, and Decisiveness competencies.

Changing Landscape

Leadership must creatively adapt to an ever-changing environment (e.g., evolving technologies, shifting regulatory requirements, acquisitions and mergers of different cultures). Success in meeting this challenge is highly dependent on leaders being aware of the changes. Leaders must be creative, innovative, flexible, and willing to take risks, while also maintaining a long-term perspective that will allow the organization to achieve strategic objectives. Those skills are embedded within the Personal Learner, Courageous Authenticity, and Sustainable Productivity competencies.

Need to Attract and Retain High-Quality Talent

As the baby boomer exodus continues to deplete organizations' workforces, leadership will need to attract and retain millennials and future generations of high-potential employees who

can productively deliver. Success in meeting this challenge depends on the effectiveness of leadership to actively engage and relate to these individuals and foster a culture of teamwork that empowers employees: skills that are embedded within the Interpersonal Intelligence and Fosters Team Play competencies.

Widening Generational Leadership Gap

Because of a lack of emphasis on succession planning within a majority of equipment leasing and finance organizations, there now exists a generational gap between the most capable leaders who are age 50+ and the bulk of the workforce who are younger. As senior leaders retire, these organizations may find that the gap quickly turns into a leadership void. Success in meeting this challenge depends on the effectiveness of senior leaders to mentor emerging leaders, sharing their knowledge and experience and delegating leadership responsibilities: skills that are embedded within the Mentoring and Developing competency.

Next Steps

Each of the trends mentioned above underscores the impor-

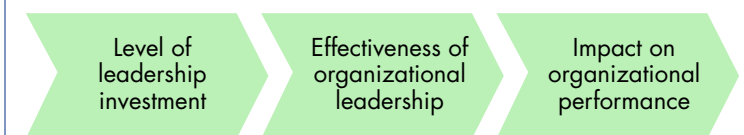
tance of making a strong investment in leadership. As Figure 3 illustrates, equipment leasing and finance organizations that have a high level of leadership investment are more likely to grow competent leaders, and leaders who possess strong creative competencies are more likely to foster a thriving culture in which organizational performance is maximized. Equipment leasing and finance organizations may want to consider using the help of external partners in designing (and possibly delivering) their leadership development. These external partners should be experienced in development practices that contribute to leadership effectiveness and should be briefed on the leadership qualities that are most important to success in the equipment leasing and finance industry (as identified in the first section of this report).

As leadership effectiveness improves, organizations will become more competitive in

As startup companies become established, they must focus on creating the company infrastructure and carving out a niche in the marketplace. Success in meeting these challenges depends on the effectiveness of leaders in creating a compelling vision.

securing capital (both human and financial) and finding solutions to the often complex and volatile problems that occur within the equipment leasing and finance industry.

Figure 3. Relational Links between Leadership Investment and Organizational Performance



Source: Author.



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Lani Van Dusen specializes in designing and conducting both quantitative and qualitative assessments of organizational systems, culture, leadership effectiveness, and human performance. As director of the Full Circle Group Assessment Center, she works with both consultants and clients using best-practice research and evaluation technologies to provide meaningful and actionable information to leaders, their teams, and the organizations they serve. (The Full Circle Group is headquartered in Salt Lake City.) Ms. Van Dusen has more than 25 years of experience in developing and using comprehensive research databases, designing and implementing measurement systems, and conducting large-scale research and evaluation projects. As president of the Worldwide Institute for Research and Evaluation, she has designed and conducted 138 studies for government agencies, educational institutions, and for-profit and nonprofit organizations in 23 countries. She has published more than 150 journal articles, technical reports, and book chapters in the areas of learning, evaluation, and performance. She serves as a consultant to several national boards and corporate leadership groups on building internal leadership capacity and enhancing strategic vision. Ms. Van Dusen holds a PhD in experimental psychology from the University of Georgia, Athens.