

Everbank

*The Leadership Circle Profile:
Business Success Story*



THE CLIENT

We worked with one remarkable leader, the late Jim McGrane, for two decades in three different companies. We first met Jim 20 years ago when he was leading a prominent division of Heller Financial. In our first meeting, we realized that Jim was a serious student of leadership. He had already worked with several thought leaders in our field to design his organization for high performance. In making the Leadership Development Agenda a strategic priority, Jim proved the close connection between leadership effectiveness and business performance.

Jim called us in late 2005 when he was CEO of US Express Leasing (USXL), a start-up commercial finance company. He was surrounded by a team of highly capable industry all-stars. He had worked with them over many years. Together they grew the business from startup to one of the fastest growing companies in the industry. They raised an impressive amount of money - \$125MM in equity and \$700MM in debt (over time); gained industry prominence ranking as one of the top 25 companies in the monthly leasing index; created a culture that provided a predictable, consistent, and reliable

customer experience with 95% customer and employee satisfaction; and grew assets under management from \$45 million in 2004 to \$700 million by the end of 2006. USXL became one of the top 100 largest and the fastest-growing U.S. commercial finance/equipment leasing companies. They attained that success by operating under the values of integrity, passion, fun, accountability, and respect.

THE CHALLENGE

In 2006, USXL was preparing for an IPO targeted for 2008; however, their fast growth had triggered heightened investor expectations and a shift in the focus of the leadership team from internal to external stakeholders. When Jim contacted us, he had decided that he needed to take the team's effectiveness to the next level to prepare them to take on future challenges. He expressed confidence in his Top Team going from good to great. We told Jim that improving on a good leadership team is even more difficult than moving a poor team to average because of the team members' lack of a perceived need to work on team effectiveness and their resistance to focusing on team development and leadership effectiveness while growing the business.

THE PROCESS

For 18 months, from late 2006 to mid-2008, we worked with Jim and his team to increase their performance and effectiveness. We used a qualitative methodology to assess where the team was effective and ineffective. Beyond establishing a baseline of their effectiveness, we also observed and participated in their team meetings and we conducted individual interviews.

Jim's 2007 LCP

In 2007 we ran Jim's first Leadership Circle Profile (LCP). In Figure 7.2 we see that Jim's Creative scores across the top half of the circle averaged at the 93rd percentile. Leadership ineffectiveness or Reactive scores averaged at the 46th percentile in the bottom half, resulting in a LQ of 2.0.

His Leadership Effectiveness scores averaged 80%, putting Jim in the top 20% of effective leaders. Jim's profile is as strong as or stronger than the leaders whose business ranked in the top 10% of highest performing businesses. Given his profile results, it is not surprising that he was leading a company that

was becoming a rising star; his leadership was clearly a competitive advantage. Over 18 months Jim improved team performance and individual and collective leadership effectiveness, aligned and focused the Top Team, and improved relationships.

Tiger by the Tail: 2008 to 2011

After our initial work with Jim and his leadership team in 2006 and 2007, the economy weakened just before the meltdown in markets from 2008 to 2011. There was a huge dislocation in the financial services industry. To capitalize on recession opportunities, Jim and his team turned to the capital markets and in May 2008 they were purchased by Tygris, a new private equity backed venture. Tygris is Latin for tiger, symbolizing strength, swiftness and vitality. Like a tiger, Tygris raised \$2.1 billion from 90 investors. This was the largest capital raise in the industry up to that point in

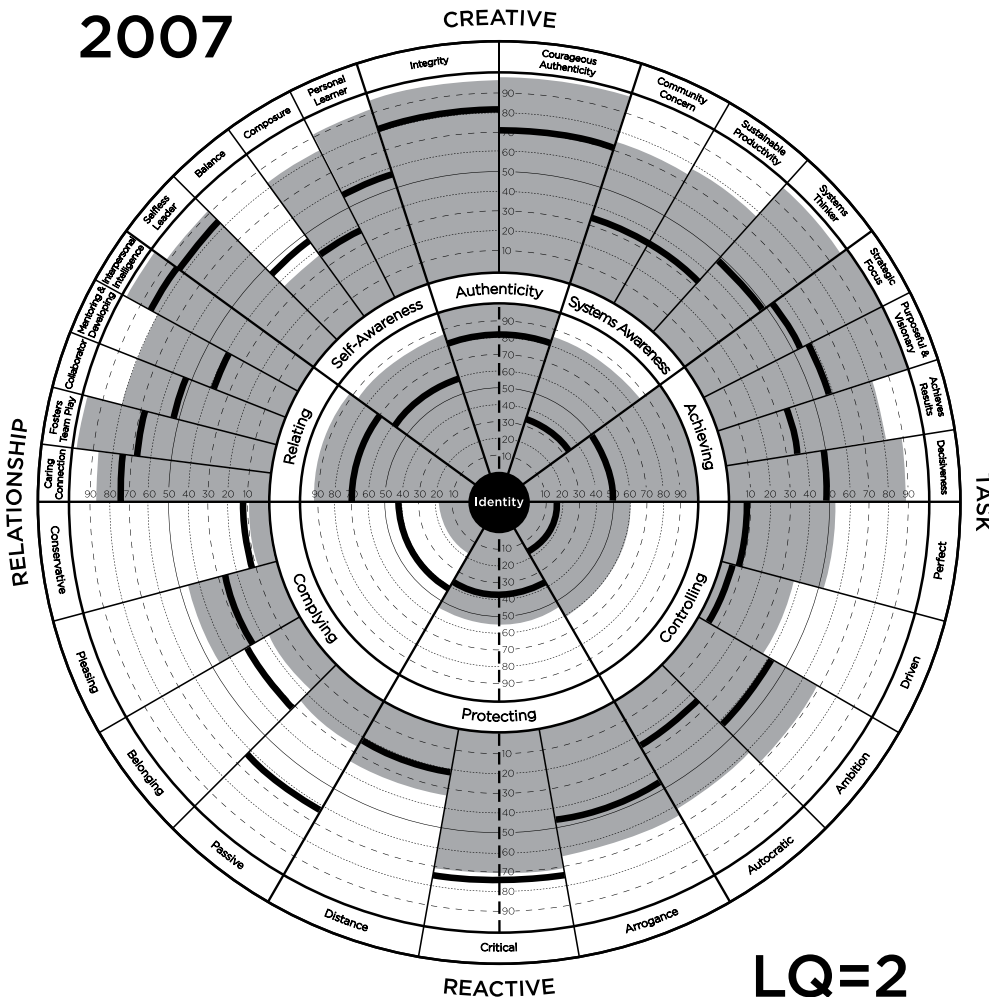


FIGURE 7.2 JIM'S FIRST LCP

time. Jim and his team became part of the Tygris leadership team.

In July 2008 we worked with the new CEO and the senior leadership team. During that time, the team agreed on the new vision and values, structure, strategy, and the initial action plan.

Tygris was off to the races, filled with hope and a story of a bold move, counter market, right into the teeth of the recession. By early 2009, the newly formed business was moving toward obtaining a bank charter that would have given Tygris funding critical to their success in the midst of the capital markets turmoil. Unexpectedly, the bank charter was not granted, sealing the company's fate. With all of the hope and promise that had marked the start of 2009, Tygris was on life support as a business at the end of that year. There was no longer any material production (sales and business development had slowed to a crawl) and obviously the employees knew that Tygris was in trouble.

At the time, Jim and his original USXL team were operating as Tygris Vendor Finance. They operated with a cloud over their heads as Tygris considered its options. "We thought it was a marriage made in heaven, but that has not turned out to be the case," said Jim. Assets under management fell from a high of \$800 million to \$500 million, and new business dropped from \$400 million a year to \$135 million. One leadership team member described the scene: "After the first few months in 2009 we could see that Tygris would not continue. There was lots of anger at management, many emotions came out, and leadership eroded." During this time, the credibility of Jim's leadership team was damaged, as reported: "People loved USXL. There was pride in the brand, the slogan, the company. USXL was flat and egalitarian. That was lost as Tygris went into preservation mode." With all the difficulty described, the reality was that Tygris made it possible for the company to survive and stand to fight another day. If not for the denied bank charter, it could have turned out very differently. As it stood the net result led to the best possible scenario.

The Tygris investors were actively trying to sell the company. EverBank came to the table as an opportunistic buyer, and in the process something amazing happened. EverBank leaders were impressed by what Jim and his team had achieved and by what they knew was possible for the business with the right owners. Jim saw this as an opportunity to rebuild and achieve his team's original vision. When EverBank officers met with his team, they chose to buy and invest heavily in Jim's legacy business, including its leadership team it. As Jim told us: "Initially, they were only looking at purchasing a portfolio, but then our leadership impressed them. EverBank bet on us as leaders and we had to perform against their faith in us."

As Blake Wilson, the President and Chief Operating Officer of EverBank, stated: "I spent the day with Jim and his management team and did a 180. They had built a real company that had a different asset class from us with some similarities. This was an intact leadership team with a company poised to grow. I knew it was a fit. Even after everything they had been through, they brought a strong leadership team with many strengths." This was a big endorsement of Jim and his team and the company they had started out to build.

Back on the Scene

At the start of 2010, we reengaged with Jim and his team and worked with them to pick up the pieces and reengage their Leadership Imperative. We ran another round of Leadership Circle Profiles and Jim had a wake-up call regarding his leadership and the team's collective leadership. Figure 7.3 shows Jim's profiles in 2007 and in 2011.

By comparing the LCP results, we can see that Jim's LQ went from 2 to 1: his Leadership Effectiveness during that time was cut in half, meaning his leadership was no longer a competitive advantage. He was neutral in his influence.

Jim realized that at a time when he needed to be most creative, his leadership effectiveness

had slipped from where it was in 2008. This wake-up call got his full attention. In fact, during the week, between when he received his results and the time we met with him to talk about his results, he conducted over 25 one-on-one interviews with his key leaders. He put both profiles on the table, and asked them, “What happened to me?” and, “What do I need to do about it?”

Few leaders are so committed to their effectiveness! Everybody agrees: effectiveness outperforms ineffectiveness. We often ask questions like, “How effective are you; how do you know?” or, “How much of your time and attention, personally and collectively, goes into the strategy of developing leadership?” These questions are interruptions for most leaders. In contrast, Jim concluded: “I am the problem. At a time when my leadership was most needed, I slipped into Reactive mode.”

Jim had a second wake-up call. When he saw the group profile of his senior team, he realized he had not done what he needed to do to develop the leadership effectiveness of his team. He resolutely went about addressing this over the next two years.

Figure 7.4 shows Jim’s senior leadership team in 2007 and 2011. Note that they slipped further into Reactive, and more toward Complying, meaning they were complacent. Their LQ went from .86 to .76, meaning their leadership was less of an advantage. Now the whole team, with Jim at 1.0 and the team at .76, was playing below average—not-to-lose.

Levels 3 and 4 were made up by about 30 managers. Their group profile averaged at the 25th percentile with a low LQ of .5. We then charted for Jim and his team the relationship between their collective leadership effectiveness and changes in their business performance. Figure 7.5 shows the relationship between Business

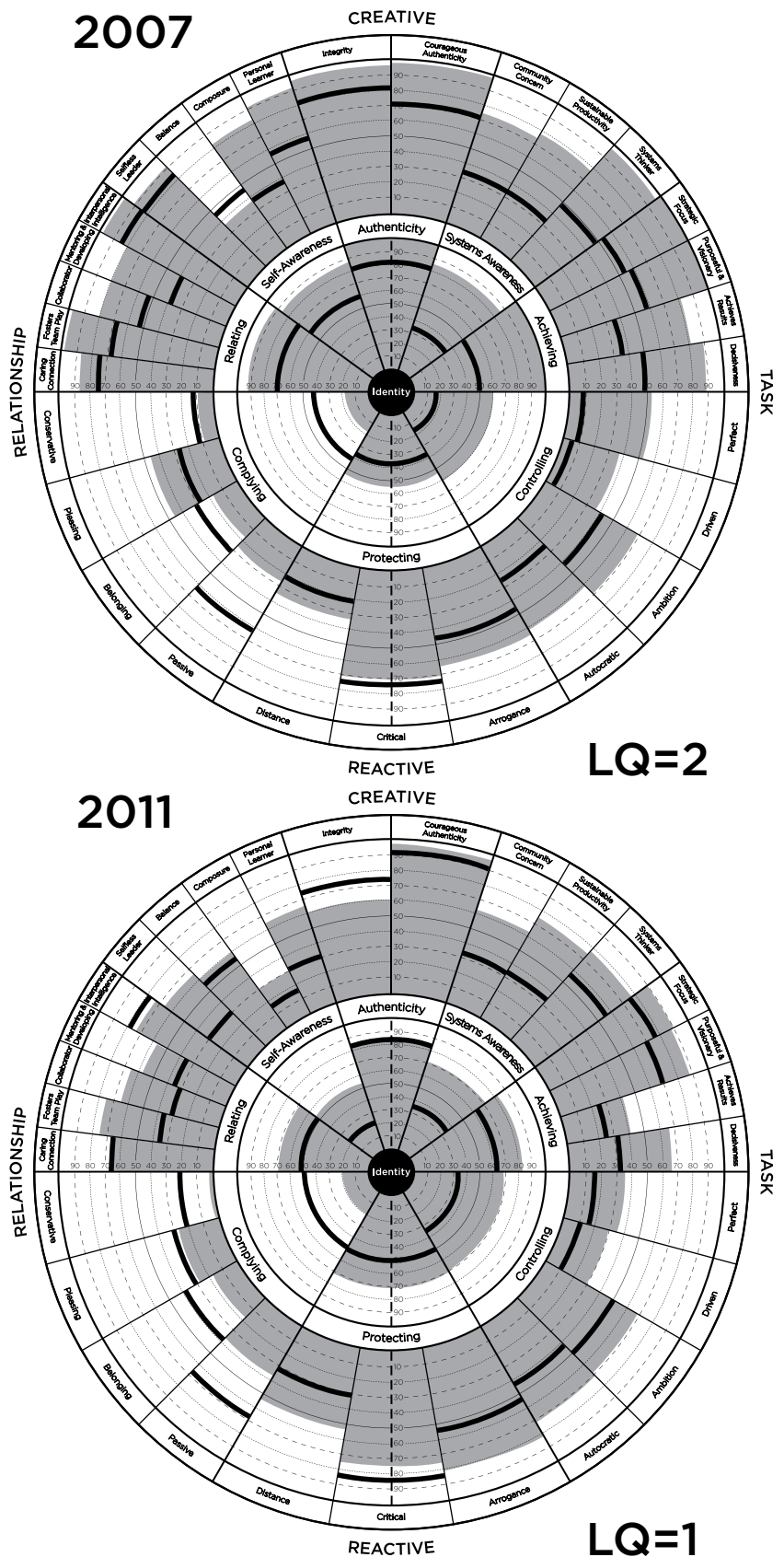
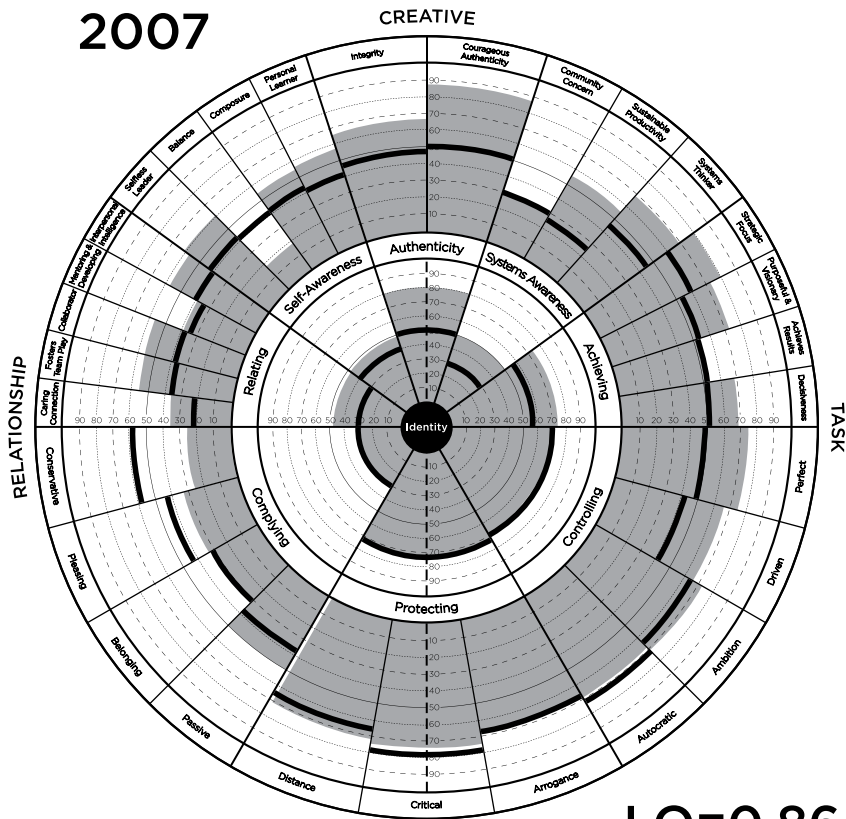


FIGURE 7.3 JIM’S 2007 AND 2011 LCPS COMPARED

2007



LQ=0.86

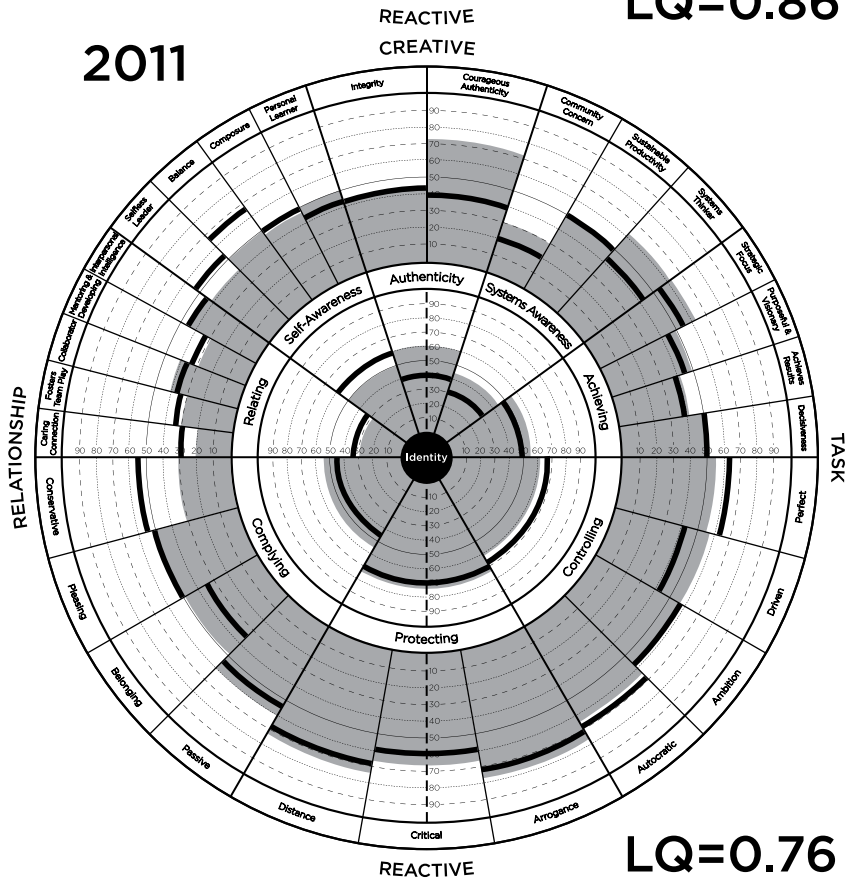
Performance and LQ scores from 2007 to 2010.

When Jim saw the LQ scores going down and business results following suit, he concluded: "This needs to start with me, and then we need to work on our collective leadership. I have not developed collective leadership. I have not brought along my people. I will change that. To scale the business, we need to scale leadership, and that is my job."

Perhaps the most vivid indication of improved communication and productivity is the organic growth of the program within the company.

"Without saying a word, other divisions in the company have approached me because they notice a remarkable change in my team's productivity, creativity and overall satisfaction," remarks Saucier. "Everyone is having fun again and we're doing amazing work."

2011



LQ=0.76

FIGURE 7.4 SENIOR LEADERSHIP TEAM'S 2007 AND 2011 LCPS COMPARED

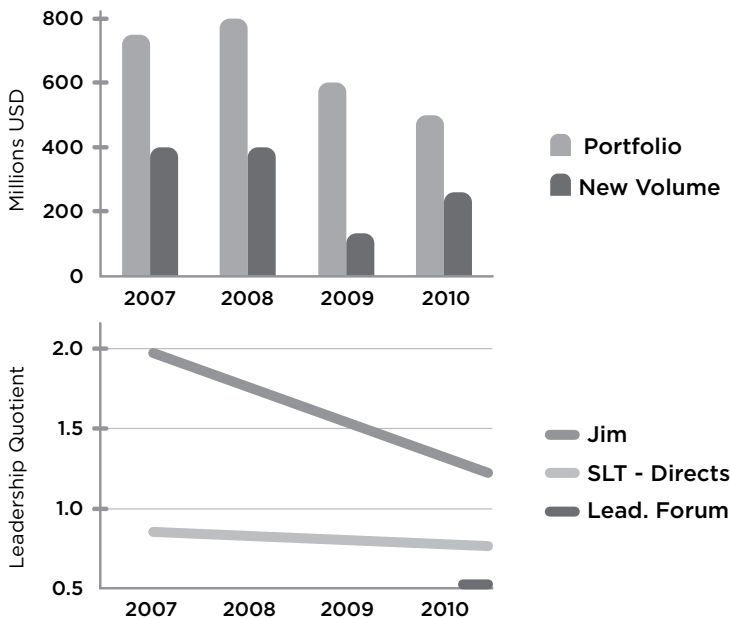


FIGURE 7.4 SENIOR LEADERSHIP TEAM'S 2007 AND 2011 LCPS COMPARED

The Leadership Development System

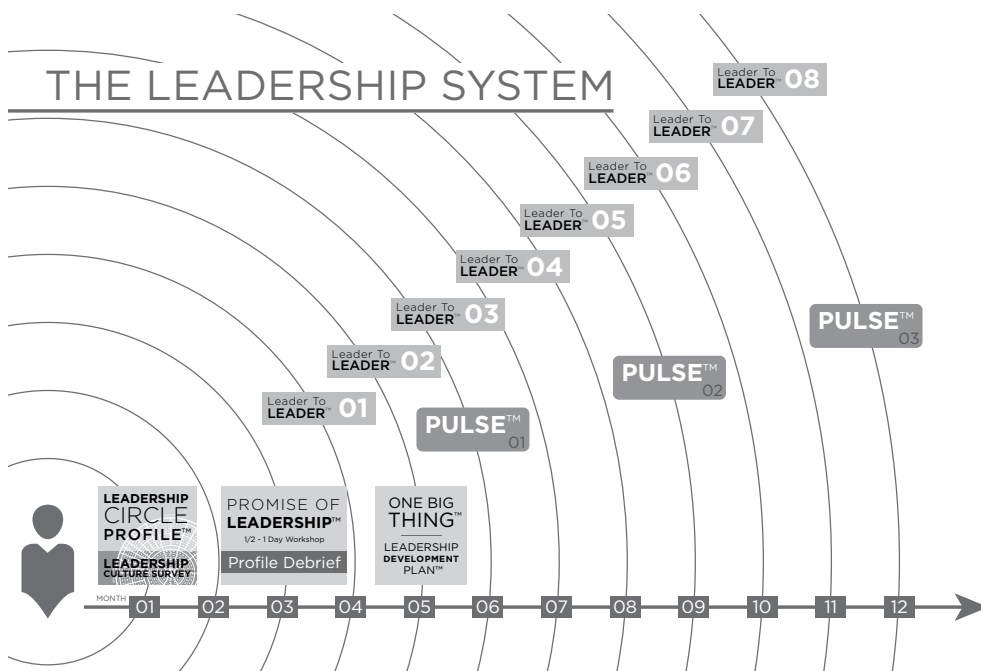
In 2010, when we reengaged with Jim, we were prototyping what we now call the Leadership Development System—a multi-year process. Jim readily signed up to be one of our pilot groups. As we proceeded, we primarily focused on developing the individual and collective effectiveness of the leadership system. However, in parallel, Six Systems work was going on, including a major process redesign to streamline the organization for effectiveness, customer focus, and to position it for growth.

The Leadership Development System implementation (see graphic) began with readiness building—understanding why we were doing it and what we were trying to achieve, strategic communication, assessments (LCP and Leadership Culture Survey), and with an official launch once that work was complete.

We then conducted a half-day Promise of Leadership, an interactive development session, with the ELT. This was a half-

day introduction to the LCP, wherein we covered the relationship between effectiveness and performance and provided an overview of the Universal Model, feedback on profile results, and held a LCP debrief with each leader by a seasoned coach.

Over a two-year period of time leader-to-leader sessions were conducted. Each session was facilitated face-to-face, contained a key leadership development content element, and involved peer coaching and accountability. Each session was short, powerful, focused on the inner and outer game of leadership and focused on real business



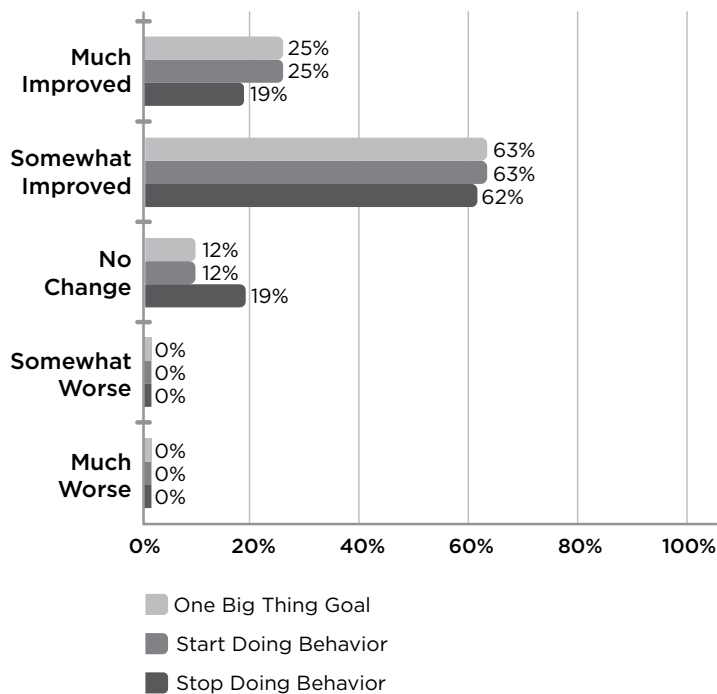


FIGURE 7.7 PERCENTAGE OF LEADERS SHOWING CHANGE IN PERFORMANCE

challenges. At the end of each session, leaders committed to work on something to improve their leadership between sessions, and at the next session, we start with a review of what they tried and how it worked.

As leader-to-leader sessions began we also created, with each leader, an actionable development plan and constructed a Pulse Survey. A pulse survey contains a measurable leadership improvement goal, one Creative Leadership Competency improvement goal, and one Reactive Behavioral change goal. Pulse surveys went out every few months to assess progress on development goals. Figure 7.7 shows an example of the results of the ELT’s aggregate pulse survey. Approximately 88% of leaders were showing positive improvement and 25% were showing much improvement. These are big shifts in measured performance over a short period of time.

Pulse results were also plugged in to the leader-to-leader sessions as a way to measure effectiveness and create peer accountability. The entire team got to see their individual and

collective progress ensuring that the whole system was engaged and committed.

This was the Leadership Development System we used with Jim and his team. We worked the whole Leadership System and the development conversation happened inside the business conversation. Jim’s leaders were looking at their business issues from the perspective of “how do I need to lead more effectively to improve business results?”

THE RESULTS

Figure 7.8 shows the change in Jim’s profile from 2011 to 2013. We see a big reduction in Controlling scores (and everything on the Reactive half) with corresponding increases in the Creative half of the circle. Jim’s LQ increased from 1.0 to 2.0.

Figure 7.9 shows the change in Jim’s senior team. Creative scores increased across the board. Reactive scores, particularly Complying, were significantly reduced. This group was now really showing up as a group of effective leaders. 122 LQ scores doubled from .76 to 1.6, and their LQ went from a competitive disadvantage to a serious competitive advantage.

The ELT (L-3 and L-4) also doubled their effectiveness, improving from .5 to 1.0. While there was still more work to be done here, they went from being a competitive disadvantage to being competitive.

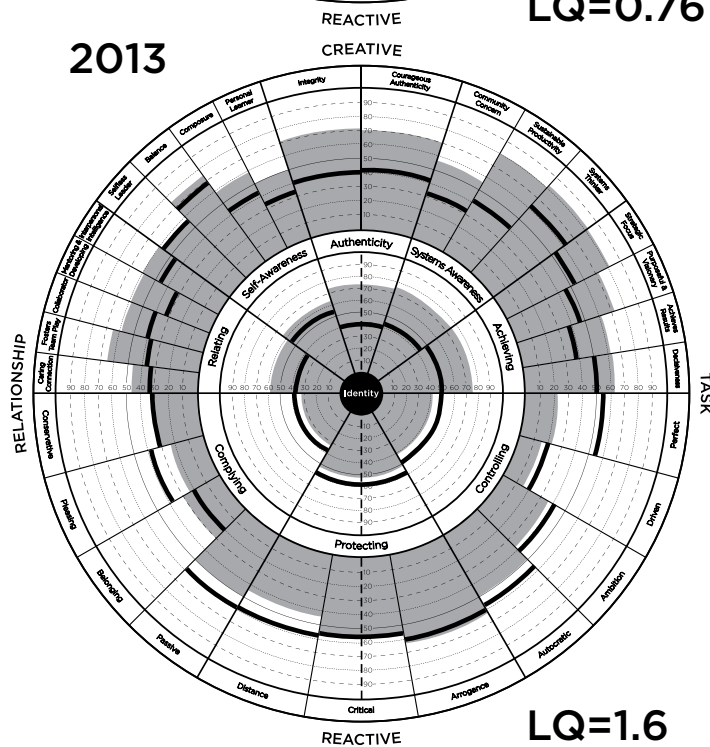
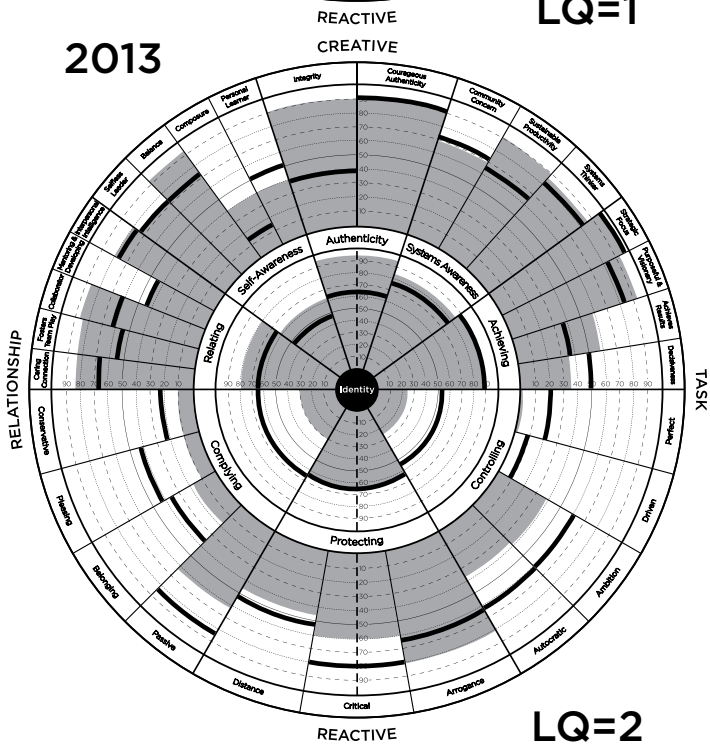
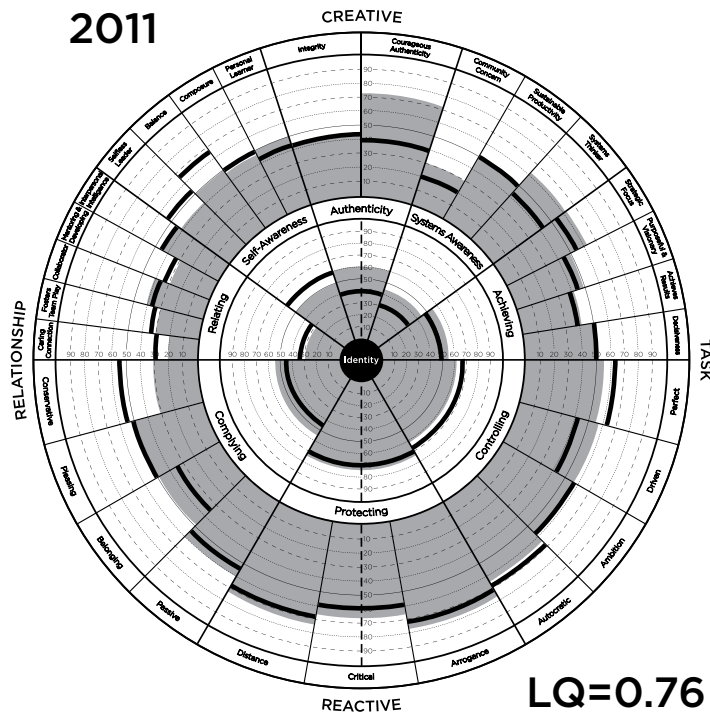
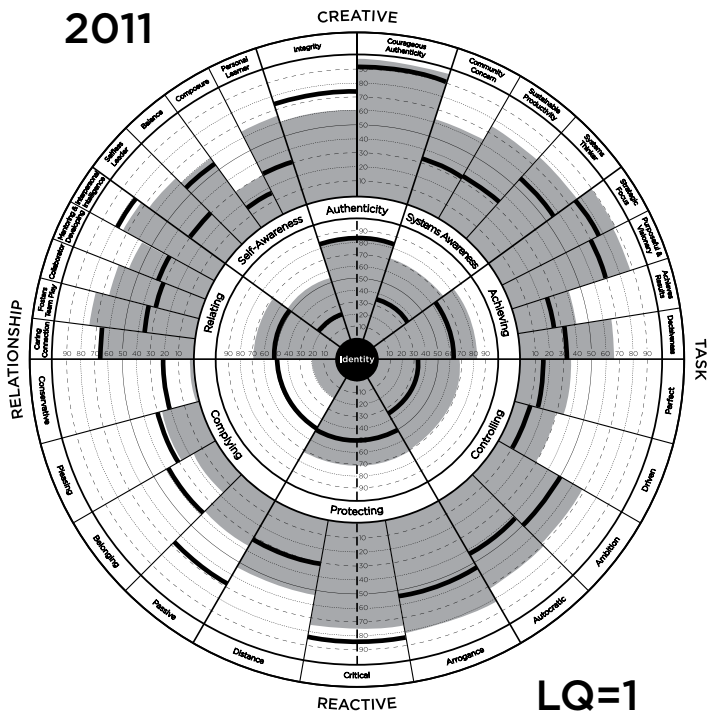


FIGURE 7.8 JIM'S 2011 AND 2013 LCPS COMPARED

FIGURE 7.9 SENIOR LEADERSHIP TEAM'S 2011 AND 2013 LCPS COMPARED

Figure 7.10 shows the relationship between changes in LQ scores and business performance during this period of time. From 2011 to 2013, assets under management went from a low of \$500 million to \$2 billion, quadrupling the business! New business origination went from a low of \$135 million in 2009 to 2013 \$1.4 billion in new business—a huge turnaround. Their LQ scores paralleled their performance.

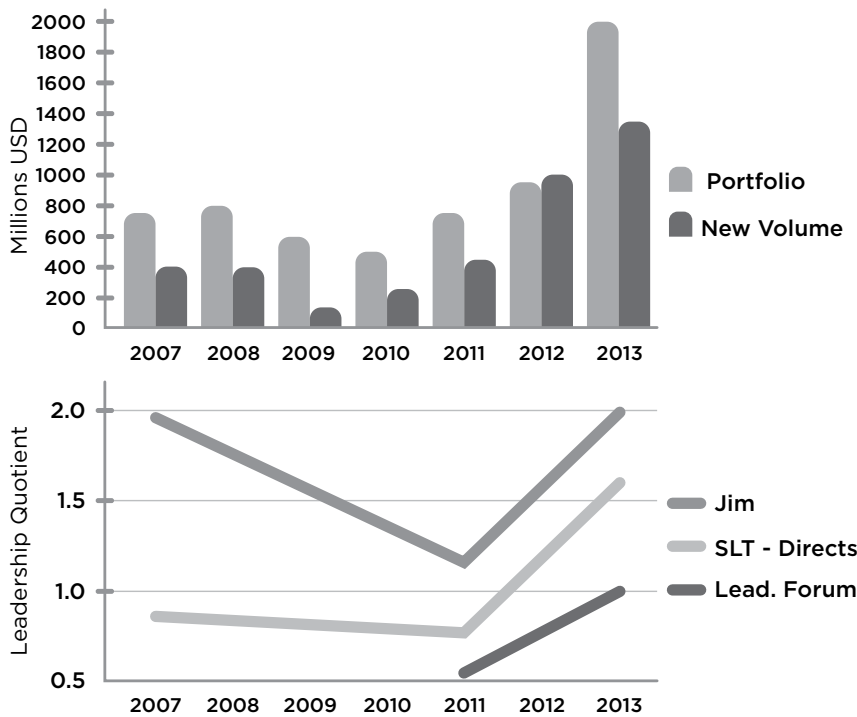


FIGURE 7.10 THE BUSINESS TURN-AROUND

Jim was elated with these results and became an advocate, along with several of his team members, for focusing on effective leadership to drive business performance.

Tragically, shortly after this turn-around, Jim began to feel physically unwell. Two weeks later he was admitted to the hospital, and he never came out. He passed in February, 2014.

When Jim passed, one of his long-term senior leaders said to us: “Now we will find out if we are serious about collective leadership effectiveness.” Another team leader said: “When we cleared out his office, I did not want

anything, except his original Leadership Circle Profile. I want that on my desk every day as a reminder of the leadership that I aspire to.”

Jim leaves a huge vacuum, but he also leaves a huge legacy with all the people that his leadership touched. Jim was one of our practice partners. We learned more from Jim and his organization than they ever did from us. This is how we do our work. We practice together on each other. We learn together.

So we intend to carry on what we have learned from Jim and his legacy. After several years of working with us to implement a systemic approach to developing effective leadership, Jim said: “You have cracked the code. The work we have done with you has positioned us for sustainable success. We could not have done it without you.”

In Honor of Jim McGrane: Equipment Leasing Foundation Study

Rarely does an entire industry assess its leadership effectiveness; however, in honor of Jim McGrane, that happened in the Equipment Leasing & Finance (ELF) industry. As reported by Richard D. Gumbrecht, Chairman of the ELF Foundation, the ELF study, *Leadership: The Next Productivity Frontier*, determined the current level

of effectiveness of leaders in the industry and identified how leadership effectiveness impacts performance. It also identified the best practices for creating and enhancing leadership effectiveness and specific management challenges that future leaders must address to ensure success.

The research team interviewed 32 executives from 26 ELF organizations to assess perceived impact of leadership, importance of leadership development, current professional development efforts, and expectations for the future. It also administered The Leadership Circle’s Leadership Culture Survey to 162

leaders in 17 lesser organizations. This instrument reliably measures how respondents describe both the effectiveness of their current leadership culture and their desired, optimal leadership culture. In memory of Jim, here is a brief summary of the results.

1. Effective Leadership has a positive impact on performance. Leaders were asked to rate the impact that leadership has on their organization's performance. This metric was found to correlate highly ($r = .73, p < .002$) with Leadership Effectiveness scores. This correlation is quite high and further substantiates the research reported earlier—a more effective leadership culture creates a more successful organization.
2. Growth rates were substantially higher in effective leadership cultures.

The study compared the business performance of the most and least effective leadership cultures. Organizations rated as having the most Creative leadership, better than 50% of the organizations included in this study, averaged 11% year-over-year growth. Those that rated lowest, in the bottom 50% of the organization in this study, had a 2% growth rate. This study found a 9% growth rate difference between the most and least effective leadership cultures.

3. Development of tomorrow's effective leaders needs to begin today. When executives were asked about the challenges leadership will need to address to ensure the future success of their organization and the industry, three common themes emerged:
 - *Leading in a changing environment—maintaining a long-term perspective while creatively adapting to new technologies, regulations, acquisitions, and global demand.*

- *Attracting and retaining qualified talent—ensuring the right people are in the right jobs and that they have the appropriate grounding in the industry.*
- *The generational leadership gap—the need to develop the leadership skills of Millennials to fill the void left by the exodus of a “graying cadre of leaders”.*

The study concluded that its findings and each of above challenges, “underscores the importance of launching an intensive leadership development program that provides opportunities for the younger generation to learn from more experienced leaders and to develop the skills that will impact performance. ELF organizations that have quality leadership development efforts are more likely to grow competent leaders, and leaders who possess strong creative competencies are more likely to foster a thriving culture in which productivity soars. Thus, the sooner development work begins, the greater the likelihood that sustainable productivity will be achieved.”