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## Fast-track to the top



### Developing the next generation of leaders to drive future growth

The need for a stronger, deeper leadership pipeline is nearly universal. In a recent study by The Conference Board, CEOs in every industry rated leadership development as a top three priority.<sup>1</sup> Yet, during the economic crisis, many organizations discovered they didn't have the depth of leadership necessary to navigate today's challenging business conditions. Moreover, they lacked the data and insights to know which leadership candidates were truly worth developing and investing in — particularly when facing sharp budget cuts.

The task of identifying and developing high-potential leaders is nothing new. What's different now is that many organizations are getting much clearer about what "high potential" really means — based on science, not anecdotes — and then investing in an integrated set of data-driven activities to accelerate the development of their most promising leadership talent.

Being ranked in the highest performance category does not necessarily make someone a high potential employee. What really distinguishes these special leaders from the rest of the pack are their critical leadership attributes and the value they can provide to drive the company's growth.

High-potential leaders must be able to operate on a global scale and adapt quickly to change. They also need the depth and breadth of skills and experience to work across converging industries. For example, high potentials in the telecommunications world must be able to lead, manage, and innovate across multiple business areas — including computing, entertainment, and social media — as well as multiple geographic markets.

True high potentials are a precious asset that is critical to an organization's future growth and success. They are the best of the best — and should be nurtured accordingly. Cultivating the right mix of personal attributes, skills, and experience requires rapid evolution through a diverse range of leadership opportunities and career paths. Accelerated leadership development is about making this happen.

#### What's driving this trend?

**Aggressive growth targets in global and converging markets.** Rapid expansion into new markets demands leadership that can handle the unknown. With growth as a dominant business driver — and the increasing importance of differentiation — companies require leaders who can make change and innovation happen across converging industries and diverse cultures.

**Severe leadership pipeline shortages.** High-potential leaders are scarce — especially executive succession candidates. Many companies are finding it increasingly expensive and risky to source senior leaders externally, particularly for top jobs in global growth markets and critical product/service segments.

#### Increased scrutiny from boards and investors.

Boards, investors, and analysts are taking a closer look at leadership risks across the organization, not just at the CEO level. They are asking tough questions about the numbers and types of leaders necessary to meet growth commitments and navigate uncertainty. Also, they are demanding multiple options for critical positions — and aren't willing to wait 10 years for an organization to close the leadership gap.

**Rising expectations and declining loyalty of top talent.**

Companies want more from their leaders — and leaders want more from their companies. When next-generation leaders believe their companies are underinvesting in their development, they will look elsewhere for opportunities to grow — often with competitors. They are expected to do more with less yet are not being sufficiently challenged with the diverse set of experiences that can help them expand their personal brand and value proposition in the enterprise. As a result, they grow impatient, especially as opportunities start to open up elsewhere.

**Demand for leadership ROI.** Although the C-suite recognizes the importance of developing the next generation of leaders, it wants to see a tangible return on its development investments. Are the right investments being made? What are the returns? How do you measure current investments when they are building future capabilities? Beefing up the leadership pipeline can drive a company's growth agenda, reduce succession risk, and deliver tangible business results.

**Practical implications for HR**

Accelerating the development of next-generation leaders requires an integrated approach. Individual programs that are not coordinated send mixed messages and often work at cross-purposes — which can slow down development and increase retention risk. Top companies are taking several steps to accelerate leadership development.

**Aligning leadership strategy with business strategy.**

Leading HR organizations are establishing up-to-date, forward-looking leadership strategies and models (i.e., required capabilities and pipeline) that align with — and anticipate — their companies' business strategies. This is "true north" for development efforts and investments, and is specifically tied to the organization's growth agenda, including target growth markets and product segments.

**Determining leadership potential using predictive, hard data.**

Top companies are using processes and tools that are data driven and unbiased to identify leading indicators of talent with accelerated development potential and then engaging senior executives in the selection process so they get to know promising talent early in the development process. The goal is to identify next-generation candidates with the potential to quickly develop the required depth and breadth of capabilities.

**Requiring dual ownership of development.** Companies are providing candidates with guidance and simple templates but are requiring high potentials to chart their own path. Many leading companies are engaging the senior executive team to endorse each candidate's development plan and to make specific commitments to help top candidates develop faster. This collective ownership of development and engaging at the very top of the organization help make sure this talent gets the visibility and support required to develop at the pace that is required.

**Balancing the "three Es".** Creating an integrated development ecosystem that balances experience, exposure, and education. This goes beyond traditional 70-20-10<sup>i</sup> approaches by coordinating all three elements and actively creating development opportunities.

- **Experience.** Moving high potentials through stretch assignments (such as full-time opportunities, international positions, and special projects). Assignments can be planned in advance, made available through a competitive application process, or some combination of the two — as long as the career paths and ground rules are clearly understood. Movement can be accelerated by putting the right governance in place so senior executives can make the "tough calls" — clearing the path for next-generation leaders — even when it means moving mediocre performers out of roles to create space.
- **Exposure.** Next-generation leaders need clear sponsorship from the top. Coaching and mentoring are still important but aren't sufficient. This requires easy and frequent access to existing senior executives who will be advocates and help open doors to new opportunities across the enterprise. Strong sponsorship is especially important to establish and develop a diverse leadership pipeline.
- **Education.** Leading companies are creating learning programs that are experiential, blurring the lines between the classroom and the real world. Leader-led programs that use simulations and storytelling are powerful methods to prepare up-and-coming talent to operate at the next level. They also provide exposure to sponsors and accelerate the formation of personal networks within and across silos. Selective use of outside

experts can jump-start thinking, share leading practices, and offer fresh perspectives — provided there is a strong linkage between the experts' content and the company's leadership model and business strategy.

**Avoiding mixed messages.** Aligning talent programs (e.g., selection and assessment, development planning, performance and rewards, and succession management) so they accelerate leadership development, rather than hinder it. Poor alignment among development and talent programs can slow down leadership development. For example, a compensation program that rewards short-term thinking and cutthroat behavior is unlikely to produce leaders who can see ahead and inspire the teamwork necessary to drive growth.

**Measuring what matters.** Leading companies base their performance metrics on their leadership models and business strategies — not the other way around.

### Lessons from the front lines

An integrated approach is only part of the solution for accelerating the development of next-generation leaders. Leading companies are also paying attention to several critical success factors:

**Work to avoid a leadership backlash.** Changing the way you select and groom next-generation leaders can send severe shock waves through the organization. To avoid a backlash, carefully manage reactions and resistance at every level of leadership, starting at the top. Strong support from the CEO and board, combined with careful messaging, is critical.

### Align development activities with leadership strategy.

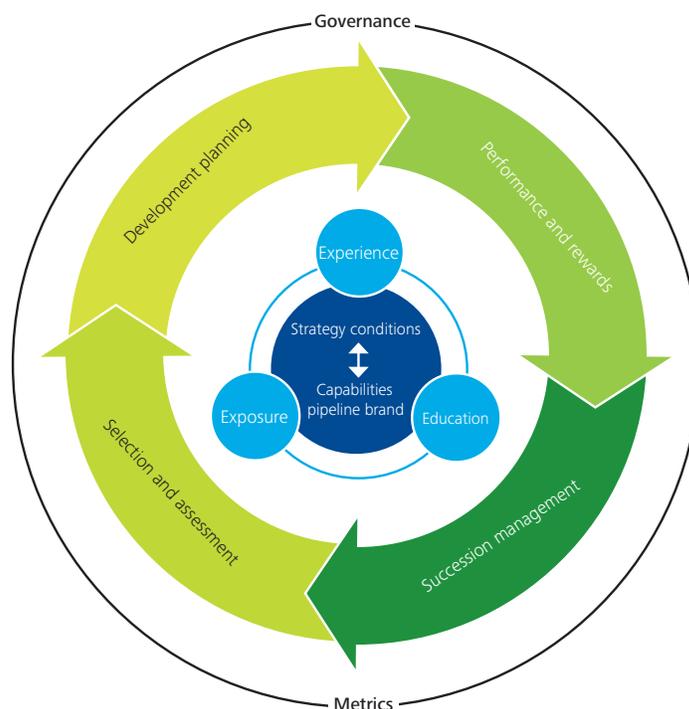
Decide whether you will primarily develop next-generation leaders internally or hire them from the outside. This will have a major impact on your development strategies, programs, and investments. Note that there is more than one right answer — as long as “buy” is not an excuse for your company's inability to “build” its own robust leadership pipeline. Leading companies optimize the build-buy mix.

**Walk the talk.** Some organizations try to brand themselves as “leadership meccas” without creating the underlying leadership framework, brand, and holistic development system to support their claims. This approach is especially likely to backfire with next-generation leaders who typically become frustrated by the disconnect between actions and words.

### Committing to leadership development

Developing the next-generation of leaders requires a strong commitment from the organization. This includes putting the greater good above the interests of individual business areas — for example, moving promising leaders to other parts of the organization in order to broaden their base of experience. It also includes enlightened governance by a dedicated group of decision-makers who are willing to tackle tough decisions — such as choosing the right people and defining compelling career paths — and then backing those decisions up with adequate funding and action so they don't get watered down.

Figure 1: Accelerated development model for next-generation leaders



### What defines a good leader? In whom should companies invest?

"If only we had better leaders, we could \_\_\_\_\_." That's what we hear over and over from the companies with whom we work. Whether they fill in the blank with "expand into new markets" or "meet increasing regulatory demands" or "transform the company" — or some other pressing issue — they know that improved leadership is critical to meeting the challenge.

### But what makes a good leader?

While leadership at times may seem to be more art than science, data from Kaisen Consulting Ltd<sup>iii</sup> reveal six key attributes that define good leadership. According to Kaisen's experience, the most effective senior leaders know how to consistently do the following:

- Drive business competitiveness and innovation
- Build key relationships and win people over without using position
- Set and effectively communicate vision and direction for people
- Achieve results through the performance of others
- Develop their people for the longer term
- Inspire followership and model a true sense of collaboration

Although these leadership capabilities can be developed over time, the rate of development varies widely. In fact, the research suggests that people with the greatest potential possess four additional attributes that enable them to develop leadership capabilities faster than others.

- **Change potential.** Driving and responding to change; seeing opportunity in uncertainty
- **Intellectual potential.** Thinking quickly and flexibly
- **People potential.** Adapting to changing and complex interpersonal demands
- **Motivational potential.** Adapting personal drive and focus to perform well in new and changing contexts

In Kaisen's view, current and future leaders who possess these four key attributes are the true high potentials and should be the focus of accelerated development efforts. Investing in these types of people can produce greater ROI for your organization.

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#### Endnotes

<sup>i</sup> "Go Where There Be Dragons: Leadership Essentials for 2020 and Beyond," The Conference Board, 2010.

<sup>ii</sup> Center for Creative Leadership.

<sup>iii</sup> Kaisen Consulting Ltd, a team of business psychologists based in Bristol, United Kingdom, with data and insights from more than 15,000 leadership assessments.