

HR Creates Competitive Advantage by Helping Leaders Become Developers of Talent



Leadership and the Talent Pipeline

Organizations are feeling unprecedented pressure to produce and retain high-quality leaders. Razor-thin margins, ever-growing international competition, and the dynamic changes in market, regulations, and culture that organizations constantly navigate are converging to form a serious threat. In today's volatile world, a lack of strong leadership across all corporate levels can quickly lead to a company's downfall. Enron, Nokia, and British Petroleum all experienced major crises¹. The details vary, but each is due to a critical breakdown in leadership.

Having the right leaders in place is not just a staffing issue, it's a strategy execution issue. When leaders are not adequately prepared for a new role, their teams suffer poor focus and alignment. Yahoo's Marissa Mayer has become the most recent poster child for a breakdown in leadership succession, with some describing this as a "classic case of picking the wrong CEO, and then compounding the error with a poor transition into the role"². This severely eroded Yahoo's culture, a company in an already precarious position, and made it difficult for them to execute a sound strategy.



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Any company's long-term competitive advantage lies in strong leadership at all levels. While media attention focuses on the more spectacular cases at the CEO level, organizations everywhere face similar problems with executing strategy because they lack the necessary leadership talent at key levels. Today's leaders don't just delegate work, track performance, and communicate vital information up and down. They now have extended duties—rallying their teams around an inspiring vision, coaching individuals, providing in-the-moment feedback—and above all, developing talent.

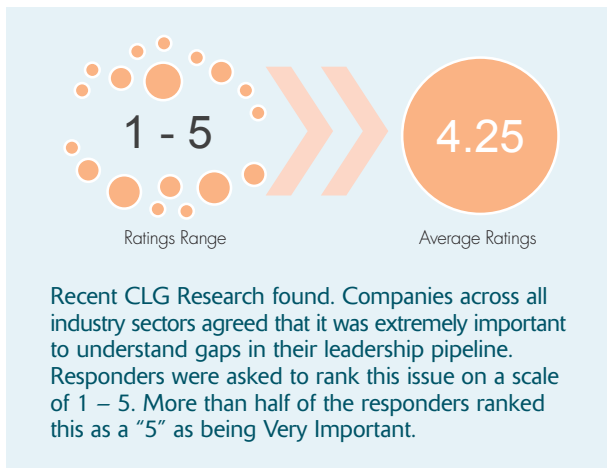
The talent pipeline is a powerful differentiator among competitors. Even when a company has all the right strategies and processes in place, it cannot build the organization's bottom line without having the right people in place, today and tomorrow. Top-performing organizations realize that engaged, highly capable leaders are the key to gaining and sustaining competitive advantage. This is why the role of HR is so vital in building the talent pipeline for a company's long-term success.

Current demographic challenges are seriously stretching the capacity of organizations to develop and retain leaders. Chief among these challenges is the ongoing exodus of Baby Boomers. It is overwhelming many organizations, which are rapidly losing their most experienced leaders, and this will continue over the next 5–10 years. This creates opportunities for Gen X and Millennials, as they are asked to replace seasoned leaders, but many are inexperienced and lack the "knowledge capital" of the departing veterans. For many global organizations, the learning timeframe in typical leadership development programs often

1. Boris Groysberg and Michael Sind. "The Silent Killer of Big Companies," *Harvard Business Review*, October 2012.

2. Mike Myatt. "Marissa Mayer: A Case Study in Poor Leadership," *Forbes.com*, November 2015.

averages 5–7 years³. Companies today do not have the luxury of this much time to get their leaders ready. They need to go beyond their usual formal programs and find ways to accelerate leader development.



CLG recently conducted research with 54 large corporations across seven industries. A majority of these organizations rated identification of gaps in the leadership pipeline as important to very important. Some industries feel more pressure than others—for example, in the oil & gas and financial industries, every company we surveyed said identifying leadership talent gaps was a top priority.

Separate interviews with CHROs and global talent executives confirmed this was one of the biggest issues on the minds of HR leaders. Many admitted lagging in this area, while also recognizing the critical strain already on their leadership development programs.

Who Is Responsible for Developing Leaders?

HR departments are working diligently to develop leadership talent, but the present challenges are too great for HR to solve by itself—HR cannot own this alone. Most organizations rely on formal strategies that match developmental experiences to high-potential leaders and integrate recruitment, development, and performance management. These are valuable, but they cannot give a company a real edge over competitors, because the competition likely has similar strategies and programs in place. For example, an in-depth study of 20 leading international corporations involving over 300 interviews with HR professionals at various levels confirmed that implementing best practices and widely used talent management processes does not provide true competitive advantage⁴. *Rather, the most successful organizations made developing leaders a central part of their culture, and they took concrete steps to ensure that leaders’ behaviors were aligned across levels to support the talent pipeline.*

The most powerful development resource available to HR is the organization’s current leadership. Unlike traditional leadership development resources, the current leadership has direct knowledge of what is needed, is available daily, and already interacts with high-potentials throughout their progression. Leaders at every level can and should drive leadership development.

The actions that current leaders take to develop future leaders are critical, but too often this is left to chance. As a result, leaders vary widely in how effectively they develop their direct reports, if at all. This is unintentional: leaders who fail to develop their reports may simply lack awareness of what they need to do, or lack the skills. To drive leadership talent development across all levels of the organization, leaders need to be shown what to do—what their behaviors must be.

3. Audrey Williams-Lee. “Accelerated Leadership Development Tops the Talent Management Menu at McDonald’s,” *Global Business and Organizational Excellence*, April 2008.

4. Gunter Stahl, et al. “Global Talent Management: How Leading Multinationals Build and Sustain Their Talent Pipelines,” *Sloan Management Review*, August 2012.

Five Critical Capabilities Needed by Talent Developers

Leaders who excel at developing future leaders are good at leveraging five critical capabilities:

- 1 Strategic talent mindset**
- 2 Talent identification**
- 3 Creating development opportunities**
- 4 Coaching skills**
- 5 Interpersonal awareness**

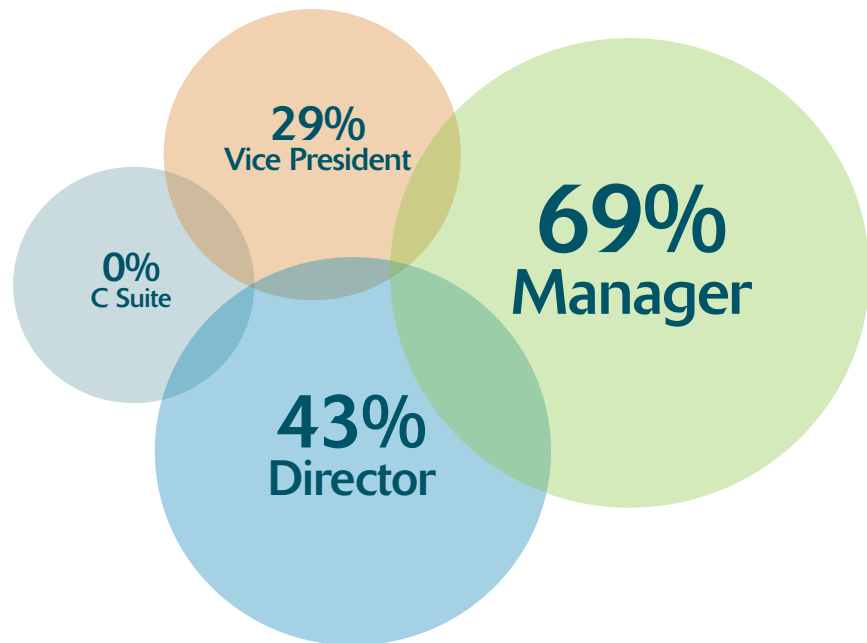
With HR's help, any leader can improve his/her skill in these capabilities, and thus improve their ability to develop others. Let us illustrate this with the true story of how one HR executive implemented these five capabilities with leaders to enable her organization—a large financial services group—to expand a severely restricted leadership pipeline that was slowing the company's growth and threatening its long-term viability.

HR Executive Implements the Five Capabilities of Talent Developers

A dynamic CHRO joined a \$2 billion financial services organization, eager to make her mark and dramatically improve the talent pipeline. From her team, she requested existing talent data and workforce analysis. She was disappointed to receive only information for C-Suite succession planning. And as she reviewed the limited data, she grew more concerned. For several executives, a strength listed was "intelligent." That was too vague and general, as the point was how being "intelligent" could be leveraged to create value for the organization.

She asked the CEO if he was satisfied with the quality of the succession plans. "No," he admitted, but "we had to turn in something to the parent company last year." This led the CHRO and CEO to a deep discussion about talent and the leadership pipeline, and they concluded the obvious: there was much work ahead.

The CHRO started by having her team review data for the previous five years. They looked at the percentage of positions filled from inside, and the results were disturbing:



In the mid-to-upper-level positions, the pipeline was not producing the candidates the organization needed, necessitating outside hires. But many of these external hires failed to integrate into the organization, costing the company productivity plus high-end recruiting fees. And the ranks of VP and Director were losing talent because those people saw that more senior roles were being filled by outsiders.

The HR talent team went into troubleshooting mode to identify the factors causing this breakdown in the leadership pipeline. Here is what they discovered:

- *Leaders did not understand that developing talent was a critical accountability of theirs.* They focused on delivering results and expected that people would somehow develop themselves.
- *What development did occur happened in silos within functional and business units.* People were not encouraged to cross boundaries in their career paths. Thus, when the organization needed to fill senior roles requiring broader, enterprise-level thinking, there were few internal candidates who met the requirement.
- *Many of the skills and behaviors that enable leaders to be good talent developers were missing.*

The last factor—missing skills and behaviors for developing talent—boiled down to the five critical capabilities cited above: strategic talent mindset, talent identification, creating development opportunities, coaching skills, and interpersonal awareness. Following are brief summaries for each capability, showing the status quo that existed when the new CHRO began, and the actions taken under her leadership to grow the pipeline.

1. Strategic Talent Mindset

Status quo: *The organization's leaders had long been focused on getting results, not developing talent.* They expected HR to raise “ready now” leaders for them, or be able to quickly source high-quality candidates in the marketplace. And when they did have a talented leader, they focused on retaining and developing that person for larger roles within the same area. They lacked a “strategic talent mindset.”

Action taken: *The CHRO helped leaders discover their essential role in developing talent.* She and the CEO helped leaders transition from thinking “my talent” to thinking “our talent”—seeing the connections among recruiting, development, role assignments, and project experiences. This enabled them to see different trajectories for developing future leaders and creating career path options. Leaders also began to embrace their role as the primary talent developers for the enterprise, rather than expecting HR to single-handedly do it for them.



2. Talent Identification

Status quo: *The primary way to get noticed in this organization was to perform well and deliver on commitments.* Highly visible results or projects often determined who got selected for promotions, even where people were perceived as not demonstrating the organization's stated values. Leaders weren't methodically assessing the knowledge, skills, and values that high-potentials were demonstrating. An integrated analysis of leaders' performance, backgrounds, skills, engagement data, and upward and peer feedback suggested that many potential leaders were being overlooked.

Action taken: *HR and senior leaders added processes to help the early identification of talented leaders.* They instituted talent reviews for the top five levels in the organization. They embedded into the talent process objective criteria for assessing current performance and potential. They began to use talent data when considering candidates for promotions, or when determining whom to stretch via high-profile projects and interim roles. Senior leaders began to talk with their teams about how to identify talent, based on a wider definition of good leadership. Each area held systematic talent discussions at least annually to ensure that talent was being actively identified. Being a good “talent spotter” was reinforced by senior leaders.

3. Creating Development Opportunities

Status quo: *The senior team knew they needed to overcome the silo mentality that had dominated how careers evolved.* However, moving people across organizational boundaries wasn't going to happen for everyone, so they needed to use a wide variety of techniques to develop people. They and leaders in their areas would need to act differently to create better development opportunities for people.

Action taken: HR worked with the senior leaders and their teams, using talent profiles to identify strengths and development areas.

They then laid out multiple development paths for each leader, based on what they needed to learn or experience. Example: for a high-potential leader whose career had been primarily in Finance, they determined that moving the person to a role with accountability for P&L management would be an important developmental next step.

They recognized the need to develop leaders broadly, even if people were not yet considered high-potential. Exposing people to new experiences and assignments broadens their business perspectives and skills. Ensuring that all leaders receive regular feedback can reinforce strengths and capabilities, and help people understand what may be hindering their success and career potential. Identifying and addressing these potential roadblocks can help leaders get “unstuck” and grow better and faster. With a disciplined approach and help from HR, the leaders in the organization began to use a wider variety of techniques and assignments to develop leaders.

4. Coaching Skills

Status quo: The firm’s senior leaders admitted they were poor role models for the five capabilities. So they committed to changing their behaviors with help from HR business partners. Leaders needed to provide more feedback and coaching to people in the pipeline, rather than expecting them to figure out things on their own.

Action taken: The first step was to define what good feedback looks like, and how to deliver it in a way that leads naturally to a coaching conversation. They adopted a highly effective feedback tool called “What, So What, Now What.” In a positive way, this structures the interaction between a leader and the person who is being given feedback. For a given incident, first ask “What?” to objectively describe the event. Then ask “So what?” to discern the impact on all parties and outcomes. Finally, ask “Now what?” to determine a course of action.

What • So What • Now What⁵

Use this framework to make feedback specific and effective.

What?

What is the topic or incident that you are giving feedback about? Discuss as objectively as possible, describing the context and agreeing upon what the feedback-recipient did and said.

So What?

What is the impact of the actions taken, on both people and outcomes achieved? Did the feedback-recipient accomplish what they intended? Was the impact on people positive, neutral, or negative?

Now What?

What might the feedback-recipient do next time? Discuss how to continue achieving great outcomes or what the feedback-recipient can do to improve future outcomes.

5. The “What, So What, Now What” sequence is adapted from a concept in Reach, Touch, and Teach: Student Concerns and Process Education, by Terry Borton (McGraw-Hill, 1970).

HR organized workshops to teach this powerful feedback technique to all leaders, including the senior people. The workshop let them practice in a “safe setting.” They also taught leaders coaching techniques and provided examples of how to coach to specific skills and competencies. Development plans for each employee became required, and leaders were encouraged to use them as another opportunity to provide feedback and coaching.

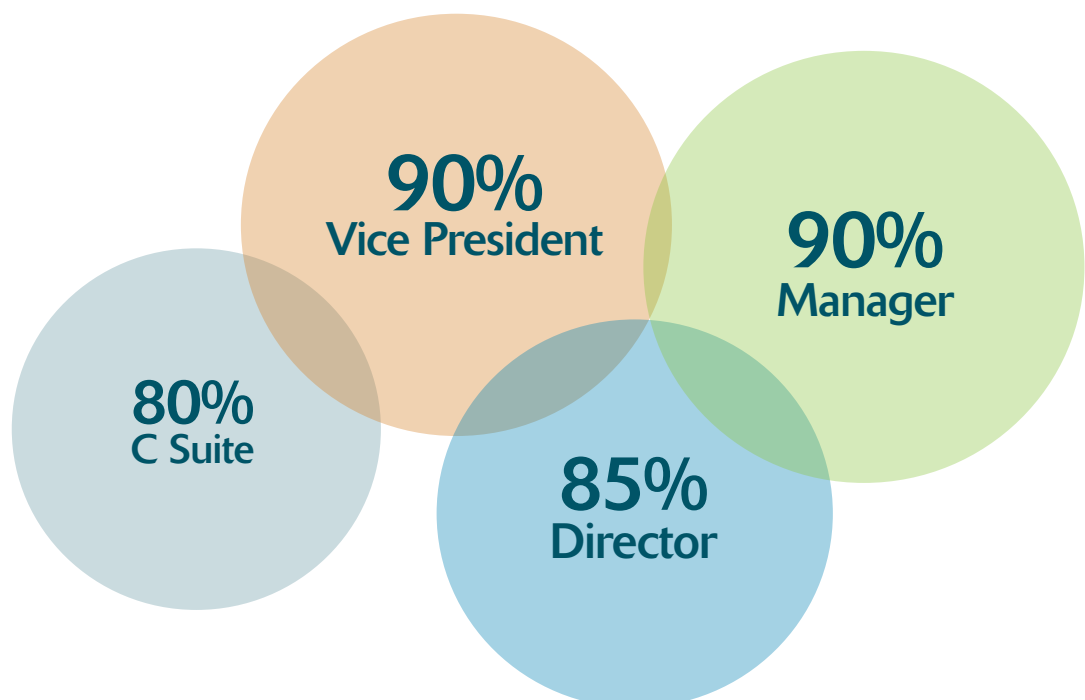
5. Interpersonal Awareness

Status quo: *An additional leadership gap was identified when HR piloted the feedback and coaching workshop.* Leaders were learning the mechanics of providing feedback and coaching, but for some, the ability to empathize with others was not well-developed. This made the feedback and coaching feel transactional rather than genuine.

Action taken: *HR added a module on interpersonal awareness to the workshop to help all leaders authentically connect with others’ concerns and feelings.* Not surprisingly, the initial reaction from leaders was “Is this about being someone’s best friend?” But at a high level, the organization defined interpersonal awareness as the ability to observe, interpret, and anticipate others’ concerns and feelings, and communicate in a way that others felt understood and valued. In simulations, leaders practiced specific actions, behaviors, and verbal ways to convey empathy. They also received feedback and coaching during the workshops as they acquired these new skills.

Assessment of Results

Within 3 years of the assessment, over 50% of the C suite turned over due to departures and retirements. But thanks to a strong CEO sponsorship and focus on “leaders developing leaders,” the internal replacement success rate by the end of Year 3 increased dramatically:



The organization's goal was not 100% because they needed some external candidates to provide different experiences and thinking.

They also saw improvement in the frequency of lateral role movement, project assignments for development, interim role assignments, and movement across organizational boundaries. Their new method of identifying high-potential leaders expanded the slate of candidates, and meaningful development plans were in place for a far greater number of these leaders.

Where Can You Start to Expand Your Leadership Pipeline?

There are three steps that will effectively launch your path toward a much-improved leadership pipeline:

1. Determine the status of your present leadership pipeline
2. Make sure key people are buying in
3. Make sure key organizational levers are aligned to create a culture that accelerates leadership development

Following is some helpful advice about each.

1. What is the status of your leadership pipeline?

Answer these questions as if your company's future depended on it (which it does):

- 1. Retirement:** What percentage of the leaders at every level of your organization are already eligible to retire (or will be within 5 years)?
- 2. Internal vs. external leadership candidates:** What percentage of leadership positions at every level are currently being filled internally versus externally?
- 3. Leadership talent strategy:** is a clear strategy in place?
 - How is the strategy reviewed and updated?
 - Who builds and reviews it?
 - How is success measured?
 - How is the strategy communicated?
- 4. Robust succession plans:** are they in place for the most critical roles?
- 5. Formal talent development programs:** is your organization relying too much on them?

After responding to these questions, consider:

- Did you have a clear, ready answer for each question? Or were any of them a struggle to answer?
- How comfortable will you be presenting your answers to your CEO?

2. Have the key people bought in?

Make sure you have identified key people whose support will be most critical—and that they are on board with doing whatever is needed to expand the future-leader pipeline. In the example presented earlier, the improvements achieved could never have happened without the CEO's buy-in.

For most HR professionals, the CEO is not readily accessible. But don't let this discourage your push to improve the leadership pipeline. You may have access to a function leader or business leader who can sponsor this in their area. HR professionals at all levels can help identify opportunities to strengthen the leadership pipeline.

Here are some suggestions for acquiring buy-in from your contacts:

1. Is the person a talent decision-maker?
 - a. If not, do they have the influence to make changes happen?
 - b. What data or information can you offer to help them make the case for change?
2. Does the person care about the leadership talent problem you've identified?
 - a. If this person is not an HR leader, how is their area affected by a lack of strong leadership talent? Is lack of "ready" leaders a pain point?
 - b. What talent metrics does this person answer for?
3. Can you bring a solution to the table? This can help bring people on board. Estimate the investment your solution would entail and the potential return. (Researchers have developed an interesting framework for predicting the ROI of leadership development: RODI, or Return on Development Investment)⁶.
4. Identify the specific improvements in the pipeline that need to be made.
5. Determine specific actions to address the gaps.

3. Are key organizational levers aligned to create a culture that accelerates leadership development?

In the case of the CHRO described earlier, the breakdown in leadership talent development was really a symptom of a larger cultural problem. To turn this situation around, they needed to engage all leaders in developing leadership talent. They used a proprietary analysis tool developed by CLG called DCOM[®] – Direction, Competence, Opportunity, Motivation. In any organization, of any size, these four elements must be strongly in place to assure performance. If any is missing or weak, the organization is literally crippled.

Here are the specifics:

Direction—Do leaders recognize that developing leadership talent is their critical responsibility? Senior leaders must clearly see the link between the leadership pipeline and the company's present and future bottom line. *This direction comes from the CEO and CHRO.*

Competence—Do leaders have the skills and knowledge to develop leadership talent in others? It is important for leaders at all levels to receive training in the Five Critical Capabilities presented earlier. To develop talent effectively, every leader needs to demonstrate strategic talent mindset, talent identification, creating development opportunities, coaching skills, and interpersonal awareness. *This training comes from HR.*



6. Bruce Avolio, James Avey, and David Quisenberry. "Estimating return on leadership development investment," *The Leadership Quarterly*, August, 2010.

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Opportunity—Can leaders quickly identify what is needed to accelerate development of individuals, and to pinpoint and remove obstacles to development? This may require changing perceptions of a future leader’s world, understanding the capabilities and experiences essential to preparing for this future, and clearly identifying and addressing obstacles that will hinder development. It helps to create development profiles for potential talent that identify opportunities for development experiences. *This is the task of senior leaders and HR.*

Motivation—Do leaders want to develop other leaders, and feel personal ownership? Everyone has their own agenda, and it’s critical that current leaders have enthusiasm for developing the leadership pipeline, that they feel appreciated and rewarded for doing so. *This is the role of the CEO and senior leaders.*

The following table shows specific ways to engage each organizational lever and utilize the four DCOM elements to expand your leadership pipeline.

Organizational Lever	To Engage this lever..
<p>D Direction</p>	<ul style="list-style-type: none"> • Senior leaders must give clear, consistent messaging on how critical leadership pipeline development is to company strategy. • Develop principles for leadership development that define clear behaviors. • Make sure leaders know and understand these principles, and that more senior leaders are actively role-modeling the defined behaviors. • Have clear metrics in place, for both HR and leaders of Operations/Functions, that track occurrence of these behaviors for developing leadership talent.
<p>C Competence</p>	<ul style="list-style-type: none"> • Ensure that all leaders have received adequate training and preparation to engage in the behaviors that allow them to develop leadership capabilities in others. • Provide support, such as mentoring and coaching leaders to help them develop these skills.
<p>O Opportunity</p>	<ul style="list-style-type: none"> • Pinpoint for each leader the specific skills and experiences that will help support and accelerate his/her development. • Ensure that leaders actively make time on their calendars to develop leadership talent in their teams. • Encourage leaders to discuss with their teams any barriers to their growth as leaders. • Remove visible obstacles so leaders can see clear progress.
<p>M Motivation</p>	<ul style="list-style-type: none"> • Recognize those who put real effort into developing leadership talent in their teams. • Link development of leadership talent to how leaders’ performance is evaluated. • Provide ongoing support and coaching as leaders are building new skills and behaviors to develop others. • Establish the expectation that leaders throughout the management chain will encourage, reinforce, and correct (as needed) the leaders below them to embed the new behaviors. • Help leaders understand that their extra time invested in developing others will bring personal payback in increased team capability. • Reward and promote leaders who consistently demonstrate the new behaviors and strengthen the leadership pipeline while achieving business results.

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Organizations need solutions—now—to address the gaps in their leadership pipelines. Unleashing the power of “leaders developing other leaders” can multiply the efforts of HR and talent professionals exponentially. If you want to dramatically improve the effectiveness and speed of your development cycles, find leaders in your organization who see the potential to create your own leadership “engine” and partner with them to utilize this simple but powerful approach.

About the Authors

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About CLG

CLG has been helping organizations develop world-class leaders for nearly a quarter of a century. Companies depend on CLG to help them close leadership gaps by identifying business-critical behaviors that help grow leaders’ capabilities and develop and deploy change plans that use behavioral data to drive and measure results. Their client-specific solutions are flexible and adaptive, strengthening leadership pipelines to meet an organization’s ever-changing needs. <http://www.clg.com>



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