Three Truths for Leaders

Keep focused on developing your top talent.

by Robert Gandossy and Marc Effron

ANECDOTES AND CASE STUDIES ABOUND when it comes to companies known for developing leaders. Every consultant has a model and every leader a story about how a company can build great leaders, but what exactly enables an organization to continually produce great leaders? How is it that some companies can fill all leadership positions without a single executive hired from the outside?

The answers are elusive. So, we set out to understand the characteristics that provide the sustained capability to create leadership quality and depth. In other words, how do great companies combine culture, performance management, coaching, compensation, job assignments, leadership support and more in a way that enables them to consistently deliver business results and create a strong pipeline of leaders?

We learned that there are no silver bullets; however, there are patterns. The top companies for leaders share a combination of beliefs, values and results-oriented practices for identifying, nurturing, and rewarding future leaders. These distinctions form the cornerstone of their programs and set them apart. Although specific practices differ, these characteristics can be gathered into three broad areas or truths.

The Three Truths

A "truth" can be thought of as an inviolable rule of building leaders—a foundation element of top companies. We believe that all three truths must be in place for a company to consistently build leadership quality and depth.

1. CEOs and Board of Directors at top companies provide leadership and inspiration. CEO involvement is a critical success factor. Without the passionate and visible commitment of

the CEO, developing great leaders is impossible. It's imperative that the CEO not only buys into the program, but also actively participates in it, communicates frequently about it, and provides the inspiration, passion, and necessary resources. CEOs at the top companies are intimately involved in the talent review processes—reviewing top candidates, ensuring their team conducts fair reviews of their direct reports, and the process is used to fill key roles with top people.

CEOs of top companies devote at least a quarter of their time to leadership because they know there is a direct link to results: *running the business is building leadership capability.*

The financial consequences are compelling: when a CEO is actively involved in leadership development, the organization averages a 22 percent return to shareholders over a three-year period. Without direct leadership from the top, the numbers drop to an astonishing negative 4 percent. Even in down times, these companies consistently outperform the market by 1 to 2 percent. That may not sound like much, but when you look at market capitalization, it equates to billions of dollars.

Board members, too, are dedicated to leadership development at the top companies. And you can bet boards will be even more active in the future, coming on the heels of legislative and regulatory reform, and shareholder pressure. At the top companies, fully 90 percent of the boards are involved in the process, meeting with high-potential leaders, getting to know them both personally and professionally. This enables members to come to the next board meeting and say, "I have a better understanding of the quality and depth of the leadership talent in this organization."

2. Top companies have a maniacal focus on the best talent. Learning that top companies focus on developing their high-potential talent should not be surprising. But they not only spend considerable time identifying and evaluating their high-potential people, they also focus heavily on matching leaders with jobs, providing cross-functional experiences and global or regional assignments that promote strong development. They invest in discovering what matters in preparing people for certain roles. IBM, for instance, not only understands the critical experiences needed for developing

Reprinted with permission of Executive Excellence Publishing. To subscribe call 1-800-300-3454.

candidates for key jobs, they understand the sequence in which these experiences should occur.

In top companies, leaders are matched to new jobs based on development needs identified in the performance management or succession planning process. These firms don't just put leaders into jobs, they explain the rationale behind the assignment, describing the specific skill or capability being developed. These companies also plot out what the high-potentials need to accomplish at 30, 60, and 180 days and tell them what relationships they need to build during that time period.

These are tough, challenging assignments with difficult goals. These companies intentionally take leaders out of their comfort zone and stretch them to test their capabilities and their capacity to grow. And while support is provided, there is tremendous challenge and pressure to succeed. Being high potential in the top companies often means you're held to a higher standard.

Top companies also don't pull punches. Nearly all tell their best talent that they are, in fact, their best talent. Top companies inform them not only of their status and its benefits, but also of what the designation doesn't mean. It doesn't mean that they are on the fast track to CEO, for example, or that their status is carved in stone. *Potential* means just that.

3. Top companies put in place the right programs, done right. Many firms can build a good leadership development program. However, even the most soundly designed leadership practices can be undermined by inconsistent implementation or lack of integration with other leadership processes. What sets the best firms apart is not just careful design of the right process but a relentless dedication to executing these flawlessly. From the selection of leaders, to developing them and rewarding them, organizations known for consistently producing great bench strength ensure that every piece of the leadership puzzle fits with the next. In doing so, they create interlocked leadership practices that reduce costs, create less cynicism, and make them stronger competitors for leadership.

Reinforce Desired Behaviors

The best firms also align leadership processes to reinforce the same desired core leadership behaviors. The behaviors emphasized to a leader during recruitment are the same ones reinforced in performance management, professional development, and annual incentives. They are clear about the vital few behaviors in their company and use every leadership practice they have to reinforce those behaviors. Importantly, many of these processes are integral to running the business. At companies like GE, IBM, Honeywell, and Home Depot, talent assessments, development, and succession planning are intertwined with discussions of strategy and operations.

At top companies, managing and developing talent is *running the business*. Strategy—where the company is headed, the products and services offered and markets served—and operations—how decisions are made, the infrastructure, systems and processes to support the strategy—are inseparable from the talent needed to do both.

The result is a company with a reputation as a place that leaders want to work. Those organizations that have cultivated a strong Leadership Brand will be far better positioned to attract and retain top leadership talent. **EE**

Robert Gandossy and Marc Effron are principals of Hewitt Associates. This article is based on their book Leading the Way: Three Truths from the Top Companies for Leaders *(Wiley).*

ACTION: Cultivate a leadership brand.

Reprinted with permission of Executive Excellence Publishing.
To subscribe call 1-800-300-3454.