



PART ONE

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# DEFINING LEADERSHIP DEVELOPMENT

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## CHAPTER ONE

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# CONTEXT, CULTURE, AND COMPLEXITIES

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## Best Practices Versus Best Fit

This chapter outlines the most proven approaches to leadership development and shows how to maximize the use of these approaches by identifying the future needs of the organization and its leaders and leveraging this context to create an overall strategy that is “best-fit,” not just “best-practice.”

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When it comes to developing the leaders within an organization, the stakes are high, and the potential payoff is enormous. This chapter focuses on the creation of a systemic approach to leadership development that is aligned with an organization's strategy, culture, and the critical initiatives required for future competitiveness.

An effective leadership development system is crucial to the long-term success of any organization. It can build sustainable competitive advantage for organizations that take the time and make the effort to design and implement the system.

Since developing leaders takes years, the leadership development system needs to be built around the future leadership needs of the organization and appropriately adjusted to reflect changes in strategy. At the macrolevel, a systemic approach to leadership development is based on four strategic questions:

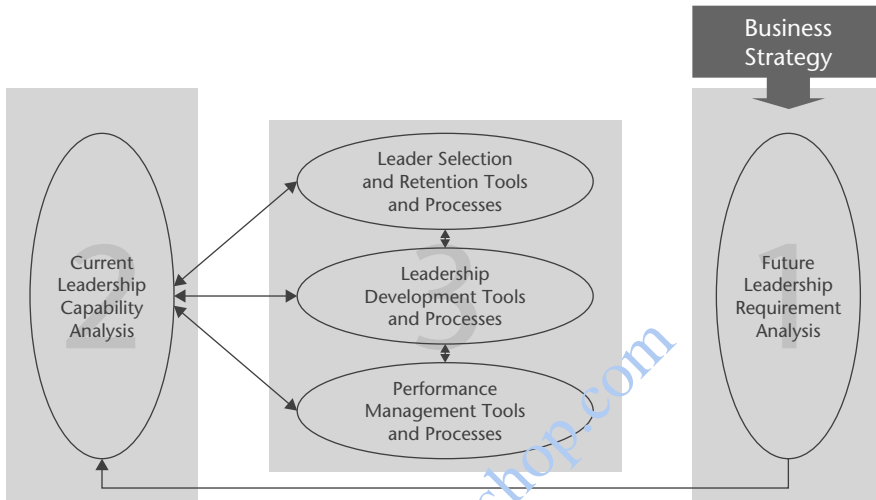
1. What capabilities will our leaders need to have in three to five years?
2. What capabilities do our leaders currently have? What gaps do we need to fill between our current capabilities and those required in the future?
3. What do we need to do to develop our leaders?
4. How do the components and processes of our overall human resource (HR) system need to be aligned with our leadership development system for maximum return on investment?

Based on these questions, those who are designing a leadership development system need to:

1. Identify future leadership requirements
2. Assess current leadership capabilities to identify the gaps
3. Build and reconfigure the tools, activities, and processes of leadership development, talent management, and performance and succession management in order to develop the necessary leadership capability for the future

Figure 1.1 illustrates the step-by-step process for designing leadership development as well as the key HR processes that need to be aligned with the leadership development system.

**FIGURE 1.1. ALIGNING LEADERSHIP DEVELOPMENT WITH STRATEGIC HR COMPONENTS**



## Business Strategy

The design of a best practice leadership development system must begin with an assembly of the “right people” who are critical stakeholders in the overall architecture of the system. In best practice organizations, this “leadership development council” is typically made up of key members of the executive team, business unit and functional staff leaders, members of the board of directors, and in some instances key customer or supplier representatives. By involving these key stakeholders from the beginning, these organizations face fewer difficulties with issues of “buy-in” and senior leader support that can plague organizations. In addition, involvement at this level leads to much easier adoption of another leadership development best practice: leaders teaching leaders.

The first job of the leadership development council is to conduct a thorough review (if it already exists) or lead the construction (if it does not exist) of the organization’s future strategy. Although this chapter does not go into the details of creating a well-crafted strategy, the leadership development

council should address the following questions in analyzing the organization's future "business strategy":

- What is the organization's most desirable future state? (vision)
- Why does the organization exist? (mission)
- What will the organization do better than any other organization in the world? (strategy)
- How will the organization achieve its strategy? (business and operating plans)
- What future expectations exist among key stakeholders? (goals)
- What common factors guide all employees of the organization as they execute their work? (values)

Once there is clarity and agreement among the key stakeholders with respect to these questions, the leadership development council is ready to proceed to the next step in the process.

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## Future Leadership Requirement Analysis

The future leadership requirement analysis determines the critical capabilities required of leaders to deliver on the organization's future strategy. Once these leadership capabilities are identified, they serve as the foundation for the relevant HR processes that must be aligned with the leadership development tools and processes in order to deliver the leaders required to execute future strategy. Only if the analysis of the future leadership requirements is accurate will the rest of the leadership development system be built effectively and contribute to the future success of the organization.

The involvement of the leadership development council is critical in the future leadership requirement analysis. Research has shown that top-performing organizations are 35 to 50 percent more likely to have CEO and board-level involvement than average-performing companies.

The work of conducting the future leadership requirement analysis can be summarized in three steps:

*Step 1:* Identify organizational opportunities and challenges based on a thorough review of the future strategy.

*Step 2:* Identify the future outputs that leaders will need to produce in order to capitalize on the opportunities and overcome the challenges.

*Step 3:* Identify the future leadership competencies and capabilities required to produce these outputs at the highest quality levels.

In today's best practice organizations, the identification of critical leadership outputs and competencies is always oriented toward future business strategy rather than backward to the outputs and competencies that distinguished superior leaders in the past.

Depending on the amount of time and resources, both personnel and financial, that the organization can allocate to the identification of the outputs and competencies, there will be a continuum of options to choose from. On the relatively inexpensive end of the continuum, you can facilitate a deductive process using a card deck or generic output dictionary to efficiently and effectively identify the core outputs the leaders will need to produce to execute the business strategy. On the other end of the continuum, you can assemble a team of industrial/organizational psychologists or other skilled professionals to use a combination of interviews, observation, surveys, external benchmarking, and other data-gathering tools to produce the required outputs. There are numerous examples of best practice organizations that have used the full continuum of options to generate the list of their leader's future outputs.

The same continuum of options is available to build the leadership competency model. Again, we have identified best practice organizations that achieved their success using any of the various approaches. Nevertheless, all had a leadership competency model as the foundation of their leadership development system. If you choose to develop a leadership model internally, we recommend using an experienced and effective facilitator, members of the leadership development council, and a competency dictionary or card deck (which represents a number of common competencies) as a starting point. The process typically unfolds as follows:

*Step 1:* Based on the previous identification of the leader's future outputs, whittle the complete card deck or competency list (through a

card sorting process) down to the core seven to ten competencies that the team concludes are the most critical in enabling leaders to deliver these outputs.

*Step 2:* Define the organization-specific knowledge, skills, and behaviors associated with each competency. This step ensures that the accompanying competency definitions and descriptors accurately capture how a superior performer exhibits that competency in the organization.

*Step 3:* Create a rating scale for each competency that distinguishes the various proficiency levels in which the competency is observed. The key in this step is to develop clear, specific, reliable, and one-dimensional behavior anchors to describe each point on the rating scale.

*Step 4:* Create a matrix worksheet. List the outputs (one output per row) in the far-left column and the competencies (one competency per column) across the top.

*Step 5:* Starting with the first competency, discuss with the team how critical this competency is to producing each of the outputs. Rate its criticality on a scale of 1 to 5, with (1 = unnecessary and 5 = critical). Repeat this process for each of the competencies identified.

*Step 6:* When the matrix is completed, each column should contain at least one 5, and each row should contain at least one 5. (If not, review the selected outputs or competencies and reconsider those choices.)

*Step 7:* Once you are confident that you have identified the competencies that are most critical to delivering the superior quality outputs required to execute the future business strategy, the final step is to graphically depict the competencies in a model that will be shared throughout the organization.

The future business strategy has been clarified and the corresponding leadership outputs and competencies that are required to successfully execute that strategy have now been identified. Next is conducting an accurate assessment of the organization's current leadership capabilities.

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## Current Leadership Capability Analysis

The current leadership capability analysis evaluates the capabilities of the organization's leaders against the identified future leadership requirements. The resulting assessment is used to identify the strengths and development opportunities that exist between the current leadership capabilities and those required in the future.

Typically organizations tend to focus their leadership assessment work at the level of individual leaders. They do this by designing or purchasing assessment tools that in the best practice organizations tie directly to the leadership competency model. Among the many individual leadership capability assessments are these:

- Multirater leadership assessments or 360-degree feedback assessments
- Personality, style, and motive assessments
- Specialized inventories (e.g., decision-making assessments, IQ/EQ tests, potential derailers)
- Assessment center data
- Internal observations and interviews with peers, managers, subordinates, customers, and relevant others
- Past performance reviews and appraisals

Although individual leadership competency assessments are an important component of the current leadership capability analysis, they should not be the only focus. A systemic approach to leadership development requires an analysis of leadership capability and performance from both an individual and an organizational perspective.

Best practice organizations use a variety of tools to analyze current organizational performance to inform their assessment of current leadership capability—for example:

- Culture assessments
- Employee satisfaction surveys
- Customer surveys
- Employee turnover and exit interview analysis
- Financial analysis of actual performance versus goals

- Aggregate utilization rates of development opportunities
- Impact analysis of developmental experiences versus results

A thorough and objective analysis of current leadership capability allows the leadership development council not only to identify the critical gaps that need to be closed through a well-integrated leadership development system, but also to highlight the shortfalls, if any, that the previous developmental experiences have produced in terms of improved results. The best practice organizations are constantly monitoring the return on investment of their leadership development tools and processes and the results that leaders produce. In addition, they work extremely hard to ensure that the other critical HR processes are aligned so that they are successful in accomplishing their overall objective of increasing the quantity and quality of existing and future leaders.

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## Leader Selection and Retention Tools and Processes

In order to efficiently and effectively develop the quantity and quality of the organization's leadership cadre, best practice organizations ensure that their leader selection and retention tools and processes are fully aligned with their leadership development, performance, and succession management tools and processes.

The first step in this phase of the design is to identify which leadership competencies are easier and more cost effective to hire than to develop. Practitioners with experience in this domain recognize that although it is debatable as to whether certain competencies are innate and therefore cannot be developed, few (if any) would debate that those same competencies are acquired fastest and cheapest by hiring leaders who are already highly proficient. As a colleague once said, "You might be able to train a turkey to climb a tree, but why not just hire a squirrel?"

Although the distinctions made in the first step are important, the next step is to ensure that all key stakeholders in the hiring process are aware of the newly created or revised leadership competency model. This also implies that there must be a coordinated approach to support all

stakeholders involved in the assessment of leader candidates against that competency model. To save time and money, we recommend using the same tools and processes that were developed or tailored in the assessment of the current leadership capability to inform leader selection decisions.

In addition to the organization's own work on leader selection, the quantity and quality of the leadership bench are determined by the number of great leaders the organization already has. Through our research at Linkage, we have found that the best practice organizations maximize their retention of great leaders by focusing on six satisfiers:

1. *Work, role, and objectives.* Do the job functions, outputs, and responsibilities fit my needs and expectations?
2. *Salary and benefits.* Does the remuneration match my needs and expectations—and what the marketplace will pay?
3. *Career development.* Does the level of learning and growth meet my needs and expectations?
4. *Team.* Do I fit with and relate to the team and my manager?
5. *Culture.* Do the values, operating principles, and beliefs of the organization fit mine?
6. *Work/life balance.* Does the job permit me to strike an acceptable balance between work and personal life?

Finally, the leader selection and retention tools and processes provide the organization with the ability to predict leadership turnover percentages and to set an ideal mix of internally developed and externally acquired leadership talent in accordance with the future leadership requirement analysis. When properly aligned, the leader selection retention tools and processes will enable the organization to:

- Recruit and select on the basis of the critical leadership capabilities.
- Balance short-term and long-term recruiting. Strategic recruiting and hiring are needed to build capacity for future.
- Identify targets for internal promotion and external recruitment for all levels of management.
- Identify those with high potential on the basis of evidence that they possess the critical leadership capabilities.

- Predict leadership turnover percentages for all levels.
- Ensure that leaders who are hired have the tools and knowledge to become effective and successful as quickly as possible.

In parallel with the work to align and implement leader selection and retention tools and processes that are tied to business strategy, future leadership requirements, and current leadership capability, best practice organizations are working on aligning and implementing their leadership development tools and processes.

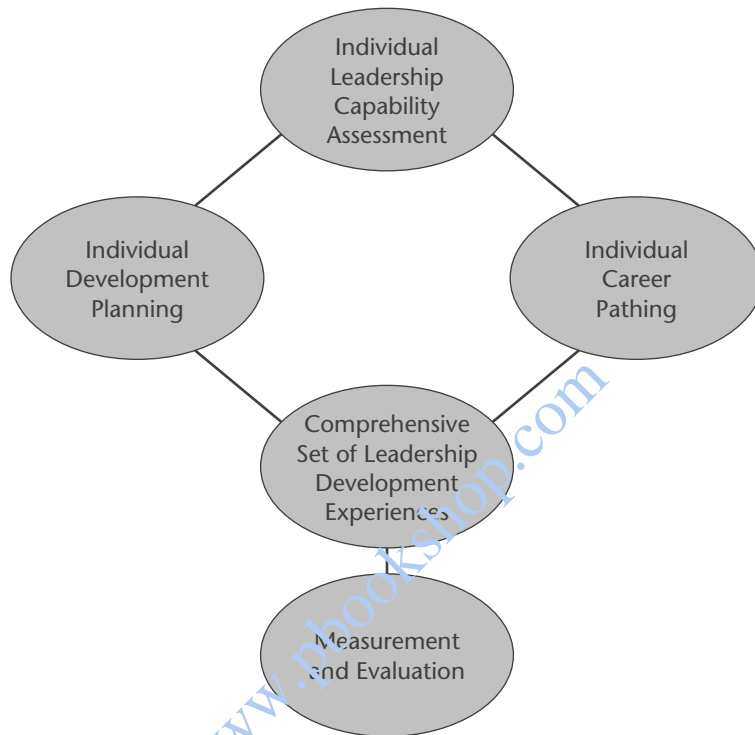
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## Leadership Development Tools and Processes

The goal of leadership development tools and processes is to maximize the internal leadership talent available within the organization. Best practice organizations use the model in Figure 1.2 to guide their design and implementation of their work in this phase:



- *Individual leadership capability assessment.* This assessment is the process of evaluation and assessment of individual leaders' capabilities to meet the current and future needs of the organization.
- *Individual development planning.* This aligns the individual's development activities and learning with capabilities the organization has determined he or she will require for success as a leader currently and in the future.
- *Individual career pathing.* This process provides a map defining the expectations to be met by an individual in order to move up in the organization. Career pathing identifies specific job assignments and projects that can provide the individual with the sequential steps of experience, skill, and capability building needed to attain specific career goals.
- *Comprehensive set of leadership development experiences.* An effective leadership development system needs to provide flexibility of choice through a range of learning experiences designed to meet the needs of a variety of users of the system based on their current competency level and their level of experience as a leader. That range of activities

**FIGURE 1.2. LEADERSHIP DEVELOPMENT TOOLS AND PROCESSES**

needs to include those shown in Table 1.1. Best practice organizations often create a leadership development resource guide that provides an overview of the development experiences available for each of the key leadership competencies by individual development goal and level. A list of development options from which the individual leader can choose is provided for each competency or capability.

- *Measurement and evaluation.* A well-functioning leadership development system contains measurement and evaluation of key elements. This measurement and evaluation are normally focused on changes in leadership behavior resulting from the leadership development system. However, measurement and evaluation also need to include elements of organizational performance considered indicative of critical elements of leadership by the executive sponsors of the leadership development system.

**TABLE 1.1. LEARNING EXPERIENCES FOR LEADERSHIP DEVELOPMENT**

<b>Development Activities</b>	<b>Characteristics</b>
On-the-job activities	<p>Focused on learning by doing</p> <p>Include specific practices that people can apply to their day-to-day activities (for example, people who need to develop their ability to focus can track the amount of time they spend doing planned versus unplanned activities)</p> <p>Designed and selected for that person to develop a specific competency (example: international assignment)</p>
Project assignments	<p>Focused equally on output and learning</p> <p>Offer the individual the opportunity to become part of a project team to practice new competencies or further develop current competencies</p> <p>Example: A variation of a project assignment is an action learning project</p>
Competency-specific training courses	<p>Designed as an internal or external course</p> <p>Provide participants the opportunity to develop specific competencies</p> <p>Example: Linkage “Advanced Consulting Skills” workshop</p>
Leadership development programs <sup>a</sup>	<p>Designed to provide leaders at various levels of the organization with a common learning experience, a common vocabulary for leadership, and an opportunity to make contact with people across the organization</p> <p>Provide high-performing leaders three to ten days of intensive training</p>
Coaching	<p>Designed to provide leaders one-on-one feedback to enhance their existing capabilities</p> <p>Focused strictly on the needs of an individual</p> <p>Used for very senior people because it is expensive</p>
Mentoring	<p>Focused often as much on the social aspect (such as networking) as on the development of competency</p> <p>Provides process through which a mentor helps the individual to enhance his or her overall potential in the context of the organization</p>

<sup>a</sup>This is the one that most people jump to when thinking about developing leaders.

## Performance Management Tools and Processes

The performance management tools and processes focus on the delivery of outcomes required for the current and future success of the organization. They encourage and reward leaders at all levels to develop their own

capabilities and those of their team members in alignment with the future capabilities identified in the future leadership requirement analysis.

The following factors are critical for the alignment of performance management tools and processes:

- The goals being set include key business results and reinforce the critical leadership capabilities.
- Successful completion of the individual development plan is a critical element in the performance management process.
- Individuals who focus on their own development are rewarded by the compensation system.
- Managers are accountable to developing leaders at all levels of the organization.
- Managers who spend time helping develop their people are recognized and rewarded for doing so.

The performance management tools and processes provide an evaluation of the extent to which the individual leader embodies the critical leadership capabilities in his or her annual performance.

We have included the quick assessment in Tables 1.2, 1.3, and 1.4 for monitoring the extent to which key HR processes that make up an overall leadership development system are kept in alignment and are working in concert to achieve the desired overall objective of increasing the quantity and quality of your leadership cadre.

### *Directions*

Step 1: Read the questions in Tables 1.2, 1.3, and 1.4, and rate each question on the scale provided by circling what best represents your organization.

Step 2: Total the scores for each of the three areas, and identify the area with the lowest score.

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## **Conclusion**

Conventional knowledge stipulates that a combination of the methods set out in this chapter represents the most effective way to develop leaders in an organizationwide context. It is important to realize, though,

**TABLE 1.2. RATING TALENT MANAGEMENT TOOLS AND PROCESSES**

<b>How Aligned Are Your Talent Management Tools and Processes?</b>	<b>Certainly</b>	<b>Probably</b>	<b>Not Sure</b>	<b>Probably Not</b>	<b>Certainly Not</b>
Do you recruit and select on the basis of critical leadership capabilities?	5	4	3	2	1
Do you balance short-term and long-term recruiting?	5	4	3	2	1
Have you identified targets for internal promotion and external recruitment for all levels of management?	5	4	3	2	1
Do you identify those with high potential on the basis of evidence that they possess the critical leadership capabilities?	5	4	3	2	1
Does your organization predict turnover percentages for all levels?	5	4	3	2	1
Do you ensure that newly hired leaders have the tools and knowledge to become effective and successful as quickly as possible?	5	4	3	2	1
<b>Total</b>					

that this does not imply that all leadership development programs should be the same.

Designing and operating a leadership development system that works is much more than simply implementing a smattering of “best practice” methods identified by thought leaders in the field. A number of variables should be carefully considered based on the unique aspects of each organization, of which there are certainly many. Should facilitators be primarily external experts or internal executives? If external, how should they be selected? And if internal, what is the best way to ensure that facilitators possess teaching expertise to match their knowledge of the relevant content? Should leadership development programs be handled internally

**TABLE 1.3. RATING LEADERSHIP DEVELOPMENT TOOLS AND ACTIVITIES**

<b>How Aligned Are Your Leadership Development Tools and Activities?</b>	<b>Certainly</b>	<b>Probably</b>	<b>Not Sure</b>	<b>Probably Not</b>	<b>Certainly Not</b>
Are managers at all levels provided with feedback regarding their performance against the critical leadership capabilities?	5	4	3	2	1
Are you using an appropriate range of assessment tools, including 360-degree assessments, personality and style assessments, performance appraisals, managers' assessments, and interviews?	5	4	3	2	1
Does everyone at all levels have a recent individual development plan? Are the critical capabilities integrated into the development planning process?	5	4	3	2	1
Do career paths provide leaders with an opportunity to develop and apply the critical leadership capabilities?	5	4	3	2	1
Do leadership development activities provide leaders with a variety of opportunities to strengthen those critical leadership capabilities?	5	4	3	2	1
Do you identify and manage candidates for succession on the basis of their possession of the critical leadership capabilities?	5	4	3	2	1
<b>Total</b>					

or externally, and if external, which vendors offer the best choices for the organization? Which leaders should be targeted with these initiatives? How can accountability be incorporated into the system? These are just some of the questions that all leadership development practitioners must ask.

Designing a leadership development system is first and foremost dependent on a deep knowledge of the ideal leadership qualities in the organization and the current status of the talent around those qualities. Next comes

**TABLE 1.4. RATING PERFORMANCE MANAGEMENT TOOLS AND PROCESSES**

How Aligned Are Your Performance Management Tools and Processes?	Certainly	Probably	Not Sure	Probably Not	Certainly Not
Do the goals include key business results and reinforce the critical leadership capabilities?	5	4	3	2	1
Is the successful completion of the individual development plan a critical element in the performance management process?	5	4	3	2	1
Are individuals who focus on their own development rewarded by the compensation system?	5	4	3	2	1
Are managers held accountable for developing leaders at all levels of the organization?	5	4	3	2	1
Are managers who spend time developing their staff recognized and rewarded for doing so?	5	4	3	2	1
Do the performance management tools and processes provide data regarding the extent to which individual leaders embody the critical leadership capabilities?	5	4	3	2	1
<b>Total</b>					

an understanding that a leadership development system is more than just the sum of its parts. Rather than having a series of mutually exclusive programs, everything must be completely aligned and fit together like puzzle pieces. The most important lessons from this chapter are as follows:



- *The key to an effective leadership development infrastructure is variety.* There must be a number of learning methods and interventions incorporated

into the system to account for several factors. First, no two learning styles are the same. Second, some approaches may be better for top senior leaders (such as coaching), while others may be more appropriate for those with high potential (such as leadership development programs or peer mentoring). Finally, having a variety of options for participants will likely increase the chances of positive engagement.

- *Leadership development should be a continuous process, not a series of “episodes.”* It is easy to lose sight of a development plan or career path. Learning should be ongoing so that it is constantly at the front of the leaders’ priorities and perhaps even incorporated into their work. This also ties in with variety: having a wide range of leadership development initiatives will likely allow practitioners to design ongoing systems that avoid becoming redundant.
- *Leadership development does not exist in a vacuum.* All efforts around leadership development should be tied in with other parts of the business. First, the system as a whole should be aligned with the objectives of the organization. If the company is going through change or is predicted to enter into a state of large-scale change over the next three to five years, then change leadership should be a top priority. Similarly, if improving innovation is a highly prioritized challenge, then at least some aspect of the leadership development system should be focused on building a culture of innovation. Second, it should be integrated into other processes of the organization. Leadership development is most effective when results are tied to both real performance and compensation or rewards. This ensures that leaders are able to see the results of their learning and that managers are held accountable for the development of their own leaders. Also, competency models and current gap analyses should be used in conjunction with talent management efforts, influencing the hiring of external candidates as well as the promotion of internal talent.
- *Leadership development must constantly be reviewed, measured, and scrutinized to ensure relevance.* Organizations change quickly, which means values and high-level strategies do too. At the same time, derailment, recruitment, and role changes cause leadership tiers to change as well. Leadership development is very much a dynamic process, and that requires careful

attention to which systems work and which are becoming outdated. Measurement of leadership development efforts is also important for individual practitioners, who often must satisfy the expectations of various stakeholders who wish to see monetary results from the organization's investment.

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## About the Contributor

**Rich Rosier** is a principal consultant and senior vice president of Linkage. In this capacity, he has leadership and profit-and-loss responsibility for the educational programs business unit.

During his fifteen years in the leadership and organizational development industry, he has worked closely with renowned thought leaders, including Peter Drucker, Warren Bennis, Marshall Goldsmith, and Dave Ulrich. This, combined with his work with global best practice organizations, gives him a unique and authoritative expertise in the learning and development field.

He continues to serve as a core member of Linkage's executive team, under whose leadership Linkage has twice been named to the Inc. 500, a list of the fastest-growing private companies in the United States. He launched and led Linkage's international events business, founded Linkage Educational Resources and Linkage Press, coauthored with Warren Bennis a *Sloan Management Review* article entitled "Leading in Unnerving Times," and edited four volumes of the highly acclaimed *Competency Model Handbook*.

He is currently the moderator of the internationally subscribed Excellence in Management and Leadership Series featuring business and thought leaders such as Michael Porter, Rudy Giuliani, Jack Welch, Malcolm Gladwell, and Thomas Friedman.