The Talent Imperative

Recently, a representative of a major automobile manufacturer told us that he wanted to know what the best practices were for developing the leadership talent in his organization. The squeeze is on for the auto companies, he said. What kinds of approaches and practices, he asked, had the best chance for success?
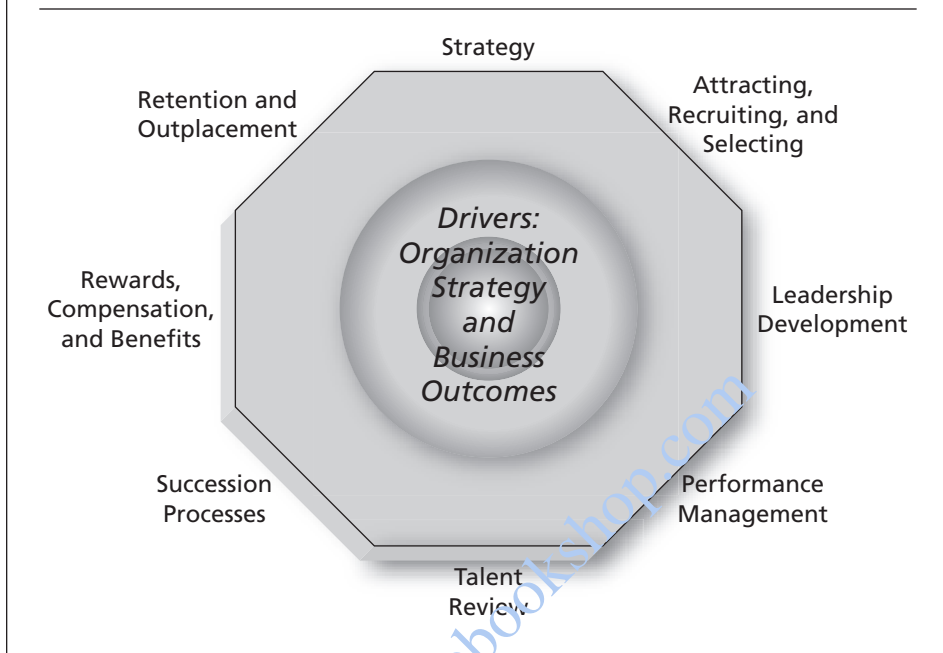
A home-improvement company representative came to us with a similar request. What advice could we give her about programs and development approaches that would provide sustainability and continuous improvement for her company?

These are just two examples of the comments we often receive from professionals who are responsible for developing executives and managers in organizations. The importance of developing leadership talent is not new, but it rarely has been more important than now. The impact of demographic shifts described in *The War for Talent* (Michaels, Handfield-Jones, & Axelrod, 2001) are emerging—not just in North America but globally. When the older workers leave, there simply will not be enough trained managers and executives for some time (Coy & Ewing, 2007).

Not only is the business environment increasingly competitive, but there are also other challenges. These include mergers, acquisitions, and regular restructuring that, at a minimum, create disarray in the corporate cultures that might otherwise groom managers for leadership positions.

One critical way for organizations to achieve competitive advantage is for them to create an approach to recruiting and retaining high-quality managerial talent that includes a focus on developing the kinds of skills and behavior that tie directly to the needs of the business (Dalton & Hollenbeck, 1996). In fact, a CEO survey in *Chief Executive* magazine (Haapaniemi, 2002) reported that most

Figure 1.1
HR/Talent Management Systems

Strategy

Attracting, Recruiting, and Selecting

Retention and Outplacement

Drivers: Organization Strategy and Business Outcomes

Rewards, Compensation, and Benefits

Leadership Development

Succession Processes

Performance Management

Talent Review

of its respondents (78.6 percent) see the ability to develop leaders as crucial to achieving competitive advantage.

As the focus on people (or the lack of people) has increased, talent management has emerged as a particular way of managing an organization's human resources. It shifts the emphasis toward proactive management of the "talent pipeline."

Developing leadership talent falls within the context of talent management. We define talent management as an integrated approach to recruiting, developing, and retaining talent. Within these three categories, talent management systems often include some or all of the following: recruiting and selecting; performance management; leadership development; talent review; succession processes; rewards, compensation, and benefits; retention and outplacement (see Figure 1.1).

TALENT MANAGEMENT

Our work overlaps with and reflects talent management best practices. According to a 2004 report published by the American Productivity and Quality Center

(APQC), the most successful organizations in terms of managing talent link their senior leadership, human resources, and line management in a development process that drives improved performance. The report cites Capital One Finance, Celanese AG, Coca-Cola HBC, the Internal Revenue Service, and other organizations as examples.

APQC identified eight themes among the best practices implemented by successful organizations to attract, develop, and retain critical organizational talent.
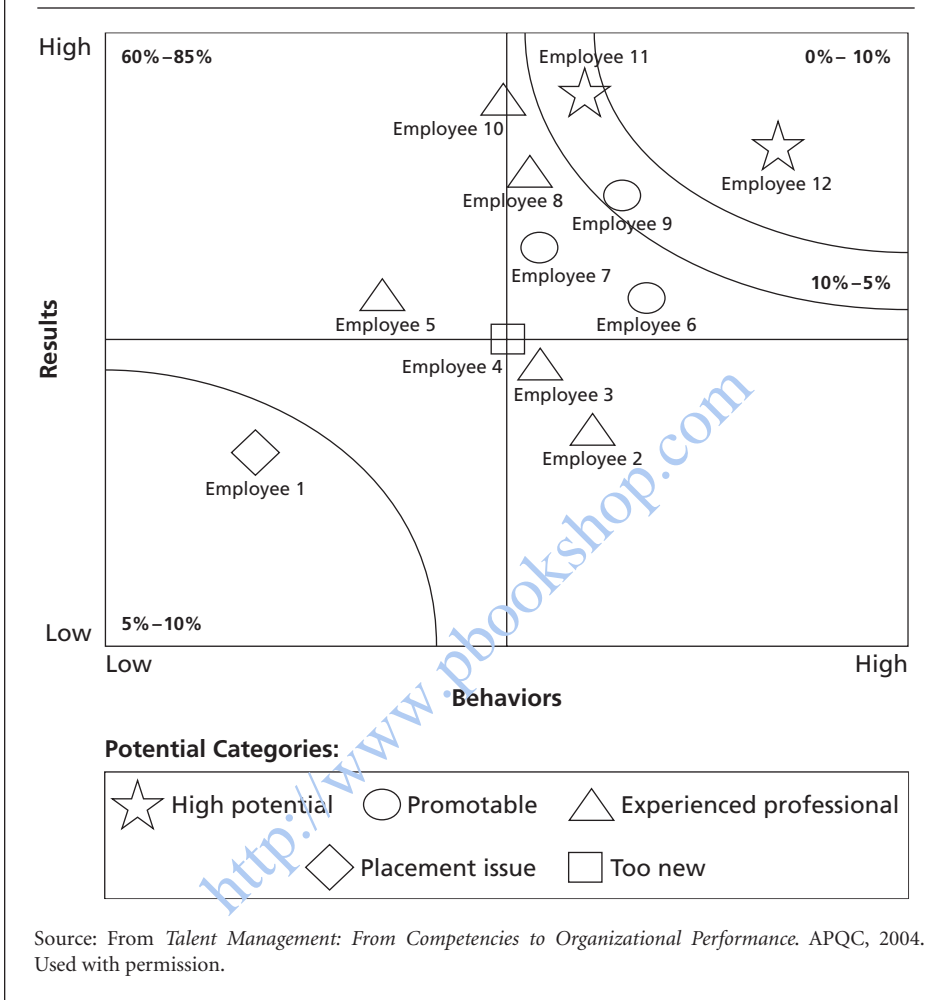
1. They define *talent management* broadly.

2. They integrate the elements of talent management into a comprehensive system.

3. They focus talent management on the most highly valued talent.

4. Their CEOs and senior executives are committed to and invest their time in talent-management activities.

5. They build competency models to create a shared understanding of the skills and behaviors that the organization needs and values in employees.

6. They monitor talent to identify current or potential future talent gaps (see Figure 1.2 for an example).

7. They excel at recruiting, identifying, developing, and retaining talent, as well as managing performance.

8. They regularly evaluate the results of their talent management efforts (see Figure 1.3 for an example).

MISCUES IN DEVELOPING LEADERSHIP TALENT

The 2002 *Chief Executive* study mentioned earlier shows that many of the organizations surveyed lack a formal process for leadership development. By not having a formal or systematic approach, organizations make it difficult if not impossible to leverage their investment in development.

The authors of *The War for Talent* report a number of problems in organizations that do not do a good job of developing talent. For example, a majority of corporate officers said their inability to develop their people into great executives was a major obstacle to strengthening the talent pool and that their organizations did not develop people quickly and effectively.
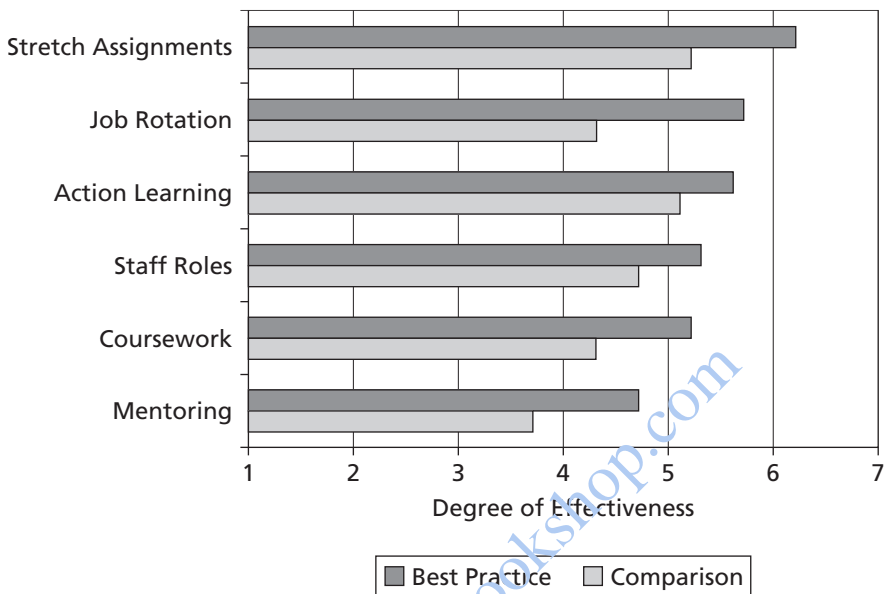
**Figure 1.2
Example of a Talent Matrix**

Source: From *Talent Management: From Competencies to Organizational Performance.* APQC, 2004. Used with permission.

The authors also report that managers who feel their companies develop them poorly are five times more likely to leave than people who feel their companies develop them well, and that a majority of managers who intend to leave their current employers in the next two years cite insufficient development and learning opportunities as critical or very important reasons for leaving.

Recent CCL research (see Table 1.1) reveals some of the difference between the skills that leaders have developed and the skills that support their organizations'

Figure 1.3
Effectiveness of Talent Development Tools

Source: From *Talent Management: From Competencies to Organizational Performance.* APQC, 2004. Used with permission.

Table 1.1
Six Most Important Leadership Attributes and Strengths

Attributes Critical to Strategic Success	Strengths Developed Among Leaders
1 Leading People	Respecting Individuals
2 Strategic Planning	Doing Whatever It Takes
3 Resourceful	Culturally Adaptable
4 Being a Quick Learner	Being a Quick Learner
5 Inspiring Commitment	Composed
6 Participative Management	Compassion and Sensitivity

Adapted from the Center for Creative Leadership's "Understanding the Leadership Gap" research project, as reported in *LEADAsia*, 2007.
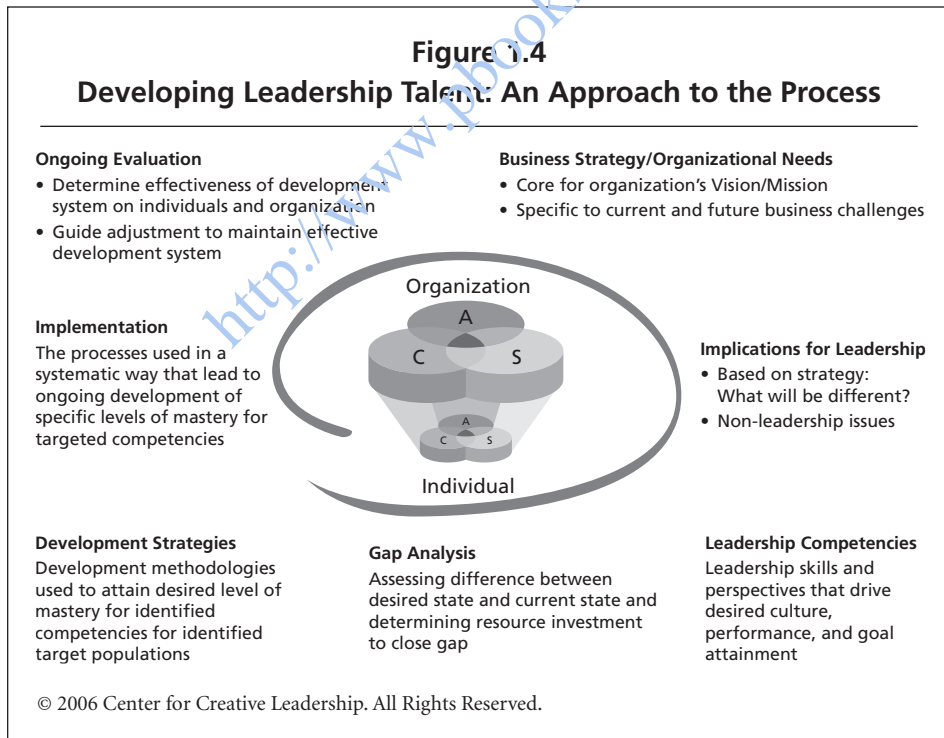
strategy. Important leadership dimensions are not being developed, which can affect an organization's ability to create leadership capacity.
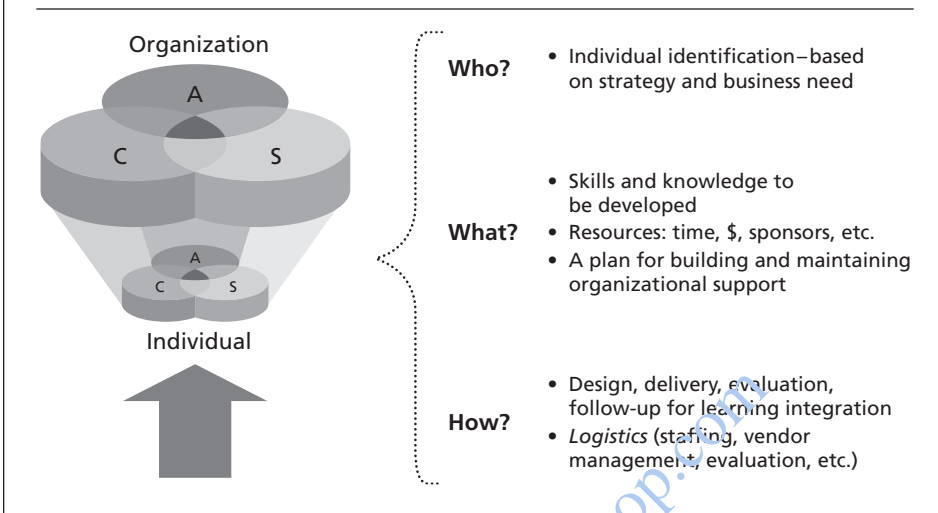
THE DLT APPROACH

In this book we focus on the intersection of talent management and leadership development. We want to help you think through how you can build and maintain a leadership pipeline in your organization and link that to your organization's business needs.

CCL's Developing Leadership Talent (DLT) approach is intended to ensure that you address the relevant issues at both an individual and organizational level (see Figure 1.4).

Notice the two-level ACS model in the middle of Figure 1.4. ACS represents CCL's fundamental development framework. "A" stands for *assessment*: Effective development requires a baseline measure of the current state. This sometimes

Figure 1.4
Developing Leadership Talent: An Approach to the Process

Ongoing Evaluation
- Determine effectiveness of development system on individuals and organization
- Guide adjustment to maintain effective development system

Business Strategy/Organizational Needs
- Core for organization's Vision/Mission
- Specific to current and future business challenges

Implementation
The processes used in a systematic way that lead to ongoing development of specific levels of mastery for targeted competencies

Implications for Leadership
- Based on strategy: What will be different?
- Non-leadership issues

Development Strategies
Development methodologies used to attain desired level of mastery for identified competencies for identified target populations

Gap Analysis
Assessing difference between desired state and current state and determining resource investment to close gap

Leadership Competencies
Leadership skills and perspectives that drive desired culture, performance, and goal attainment

Figure 1.5
Individual Leader Development

Organization

A

C   S

A

C   S

Individual

Who?
- Individual identification–based on strategy and business need

What?
- Skills and knowledge to be developed
- Resources: time, $, sponsors, etc.
- A plan for building and maintaining organizational support

How?
- Design, delivery, evaluation, follow-up for learning integration
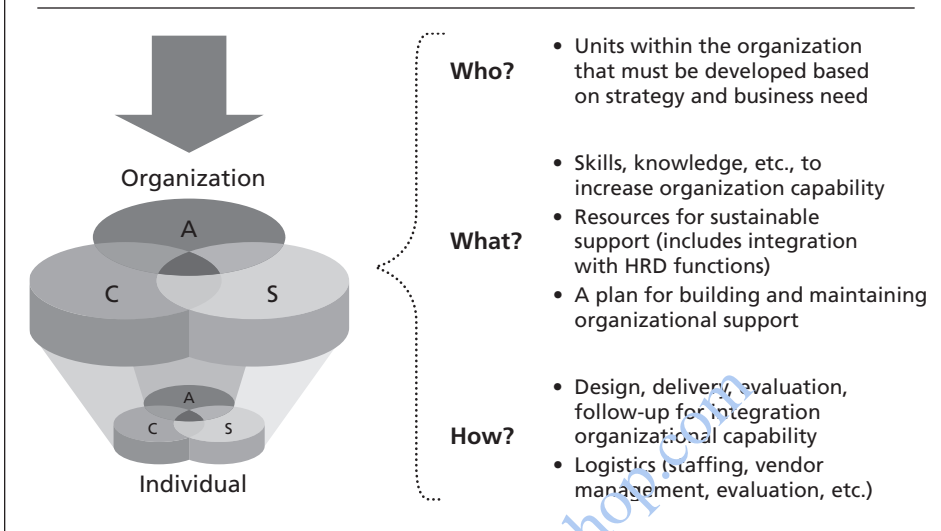- *Logistics* (staffing, vendor management, evaluation, etc.)

can help reinforce a need for development. The "C" stands for *challenge*: Development requires moving beyond the comfort zone; it requires a stretch. Finally, the "S" stands for *support*. Development is much more likely to succeed if support is provided.

Figure 1.5 illustrates how ACS plays out at the individual level. Figure 1.6 illustrates ACS operating at the organizational level.

Returning to Figure 1.4, the DLT approach asks:

- What are the key challenges facing your organization over its next planning period—generally from two to five years?

- What must your leaders be able to do differently in order to implement your organization's business strategy? What capabilities do functions/departments in which these people work need to do more or less of, or do differently?

- What individual leader competencies and organization capabilities must be developed?

- Who will be developed: individuals, employee groups, functional units, or some other kind of organizational mix?

Figure 1.6
Organizational Leadership Capability

Organization

A

C   S

A

C   S

Individual

Who?
- Units within the organization that must be developed based on strategy and business need

What?
- Skills, knowledge, etc., to increase organization capability
- Resources for sustainable support (includes integration with HRD functions)
- A plan for building and maintaining organizational support

How?
- Design, delivery, evaluation, follow-up for integration organizational capability
- Logistics (staffing, vendor management, evaluation, etc.)

- What is the current skill level compared to the needed level?
- What development methodologies will you use and why? Will they build organizational capability?
- How will you implement your development initiative?
- How will you evaluate the impact of your leadership development initiative?

Each of these questions opens up its own line of investigation, its own rationale, and its own set of decisions. The DLT approach avoids setting out a complex, one-size-fits-all system. It is above all an organizing approach that gives professional developers parameters but maintains a great degree of flexibility.

Without a doubt, developing leadership capability and capacity requires time and effort to customize the appropriate developmental tools for your organization and to bring about necessary shifts in how individuals and groups do their work.

In *The Towers Perrin Talent Report: How Leading Organizations Manage Talent* (Towers Perrin, 2002), this business consulting firm examined twenty-two organizations, all of which confirmed that a long-term view of investing in

people (development, training, coaching) was tied to sustaining profitability and growth.

Many of the executives CCL works with express the same view: when development is linked to real-world organizational challenges, success is long-lasting and well worth the time and effort. Those results have a cascading effect that benefits the current generation of managers and creates the opportunity for systemic development that benefits succeeding generations of managers.

IS YOUR ORGANIZATION READY TO DEVELOP LEADERSHIP TALENT?

You cannot build and implement an approach to developing leadership talent without ongoing support from your organization. Even organizations with a pro-development orientation can be unprepared to apply a fully systemic approach. Before you begin your own design, assess how ready your organization is to accept and support a systematic approach. You can measure readiness by considering your organization's most pressing strategic and organizational challenges, and using your analysis to narrow the areas of development in your plan. You can assess the organization through interviews, surveys, instruments, and your own observations. Use the Organizational Readiness Checklist (Exhibit 1.1) to record your findings.

As you assess your organization's readiness to accommodate and support the development of leadership talent, consider these questions.

- To what degree do I have full management support for sustainable leadership development?
- What are the challenges of getting senior management to actively participate and support leadership development?
- What development areas exist now and what areas are likely to reveal themselves later?

The answers to these questions will help guide you to a development approach that is aligned with your organization's view of developing leadership talent. By aligning yourself with its views, you are more likely to gain support for your approach.

Exhibit 1.1
Organizational Readiness Checklist

What is your organization's readiness to accommodate and support the development of leadership talent? The probes in this worksheet can help you gain a sense of the climate for introducing the DLT approach. This worksheet is not all-inclusive; if you have additional questions, add them to the worksheet to complete the picture.

Regarding the format:

- Column 1 (farthest to the left) lists the questions or probes for you to consider.

- Column 2 provides a rating on a scale of 1 to 10 (1 = does not address and 10 = completely satisfied) of the degree to which your organization already does this.

- Column 3 documents the reason for your rating by providing behavioral indicators.

- Column 4 rates how important this item is on a scale of 1 to 10 (1 = not important and 10 = high importance).

- Column 5 documents your reasons for giving the importance rating you gave the probe.

- Column 6 (farthest to the right) identifies who should be involved to increase the rating on this item.

1	2	3	4	5	6
Probe or Question	Degree Already Satisfied (1–10)	Evidence (Observed/ Assessed)	Degree of Im- portance (1–10)	Evidence (Observed/ Assessed)	Stake- holders
My organi- zation's phi- losophy and beliefs guide its decisions about leader development.					
My orga- nization's philosophy and beliefs are effective in guiding its decisions about leader development.					
My organi- zation's phi- losophy and beliefs will be effective in guiding future decisions about leader development.					
My orga- nization's development philosophy is integrated into its over- all strategy for talent management.					
Other:					

GETTING STARTED WITH DLT

When you finish the Organizational Readiness Checklist, you will have a general idea of whether you are ready to start or whether you first must build support.

In the following chapters, we discuss each part of the DLT approach. For some of the areas we address (business strategy/organizational needs, implications, leadership competency, target population and gap analysis, development methodologies, implementation, and evaluation), you may already have a solution in place. In that case, you may want to review our approach, compare it with your own work, and decide whether or not you want to alter what you currently are doing.

If your program for developing leadership talent has gaps or is in the early stages of design, you may want to use the DLT approach as a starting point for customizing a design that gains support in your organization and that aligns with its strategy. Our goal is to guide, but not create, your approach for addressing each of these critical areas.

One final note: The DLT approach is displayed in a linear form. That is because it mirrors the overall implementation sequence. However, while you might follow this overall sequence in implementation, it is useful to remember, for example, that:

- You must build support for the initiative and maintain support throughout the entire process and after, and

- Evaluation might be implemented at the conclusion of some work, but preparation for evaluation begins with clear desired goals and outcomes that are established at the beginning of any successful development initiative.

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