

Improving the



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BOTTOM LINE

Succession Solutions
for Leaders

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Succession Solution for Leaders

CEO turnover has increased sharply in recent years. CEOs are failing sooner and falling harder, leaving companies in turmoil. The bottom line is companies are short on potential leaders at all levels -- not just on *quantity* but also on *quality*. Why?

There's something wrong with leadership development practices. Organizations are facing unprecedented challenges in finding successors for top jobs — and worse, so many leaders fail shortly after landing their positions.

Leadership matters! It motivates people beyond their limitations, unleashes energy, gives people direction, and synchronizes their efforts.

Financial results define where a company has already been. In contrast, leadership is a key indicator of the company's potential.

The quality of leadership at every level has a huge impact on everyday operations, and it determines every worker's level of engagement.

That's why companies spend so much money on elaborate leadership development programs. Nonetheless, succession planning and leadership development simply aren't working.

Directors, CEOs, HR executives and other business leaders have fared poorly at selecting and developing organizational leaders. They don't seem to understand what makes a leader or what the job entails. They focus on the wrong people for the wrong reasons.

Many fail to recognize that developing other executives is a major part of every leader's job—and they tend to start the process far too late. They underestimate what it will take for a leader to develop the capabilities to take a complex organization into a future fraught with rapid and destabilizing change.

A New Approach

Traditional leadership development processes aren't delivering on their promises. It's time for a new approach to finding and developing the kinds of leaders businesses need for a complex and uncertain future.

Ram Charan, distinguished professor and advisor to corporate boards, presents the

When a company fails to produce the leaders it needs, executives are recruited from the outside. Needless disruption occurs as they struggle to learn the business and adapt to corporate culture. Seeking a CEO from outside the company is risky, difficult and more costly.



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OSM is the vehicle to help people expand and develop the skills and attitudes necessary to achieve a higher degree of success both personally and professionally.

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Apprenticeship Model — a remedy for the leadership crisis — in his recent book, *Leaders at All Levels*.

Having observed how leaders develop (or fail to do so) over several decades, in hundreds of organizations, he concludes:

- ▶ **Not everyone can become a leader.** No amount of classroom instruction can supply leadership qualities. Leaders think and act differently. We can recognize future leaders if we know what to look for and sharpen our powers of observation.
- ▶ **Leadership ability is developed through practice and self-correction.** People who have the right talent can accelerate their growth as long as each new job assignment helps them build their core capabilities and acquire new ones, provided they're given timely and precise feedback.
- ▶ **The CEO job requires giant leaps in learning.** Leaders will not be prepared to lead large companies unless each job experience is much more complex than the one before.

The Apprenticeship Model for leadership development requires us to spot leaders early and put them in situations that drive them to grow fast. People with the right talent and high potential must embrace opportunities to learn by doing: practice, feedback, corrections and even more practice.

Leadership development is no longer a discrete activity run by HR staff; it's an everyday "contact sport" that's fully integrated into the fabric of a business. Line leaders play a central role in providing the necessary practice and feedback.

Early Recognition of Leadership Talent

Companies have to ensure that potential leadership talent — wherever it's found — is spotted early and developed thoroughly. Those with high potential to succeed at the highest levels should be:

- ▶ 1. Allowed to spread their wings early

The consulting firm A.T. Kearney found that fewer than one in four directors believes his or her company's board is effective at developing leadership and planning for succession. Almost half of companies with revenues above \$500 million have no meaningful CEO succession plan. Only a small minority of HR executives are satisfied with their companies' top-management succession processes.

- ▶ 2. Encouraged to move in big leaps
- ▶ 3. Given a variety of challenges tailored to their particular strengths and developmental needs
- ▶ 4. Closely watched to see which talents prove reliable
- ▶ 5. Observed for limitations that may be emerging
- ▶ 6. Given ongoing feedback on every aspect of leadership
- ▶ 7. Given feedback on business and people issues by leaders with business savvy who are close to the everyday work environment

All Levels Participate

The Apprenticeship Model requires high participation from leaders at all levels. Managers and executives should devote 20% of their time to developing future replacements. At the same time, they should look for opportunities to develop their own leadership capabilities.

The following assessment tool will identify strengths and deficits in your company's leadership development capabilities.

Does Your Company Know How to Develop Leaders for the Highest Levels?

Rate your company on a scale from 1 to 10
(1 = Not at all true, 10 = Definitely true)

- ▶ 1. **Developing other executives is an important part of every leader's job at my company. Leaders are expected to devote considerable energy and a minimum of 20% of their quality time to this task.**

Not at all true					Definitely true				
1	2	3	4	5	6	7	8	9	10
- ▶ 2. **Leaders who identify and develop other leaders are rewarded and recognized for doing so.**

1	2	3	4	5	6	7	8	9	10
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- ▶ 3. **Bosses regularly coach leaders on the one or two most important areas in which they need to improve, such as specific aspects of business acumen or relationship skills.**

1	2	3	4	5	6	7	8	9	10
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- ▶ 4. **Evaluations, to be conducted at least once a year, consider not just what the leader achieved, but also how and under what circumstances.**

1	2	3	4	5	6	7	8	9	10
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- ▶ **5. Leaders pool their insights to determine how a junior leader may develop and where he/she should go next.**

1 2 3 4 5 6 7 8 9 10

- ▶ **6. The most promising leaders often receive more challenging assignments that may be far outside their demonstrated area of expertise.**

1 2 3 4 5 6 7 8 9 10

- ▶ **7. Leaders on development paths aren't kept waiting for job openings. They receive challenging new assignments as soon as they're ready for them, or even just before.**

1 2 3 4 5 6 7 8 9 10

- ▶ **8. Assessments of leaders' talents are precise, balanced and complete. They are separate from annual performance appraisals.**

1 2 3 4 5 6 7 8 9 10

- ▶ **9. The leadership development process is as consistent and rigorous as those for business items like revenues, margins or cash.**

1 2 3 4 5 6 7 8 9 10

- ▶ **10. HR ensures leaders at all levels actively develop other leaders and plan their succession. HR provides useful input to help up-and-coming leaders and their bosses find the right job fit.**

Spotting the Right Leadership DNA

Most companies have a faulty idea of what a leader really is and does. Executives focus on an incomplete list of personal traits, which hampers them when attempting to spot real leadership talent early on.

Young executives who are smart, creative and financially adept command attention and respect. They combine their mental abilities with a strong work ethic and drive to achieve. They often get promoted quickly, but they may actually lack the right leadership traits.

The best performers are usually the most visible, but they don't necessarily have leadership essentials. Many execs confuse the two issues and identify the wrong people as high potential.

Many of the personality traits and capabilities associated with leadership in the past are insufficient today. You must identify other indications that a person can succeed in leading a business unit or whole company in an emerging business context.

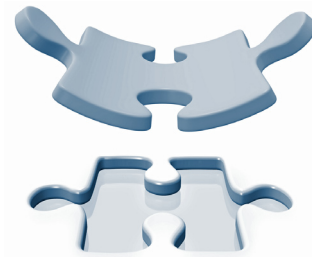
As with DNA, two strands of a helix fuel business leaders' inner engine:

- ▶ **1. People acumen:** the ability to harness others' energy
- ▶ **2. Business acumen:** understanding how a business makes money

When future leaders are in their 20s, these strands are already in place. Every company has leadership talent, but spotting it is critical to identifying leadership potential.

Customizing Growth Paths

Companies must handpick both future leaders and their prospective jobs. Each assignment should provide the right kind of developmental challenge so leaders can grow as fast as possible. Bosses must be willing to take some risks when assigning jobs that stretch new leaders' abilities.



The Role of Bosses

Every boss must be a mentor and coach, investing energy and care to facilitate high potentials' development.

Bosses are best suited to observe rising leaders in action, ask questions, make suggestions and keep them focused on the right priorities.

Every interaction becomes a training opportunity to develop the leader's growth.

Managing the Apprenticeship System

Few companies systematically compile useful information about their leadership resources. They have formal routines for collecting financial data and other indicators, but not for leadership development — the very foundation of business success.

Criteria for Managing the Apprenticeship Model:

- ▶ Continually revisit the criteria and methods for identifying leadership talent to remain attuned to external changes
- ▶ Assign individuals with leadership talent to a sequence of challenging work that builds capabilities while meeting current organizational needs
- ▶ Provide rigorous feedback to speed leaders' development
- ▶ Increase each leader's visibility within the company to solidify his or her connection with the business and allow other leaders to get to know the individual in depth
- ▶ Recognize and reward the best performers and adjust the talent tracks for those who fail to meet the standards
- ▶ Periodically report on the numbers and types of leaders at various levels and assess any current or anticipated gaps
- ▶ Keep the board informed about the strength of the company's leadership bench, expose board members to leaders several tiers below the CEO, and help members get to know succession candidates in depth

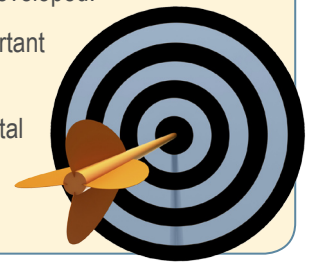
Take Charge of Your Own Career

Even if a company doesn't institute an Apprenticeship Model, individual leaders can and should embrace the concept. Leaders (especially those who believe they have undiscovered high potential) should take charge of their own learning and development.

Leaders should be aware of their specific talents and whether they're being fully utilized and developed. If companies are underutilizing them, they should actively seek environments where their talents can be used, recognized, encouraged and developed.

Identifying your potential requires introspection and brutal honesty. Functional expertise becomes less important than other leadership capabilities as you rise higher in a company.

This work is best done with an experienced executive coach who can help you find the optimal developmental opportunities and mentors within your organization.



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