What will drive the success of your business? Aggressive top-line growth? Entering new global markets? Launching the next blockbuster product? Managing through digital transformation? No matter which future course you plot for your business, success will rely on flawless execution. And, in turn, flawless execution will largely depend on your organization’s ability to choose and prepare the best possible leaders for today and into the future.

That’s easier said than done. Many organizations are likely to find themselves with a sizeable leadership gap as evidenced by multiple research sources.

- Brandon Hall Group released a study showing that 50 percent of organizations are short on leadership skills in their current environment. More startling, 71 percent reported that their leaders are not ready to lead their organizations into the future.
- Aberdeen Group, another leading HCM analyst firm, revealed that organizations will be capable of delivering only two-thirds of the leaders required in the future. They report gaps at all levels of leadership, but especially in the mid- to senior-level ranks.
- DDI and The Conference Board’s Global Leadership Forecast 2014|2015, comprising 2,000-plus organizations and more than 13,000 leaders, revealed that anywhere from 55 to 89 percent of leaders are not prepared to meet CEOs’ top business challenges (e.g., handling global/international expansion).

The Growing Need for Better Leaders

There are a number of forces driving the need for organizations to prioritize leadership:

- Shareholders, boards, customers, and the press scrutinize our leaders every day. And, for good reason. Fifty-eight percent of all new executives are failing. Also, on average, CEOs are exiting at a rate of 100 per month. In fact, Yahoo Finance estimated the impact of one company’s CEO turnover at over 1.8 billion dollars!
- An exodus of baby boomers in many countries is creating a shortage of experienced leaders. As a result, millennials—with different expectations and views on leadership—will be filling open slots from the C-suite on down.
- Upwards of half of the global workforce remains disengaged year after year. High-quality leadership plays a key role in employee engagement. When leaders don’t have the skills to engage their workforces, business productivity and talent retention suffer.
- Most companies are facing some form of digital disruption, requiring a new set of competencies such as 360º Thinking, Hyper-collaboration, Determination, and Intellectual Curiosity.
- Leadership is very much becoming a global value proposition. Organizations must find, develop, and nurture leaders who can work across cultural boundaries and manage multiple operations in different countries.
- Inclusiveness is becoming a leadership issue for more than social/cultural reasons. Our research shows that higher performing companies had double the number of females in leadership versus their lower performing counterparts.
Leadership Pipelines Promise Answers

The pipeline concept received considerable attention as a result of a book called *The Leadership Pipeline: How to Build the Leadership Powered Company*. It was later refined by DDI in *Grow Your Own Leaders* (2002), and *Leaders Ready Now* (2016). We define our Leadership PipelineSM approach as: A critical business process that provides organizations with a sustainable supply of quality leaders, at all levels, to meet the challenges of today and tomorrow.

A sound Leadership PipelineSM strategy ensures that talent management processes are relevant, just-in-time, and integrated. When it comes to operations, most companies continue to develop efficient, high-quality, and lean processes. Money and competitive advantage are lost when inventory doesn’t arrive when needed, when too much is on hand, or when resources are wasted. The same applies to a haphazard approach to talent. Development resources are wasted, poor decisions are made, and the supply or quality of leaders is not commensurate with demand.

Before investing in this highly comprehensive approach to building a stronger leadership capability, a legitimate question is what’s the payoff? Unfortunately, while used by many companies, research on the impact of a pipeline strategy has been scarce at best.

Our Global Leadership Forecast was one of the first to examine companies with effective leadership development processes and programs at one versus all leader levels (see Figure 1).

**FIGURE 1: FINANCIAL PERFORMANCE AND LEADER DEVELOPMENT ACROSS THE PIPELINE**

And, not only does a multi-level pipeline approach impact financial performance, it also readies internal candidates for promotion and mitigates the risks associated with hiring from outside. Companies that fill a high proportion of key positions from the inside (80 percent or more) have 2.2 times greater leadership bench strength and 3.8 times higher leadership success rates.
Leadership Pipeline: A Deeper Look

Figure 2 below is a graphic representation of the pipeline concept. There are a number of key practices that will prevent a pipeline approach from becoming a pipedream:

**Pipeline Best Practice:**
*Start with business context.*

When developing your pipeline design, start by considering current and future business drivers. These are the priorities that leaders must focus on in order to achieve your organization’s strategic initiatives. Our research has crafted a list of approximately 30 business drivers from which a company will pick four to five.

Examples of business drivers include Drive Process Innovation (for an auto maker intent on implementing lean) or Expand into Global Markets (for a tech company looking to expand business internationally).

Business Drivers help an organization’s senior team and HR professionals frame talent development discussions in the terms of the business. Dennis Wrasse, former CEO of energy holdings company Pepco Holdings put it this way:

“We have all these models and ways that behaviors fit into these models, and I really can’t understand all of that. It’s just too complex to understand what the implications are. But with these Business Drivers I can understand and so can everyone else. These are what we need our leaders to do in the future.”
Pipeline Best Practice: 
**Paint a clear picture of success.**

Once you have determined your Business Drivers, you need to develop what success looks like for each level of leadership. Our Success Profiles™ define leader performance holistically, painting a picture of what a high-performing leader looks like. We include four types of factors that are important to consider when selecting/promoting or developing talent:

1. **Organizational Knowledge** – What a person knows (e.g., understanding business models and product lines)
2. **Experiences** – What a person has done in the past (e.g., leading a start-up)
3. **Competencies** – What a person is capable of. (e.g., Digital Acumen)
4. **Personal Attributes** – Who a person is, or personality. (e.g., risk tolerance)

Success Profiles™ operationalize the Business Drivers. For example, in an organization where employee engagement is critical, a people leader would need to know how to inspire employees, competently develop others, and have a strong motivation to coach direct reports. An individual contributor or functional specialist not yet in a formal leadership position may need strong networking skills, the ability to work across silos, and excellent communication skills.

When using Success Profiles™ to select and develop leaders you must be realistic about those elements of the profile that can be developed and those that may not. Many are difficult to learn because they are personality characteristics. Humility or risk-taking, for example, is harder to develop than analytical skills. Difficult-to-develop portions of Success Profiles, therefore, should receive more attention in the identification and selection of leaders.

We are often asked how many leadership success profiles a company should have. While there is no set answer, it is common to see an organization adjust core components of a success profile across all levels and then unique profiles for each level.
Pipeline Best Practice: **Manage leaders in transition.**

If your leaders are going to stumble on the climb up your leadership ladder, they’re most likely to slip during a time of transition into their new role. Whether becoming a frontline leader for the first time or assuming a senior role with high visibility, making a transition comes with many challenges, such as:

- **Increased visibility, widened span of control, and personal challenges.** The higher the position, the more eyes are watching. With visibility comes increased risk of derailment. Moving through the ranks demands that leaders delegate more, influence others at senior levels, and battle feelings of isolation.

- **Constituency, span of influence, and business scope.** Leaders stepping up need to serve new audiences, and their decisions impact wider audiences, with each new promotion. Accountabilities also expand from teams to units to entire enterprises as leaders assume more advanced roles.

- **Tactical control and consequences of failure.** On the informal or people leader level, leaders spend significant time focusing on day-to-day operations. At operational or strategic levels, leaders focus on broader strategic business concerns.

While CEO failures receive a lot of public attention, transition failures are far more common at other levels creating organizational inefficiencies, adversely affecting employee engagement, negatively impacting staff development, and hindering the execution of important initiatives. A key challenge is to help leaders rapidly and smoothly move through transitions.

We’ve found that contending with these challenges is no small feat. According to leaders in our research study, *Leaders in Transition, Stepping Up, Not Off*, transitions are among life’s most difficult personal challenges. Even more troubling is the fact that very few thought that their organizations were doing the right things to prepare future leaders. In fact, when we examined five best practice areas relating to managing transitions, organizations both in the US and around the world showed a clear gap. (Figure 4)

**FIGURE 4: ORGANIZATIONS’ ABILITY TO PREPARE LEADERS**

<table>
<thead>
<tr>
<th>ORGANIZATIONS’ ABILITY TO PREPARE LEADERS</th>
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<tbody>
<tr>
<td>Developing Leaders before their next promotion</td>
</tr>
<tr>
<td>Making decisions about promotions</td>
</tr>
<tr>
<td>Supporting new leaders to help them cope</td>
</tr>
<tr>
<td>Setting clear performance expectations</td>
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<tr>
<td>Identifying high flyers</td>
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![](U.S. Global)
Organizations must anticipate and understand the challenges leaders will face as they move up the ladder and must put into place the support systems that will help high-potential leaders make difficult transitions easier and smoother.

When moving employees through the pipeline, organizations can select from two approaches. A “traditional process” (shown in Figure 5) looks at promotions from one level to the next. Those frontline leaders who perform well are considered for promotion to a mid-level position. Mid-level managers who perform well will often be chosen for the next level up, and so forth.

**FIGURE 5: TRADITIONAL**

Others have begun to supplement this traditional approach with a second approach we call Acceleration Pools® (see Figure 6), which we explain in more detail on the next page.
Pipeline Best Practice: 
**Create Leadership Acceleration Pools®.**

Acceleration Pools are groups of high potentials who are fast-tracked to assume growing leadership responsibilities. They are typically a subset of the total leadership population (two to three percent in large organizations), and allow organizations to devote precious resources to those most likely to succeed over time. These leaders are carefully identified and demonstrate the strongest leadership potential.

Acceleration Pools have a number of unique characteristics that distinguish them from the more traditional approach. For those in the pool, development is intense and may be aimed at preparation for a variety of possible future roles rather than filling the shoes of a specific position. Pool members are often matched up with experienced coaches—either internal or external. High potentials are carefully and frequently reviewed by senior management teams.

Also, individuals may move up and out of a pool based on their performance and organizational requirements. Some companies may have three or more pools, (e.g., one for aspiring senior executives, another for first-line leaders moving up to mid-management, and one for highly technical, non-leadership career tracks).

One challenge organizations face is who to put in an Acceleration Pool. Often they look only to past performance to identify their future leaders, and do not focus on future potential. Our research over time has identified ten potential factors that aid in predicting future leadership success. (See Figure 7):
The factors are often used to help companies decide who to put into Acceleration Pools.

Pipeline Best Practice: Choose the right people to move up the ladder.

While entrance into an Acceleration Pool is based on past performance and future potential, promotion decisions should be based on actual readiness to advance. Assessing readiness not only helps you make accurate placement and promotion decisions, it also pinpoints the specific strengths and opportunities for further development.

Decisions about whom to promote—and when they are ready—need to be based on in-depth assessment. Multiple approaches are available, including: day-in-the-life simulations, online competency assessments, personality and leadership inventories, multirater services (360˚), and objective behavior-based interviewing. Using a combination of these techniques is your best bet.

There are a number of factors that need to be considered in crafting an assessment solution. Those include purpose of assessment (development versus selection/promotion decisions), risk of wrong decisions, volume of candidates, and function or level of position to be assessed.

For example, one client was interested in identifying current sales associates that had the potential and motivation to be effective first-level sales managers. All satisfactory performers with two years of experience completed an online self-assessment of their strengths and development needs, and were given access to online leadership courses to build their skills. The resultant data, along with interviews conducted by a talent review team, were
used to determine who would have access to an accelerated development program. Individuals selected for this program then participate in a two- to four-hour computer-based assessment process to further define their strengths and development needs. After the development activities are completed, individuals are interviewed once again to assess their progress and determine who should be considered for the promotion pool.

Pipeline Best Practice: Accelerate development.

While all of the practices above are essential to building and maintain a strong pipeline, none of them alone actually prepare leaders to move up the ladder. This becomes the province of a systematic approach to learning to lead. Effective leadership development depends on a number of factors, including:

- Continued comprehensive learning journeys tied to Business Drivers and deployed throughout the organization. Learning journeys should be based on your chosen Business Drivers, extend over time and blend together various learning experiences (See Figure 8 below).
- Online access to a rich platform of development activities that leaders can choose based on their own specific needs.
- Leadership needs to take into account the level of leadership in terms of both content and delivery methodology. Learning for top-lead positions will look different than those for firstline leaders.

FIGURE 8 | LEARNING JOURNEY FOR NEW LEADERS

Leadership Foundations:
Learning Journey for New Leaders

Phase 1: PREPARE

For Participants
- Take Manager Readiness Assessment

For Managers of Participants
- Reinforcing Leadership Development (Virtual Session)

Phase 2: ENGAGE

Day 1: Leading Self
- Group Kickoff
- Transitioning to Management
- Your Leadership Journey
- Successful Communication
- Communicating for Leadership Success

Day 2: Leading Talent
- Energizer
- Managing Performance for Results
- Setting Goals & Reviewing Results
- Proactive and Reactive Coaching
- Coaching For Peak Performance

Day 3: Leading Collaboratively
- Development
- Developing Yourself and Others
- Purposeful and Strategic Networks
- Networking for Enhanced Collaboration
- Wrap-Up and Next Steps of Leadership Journey
- Video Ah-Ha’s

Leadership Foundations Learning Journal
a reflective journal to help you plan your leadership journey

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Pipeline Best Practice:  
**Weave in principles that ensure and measure success.**

How many great ideas have floundered in the execution stage? To sustain a pipeline initiative (or any other, for that matter), pay attention to the building of sound execution plans, effective communication, clear accountability, skill development, alignment with related systems, and success metrics as you design your process. Communication and accountability ensure everyone understands the WHATs and the WHYs of the pipeline, and what’s expected of them. Major players in the process (HR, senior line managers, and mentors) need to have the expertise and skills to facilitate the identification and nurturing of those in the pipeline. For example, many leaders are asked to serve as coaches to up-and-coming leaders but never receive any training in mentoring, while others are asked to make critical promotion decisions but have no consistent method to evaluate candidates.

Align processes and systems to reinforce your behaviors and outcomes (e.g., selection/promotion, development, compensation, performance management, and information technology systems). One major aerospace client, for example, is exploring methods for giving bonuses to those leaders who excel at developing others.

Make sure all pipeline processes are built around your Success ProfilesSM. Select against the Success ProfileSM, use the results of your assessments to fuel the types of development offered, and utilize a performance management system that includes feedback and evaluation around the Success ProfileSM.

Finally, it’s important to measure along the way to gauge the success of your pipeline initiative. Useful analytics to consider include the number of internal and external promotions, retention of key leaders, time to contribution, employee engagement, and the actual performance of leaders who transition from one leadership level to another.

**Ready or Not?**

Despite all that a pipeline approach offers, many companies have yet to embrace or successfully implement such an approach. Our research shows that only 15 percent of HR professionals rate their future bench strength as strong. And, for less than half of the critical positions in the 2,000-plus organizations we surveyed, there are no internal candidates ready and waiting in the wings.

When companies do, however, adhere to the aforementioned best practices for building a leadership pipeline, they not only reduce time-to-fill and accelerate time-to-productivity, but also mitigate the risks associated with external hiring.


**CLIENT SUCCESS**

**Capital Power**

Capital Power needed to transform its culture from that of a public utility (it was spun off from EPCOR Utilities in 2009) into one that was more entrepreneurial and better aligned with its strategy to tap into the North American power generation business. To set this transformation in motion, Capital Power recognized that it needed to develop multiple leadership levels.

For emerging and new leaders, the HR team, in partnership with DDI, created the iLead Boot Camp, a two-day program featuring four courses: an introductory course called Your Leadership Journey, and three courses from DDI’s Interaction ManagementSM: Exceptional Leaders (IM: ExL™) series: Communicating for Leadership Success, Building and Sustaining Trust, and Driving Change.

For supervisors and managers who are already in their roles and need further development to do their jobs more effectively, a separate program was created, named iLead Core. The four-day program includes a six-course curriculum, including a course on how to lead those with different personality types, and five IM: ExL™ courses.

Responding to the need for a program for leaders at higher organizational levels, the HR team developed iLead Evolve for senior managers. The iLead Evolve curriculum includes six courses from DDI’s Business Impact LeadershipSM Mid-Level Leader series: Mastering Emotional Intelligence, Making Change Happen, Cultivating Networks and Partnerships, Influencing for Organizational Impact, Developing Organizational Talent, and Handling Challenging Situations with Courage.

The iLead programs also receive strong executive support. Either the CEO or another member of the executive team kicks off and closes each session, providing a visible reinforcement for how important the programs are to the organization.

The results of Capital Power’s iLead programs show:

- Post-training, 77 percent of participants rated themselves high in the skills and knowledge imparted in the iLead program—a 1,100 percent increase over the seven percent who rated their skills and knowledge high prior to the training.
- 99 percent of participants rated the iLead program high in perceived value.
- The concepts and skills developed in the programs are being applied on the job and are improving leader performance.
About the Authors

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About Development Dimensions International

Only 2 in 10 companies today have the leaders to meet tomorrow’s business challenges. The good news? When they do, they are 3 times more likely to destroy the competition.

What if you could:
• Build the capability of leaders to beat the odds against failed business strategies?
• Make leadership selection and promotion decisions with pinpoint accuracy?
• Architect learning experiences that ignite the passion of your leaders to grow and learn every day?
• Secure your future with succession plans that build a strong leadership bench strength, bottom-up and top-down?

DDI can make it happen. Obsessed with the science of leadership. Four decades of experience and results. Across thousands of organizations in 93 countries. One million better leaders. Let us show you the art of leadership possibilities.

Helping you meet your business goals by ensuring a ready-now supply of leaders.