

The CEO's role in talent management

How top executives from ten countries are nurturing the leaders of tomorrow

Executive: Lars Josefsson

Title: Chief Executive Officer

Company: Vattenfall AB

Location: Stockholm, Sweden

CEO since: 2000

Age: 56

Previous position: President and CEO of Celsius AB

Sector: Energy (provides electricity to 5.8m customers)

Revenue (2005): US\$16.2bn

Large companies growing through acquisition have a tough time unifying management teams. They must decide who would be best in which position and update their succession plans. Lars Josefsson, the CEO of Vattenfall AB, believes that the Scandinavian energy giant has done a good job of picking the right team. "As the company has grown with the addition of different companies in different countries, I think we've been successful in building one company with one identity. I feel good about the management team we have in place."

Stockholm-based Vattenfall provides electricity to nearly 6m customers in Sweden, Germany, Finland and Poland. Revenue nearly tripled between 2001 and 2005, from US\$6.5bn to US\$16.2bn. Net income shot up from US\$400m to US\$2.6bn. Last year it acquired power plants owned by a Danish rival, Elsam.

Communicating Vattenfall's strategy and goals throughout such a large, international organisation is essential for the company's 200-250 upper-level executives. Helping executives to develop communications skills is among Vattenfall's biggest talent management challenges.

Mr Josefsson tries to lead by example, travelling throughout the Vattenfall network to meet employees. He also reaches out to workers via videoconferencing and e-mail. He expects senior executives to be just as active. The firm conducts much of its business in English. It overcomes language barriers with line employees by using translators. "I believe it's important that the chief executive has a presence for basically all employees," says Mr

Josefsson. "The leadership quality that is necessary is to lead and explain and communicate the way forward."

The former naval officer and inventor spends about 10% of his time on talent management. He evaluates his ten direct reports and discusses these written reviews at sit-down meetings, but also has more casual interactions. Although he does not mentor anyone, he feels that he is easily accessible.

Mr Josefsson felt well prepared for his job because he had already been a CEO for three years at Celsius Group AB, an advanced technology company with interests in defence, commercial aviation and business development. He says that the best preparation for a CEO is managing a large business group or division. International experience is also important. He believes that executives should have both a good overview of Vattenfall and an in-depth understanding of its different businesses. Yet he also believes that the company could do a better job rotating executives throughout the organisation. "We are an organisation operating in different cultures and market conditions. It is definitely a requirement or a necessity to have been exposed to different environments."

The company's board of directors receives a yearly rundown of leading executives and succession plans. Vattenfall has immediate and longer-range succession plans. Mr

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Josefsson knows the leading potential candidates for CEO and other key positions. But he says that the board has the final say on appointments. "When it comes to appointing a successor for the CEO (e.g., myself), this is, of course, the responsibility of the board and not myself," he says. "However, the other top positions in the company are within my responsibility and succession plans are continuously updated."

Vattenfall's evaluation system scores executives on whether their groups have met

their financial and other goals. Managers also receive critique from their subordinates in a survey called My Opinion. "Every manager has to undergo a regular evaluation of their leadership skills, that is, what his people are saying about him or her as a leader," Mr Josefsson explains.

Vattenfall has three development programmes beginning with the Core level, then Advanced and finally Executive management for its most senior executives. Mr Josefsson addresses executives regularly in programmes about strategy, goals and leadership qualities. The company provides a yearly management seminar for its top 250 executives. Discussions at this event cover development, potential promotions and succession. The HR department provides ideas about talent management and executes strategy. "They are in charge of how to run the process," says Mr Josefsson.