



WHITE PAPER



OPTIMIZING YOUR LEADERSHIP PIPELINESM FOR: STRATEGIC LEADERS

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According to a recent DDI research report, strong succession management and development practices translate into improved financial performance, productivity, quality, customer and employee satisfaction, and retention of quality employees. Take another statistic for organizations' top leaders: Only 50 percent of organizations have a process to identify high potentials, and just under 40 percent offer programs to accelerate leaders' readiness.

When preparing business leaders for emerging opportunities and challenges, readiness is the operative variable. But ready for what? And once that question is answered, will your internal leaders be able take on greater responsibility? Do your incumbent senior leaders have the skills to groom emerging talent? How can organizations accelerate the development of this talent and shorten their time to full readiness?

Some of the challenges facing strategic-level leaders include building a high-performance culture, fostering innovation, and launching new products and services. They must drive flawless execution and cascading accountabilities to execute competitive strategies. Executives are also charged with growing profitability (perhaps expanding globally) while capitalizing on key market opportunities and ensuring resources are wisely leveraged to maximize profit. And, of course, they must adeptly manage shareholder and board relationships.

But how can an organization effectively groom aspiring strategic leaders to take on these all-important top spots—and the tremendous responsibilities that come along with them? Or, how can they extend the effectiveness of incumbent senior leaders? This white paper delves into a number of factors that influence the development of leaders at the top of the organizational hierarchy.

CHALLENGES

Newly-promoted strategic leaders arrive in top spots with a track record of success behind them. Nonetheless, many are surprised by their new roles, and struggle to adjust to unfamiliar demands. Transitional challenges facing senior leaders include:

- > An exponentially broadened scope of business, often taking responsibility for large portions of the enterprise.

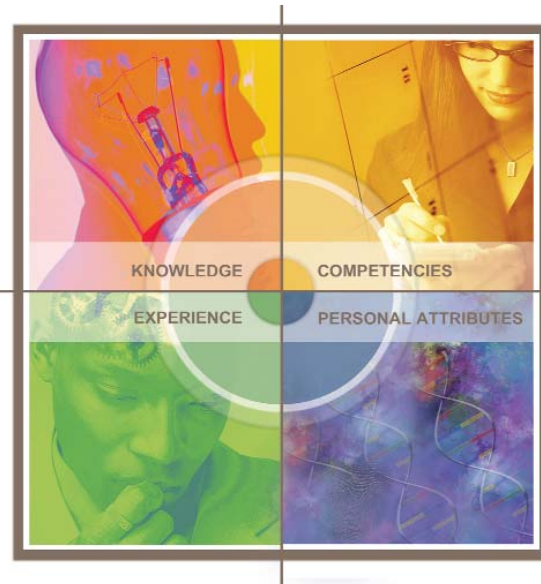
- > Shifting focus from operations to long-term vision and strategy.
- > Leading a senior leadership team while also grooming tomorrow's future leaders.
- > Navigating internal politics and building partnerships with boards, analysts, and key customers.
- > Increased pressure stemming from tremendous consequences for failure.
- > Feelings of isolation (it's lonely at the top).

So, with all the challenges that come with increasingly strategic roles, what should organizations look for in leaders at these levels?

THE STRATEGIC LEADER SUCCESS PROFILESM

Promising future executives exhibit a distinctive mix of skills, knowledge, experience, and personality attributes which comprise a Success ProfileSM (See Figure 1).

FIGURE 1: COMPONENTS OF A SUCCESS PROFILESM



Competencies

Typical critical skills/competencies for executives include:

- > Demonstrating an understanding of the competitive global business environment as well as an awareness of economic, social, and political trends that impact the organization's global strategy.
- > Establishing and committing to a long-term business direction based on an analysis of systemic information and consideration of resources, market drivers, and organizational values.
- > Creating and executing influence strategies that persuade key stakeholders to take action that will advance shared interests and business goals.
- > Leading change, from identifying opportunities for improvement and supporting a better approach to address work process issues to advocating for organizational transformation.
- > Entrepreneurship, which is demonstrated by actively using knowledge to create or seize new business opportunities.
- > Vividly communicating a compelling view of the future state in a way that helps others understand and feel how business outcomes will be different when the vision and values become a reality.

Knowledge

Depending on their role, senior leaders need:

- > Background on how to build a long-range strategic plan.
- > Intimate understanding of customers' requirements, markets, and key competitors.

- > Working knowledge of talent management functions, including compensation, employee training and development, performance management and measurement, recruitment, selection, promotion, succession management, union contracts, and bargaining.
- > Knowledge of product design and management, research and development, distribution, and supply chain management.
- > Keen insight into how to best create relationships with boards of directors, analysts, and investors.

Experience

Before assuming a senior-level position, leaders might require experience in:

- > Creating a corporate culture.
- > Managing a diversity of functional areas.
- > Having profit/loss responsibility for a business.
- > Building new start-up businesses.
- > Global or expat leadership assignments.
- > Managing a large operation.
- > Playing a key role in a joint venture or merger.

Personal Attributes

Some of the key attributes a successful executive leader should demonstrate include:

- > Ambition, initiative, competitiveness, and leadership potential.
- > Inquisitiveness, imagination, gregariousness, and a need for social interaction.
- > Learning orientation demonstrated by enjoyment of learning and currency in business and technical matters.

Success Profiles paint the target. There are a variety of means to develop and confirm them. An efficient means involves the use of the online job analysis advice and tools contained in DDI's Success Profiles: NavigatorSM. This software guides and documents the process from start to finish.

ASSESSING HIGH POTENTIAL AND EXECUTIVE LEADERS

Once a Success Profile is determined, a range of assessment tools help organizations measure an individual against the competencies, knowledge, experience, and personal attributes defined by the Profile. These factors are also evaluated with an organization's business drivers (the key internal and external issues that leaders must address to move their organizations forward) in mind.

We commonly see three distinct reasons that prompt organizations to evaluate strategic leaders, which are:

1. To assess how an individual is performing in their current role.
2. To uncover leadership potential, and the likelihood of leadership growth.
3. To determine readiness for and fit with a new role, job, or job family.

In this section, we'll detail a number of assessment options to accomplish each of these goals.

Assessing Performance

When considering candidates for an executive role (or entry into a high-potential pool that develops them for one), evidence of sustained, successful performance in a current role is a prerequisite for advancement. Multi-perspective interviewing and

career achievement profiles are just two of the tools that collect this information. Assessments should uncover information about the candidate relative to the organization's business drivers as well as the nature and complexity of roles at the next level. Other solutions include:

- > **Multirater assessments.** Multiple perspective (360°) surveys, such as DDI's Leadership Mirror[®], are often used in the assessment of high potentials. These surveys compare a person's self-perceptions with the perceptions of others who are familiar with their behavior relative to the evaluated competencies in their current role. This tool is not a highly effective way to evaluate someone in a new role because he or she has not had time to establish a track record of performance. It's also not an ideal tool when evaluating a candidate for a promotion if the competencies required for success in the new position are substantially different from those required in the candidate's current position.
- > **Performance management systems.** Performance reviews should be a regular event in the lives of executives and high potentials and is the most common process used for assessing performance. An effective system, such as DDI's Maximizing Performance[®], helps executives and high potentials to develop appropriate goals, identify success-related competencies, create development plans, measure progress, assess performance, and plan for the future.

Assessing Potential

Amidst the myriad of leaders, opinions, and types of criteria, how can you be sure that you are identifying the right talent for future senior roles? Which individuals

have the most growth promise? Who will take the best advantage of, and respond positively to, differential development opportunities? Who will support the organization's values, as well as apply what they learn productively within the organization?

DDI's Leadership Potential Inventory process can help you identify potential effectively, focusing your investment on those individuals who will generate the highest ROI in terms of their ability to grow quickly and broadly. Based on our experience, the factors that comprise potential are very difficult to develop. DDI's research on this topic yields four key areas that indicate leadership potential: leadership promise, personal development orientation, a balance of values and results, and a mastery of complexity (See Figure 2).

Figure 2: Four key areas that indicate leadership potential.



Assessing Readiness

One of the key functions of a Leadership PipelineSM is to promote leaders through the ranks of management. It's not enough to discern that a person has the potential to be a leader; organizations need confidence that a person is ready to step in to a new role, get up to speed quickly, and deliver good performance without a huge learning

curve. With this imperative in mind, three key contextual variables must be considered when choosing a tool to assess readiness:

- > **Risk:** What is the danger associated with a poor fit between the individual and his or her new position?
- > **Volume:** How many people need to be assessed?
- > **Role:** What tools (simulations, exercises, surveys, tests, etc.) will produce the most relevant information to use in making a selection decision for a specific position?

At the top levels of leadership, risk is the most important variable. CEO or executive failure is more costly and disruptive to the organization than a poor decision at any other level. For this reason, readiness assessments at this level are thorough and provide robust information that is deep and rich enough to illuminate strengths and weaknesses against the identified Success Profile and organizational business drivers.

Assessment can spotlight one individual's readiness, or provide insight to the overall capability of a group or unit (to evaluate readiness for a business change or emerging opportunity, for instance). It can also be applied to make selection decisions.

The vast array of assessment tools have different strengths and need to be applied discerningly to help you and other stakeholders make better talent decisions. Of course, past performance appraisals can be a good starting point, but they provide insight in relation to current, rather than future, roles. The intent of assessment is to provide leaders with a fair, well-rounded, and comprehensive evaluation of their strengths, development areas, and personality profile. Useful solutions in assessing readiness include:

- > **Acceleration Centers[®].** Day-in-the-life behavioral assessments give candidates opportunities to interact in a variety of scenarios and make decisions under pressure. This process is unique in the degree of realism and resulting levels of participant engagement. The experience is job-relevant and “high-fidelity,” so that candidates are observed using their entire repertoire of skills. Acceleration Centers are especially useful with high potential pools because leaders who participate can be challenged to use skills required in a target position that might not be observable in a present position. At DDI, our assessments are also tailored to a leader's level (including CEOs, strategic leaders, operational leaders, and high potentials) as well as industry-specific versions for health care, finance, manufacturing, and sales.
- > **Personality and leadership inventories.** Factors such as intense leadership stress, increased visibility, and the high consequences of failure mean that a leader's personal attributes—tendencies that enable and derail success—are more likely to impact business performance when they surface. DDI's Global Leadership Inventories measure personality characteristics, which play an important role in understanding why leaders succeed and why they sometimes fail despite strong skills. Personality inventories are useful in measuring personal attributes such as ambition, learning orientation, risk aversion, volatility, and arrogance.
- > **Executive interviews.** This tool allows participants to engage in an intimate, one-on-one dialogue with an experienced interviewer in order to explore readiness and development gaps around targeted

elements of a Success Profile. Executive interviews are tailored to tap into critical organizational business drivers pivotal to leadership success or failure for a given role. Interviewers focus on gaining insight into past business impact (experience) as well as future-focused scenarios that represent new realities or challenges the participant may face.

No single method, no matter how accurate, tells you the whole story of an individual's potential for success. Job situations vary, as do the characteristics required to be successful, and specific techniques are better measures of personal characteristics than others. Using multiple assessment methods or tools increases overall accuracy.

All of the tools mentioned above yield information that's valuable as part of a Strategic Talent Review. This process provides a thorough analysis of what talent is present in your organization for line decision makers and other organizational stakeholders, and often becomes the foundation of an active dialogue on how well-equipped a level, strata, or group of leaders are to execute a desired strategy based on the outputs from the assessment phase. These facilitated sessions also address individual readiness to step up to your key business drivers, new market penetration or driving cost containment to name a few examples. A Strategic Talent Review will cover each high-potential, their assessment results, and how they stack up against the key business drivers. It also provides a group-level analysis, allowing an aggregate view of how ready your leaders are to deliver on the key business drivers.

Holistic profiles in individualized reports also provide a rich foundation for participant feedback and development planning. DDI's best practice approach to develop-

ment also engages the participant's manager, maximizing return on development for the individual and the organization by ensuring appropriate support and alignment to business objectives.

DEVELOPING STRATEGIC LEADERS

There are a myriad of processes and systems available for accelerating the development of leaders and associates at all levels, such as formal training and development, on-the-job learning, special assignments, executive coaching, and job rotations. But for top leaders, organizations should not only develop individual leadership skills, but enhance the effectiveness of its overall leadership capacity in order to transform the organization.

Transformational development systems are unique, and unfortunately, most offerings for senior-level development fall short. The most successful organizational systems are focused on connecting groups of leaders, using real business problems as the basis for accelerating learning, and incorporating hands-on development components. The underpinning of these systems is a competency-driven foundation that starts with the end in mind. That is, the process is based upon an organization's business drivers, and paints a clear picture of success using the organization's business strategy.

This definition of success can be used by organizations to develop its leaders, and by leaders to successfully manage their personal development. Multiple learning approaches and a wide variety of content exist to meet the development needs at this level.

Formal learning experiences. What should you look for in a formal learning experience? First, effective programs link

individual leaders' development to business needs and the unique responsibilities of the role (we call it the Business-Role-Self approach). This helps leaders learn what they need to change and why. Second, any program should include relevant, active learning for immediate application. Third, look for outstanding consultants and faculty who have not only excellent facilitation skills, but real-world business experience. Finally, link assessment with development. By leveraging assessment insights, development engagements can be highly targeted to your needs, which ultimately drives powerful results.

DDI offers *Business Impact LeadershipSM: Senior-Level Series* to provide development experiences that address these best practices. At this level, your executives and high potentials need a tailored approach to development that fits their needs and those of the organization. With Business Impact Leadership: Senior-Level Series, we'll help you design a custom learning experience that is directly linked to your business drivers and competencies.

Leveraging our Excellence in Design process, our world-class faculty draw from their experience with clients around the globe, the latest thought leadership, best practices, case studies, exercises, and diagnostic self-insight tools. Coupled with the appropriate behavioral assessment options, we configure a scalable solution specifically for your organization. Our consultative approach to executive development is known not only for addressing specific individual and executive team leadership gaps, but also for ultimately driving speed-to-productivity and organizational transformation.

We customize solutions around these critical areas and more:

Executing Strategy by thinking strategically, maintaining strategic focus, execution, and sustainability.

Igniting a High-Performance Culture by exploring ways to create a development culture and embracing the need to reach higher, analyze competing forces, and drive performance focus.

Leading: Insight Out by leading courageously, learning through transitions, developing perspective, and thinking and acting globally.

Forging Strategic Relationships by building partnerships, networking, navigating politics, and enhancing emotional intelligence.

Accelerating Change by driving innovation and organizational transformation, and inspiring change.

Elevating Senior Team Performance by uncovering and addressing issues such as lack of vision, strategy misalignment, hidden agendas, dysfunctional behaviors, internal competition, and mistrust.

Optimizing Talent by developing a strategic talent mind-set, coaching for development, mentoring, managing across cultures, putting oneself in the talent driver's seat, and optimizing diversity.

Additional solutions to develop high-potential and executive leaders include:

- > **Internal coaching support from their managers and action learning assignments.** Coaching and action learning needs to be offered with a strategic leader's specific needs in mind. Coaching helps strategic leaders address challenges, while action learning fosters the acquisition of new skills.

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- > **Executive focus coaching.** For high potentials in the process of assuming a senior-level position, coaches are valuable allies who can help them assimilate and get their footing during a stressful transition. For incumbent senior leaders, coaches facilitate focus on specific development needs or tackle unique problems.

COMMON CLIENT SCENARIOS

At the executive level, each solution is unique. Every client comes to us with different needs, so it's impossible to describe a common solution. However, the needs tend to fall into several broad categories.

- > **Develop a stronger bench.** This includes identifying potential among mid-level leaders, transitioning leaders into senior positions, and developing the gaps in groups' and individuals' skills and capabilities.
- > **Identify high potentials.** Organizations need to know how to consistently identify the right people who will benefit from large investments of development resources. Often, senior leaders need help developing a "talent scout" mindset and calibrating their views on leadership potential.
- > **Develop capability to shift business models and/or drive organizational transformation.** When change is mandated at the executive team level (often the result of mergers and acquisitions,

a change in strategy, or a number of new members), organizations require help to develop commonly accepted leadership behaviors, define vision and values, build senior teams, and execute strategies.

- > **Provide a range of development opportunities.** There isn't one single way to develop people. Every individual's development plan will look different, and may include formal learning opportunities, rotational assignments or special projects, and coaching.
- > **Keep growth alive.** We often encounter organizations that want to ensure their hard work and investment in assessment and development pays off and sustains over time.

Top leaders are not only an important component of a healthy Leadership Pipeline, they also own the process. Senior leader involvement is crucial, and their reach extends into all levels of leadership and all aspects of a pipeline strategy. Ultimately, it's up to this level to create the leadership development mindset that will drive an organization's talent strategy.

FOR MORE INFORMATION

For additional thought leadership and other white papers in the "Optimizing Your Leadership Pipeline" series, go to www.ddiworld.com/leadershippipeline.

ABOUT THE AUTHORS

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