Chapter 1

A NEW WAY TO FUND THE LEADERSHIP TALENT DEFICIT

In 2004, as CEO Daniel Vasella mapped out the future of global pharmaceutical giant Novartis AG, he concluded that the company's ability to grow and achieve ambitious performance targets rested largely on the quality of its people, particularly its leaders. He stated it simply, "Better people produce better results," and worked closely with Juergen Brokatzky-Geiger, Novartis AG's head of human resources, to create processes, systems, and programs that would expand the depth and quality of the leadership pool.

The connection between developing leaders and Novartis's future soon became common wisdom companywide, and each of Novartis's divisions undertook leadership development efforts tailored to its unique challenges. Novartis Generics, formed by Sandoz's acquisitions of Hexal and Eon Labs in 2005, for instance, had to build a core of leaders who could position the business in the highly competitive generic pharmaceutical segment and develop the capacity to launch numerous products rapidly. The Vaccines and Diagnostics division, which had been formed after the acquisition of Chiron Corporation in 2006, had to establish the management style, culture, and leadership team that could take the merged organization forward.

Novartis Pharmaceuticals Corp., the U.S. affiliate of Novartis AG, faced a challenge of its own: fast growth and increasing complexity. It needed leaders with the capabilities to take it through years of momentous change.

The competition for talent had been intensifying for years, and Alex Gorsky, CEO of the U.S. affiliate, knew it would only get worse. He also knew that Novartis would need leaders with a range of capabilities, some of which differed from the current model its leaders were held up to. Markets were changing, and some segments that were relatively small in 2006 were expected to grow enormously. Public perception about health care and the political arena were also changing. Future leaders would need to be good at understanding the power shifts and decision makers' concerns.

The pharmaceutical market was also becoming more volatile. The introduction of a generic drug or a recall based on the FDA's shifting emphasis on caution over efficacy could wipe out revenues overnight and cause big shifts in product portfolio and strategy. Leaders had to be able to reprioritize on a dime. In addition, the pressure to develop and launch products quickly put a premium on collaboration across functions and divisions.

Recognizing the importance of leadership, Gorsky enlisted the help of Anish Batlaw, his head of HR, to take a hard look at Novartis's existing development practices, which differed across functions. The basic idea was right: find leaders and provide the right job experiences, supplemented with continuous learning opportunities. But the specifics of how decisions about leaders were made and on what basis varied. Typically, a manager seeking to fill a leadership job would write a job description, highlight the items that were most pressing, and then work with HR to select someone with those skills and capabilities. The individual's future leadership potential was not explicitly considered.

In addition, candidate assessments were generally performed by people within a functional area. A senior marketing person, for instance, might not think to include people from the sales organization when selecting a product director, even though he or she would have to work closely with sales. Similarly, marketing people would not be involved in choosing people for sales management jobs. Leadership talent planning also varied in the company; some areas of the business had successors in mind to fill leadership jobs that would open in the next few years while others had serious shortfalls.

Gorsky and Batlaw set out to sharpen every aspect of decision making around selecting and developing leaders. They extensively shared best practices across functions. For instance, one functional area had a systematic way of targeting up-and-coming leaders to fill slots that would open three to five years out, which became a model for others.

Novartis Pharmaceuticals U.S. first applied the new succession and leadership development approach to the vice president positions. The process began with analyzing the business and its context, defining its future needs, and working backward to sharpen the definition of high-potential leaders. Hitting financial targets and delivering business results would continue to be a necessary condition for promotion, but the ability to recognize patterns and shifts in the industry ahead of the competition became important, as did the ability to command the details and translate those details into higher-level strategic thinking. And because the company's growth trajectory meant the leadership ranks would continually expand, leaders would have to be able to build the company's capability and leadership bench strength by developing other leaders. Producing up-and-coming leaders who could help carry the company forward became an essential criterion.

It is common at Novartis for senior leaders to ask people specific questions about their work—whether it's the number of sales calls made on a particular product, or the market share in a certain segment—if only to gauge whether the person has command of the details of the job. The same attention to detail and facts is now applied to discussions of people's leadership ability. Focusing on facts and specifics adds rigor to the process of selecting and developing leaders.

Today the talent review process in Novartis Pharmaceuticals U.S. identifies the target job for an individual leader several years out, along with a development action plan to get him or her there quickly. If there's a big gap between the target job and the leader's current capabilities, Novartis asks, "What would happen if we put the person in the job right now?" then looks for ways to close the gap and thus minimize the risk, with assignments tailored to prepare the person. Before making any specific job assignments, however, many factors are considered, such as how to balance business needs (functional expertise or fit with the team composition) and personal needs.

Some individuals with leadership potential are given assignments in which senior leaders can observe them directly and meet with them individually to get to know them better. The senior leaders' insights become part of each individual's personalized development plan. Global assignments are encouraged to accelerate a potential leader's development, as is interaction with other Novartis businesses and leaders outside the pharmaceutical division.

The Novartis Pharmaceutical Corporation's leadership development program is one of many innovative programs across all the Novartis companies. CEO Dr. Vasella believes that future performance of the company is contingent on continued development of a high-quality talent pipeline.

Through continued refinement of its leadership development processes, he is confident that Novartis will better prepare and have the leaders it needs in 2010 and beyond—leaders at all levels who will be prepared to contend with the complexity and uncertainty that await them.

Leadership Development Is Broken

Leadership matters. It creates and harnesses the energy of people, gives them direction, and synchronizes their efforts. In fact, it is a leading indicator of a company's prospects, unlike financial results, which tell you only where the company has already been. Strong leadership makes a good company better just as surely as weak leadership lowers its prospects and over time ruins it.

Boards of directors and senior executives know this. They realize that the selection of a new CEO is one of the most important decisions a board ever makes and should be planned well in advance. They also understand that the quality of leadership at every level has a huge impact on the everyday running of the organization as well as on the pool from which CEOs are chosen. That's why many companies are willing to spend liberally on elaborate leadership development programs and why corporate boards have succession on their radar screens.

Yet, it's no secret that succession planning and leadership development fall woefully short in delivering on their promise. In a recent survey of board members, 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. The consequences are well known: CEO turnover has increased sharply in recent years, with an increasing number being forced out of their jobs sooner rather than later.

Succession problems start with the overall leadership development process because that's where future CEOs ought to come from. Sometimes bringing in outside talent is the best solution to deeply embedded corporate problems. More often it is the *only* solution because the company has failed to produce the leaders it needs. Leaders recruited from outside cause needless disruption when they have trouble learning the business and the industry or adapting to or changing the culture. They import new teams and management styles that break down continuity and momentum, sap the energy for execution, and instill fear among employees. By the time the board realizes that its choice of CEO was a mistake or that the company is going in the wrong direction, competitors will have used the lost time to gain advantage.

Seeking a CEO from outside a company is not only risky but also getting harder and more costly. Shareholders have grown impatient with CEOs who don't perform, so boards are increasingly intolerant of mediocre performance and faster to dismiss chief executives—initiating yet another search. And there's new competition for the pool of talented CEOs from private equity firms, which can offer the best executives incredibly lucrative opportunities without the burden of having to satisfy multiple constituencies or undergo government scrutiny.

Nobody wins in the bidding war for leaders. Weaker companies find it difficult to compete for top talent and only grow weaker. Companies that are good at producing leaders must constantly struggle to retain the leaders they've grown. Fast-growing businesses struggle to build and retain the large and diverse pool of leaders they need to maintain their momentum.

We should read the severe shortage of leaders as an unmistakable sign that the typical approaches to leadership development are fundamentally flawed. Directors, CEOs, HR executives, and business leaders at all levels have not done well at selecting and developing other leaders. They don't seem to understand what makes a leader or what a leader's job entails. They focus on the wrong people for the wrong reasons. Many fail to recognize that developing other leaders is, or at least should be, a major part of every leader's job. They don't start until it is far too late to properly develop their leaders' capabilities to take a complex organization into a future fraught with rapid and destabilizing change.

In most companies, leadership development and succession planning are inconsistent and erratic, lacking discipline and regularity. In others, the discipline is there, but the substance is all wrong. People go through the motions of meticulously filling out forms and following procedures, but the methods for identifying and evaluating leaders are perfunctory and bureaucratic. Even companies that try to emulate General Electric, the paragon of executive leadership development, often go through the motions without applying the rigor and expertise that GE has developed.

You might think that the growth of graduate business programs in the past few decades has produced a huge pool of leaders ready to take the corporate reins. There's no question that many young people coming out of universities and business schools are quick c01.qxd 10/8/07 8:30 PM Page 11

thinkers, conceptually agile, facile with models and numbers, and able to diagnose a situation through data. They often show keen insight into business problems. Many are ambitious and driven. They want to succeed, and they impress their superiors with their analytical skills, PowerPoint presentations, and high energy. Their supervisors make a leap of faith and give these smart and aggressive young experts a shot at a leadership job based on those demonstrated analytical skills.

But analytical and presentation skills are only small components of leadership ability, and the gaps show up sooner or later. Some of these leaders are eliminated at various steps in their career paths, perhaps moving on to some other unsuspecting company. Others—a surprisingly large number—rise to senior positions. They may be promoted because they are outstanding functional experts or star performers in individual roles or as a reward for delivering results, but they haven't been assessed for their basic leadership talent. Even people who succeed as leaders within their functions are often misjudged and placed in high-level general management positions without ever having demonstrated the broad-based skills and experience such positions require. Good leaders do emerge from these flawed processes, of course, but it's often as a matter of luck. Ultimately, companies pay a price for the failure to recognize true leadership.

This doesn't have to happen. We know that it is possible for companies to build a steady stream of leaders and CEO contenders. Some—GE, Procter & Gamble, Colgate, PepsiCo, and Sherwin–Williams, among them—are net producers of senior leaders. If we learn the right lessons from these successes, we can incorporate the underlying principles into a new approach to leadership development and, with renewed effort, produce the kinds of leaders our corporations desperately need, including twenty-first-century CEOs.

Although top leaders may be in short supply now, there is no shortage of raw talent. Michelangelo turned a block of marble into the breathtakingly beautiful *Pieta* because he had the talent. Similarly, a talented leader can take an otherwise shapeless organization and mold it into a highly efficient, highly motivated force for innovation and growth. It is good business sense and practically a moral obligation to identify and unleash those talents. Companies can grow all the leaders they need and then some once they think clearly about what a leader truly is and what's required to develop one and then take decisive action to shape their leadership gene pool.

How to Develop a Leader

We know that leadership development does happen, often ad hoc: for instance, when a seasoned leader takes a special interest in a junior person and provides that person with the experiences and coaching to help him or her flourish. Those isolated cases are often brilliant demonstrations of what our leadership development processes ought to accomplish. The disguised but real story of Bob and Gary is a case in point.

Bob had risen to the level of executive vice president of sales and marketing at his company, a global consumer durables manufacturer, and had hopes of becoming the CEO. As it turned out, someone else was chosen. Bob nevertheless stayed on, and the new CEO was wise enough to make full use of his skills. He gave Bob considerable latitude to allocate marketing resources and sought his advice on other matters as well, almost as if Bob were in the role of chief operating officer.

While rightly proud of his accomplishments in sales and marketing, Bob believed that the best legacy he could leave his company was to begin developing a new generation of leaders. Setting out to find, recruit, and nurture executive talent, he started by searching among the best business schools and consulting firms for promising young people, hoping to interest them in a career at the global manufacturing company whose products were part of the daily lives of millions of people. Although he didn't commit it to paper, he had a clear idea of what he was looking for: broad thinkers, fast learners, people with the ability to get along with different kinds of people in different cultures, the ability to think analytically as well as creatively and intuitively, a strong character, a drive for excellence, and a desire to help others succeed. He found half a dozen such people in their early or midtwenties and brought them into corporate headquarters where he could personally work with them and assess their talents. His plan was to then deploy them in various parts of the company where their talents seemed to fit, not just sales and marketing.

Gary made a particularly strong impression on Bob. He soaked up everything around him, worked well with everyone he interacted with, always asked great questions that went beyond the boundaries of his particular assignment, and sometimes unearthed problems in the making. Within two years, Bob dispatched him to run the sales and marketing operation in Brazil, an important and growing market for the company.

Brazil was far from headquarters, but Bob made a habit of staying in close contact with all the young leaders he placed, as well as with their bosses. He monitored their performance and talked to them often, giving advice and acting as a sounding board on various business issues that arose. He talked to Gary about dealing with distributors, observing consumer behavior, and understanding the impact of currency fluctuations on the business, and he occasionally tested Gary's imagination with provocative questions such as "What could headquarters do to bring its Brazil operation to number one in market share?" Business issues aside, living and working in a country with a different culture and language were a challenge for Gary. But he rose to the occasion, learning fast, cementing relationships with the company's distributors and retailers, and boosting sales 10 percent in each of the two years he held the post.

The Big Leap to Profit-and-Loss Responsibility

With Bob acting as his representative at headquarters, Gary's performance came to the attention of other senior executives. When his boss returned to the United States for his next assignment, Gary was among the candidates who were marked as potential replacements. He was considerably younger than any other candidate and had no profit-and-loss (P&L) experience, as others did. Some executives at headquarters thought it was too much of a jump to put him in charge of a P&L operation as large as that in Brazil. But Bob had seen Gary grow and knew that his knowledge base, relationships, and perspective had expanded beyond the current job. He had a sense that Gary had only begun to reveal his capacity to grow. He brought Gary's qualities into focus for the top team, and the CEO agreed to give Gary a chance.

There was no question that running the entire Brazil operation was an enormous undertaking, but during his two years in sales and marketing, Gary had laid the groundwork, making it a point to get to know people in the company's manufacturing, purchasing, governmental affairs, and HR departments. His obvious interest in what they did created an environment of goodwill that became an important source of support and encouragement as he delved into the myriad business details and relationships that are the hallmark of a complex manufacturing and marketing company. Over the next three years, Gary cut costs, increased productivity, oversaw the introduction of new products, and gained market share against the company's major competitors.

While Gary was learning to run the Brazil business, trouble was brewing thousands of miles away. A few years earlier, the company, eager to get a foothold in the lucrative Japanese market, had bought a sizable minority stake in a Japanese competitor. But the Japanese company was faltering. Its manufacturing operations were inefficient, its products weren't keeping pace with shifting consumer preferences, and its management didn't seem to know what to do about the problems. Bob and Gary's CEO faced a major decision: either abandon the Japanese investment or become more deeply involved in managing it. He preferred to try to salvage the relationship if he could and persuaded his Japanese partner to accept a veteran manufacturing executive, Tony, as CEO of the joint venture. Before he left for Tokyo, though, Tony made it clear that he wanted someone strong in sales and marketing to go to Japan with him.

"Let's send Gary," Bob suggested to the CEO. "He knows the business, he's proven himself in a foreign culture, and he has the people skills to work with a diverse group. If anybody can do it, he can." The CEO wasn't sure. The Japanese did everything by seniority, and whereas Tony had years of experience, Gary was still only in his early thirties. More important, the Japanese management might balk at two Americans telling them how to do things. But the CEO knew Bob's opinions of up-and-coming leaders were informed and objective. When it came to gathering information about his young protégés, Bob left no stone unturned. He cross-checked his own opinions and was always willing to change his views. When Bob saw other young leaders fail to acquire certain capabilities he'd hoped they would, he guided them into jobs that played to their particular talents. He believed, and other people confirmed, that Gary was a born general manager and relationship builder with great adaptability to different cultures. In the end, the CEO was convinced, and Gary was offered the job.

Moving Forward by Stepping Back

Now Gary faced a quandary. He was running an important country operation, in charge of every aspect of the business. He was being offered a sales and marketing job. "Been there, done that," he thought to himself. In a weekend telephone call to Bob, Gary worried that the Tokyo job would be a move backward. Maybe it was better to wait for another line job to open up, perhaps back in the United States.

"Take it," Bob counseled. "Don't worry about titles and hierarchy. Japan isn't anything like Brazil; you'll be working with a different company that has its own culture and methods, and the market there is huge. I guarantee you it will be a stretch. You won't get bored, and you'll learn a lot."

Everything about Japan was different from anything Gary had ever done before. Accustomed to noisy, good-humored debate among his Brazilian colleagues, Gary found the Japanese executives eerily silent in meetings. The sales staff didn't communicate with their marketing peers, and neither connected with manufacturing or product design. There were too many people in every department. They seemed to be working hard, but not much seemed to get done. Gary had to fall back on his people skills to begin drawing out the staff at meetings and in one-on-one encounters.

His biggest challenge at first was to get differences of opinion in the open. The Japanese respect for elders and the pervasive politeness stifled any dissent. Some of the younger marketing people had good ideas for reaching out to a younger customer base, but they rarely presented those ideas at meetings. Gary had to repeat time and again that debate was healthy and that ideas that were challenged would become better as a result. Gradually the meetings began to flow more freely.

Even as he was laboring to spark enthusiasm among his staff, Gary was establishing relationships in other parts of the company. He visited the factories, talked to product developers, and invited retailers to sake-drenched dinners. Such forays revealed a good deal about the company, including the fact that his boss, Tony, wasn't having much success insinuating himself into the company's management structure. Although Gary's efforts were gradually showing results in market share, other necessary changes weren't happening. That was becoming evident back at headquarters, too. Two years after he took the post, Tony was recalled to the United States, and the debate about what to do about Japan started all over again. Bob knew that Gary had been learning and building relationships in Japan beyond his sales and marketing responsibilities and urged the discouraged CEO to let Gary make a presentation about what was wrong there and what could be done to fix it. The CEO agreed to have Gary address the board at its next meeting as a prelude to making a decision about which way to go in Japan.

Gary laid out the basics to the board: an unfocused workforce, somewhat outmoded and excess capacity, products that lacked a strong differentiation and consumer appeal, and a demoralized and uncommunicative leadership. The leadership at several levels, he told the board, was the real root of the problem. If they could be inspired to work together like his own sales and marketing team was working, they could solve the other problems systematically. He told the board that he believed that the Japanese business was worth saving. The market was huge and growing and could become a platform to move into other parts of Asia.

The Leap to Strategy

By this time, Gary had a reputation within the company as a strong communicator with the ability to make the right decisions without delay. Although his strategic thinking was untested, his grasp of the Japanese situation was compelling. There was little debate among the board members when the CEO suggested that Gary be put in charge of the Japanese joint venture for one last attempt to salvage the company's investment.

As head of the Japanese company, Gary called on many of the skills and insights he had gained in previous jobs, but setting the strategic direction for such a large and pivotal operation was new territory for him. He knew that the Japanese were excellent at execution, but for any changes to occur he would have to energize his team of senior executives in adherence with the Japanese consensus-building culture. He would need to take the business in a markedly different direction and create a shared commitment to it so that people would be willing to tackle the drastic steps required, including closing one or more factories and sharply reducing staff. Finally, the executives had to develop a shared view of the possibilities and opportunities the company could seize, first in Japan and later throughout Asia.

When Gary laid out to his leadership team his analysis of the company's problems and the changes he had in mind, everyone seemed afraid to make suggestions or even ask questions. He was encouraged when individuals began dropping by his office to bring up their concerns and urged them to speak up about those concerns in the next meeting. A few did, but what really turned the tide was when Gary found a way to make the Japanese more comfortable discussing ideas and posing questions. He made a presentation to them, laying out the financial picture for the company. He then broke the leaders into groups of three or four and asked them to discuss—in Japanese, if they preferred—some ideas to solve the problems. The informality of the small groups and use of Japanese helped people be more candid, and focusing on the business as a whole eased tensions. The executives had never seen the numbers for the overall business before; typically, each executive focused on the numbers for his area. After an hour or so, the groups met together, and a spokesperson for each summarized their discussions.

Six months into Gary's tenure as CEO, the change among the senior executives was palpable. Not only were they asking the kinds of sharp questions that indicated they understood the overall picture, they began debating one another in front of the entire group. Gary had found a way to make a huge change in the culture.

Two years after he took over the company, Gary had set it on course to profitability with a fresh consumer orientation, new product offerings, efficient manufacturing, and a lean staff. Over the next three years, he continued to expand the company's market share in Japan, entered new markets in Asia, and repaired the company's balance sheet. The company became a net cash generator. He also oversaw the creation of a leadership development process that, while taking into account Japan's seniority-based promotion practices, identified leadership talent early and set those young people on paths that would challenge them and expand their capabilities. That ensured the operation would thrive after he left.

Gary continued to expand his capabilities while he was running Japan: he attended one-day seminars to stay abreast of external trends; learned how to deal with Japanese investors, financial markets, and unions; and built networks with CEOs of other companies. He continued to find Bob's occasional fifteen-minute phone calls stimulating, when Bob would ask, "What are you working on now?" or "What's new since we last talked?" or "What's your current challenge?" Those simple questions prompted Gary to distill his learning.

Bob retired just before Gary was recalled to U.S. headquarters as executive vice president. Gary left behind a stronger business in Japan. The organization was energized and on track, and he could confidently recommend to the board that he be succeeded as CEO of the joint venture by the Japanese company's chief operating officer (COO). The COO, an engineer by training, had been inspired by what he saw Gary accomplish and three years earlier had taken it on himself to study finance to broaden his understanding of the company. Nearly three years later, the business continues to meet its heightened financial targets.

Bob took risks on Gary with every move, but they were all based on deep knowledge of Gary's leadership skills, personal traits, and performance. At every turn, Bob was vigilant in seeking hard evidence of how Gary was progressing. He guided Gary but never dictated what he should do. He asked questions that opened Gary's mind and made suggestions in Gary's best interest. Not that Gary played a passive role in his success. He recognized early in his career that he, more than anyone else, would be responsible for developing his leadership skills and took every opportunity to do so, even if it meant making an unconventional career move.

It's too soon to tell whether Gary will become a CEO either at his company or somewhere else, but he continues to thrive in his current job running the company's largest and most important division. What's not in question is that both Gary and the company benefited immensely from Bob's efforts to develop his protégé's leadership talent, help him identify the right next job, coach him to improve his performance in the job and prepare for the next one, and bring his particular strengths into sharp focus.

Don't Leave Leadership Development to Chance

Consider why some would say Gary was lucky: his potential was recognized early. He was not subjected to perfunctory, bureaucratic performance reviews but was assessed broadly by a mentor who was deeply familiar with his activities and knew him well as a person. He had someone pushing other executives to give him the opportunities to make big moves rather than stepping up prescribed, incremental rungs. Each job was a stretch that enhanced his existing talents and honed core capabilities while also allowing him to develop new ones. He received personal feedback and coaching. And his growth was in the hands of a committed, seasoned leader who measured his own success in part, and in this case voluntarily, by Gary's.

These are precisely the elements that any young person with CEO potential can benefit from, and they are what we should try to embed in our approach to leadership development. Companies have to ensure that potential leadership talent, wherever it resides, is spotted early and developed thoroughly to create a corporate talent pool that is capable of leading in an environment not yet foreseen. Those with potential to succeed at the highest levels should be allowed to spread their wings early and encouraged to move in big leaps through a variety of challenges tailored to their particular strengths and developmental needs. Their progress must be closely watched to see what talents are proving out and what limitations might be emerging. And they need ongoing feedback on every aspect of leadership but, most important, on the business issues and people side—not just their leadership style—by leaders who have business savvy and are close to their everyday work.

Imagine if all high-potential leaders underwent such customized development. The results could be profound. Rising leaders, unshackled from stifling bureaucracy, would grow at the fastest pace that their capabilities would allow. Those leaders would become agents of change: fundamentally altering the nature of the company by seizing hitherto unrecognized opportunities and energizing the company's competitive instincts. The pool of management talent would be diverse and therefore well prepared to cope with changing conditions in markets and the competitive environment. Certainly some leaders would reach the limits of their capabilities below the CEO level, but leaders at all levels would be making the most of the talents they have.

Our current formalistic processes and training programs will not get us where we need to be, no matter how much we spend on them, because they are built on serious misconceptions about leadership and its development. These shortcomings include

- Failing to recognize that only a few people have the potential to run a major company and that these people must be spotted early to spare them the torture of having to prove themselves at every rung in a ten-step vertical ladder.
- Failing to make the identification and development of other leaders an explicit part of every leader's job and to provide the tools to do it and the rewards for doing it well. Companies track a leader's ability to produce numbers but not her ability to produce other leaders.
- Relegating the early identification and development of high-potential leaders to lower-level leaders who are ill prepared for the task.
- Using perfunctory and bureaucratic "performance reviews" as a coaching and career-planning device.
- Applying the same expectations and job rotations to all leaders, rather than customizing them to an individual's talents and developmental needs.
- Spreading leadership development resources across too many leaders in hopes that strong ones will emerge.
- Using classroom education as a substitute for real-world challenges.

Leadership Development Requires Radical Change

The need for a new approach to leadership development is clear. The "how" is not so obvious. The following chapters explain it. As you read on, you will discover a new model for succession and leadership development, one that will help you build a stream of leaders at all levels. If you do this, you will also largely solve your CEO succession dilemma. No matter how refined the process for selecting a CEO or how diligently the board works to choose the right one, the odds of success are far higher when it has a robust process and a substantial internal pool of leaders at all times to choose from.

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

Rate your company on a scale from one to ten.

1. Developing other leaders is an important part of every leader's job at my company. Leaders are expected to devote considerable energy and a minimum of 20 percent of their quality time to it.

   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

3. Bosses regularly coach leaders on the one or two most important things they need to improve, such as specific aspects of business acumen or relationship skills.

   1 2 3 4 5 6 7 8 9 10

4. Evaluations 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

5. Leaders pool their insights to determine how a junior leader might develop and where she should go next.

   1 2 3 4 5 6 7 8 9 10

6. The most promising leaders often get assignments that are greatly more challenging and 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 get 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 processes for business items such as revenues, margins, or cash.

   1 2 3 4 5 6 7 8 9 10

10. HR ensures that leaders at all levels actively develop other leaders and plan their succession. It provides useful input to help up-and-coming leaders and their bosses find good fits between people and jobs.

    1 2 3 4 5 6 7 8 9 10