

# Developing the Next Generation of Leadership

*By Michael G. Winston*

With 25 years of experience as a business leader, change agent, and organization strategist, Michael G. Winston has been in the "eye of the storm" in businesses going through massive transformation. As Global Head, Worldwide Leadership and Organization Development for Merrill Lynch, he served during one of the most challenging periods in the history of the financial markets - before and after 9/11/01. Currently, he serves as Managing Director and Chief Leadership Officer for Countrywide Financial Corporation, with enterprise-wide responsibility for executive succession planning, leadership development and organization integration. Previously, Michael spent over ten years at Motorola, heading up all organization design, large-scale change, leadership development and succession planning initiatives for the Communications businesses during the company's meteoric rise from \$6B to over \$30B. He has also held top strategic human resources positions at McDonnell Douglas and Lockheed Corporations during seismic shifts in the industry.

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You cannot have a great company unless you have great leaders in the company. And the best leaders have a deep commitment to building leadership talent throughout the organization. In fact, they regard this as privilege as well as an obligation.

Great leaders are characterized by a core set of beliefs and actions. They identify, attract and retain the most talented, diverse group of high performers. They understand the core competencies and skills required to meet challenging business goals and have a willingness to surround themselves with highly capable staff.

Further, these leaders reward excellence, act as role models, and encourage personal and professional growth. They push decision-making to the lowest appropriate level and develop subordinates' confidence in their ability to lead, manage and impact the achievement of business objectives. They allocate sufficient authority and resources to subordinates to enable them to make significant decisions and act independently within their area of responsibility.

These leaders believe in the strength, capacity and potential for growth and contribution of their people, and have the guts and intestinal fortitude to keep their development promises through thick and thin. It is in translating this commitment to consistent, purposeful action, often under fire (business downturn, budget crisis, etc.) that the true test of leadership is passed or failed.

Great leaders seem to focus on essentially the same issues... "Do we have a clear, compelling vision? Do we have a winning strategy for competitive advantage? Do we have the best team in place? Do we have the best person for every single job within the company? Are we getting all the results from our people that we could? Are we maximizing their output and impact? Are they working together as a team in ways that leverage team strengths? Are their activities... moment-to-moment... lined up with the strategic focus required to meet growth objectives?" That is what they focus on. They are committed to transforming the players and culture to take the company to the next level.

Ultimately, they achieve business objectives by finding, nurturing and developing leaders who champion change, innovation and continuous improvement; leveraging leadership capability across business groups, fostering cross-organizational learning and building unity, alignment and capacity for execution amongst leadership teams at all levels of the organization. They view these activities as a source of sustainable competitive advantage.

These leaders partner with internal experts who are skilled and experienced in the disciplines of organization design and integration, executive and leadership development and succession planning to create and sustain a competitive advantage. Throughout more than a quarter of a century heading up efforts in Fortune 50 companies, partnering with key executives, in developing the next generation of leadership, I have modeled my team's efforts after what seems to work. This is how we successfully develop the next generation of leaders:

- ◆ Seek and sustain top management support.
- ◆ Determine Required Skill Sets
- ◆ Build Best-in-Class Leadership Development Initiatives
- ◆ Launch a Tiered Talent Identification, Assessment and Succession Process
- ◆ Develop an Enterprise Perspective
- ◆ Integrate the Organization

- ◆ Metrics for Driving Accountability

## Seeking and Securing Top Management Support

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Action commences with a meeting with high performance leaders throughout the company who want to take their team's already-strong performance to the next level. Rather than start with "Enterprise-Wide" efforts, we seek "pockets of enlightenment", in the hopes that early successes will spread the word about the importance and urgency of developing leaders at all organizational levels. New or enhanced leadership development initiatives are launched in their organizations with clear communication from the senior executive explaining the mission, strategy, objectives and expectations for participants. We secure their presence and participation in at least one key aspect of the initiative. Lastly, we design measurement tools to assess improvement realized and reinforce leadership accountability for results.

The task of securing executive commitment is not an easy one. Efforts must be ongoing. Commitment must be continuously renewed as the hardships of radical change or a sudden, tsunami-like tidal wave of market shifts become real. However, success in the development of the next generation of leadership demands more than commitment. It requires executive participation in leadership development initiatives.

## Determining Required Skill Sets

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As a first step, we collaborate with the senior management team to define key leadership requirements, and develop a plan to improve critical skills and competencies required to implement the current and projected business strategy. We review both current and prospective markets, competitors, customers, channels and determine critical success factors. We contemplate whether current strengths will continue to be a source of competitive advantage. We review the skills and capabilities that will make the company unique in the future and from which margins will likely be derived. This enables development efforts to be linked to the evolving strategy of the business.

## Building Best-in-Class Leadership Development Initiatives

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An *integrated* and *highly-focused* set of initiatives is crafted that reflect the company's strategic agenda, address critical challenges and opportunities and strengthen leadership capability. Programs generally use a combination of company presenters, external world-class subject matter experts, e-learning technologies and post-program project work to reinforce key strategic initiatives. Participants compare the "State-of-the-Practice" in their own organization with the "State-of-the-Art" in the world, and where relevant gaps are noted, they are addressed by teams using their newly acquired skills. These cross-business/functional teams interface directly with a member of Executive management to address real-time business and organization issues. Executive management serves to identify, define and frame issues for the participants to address.

These programs enable the company to focus on common challenges, create a unified perspective and provide a set of management tools to enhance its competitive advantage.

A 360° feedback process provides individuals with an opportunity to inventory their current skill levels as perceived by managers, direct reports and peers/colleagues and plan a program for more effective skill utilization.

According to The Corporate Executive Board, the best organizations identify and measure enterprise-wide core values and leadership practices which set the company apart from its competitors. Each business and function is encouraged to add items which predict success in their unique cultures.

## Launching a Tiered Talent Identification, Assessment and Succession Process

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Succession management is a critical activity in business organizations. It must serve to identify, develop and retain those people who are able to deliver superior performance, both individually and as part of a team. While this is important during bullish times, it is essential during bearish times. Done well, the organization accrues numerous benefits including:

- ◆ Alignment of top performers to most critical jobs
- ◆ Identification of successor candidates for key roles
- ◆ Assessment of strengths across key competencies
- ◆ Identification and development of high potentials
- ◆ Identification and elimination of key succession gaps

However, our research concludes that in many organizations succession planning does not achieve its intended objectives. It is performed as a perfunctory administrative exercise to satisfy corporate compliance rather than drive superior business performance. As such, it is fraught with potential pitfalls.

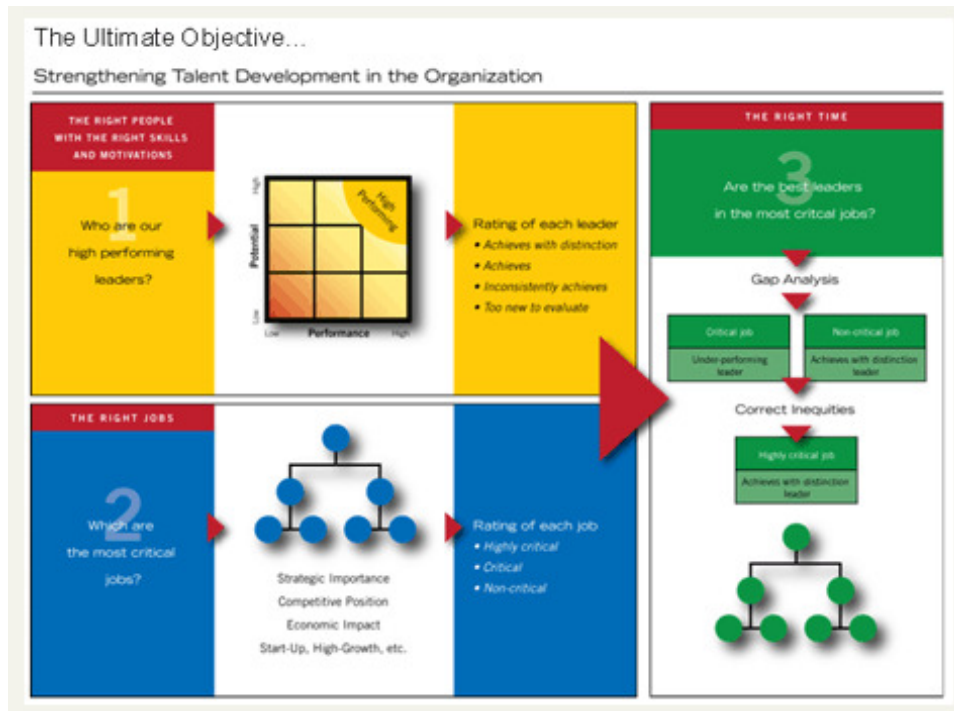
In many organizations without rigorous, carefully-managed succession plans, members of management have moved up vertically within one organization. They are building upon several similar experiences, without the opportunity to gain a broader perspective.

In others, bright, talented individuals are sometimes moved too quickly - not left in their jobs long enough to substantially develop skills. Individuals are often promoted based on good performance to jobs they do not adequately understand and are unprepared for.

Further, promotions are often based on style, loyalty, or social relationships, rather than on performance and competence. Lastly, the succession process fails to anticipate skills required in the future and often ignores or passes up highly qualified individuals within the organization to fill positions.

Recognizing that the new business climate requires stronger leadership skills, we commit to a more robust process. We endeavor to follow their lead. We implement a process of regularly scheduled interviews, discussions and rigorous assessment and analysis. Emphasis is placed upon candid and realistic evaluations of performance and potential of the current and next generations of leadership. Key distinctions are made of performance and potential, as well as skill set requirements to meet *current as well as projected* business challenges. Leadership depth and succession capability are evaluated against a broad variety of scenarios (market upswing or downturn, interest rate fluctuations, unexpectedly strong competition, unanticipated departures of key executives).

We use panel reviews for the purposes of exchanging information on high potentials, broadening the base of input on performance levels of key individuals and promoting rotation and cross-organizational communication. These panel reviews have a significant, positive effect on leadership identification, development and mobilization.



## Developing an Enterprise Perspective

We then work with key executives to ensure they use cross- business/ function exposure, rotation and task-force involvement as a means by which to broaden the executive, promote information sharing, reduce functional myopia and promote sharing of management talent across functional/business boundaries.

Decentralization creates challenges in moving people across business borders. There is a tendency to hoard high potentials and build moats to thwart “poaching.” This can be reduced by several means: The CEO/ COO can ensure balanced focus on leadership development and business needs as well as movement of people across organization boundaries. Rotations could be paid from a “corporate” pool for the duration for their rotational assignments. Systems can be installed that encourage senior managers to contribute to the success of the entire company, not just their business or function.

The Corporate Executive Board noted that cross-business or functional experience helps build flexible mindsets, facilitate the transfer of knowledge and skills, enhance career development, increase retention rate, improve employee satisfaction and increase employability. Further, it increased the connectivity of employees across the corporation.

In our processes, key executives require their direct reports to consider all possible candidates when making job decisions; *not simply the person in immediate reporting line-of-sight*. Lists of possible candidates are created for each opening, including people from outside the business unit and outside the company.

## Integrating the Organization

No matter how skilled, an executive or leader can only be as effective as the organization allows. However, as any organization grows and becomes decentralized, silos appear with similar functions doing similar work. During periods of significant revenue growth, these

structures enable close-to-the-customer focus and responsiveness. When the market contracts, these duplicative functions are no longer affordable. The organization must reduce or eliminate overlapping or redundant functions.

We create an Organization Integration function to provide diagnostic processes to identify and eliminate or reduce the overlap and duplication that often emerges in decentralized structures.

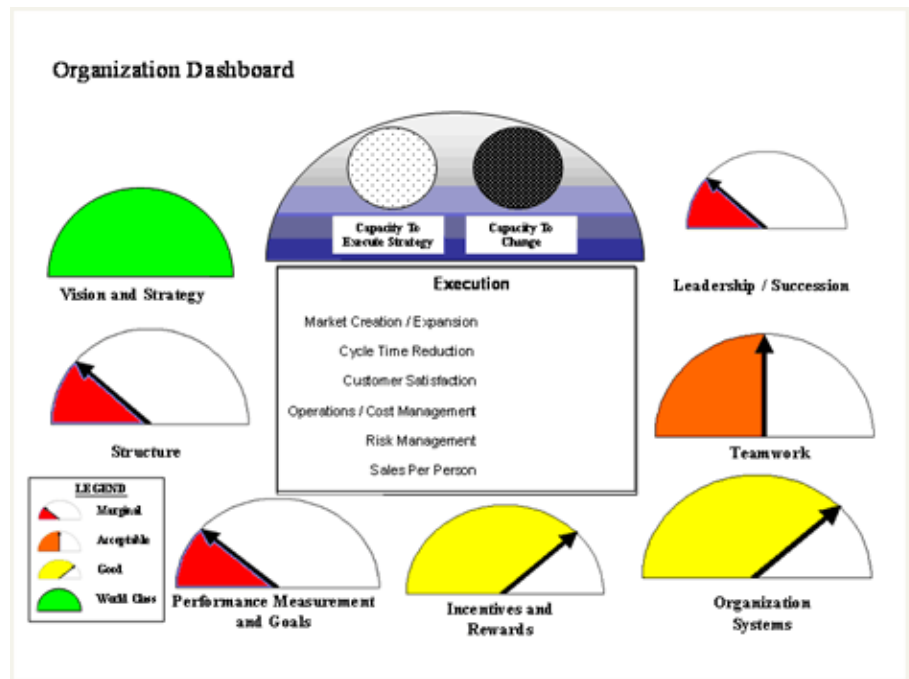
High impact instruments are created and implemented to identify and build upon key organizational, structural, process and leadership elements to strengthen and enhance business performance. These brief, high-impact processes provide cumulative, real-time survey results to key management and participants. This enables identification of issues and immediate problem-solving process while poll findings are still fresh and relevant. The objective of these processes is to strengthen focus, leverage and synergy. Leaders can then lead effectively.

## Metrics for Driving Accountability

Systems are then installed to hold line managers accountable for building leadership. Leadership development and succession becomes an unavoidable “gate” for promotion and significantly affect compensation.

Accordingly, key executives are evaluated and compensated, in part, based upon the extent to which their direct reports reached excellent rankings in “job fit,” meeting or exceeding targeted business objectives, and in generating effective organization, culture and leadership survey results.

Further, they are evaluated and compensated against objectives around “successor quality and readiness” and high potential identification.” This evaluation takes into account such factors as the percentages of: key incumbents and successors whose planned development activities occur; vacancies filled via the plan; key positions designated with at least one *consensually-validated* “ready now” backup; key positions designated with at least one consensually-validated planned backup.



## Results: Competitive Advantage

Over time, the management team realizes that the above initiatives can be a great differentiator. Clearly, a company’s organizational structures, its executive readiness, its processes for creating and sustaining a high-performance culture, and its ability to continuously staff with the best people are required distinctive competencies for future success.

More than a just a “good idea,” these activities actually pay off. In a joint study by the Hay Group with the University of Michigan and the Strategic Planning Institute, more than 50 strategic business units were studied in a cross-section of business and industry in the United States in an effort to relate organization and human resource practices to ROI. The business units were compared against a “par ROI.” The “par ROI” is derived from the earnings recorded for businesses in similar strategic positions. The study concludes that firms with established succession planning programs for the top three levels of management enjoyed a 15% advantage above “par ROI” over firms that did not have a formal program. In fact, those business units which did not have a formal succession planning system in place achieved an ROI 7% or worse than “par ROI.”

The Corporate Leadership Council (CLC) noted the results of significant research in July, 2007. They studied 276 organizations around the world to understand their practices, processes and expected outcomes in both leadership development and succession management. They concluded that “Top Tier Leadership Organizations” delivered 10% greater total shareholder return than their peers. Top tier was a measurement of executive performance against business goals as well as select qualitative metrics. Conversely, “bottom tier leadership organizations” delivered nearly 6% lower returns than their peer groups during the three-year study.

Accordingly, leading companies are putting these practices to good use. Coca-Cola is a highly decentralized company that uses Talent Roundtables as a tool by which to enhance visibility across business units. Starbucks, Dell and TRW offer high quality global leadership development programs. Companies such as GE, Pepsi, Motorola, and HP have a decades-long commitment to succession planning and leadership development.

### Janet Smith, Lvl 2 (SAMPLE HIGH POTENTIAL)

|                                |                                   |
|--------------------------------|-----------------------------------|
| Job Title                      | VP                                |
| Division                       | Wing 1, Freedom Three             |
| Manager                        | Walter Weep                       |
| Last Hire Date                 | March 1, 2006                     |
| Previous Position              | 1996 - 2006                       |
|                                | AVP, Compuce Inc.                 |
| Previous Work History          | 1992 - 1996                       |
|                                | Senior Analyst, Analytics Inc.    |
| Education                      | Masters, UCLA Finance & Economics |
| Planned Development Activities | Expected Completion Date          |

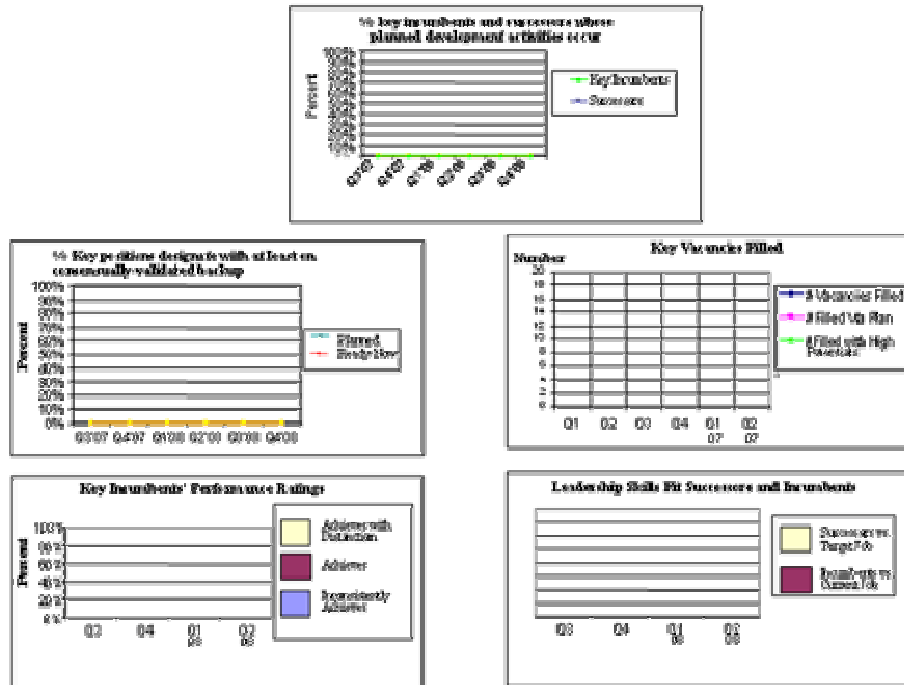
Identified as Immediate Successor to: N/A  
 Identified as Planned Successor to: Ursula Underling, Lvl 1  
 Identified as Enterprise High Potential



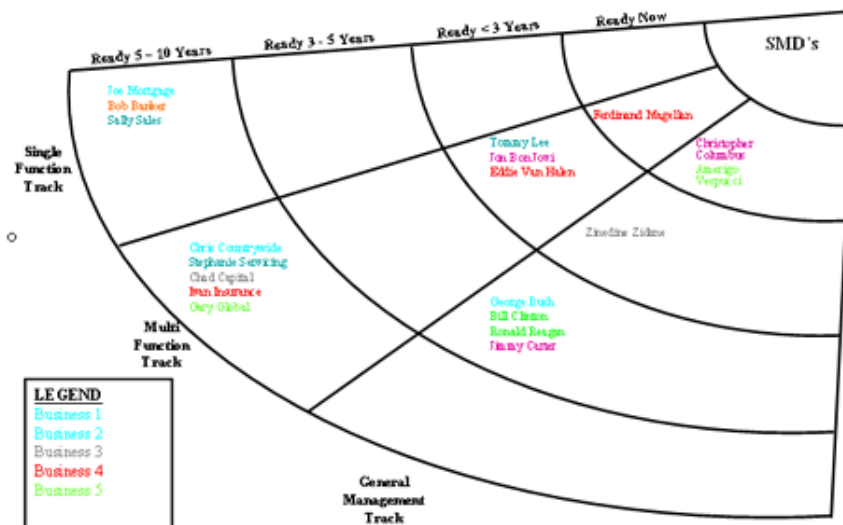
**CAREER HIGHLIGHTS:**  
 Top performance recognition  
**100% SUCCESS RATE:**  
 Recent accomplishments have included initiatives to make performance review/inter-process analysis streamlined  
**COMPETENCIES:**  
 Leadership skills include strategic perspective, accurate legal, excellent problem-solving skills. Testimonials in peer-to-peer and customer.

## Institutionalizing the Process

When early wins are noted, rewarded and celebrated, executives increase their focus on aligning skill sets with key positions and on identifying and developing high potentials. Panel talent reviews have proven to increase the quality and quantity of input. Further, our experience and research indicates that executives participating in these reviews are better prepared for the next succession cycles. Knowing they will present their plans for succession and high-potential development to their peers and management, they increase the quality and quantity of preparation and action in this arena. Ultimately, the objective is to institutionalize a simple, consistent process across the Enterprise that has the same rigor as the budget process.



### Enterprise High Potential Pool



# Linkage

Linkage is a global organizational development company that specializes in leadership development. We provide clients around the globe with integrated solutions that include strategic consulting services, customized leadership development and training experiences, tailored assessment services, and benchmark research. Linkage's mission is to connect high-performing leaders and organizations to the futures they want to create.

With a relentless commitment to learning, Linkage also offers conferences, institutes, summits, open-enrollment workshops, and distance learning programs on leading-edge topics in leadership, management, human resources, and organizational development. More than 200,000 leaders and managers have attended Linkage programs since 1988.

**Linkage**  
**Burlington, MA**  
781.402.5555  
info@linkageinc.com