

Yet, Another Hat: The CEO as the Chief Talent Officer

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A company's leadership pipeline is expected to deliver its "next generation" of leadership. The payoff is a supply of talent that simultaneously achieves targets, protects the company's ethical reputation, and navigates transformational change.

Unfortunately, some CEO's neglect their leadership management accountability and their pipelines run dry. When this occurs, the downward spiral of competitive capability becomes discernable, the edge is lost, and the "magic" disappears. The future of the company becomes uncertain along with that of the CEO. Boards are quick to step in when company leadership fails its stakeholders as the recent ousters at Bear Stearns, Lehman Brothers, Freddie Mac and Fannie May, Washington Mutual and others have demonstrated.

Yet leaders continue to search for those "magical" solutions that ensure their pipelines deliver a supply of "ready now," best-in-class leadership talent. Recently, Douglas Ready and Jay Conger in their *Wall Street Journal* article, report that the vast majority (97%) of surveyed companies do have a formalized succession management process. Yet, only 3% of these surveyed companies report satisfaction with their leadership pipeline.

Not much "magic" is happening.

This article is not about magical elixirs. Rather, we focus on the discipline required from the senior team to ensure the leadership pipeline flows with talent that can deliver short term results and successfully transform the company.

We offer seven challenges—these are fundamental questions that tap CEOs' discipline and resolve in managing the company's leadership asset.

1. Can your leaders differentiate "great" talent from "just good enough?"

Each day, leaders throughout your organization make judgments to select talent for more challenging and pivotal jobs. When these decision makers fail to make accurate talent assessments, a little bit of your company's future is chipped away.

When inept assessments from individual managers are combined across an organization into an overall picture of an organization's talent strength and readiness, this composite view too often surprises the senior executives. The pipeline is neither full nor flowing.

Meanwhile, the ability of your organization to rapidly muster great talent for strategic moves in the marketplace is compromised by both quality and timeliness factors. When the talent assessment process ultimately generates "just good enough" talent and teams, what is the outcome to your organization when those great competitors take aim at your markets and your customers? Boards and Wall Street do not often have the patience for the uncertain adventure of shaping good teams into great ones when the individual talent does not measure up. Assessment is a critical executive competency and is demonstrated when:

- ◆ Hiring managers can explain the difference between "great" vs. "good enough"
- ◆ Skilled managers accurately spot emerging leadership early in the career of the emerging leader

- ◆ Hiring managers differentiate candidates' past performance from their potential when formulating promotional decisions

2. Are you willing to settle for “just good enough” talent in pivotal positions?

Organizations often lose their performance edge when not challenged to attain market share or functional excellence. In the early stages of decline, sign of “organizational dry rot” can be detected in middle-managerial appointments. In those cases, “just good enough” leaders are appointed and steer their units toward incremental improvements and often deliver strong results. However, these organizations often work harder and manage to win—for a period of time. Soon these organizations are in over their heads—overworked and out of gas. Their reputations slip, and great talent becomes difficult to attract and retain. Predictably, the competition begins to outmaneuver them.

You may detect “just good enough” leadership practices when:

- ◆ “Compromise” candidates are appointed into pivotal roles
- ◆ “One-horse” races are all too common in filling pivotal senior roles
- ◆ An operating unit is repeatedly unable to step up to leadership needs in dealing with competitive challenges, threats, and change management initiatives

3. Are you personally willing to break down the silos of protectionism that impede the development of your pipeline?

Protectionism exists when organizational silos and norms limit the movement and development of emerging leaders across organizational boundaries. Protectionism diminishes your visibility into the emerging talent pool. Your choices narrow.

The CEO appropriately takes the lead to ensure silos are bridged and protectionism is thwarted. Underperforming “favored sons” and slow-learning leaders who are traditionally shielded in the safe harbors should be discovered and the culture of mediocrity dismantled.

Protectionism may be alive when:

- ◆ Your “best emerging leaders” get lost, derailed or flee an operating unit
- ◆ Leaders are not willing or successful exporters of talent to other units
- ◆ Talented outsiders have difficulty breaking into the culture and “finding-their-way.”

4. Where does your Board place accountability for the quality and readiness of your leadership pipeline?

One of the most unforgivable sins a senior executive can commit is underestimating the future leadership needs for the business. These oversights traditionally go unmentioned in annual reports and during analysts meetings. Yet, these oversights compromise your organization's competitive future.

No leader would ever think about going through the motions with the company's strategic planning process. Yet many senior leaders show up at annual succession planning meetings without having been fully engaged throughout the year.

We argue that sustaining the organization's leadership pipeline is one of the most strategic activities leaders face.

Accountability for succession management is demonstrated when:

- ◆ Metrics are tracked for judging the effectiveness of the pipeline
- ◆ The organization deals with leaders with a pattern of failed selection decisions
- ◆ The organization realizes it is “the farm team” for the competition

5. Are you willing to take short-term risks with business results as emerging leaders learn the lessons of experience?

Developing leaders with the keen instincts and well-honed skills to lead organizations into their futures does not come without risk. This risk involves placing talent into real and challenging situations where they must perform and learn from their experience. Regrettably, high potentials do derail. But, low risk, “safe-fills” provide little developmental opportunity for the individual and may introduce stale skills, low motivation, or overconfidence into the team.

Symptoms of playing it too safe in developing leaders include when:

- ◆ High potentials don't get the most “developmentally-valuable” assignments
- ◆ Promotions are too frequently delayed resulting in emerging talent becoming “over ripe” and disillusioned
- ◆ Your organization fails to deal with derailed talent

6. Are you force fitting a succession planning process into your culture?

Many of our best known brands—IBM, Dell, Nike, FedEx— have their own “secret sauce,” something that makes them distinctive. If you probe into the genesis of what makes such great brands, one of the key factors is their approach to talent—their selection, development, and retention. Often, the founder or a pivotal leader has put their personal touch on crafting a style

or direction in leadership development. Noteworthy developers of leadership include GE, Bank of America, PepsiCo, and FedEx.

Elsewhere, we all too often see leaders borrow what is going on at a GE, or PepsiCo, read an article or two, bring a new process into their organization—and fail. What worked in one culture may not be a good fit in another. Jacques Nasser’s adoption of GE’s “forced ranking of people” in many ways led to his sudden departure from his CEO role at Ford. Bob Nardelli, the former CEO of Home Depot “imported” much of what he had done at GE into Home Depot. When leaders try to force fit or imitate the success of others by importing their methods, the organization many times loses its focus and commitment to any process.

The value of your leadership pipeline process can be gauged by:

- ◆ The relative stature of your succession planning process vs. other key processes, i.e., strategy process; annual budget process
- ◆ Executive compensation is put ‘at risk’ for talent management accountabilities
- ◆ Enhanced market valuation by Wall Street is attributed to your company’s leadership depth

7. Is your succession planning process an annual “event”.....That goes no where?

When forms and formal presentations overwhelm the process of candidly assessing your organization’s leadership strengths and deficiencies and when planning meetings are characterized by “all talk” with no commitment to action, its likely that time and effort of many executives may have be squandered and your leadership pipeline is about to run dry.

Your succession planning process is disabled when:

- ◆ A conspiracy of politeness permeates succession meetings; candor is missing
- ◆ Leadership development plans are not funded at budget time
- ◆ “Promotable” talent is infrequently appointed to pivotal positions

Summary

CEOs of leadership-rich organizations never believe their talent management accountabilities are discretionary. They understand that leader development is an essential core competency that cannot be duplicated, that largely cannot be delegated, and must not be neglected. There is nothing altruistic about these values. It is about building the capacity to perform and win.

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