

# Wanted: Leader-Builders

By Steve Yearout, Gerry Miles, and Richard Koonce

**Help your organization develop its leaders and you help yourself.**

*“Most executives remain astonishingly provincial and insular in their outlook, training, and experience. This is particularly true for North American CEOs, even in such ostensible hotbeds of business innovation and creativity as Silicon Valley. I am constantly amazed by the number of otherwise brilliant Silicon Valley executives whose world view barely reaches to the other end of the San Andreas fault line. On a really good day, it might extend as far east as the Hudson River.”*

So says Matthew Kiernan in his book *The Eleven Commandments of 21<sup>st</sup> Century Management* (Prentice-Hall, 1996). Globalization, the sustained management of corporate growth, and the need to deal with disruptive new technologies and leverage the benefits of e-business require a robust new repertoire of leadership skills at virtually all

levels in an organization. It’s a challenge that has many companies gasping for executive-level leaders who can chart new business strategies and woo investors or at least court favor with

## The Gist

- ❑ Leader-builders (companies that nurture their own leaders) have much in common, including strong strategic alignment and consistent behavior among managers at all levels.
- ❑ Before embarking on leadership development, an organization should ask specific questions that have to do with vision, top-team unity, and other issues.
- ❑ Coaching is a crucial element of leadership development.

Wall Street. Organizations also seek mid-level managers with high-demand skills in Internet commerce, cross-cultural communications, capital markets, and corporate transformation.

The November 8, 1999 *Fortune* describes the problems facing such old-line companies as Sears, Whirlpool, and Proctor and Gamble as they try to get hip to e-business. The cover shows Sears CEO Arthur Martinez cheek to jowl with creative chief of Sears.com Michael Vaughan, looking like a grad student who stayed up late cramming. The pairing is an arranged marriage precipitated by Sears’s late entry into Web commerce. Many like companies are having to align traditional leadership approaches with the work styles of techie twentysomethings who are conversant in online buying habits and Internet-only branding issues.

Meanwhile, far from the *Fortune* 500, many dot.coms face leadership challenges of their own, specifically when it comes to attracting star senior execs to engineer big-time Internet launches and strategic alliances with other firms. The October 26, 1999 *Wall Street Journal* reported from 400 to 1,500 CEO vacancies at Internet startups.

As if those stories weren't enough evidence of a burgeoning leadership crisis, what should we make of the CEO failures of the 1990s?—Eckhard Pfeiffer at Compaq, Bob Stempel at General Motors, and Bob Allen at AT&T, to name but three. Consultants Ran Charan and Geoffrey Colvin say those and many other former high-flying CEOs failed because they couldn't execute strategy, didn't put the right people in the right jobs, and, most importantly, didn't understand changes in the external environment (such as the Internet) that would have far-ranging implications.

The leadership problem—whether a company is old-line or online, old guard or upstart—isn't likely to disappear. Though the pace of business is accelerating and the amount of knowledge capital is growing, what's shrinking is the competitive interval considered reasonable to launch new products, implement new strategies, and complete mergers and acquisitions. Five years ago, a typical M&A in the high-tech industry took six to nine months. Now, that same deal is sealed in a matter of days or even hours.

Kiernan wrote: "Today, the only reliable way to make the proverbial better mousetrap is to embed more knowledge-value in it than your competitor does, and to be prepared to come out with a new, improved, and even more knowledge-rich version before the competition has figured out your last one."

As a training professional, you may have already been touched by a leadership crisis in your company as it struggles to move faster to market or as it deals with shrinking profit margins or a rapidly shifting business climate. Perhaps you've been asked to introduce a new generation of leadership development programs or help get a handle on growing skill gaps in management ranks. Or, maybe you've had to coach top leaders as they tried to reframe the company's strategy, grasp Web commerce, come up with better ways to motivate

people, or embark on long-range, comprehensive culture change. Did you have the tools or perspective with which to undertake such efforts?

### The leader-builders

In our experience, companies that do the best job of growing and nurturing new generations of leaders—we call them leader-builders—are those for which change, speed, resilience, and renewal are central to their business strategy and to their leadership development philosophy. Most leader-builders share seven common traits.

**1. Leader-builder companies have an unusually strong vision of their futures.** Leader-builders invest a great deal of time and energy defining what such terms as *vision* and *mission* mean to them and to developing "teachable points of view" (to borrow Noel Tichy's term) that can be cascaded readily throughout all levels of the organization.

Shell South Africa is a good example. It has spent considerable time and energy over the past few years defining what mission and vision mean to all levels of Shell employees. Getting everyone aligned around new business goals and a new business mission ("Shell will be the customer's first choice") are at the core of CEO Errol Marshall's leadership. Swift changes in the South African economy are reconfiguring the consumer demographics of South Africa and motivating Shell to get closer to newly enfranchised black customers who now represent the bulk of consumer buying power.

To build commitment to change and align employees behind new business strategies (for example, targeting specific products to South African markets), Marshall and his multilevel leadership team spent a lot of time in workshops creating what he calls "a common language of change." That involved fleshing out ideas about how SSA employees could be more responsive in their daily dealings with customers and how the company could be nimbler in dealing with new market opportunities as South Africa's black consumer market for energy products grows more affluent and demanding.

Those ideas are now part of the mindset that all SSA employees operate under in doing their daily jobs. "Empowerment

without alignment breeds chaos," says Marshall. "Our common language of transformation acts as a framework to keep everyone in the organization moving in the same direction. There are only seven words in our mission statement, but each one has 15 minutes of teachable point of view attached to it."

**2. Executives and managers in leader-builders display remarkably consistent behaviors, regardless of their level in the organization.** In the leader-builder organizations we've found, executives at all levels tend to be highly consistent in their behavior, which helps focus the organization and create a culture of accountability and commitment. Leaders in such organizations recognize that displaying consistent leadership habits and traits fosters trust and telegraphs a powerful message to rank-and-file employees about the degree of leadership consensus around business goals and organizational direction. Equally important, consistency enables employees to operationalize goals and strategies at the transactional level where, as change consultant Warner Burke describes it, "actual, everyday work gets done."

One way leaders in leader-builder companies convey the importance of consistency is by using 360-degree assessments and feedback to develop well-rounded leaders and to assess leaders' behavior on a continuous basis. General Electric's CEO Jack Welch, a big believer in 360-degree assessments as a way to drive new behaviors in people, says, "You ought to see these 360 evaluations. They're the roughest people can get." That sentiment is echoed by Bill Weiss, former CEO of Ameritech, who says the use of 360s is a valuable way to determine whether anyone—including the CEO—is a real performer at work.

**3. In leader-builders, there's a strong emphasis on the continuous development and replenishment of the leadership talent pool and pipeline.** Thus, there's strong public commitment to developing new generations of leaders, with the top leader often modeling the roles of teacher and learner. Leader-builders recognize that in business, learning and leading are closely connected and both are key to short-term process and profit improvement, as well as to long-term organizational re-

newal and resilience. In such organizations, one often sees the top leader taking a personal role in the teaching, coaching, and learning of others.

Back in the 1980s, SmithKline Beecham CEO Bob Bauman was very much focused on creating a leader-builder company when he orchestrated the merger between U.S.-based SmithKline Beckman and British-based Beecham. To accelerate that transatlantic “merger of equals,” Bauman made sure his top management team shared intense learning experiences. For instance, he took his entire executive committee to Japan for two weeks, in which they forged consensus on future goals and developed hands-on skills in process management and quality assurance. Both proved pivotal to smoothing SB’s merger.

Companies such as PepsiCo, GE, AlliedSignal, and Intel are all examples of leader-builders with a strong commitment to the ongoing development of new leaders, reflected in the fact that their chief executives take turns playing the roles of teacher and coach in training classes. Further evidence is those companies’ constantly evolving leadership coaching and development programs, the linkage of their content with strategic goals, and incessantly changing skill requirements of people’s jobs.

**4. In leader-builders, there’s a strong emphasis on the identification of specific leadership competencies to support current and emerging mission and strategy.** Leader-builder firms have a strong, well-developed concept of what effective day-to-day leadership is all about. That concept often takes the form of a set of operating principles or values that guide the identification, selection, and training of leaders at all levels. The concept also provides a philosophical basis for ongoing leadership development, coaching, and evaluation.

AlliedSignal (now part of Honeywell) is an excellent example of a leader-builder that has developed organizational intent about what makes and creates effective leaders. The company, which uses ongoing development of leaders to drive research and product development and to achieve aggressive earnings and profitability, has developed a “learning framework.” All training and development opportunities are organized under the ban-

ner of different “success attributes,” each critical to supporting the company’s business values:

- ❑ customer focus
- ❑ vision and purpose
- ❑ bias for action
- ❑ values and ethics
- ❑ people development
- ❑ performance
- ❑ teamwork
- ❑ innovation
- ❑ business acumen.

Everybody from the CEO on down has a development plan, and a strong organizational learning ethic drives training and development efforts at all levels. It’s all part of an effort to be a “learning leader,” as former president and chief operating officer Fred Poses puts it. “I’ve often said that our buildings are no different from our competitors, nor is our machinery fundamentally different. Certainly, our dollars are no greener. The thing that has and will continue to differentiate us from our competitors is our people and what they know.”

Still, Poses is quick to add that doesn’t mean the company pursues learning for its own sake. “Too many companies check off the boxes and say they’ve presented training. Our learning is targeted. I always ask people, ‘Are you getting the right learning to do your job?’ I’m always seeking feedback on how we can make our learning better.”

**5. Inside leader-builders, there’s strong, strategic alignment.** In leader-builders, there’s strong organizational commitment to developing a “broad leadership community” and to working from an explicit leadership plan as part of day-to-day and long-term leadership. At the same time, various organizational elements such as mission, strategy, people, processes, and technology are tightly aligned to support the achievement of business goals.

British Aerospace is an excellent example that puts a consistent leadership focus on organizational alignment to support corporate goals. For the past five years, CEO Dick Evans has been working hard to break down BAe’s “separate fiefdoms”—a vestige of when diverse competitive companies came together to form the aerospace giant. Evans has driven top-down culture change and worked to align leaders at

all levels within BAe around these core business values:

- ❑ People are our greatest strength.
- ❑ Customers are our highest priority.
- ❑ Partnerships are our future.
- ❑ Innovation and technology are our competitive edge.
- ❑ Performance is the key to winning.

That new organizational focus is helping BAe compete in a shrinking marketplace for defense and aerospace products as it goes up against bigger players such as Boeing and Lockheed-Martin.

**6. Leader-builders show a high degree of team unity at the senior level.**

Underscoring any organization’s ability to develop and sustain success factors is the ability of its top leadership team to work together and put egos and personal agendas aside for the sake of the organization’s overarching goals and needs. In our view, top-team unity goes beyond teamwork principles. A leadership team must consistently speak with one voice and achieve more than the sum of its parts.

One prominent business leader that comes to mind when we think of strong top-team unity is Lee Griffin, CEO of Bank One of Louisiana. In the early nineties, Griffin spearheaded the restructuring and economic recovery of Premier Bank of Louisiana (now Bank One of Louisiana). Though at the time the bank was hugely profitable, Griffin realized that it wasn’t competitive with other financial institutions in its marketplace. To keep pace with changing demographics and consumer banking habits, Griffin had to oversee the transition from a branch-based banking institution to one that relied more on technology to deliver an increasing menu of services. That meant redesigning many core processes such as consumer and commercial lending, new accounts, and office operations. Mindful of the short-lived success of many corporate change efforts, Griffin knew he couldn’t mandate such changes; he had to get the senior leadership team on board. So, he worked to get its consensus by holding a series of strategic, executive-level workshops. Griffin and the team had heated discussions about the bank’s future but eventually thrashed through their differences to establish a new mission, vision, and set of values. They also agreed to aggressive, measurable new objectives for reengineering.

**7. Leader-builders display a strong**

**commitment to continuous organizational renewal.** One way they do that is by developing change-leadership skills in leaders at every level. They put a premium not only on constant retransformation, but also on developing new populations of leaders.

Take Royal Dutch Shell, the umbrella organization of all Shell operating companies worldwide. A few years ago, an internal review of Shell's service companies showed that executives were remote from everyday workers, the company's culture was insular, and Shell's attitude toward customers was aloof if not outright arrogant. So the company embarked on a massive leadership development effort across all its lines of business. The goal was to make the culture more customer-friendly, while giving managers new skills in team building, communications, speed to market, and performance management and measurement.

"The review showed that we lacked a strong commercial capability," says Mac McDonald, former head of Shell's leadership and performance operations. "In our products business, we were a retail organization that didn't have much expertise in dealing with customers. In fact, we acted more like a wholesaler than a retailer."

Now, Shell's "leaders developing leaders" program is based on these three concepts: 1) leaders driving transformation efforts by developing other leaders, 2) delivering hard business results while simultaneously changing individual and team behaviors to assure the sustainability of those results, and 3) "achieving scale and speed"—transforming how the company operates on a process level by touching a critical mass of people in a short period of time, thus overcoming the natural resistance to change that exists in any organization.

### What to ask

If we were to apply those seven leader-builder principles as a leadership development template, we'd have a handle on the specific issues and questions that must be raised in your organization if it's to address its own leadership challenges and become a leader-builder.

To conduct a leadership assessment and determine your company's leadership strengths, you need to address these areas:

- ability to articulate a clear vision of

the future

- consistency of leadership behavior across all organizational levels
- continuous development of the leadership talent pool and pipeline
- systematic development of leadership competencies to support the company's current and emerging mission and strategy
- strategic organizational alignment
- team unity
- ability to manage change and pursue continuous organizational renewal.

Asking questions of your organization's leaders in those key areas will enable you to drill down and diagnose your company's specific leadership challenges, and chart paths to address them. It can also open up opportunities for you to coach and counsel senior leaders in your organization when it comes to leadership development and change issues.

What follows is a starting set of questions you can ask to broach discussion with senior executives regarding leadership development issues and challenges. Each area represents a critical success factor to a company becoming a leader-builder and sustaining strong leadership development programs. These questions (and others) related to each factor act as a scratch-pad exercise to initiate leadership development with your organization's senior leadership team and bring awareness of specific change-leadership challenges to others within your organization.

#### **Ability to articulate a clear vision of the future.**

- To what extent do top leaders do a good job of articulating the company's vision and strategy for the future?
- Do employees understand where the organization is going, or are they confused about how their daily job roles contribute to that?
- Do you have concerns about the future direction of the organization?
- How well do you understand the future direction the organization is moving in?
- To what extent do employees at all levels use a common language to describe the organization's future direction and business priorities?

#### **Consistency of leadership behavior across all organizational levels.**

- To what extent are all levels of leadership in sync with what the organization's top leaders emphasize and do?
- To what extent is there visible leadership consensus about the organization's

priorities, business goals, and strategic direction?

- Are leaders at all levels consistent in their management practices, work habits, and workplace attitudes?
- Are leaders at all levels held accountable for their behaviors through such tools as 360-degree assessments?
- To what extent are leaders in the organization viewed as credible and honest with integrity?

#### **Continuous development of the leadership talent pool and pipeline.**

- How strong is your organization's formal commitment to the importance of leadership development?
- To what extent does the organization have systematic leadership development and succession plans?
- To what extent are the plans aligned with each other?
- To what extent are succession plans linked systematically with recruitment, training, performance evaluation, and promotion?
- Does the organization emphasize the critical importance of succession plans in helping it remain competitive?

#### **Systematic development of new and emerging leadership competencies.**

- To what extent does a leadership philosophy exist that helps all employees understand what's expected of them in their role as leaders?
- Does the organization emphasize key attributes of effective leadership that all leaders are expected to subscribe to?
- To what extent are the core leadership attributes the foundation for training, leadership development, and coaching and mentoring?
- Are core leadership attributes the basis for performance appraisal, feedback, reward, and recognition systems?
- How committed is the organization to the continuous identification and development of new core competencies necessary to support changing mission and strategy?

#### **Strategic organizational alignment.**

- To what extent are the organization's mission and strategy aligned to support the business priorities articulated by top leadership?
- Do current management practices mirror new or emerging work expectations of employees?
- To what extent do technology, policies, and procedures support new work

expectations?

- ❑ Do all parts of the organization work toward common goals?
- ❑ Do employees understand how their jobs support business goals?

#### **Top-team unity.**

- ❑ To what extent is the top leadership team perceived as putting the organization's business agenda ahead of its egos?
- ❑ Do leaders at all levels work together?
- ❑ Do turf wars, political infighting, and other issues detract from team unity?
- ❑ To what extent do leaders understand their roles?
- ❑ Does the top team work closely to brainstorm future business directions and current ones?

#### **Ability to manage change and pursue continuous organizational renewal.**

- ❑ How effective has the organization been in dealing with change, specifically in the external business environment?
- ❑ Has it generally responded rapidly and effectively to changes in business conditions, marketplace demands, and customer requirements? Or has it been slow to adapt?
- ❑ How effective is the organization at incorporating new knowledge and information into core processes and business practices?
- ❑ To what extent does that result in concrete, measurable improvements in business performance?

#### **Change leadership.**

- ❑ To what extent do top leaders have a clear and compelling vision of the organization's future?
- ❑ Do they do a good job of communicating that vision to employees at every level?
- ❑ To what extent do leaders make a compelling business case for the importance of continuous change in response to business conditions and customer requirements?
- ❑ Have leaders built employee commitment to change using such techniques as team building, coaching, and visible, in-person sponsorship of change efforts?

By answering those questions, you and your organization's top leaders can determine the scope and severity of the leadership challenges in your organization and where it ranks on the leader-builder scale. You can also determine whether there's strong consensus within the organization about leadership challenges, or a discon-

nect between what people at different leadership levels think are the problems. Any disconnect will have to be addressed before implementing leadership development programs.

In constructing your leadership assessment, try to mix questions that elicit responses using a graduated, Likert-style scale with questions that let you capture qualitative and anecdotal information. From the findings, it's possible to target areas of your organization that need special attention and assign them priority. Then, the organization will be in a position to roll out plans over several years. That's best if financial and other resources are limited or if other issues call for a phased implementation of leadership.

A leadership assessment enables you to gather and quantify data that can be used to build a compelling business case for why leadership development programs are important to the organization's future. Too many companies never develop strategic intent or resolve around the importance of leadership development because so many other things vie for attention: internal political pressures, competing business agendas, and immediate concerns about business competition. The data you collect from a leadership assessment may show starkly that all other issues are moot unless the company develops new leadership skills to steer it into the future.

A leadership assessment is an excellent way to help you build a stronger work relationship with your company's top management team and other managers and process owners. You can customize the questions depending on the specific audience and organizational level. That can be important to building trust in the assessment process and ensuring early support for recommendations that may flow from it.

A leadership assessment sends a strong signal to all employees that the organization is serious about leadership development. Moreover, it conveys the importance of employees at all levels taking a leadership approach and attitude in doing their daily jobs. Assessments are a valuable leadership development tool in that they serve as an engagement device: Not only do they motivate people by promising that their input will be used to change how things operate, but they also engender employees' enthusiasm for the endeavor.

Last, an assessment generates valuable

data, quantitative and qualitative, that can be used in designing and delivering leadership development efforts. The data can help identify specific weaknesses (such as a lack of one-on-one coaching or follow-up feedback) in your company's current leadership development programs. It can also indicate possible remedies.

### **Coaching top leaders**

It's likely that as part of helping your organization develop greater leadership development capabilities (especially around change), you'll be called on to facilitate complex and, at times, sensitive conversations about people's leadership competencies, future leadership requirements, and the ability of key individuals in senior management jobs to fulfill new or emerging roles and expectations. Indeed, your role in facilitating such discussions is likely to take place at two levels: the organizational and the personal. Not only may you have to initiate dialogue in your company about leadership issues, but you also may also find yourself in the position of coaching one or more senior executives personally regarding their personal effectiveness in building the organization's leadership capacity.

Being an effective coach consists of these main steps:

- ❑ Step 1: Position yourself as an internal consultant and coach.

That requires tact, understanding, empathy, rugged self-confidence, and flexibility, especially when dealing with people at senior levels who may have strong egos and competing agendas. Your ability to be yourself, set boundaries with others, and establish expectations with the people you coach is important to ensuring the integrity and effectiveness of the coaching process. You must be a good listener and able to inspire trust and respect. Whether working one-on-one on personal issues or helping a senior management team identify the organization's critical leadership competencies, you must be able to shift roles when necessary; facilitate communication, and drive groups toward decision making and closure.

Good coaches must be good at connecting with others and must be equally adept at engaging with leaders in the executive suite or on the plant floor. Good coaches can balance the process and problem-solving aspects of the coaching

role, knowing when to let conversations ripen to consensus and when to push them along. That's especially critical when it comes to leadership coaching and development because you may have to mediate conflicts, lead intense discussions, and help people with widely differing viewpoints agree on decisions about future direction.

□ Step 2: Educate leaders about the change and leadership development process.

Developing leaders and managing change are often intertwined. To position yourself effectively with your company's top leaders, you must educate them about the relevant issues. Before you undertake a leadership assessment, you should have an "entry meeting," in which you meet top leaders to present your leadership development concepts in depth. At the meeting, you will begin to explore the specific needs of the organization and plan how to ensure that any leadership coaching and development are actually implemented. Ideally, the CEO or other executive champion will be present to help position the importance of leadership development and you as a credible resource with other attendees.

The items on the agenda should be 1) to outline the key attributes in all companies that do a good job of developing new populations of leaders, 2) to discuss leadership skill gaps and how they threaten the organization's future goals, 3) to clarify the goals further through a leadership assessment, and 4) to suggest ways in which a deliberate, systematic approach to leadership coaching and development will help the company achieve short-term and strategic goals.

Other agenda items should include positioning the importance of evaluative tools as part of long-term assessment and planning, discussing what roles people need to play to help move programs forward, assessing the current climate for the kinds of initiatives you and others are planning, and outlining your own role as potential coach to the CEO and executive team.

□ Step 3: Contract with the CEO and senior leaders.

You must make a compelling business case for why leadership development is important to your company's future profitability and business success. Consider conducting cross-industry research and

preparing an overview to senior leaders prior to asking for their support for a leadership assessment. Once you are in the contracting stage, suggest that you and they agree to specific outcomes that they want to achieve from the coaching and facilitation that will follow.

Such outcomes can include identifying or clarifying the organization's significant leadership challenges; making a list of critical change-leadership competencies that the organization needs in the short-, medium-, and long-term; outlining the steps and timeframes in implementing a leadership development program; helping senior leaders become aware of their leadership strengths and weaknesses; getting them to commit to the development plan; and orienting the CEO on an ongoing basis to the role he or she must play in helping drive organizational resolve and team unity around completion of specific leadership development goals.

There was a time when training professionals were largely reactive, responding to requests for services or training. Nowadays, they're valued consultants who can work across all levels and functions with professional ease and expertise. They are leaders who are helping develop leaders. □

---

**Steve Yearout and Gerry Miles** are with PricewaterhouseCoopers. **Richard Koonce** is a consultant and former contributing editor of *Training & Development*. Their book, *The Leadership Dilemma: Seven Leadership Challenges Facing Organizations Today and What to Do About Them (ASTD, 2000)* is forthcoming. You can reach Yearout in Arlington, Virginia, at 703.741.1007; Miles in London at 011.0171.804.6228; or Koonce at [rhkoonce@aol.com](mailto:rhkoonce@aol.com).