

COMMON THREADS IN LEADERSHIP EVOLUTION

As a tidal wave of Baby Boomers retires over the next decade, corporate executives responsible for designing talent acquisition and management strategies are facing an unprecedented transformation in the way they approach culturally aligned leadership models and succession plans. Three key factors make this critical mission especially challenging: demographics, cultural differences, and gaps in human capital readiness of the next generation of leaders.

Of the approximately 75 million Baby Boomers in the U.S. today, one in three expects to retire in the next 10 years. According to research by Personnel Decisions International (PDI) these Boomers represent 74% of the management and 99% of senior executive ranks. The population of Baby Boomers is 50% larger than that of Generation X, whose members are patiently waiting in the ranks as mid level managers and line employees, or have broken away from traditional corporate career paths.

Given the many contrasts in the backgrounds and experiences of these generations it has been well documented that managing the cultural differences has, is and will be challenging. However, many companies have been proactively preparing and successfully implementing strategies for a smooth succession plan based on an evolving leadership model that reflects the ongoing cultural shifts and growing talent needs. We have asked talent management leaders in a wide array of industries to share their insights, articulate the initiatives they are launching, and discuss the challenges and opportunities to look for as we navigate this sea of change.

There were consistent threads throughout our interviews which provide a good barometer of how this change is being addressed today in the US corporate sector. They include:

- ▶ Companies have very strong **succession plans at the top** which include at a minimum the C-suite and often times their direct reports. The methodology however varies greatly, from being rigorous and linked to performance planning and leadership development to being completely informal and known only by a select few in the organization.
- ▶ In almost all cases, **little if any formal succession planning takes place below those most senior levels**. This is very consistent with the results of research done by the Head of The Center for HR at The Wharton School, Peter Capelli -- finding that less than 20% of employers are doing succession planning and less than 30% forecast talent needs in comparison to 96% a generation ago.
- ▶ The majority of the talent management leaders admitted the **lack of leadership readiness at the mid-management level** (from director to one level below the C-suite) as a pain point in the organization. The reasons varied for the deficiency but a decline in leadership development and formal corporate wide talent planning as well as an ever increasing focus on the near term over the past 15 years were common themes among the group.
- ▶ **Lack of communication** was a common theme. While companies have informally identified high potential employees in many cases, those employees have not been told nor fostered to understand their potential.
- ▶ Addressing the lack of leadership readiness is **not top priority** for many senior executives. While talent management leaders have the issue on their agenda, making progress without senior executive buy in is extremely difficult. The most common reason for the difficulty is the complete focus on issues that are directly related to the economic downturn and recovery.



- ▶ Talent management leaders **do not foresee a dramatic culture change** as leadership transfers from Baby Boomers to Generation X to the Millennials. They predicted the core values of the organization would remain the same but that leadership core competencies would evolve as the business dictated.
- ▶ **Storytelling** is an increasingly popular communication tool – to reinforce core values, drive culture change, and communicate strategy. Companies are testing social networking tools to incorporate them as communication channels to the workforce.

Several companies were very well positioned and preparing for the generational transformation. Below are some of the initiatives that are occurring with some background for context.

\$7B privately held, global consumer products company:

Three years ago the owners and senior leadership team led an initiative to double the size of the company by 2012. By taking an in-depth look at the workforce and its ability to execute on the strategic plans to drive those financial results, the average age of the workforce and the skill readiness necessary for execution were clear mid- and long- term road blocks. Notable observations from the interview include:

- Talent and succession planning were driven by and aligned to the business goals.
- The initiative began at the top and was part of a broader goal of driving culture change; the Human Resources organization was held accountable to clear those road blocks and proactively manage culture change throughout the global organization.
- A holistic approach was taken – linking performance management, leadership development, organizational design, succession planning and external recruitment together to drive change.
- Senior executives recognized the need to accelerate leadership development and promote sooner on the readiness scale than was done historically.
- Every person in the HR organization was expected to integrate into the businesses regardless of role – understanding the business, communicating a common message, and relying on business partners to take accountability for critical HR initiatives.

\$9B publicly held, global pharmaceutical company:

After a global merger of two well established companies and a decision to build a US based business, this company has had the luxury of building a strong, young executive American management team in the past several years. The US based HR and executive leadership have coordinated to identify core needs in future leadership bench strength, and have built a strong pipeline of high potential leaders which they now plan to cultivate into future management executives. Notable observations from the interview include:

- As a pharmaceutical company scientists are the key drivers of success, are typically older than their cross-functional peers, and are often difficult to retain. Therefore this company has focused their succession planning efforts on those scientists in the organization who have demonstrated the highest potential to become future leaders of the organization.
- A formal leadership development program has been implemented that identifies emerging leaders with high potential for advancement. This program includes formal mentoring with a personal coach, exposure to global initiatives, and access to career management tools. It includes regular high performance leadership development seminars and formal cross-functional training programs.
- HR has actively designed an internal communication system (both formal and informal) to drive core values. The system is used to tell stories of success throughout the organization to reinforce a new 'high performance' mantra and encourage a fresh way of thinking, replacing the traditional 'this is how we have always done it' response to new and innovative ideas that require adaptation. It is also used to



communicate their uniquely high retention and loyalty ratings and linking those to the success of the business.

\$2B publicly held, commercial products company:

This company is repeatedly recognized as one of the best companies to work for and has unusually high employee loyalty to history, mission and values. After identifying their gaps in the leadership pipeline, they have taken several key steps in addressing the issue. Notable observations from the interview include:

- Key leadership skills were defined directly from the business plan and vision of the company. The emphasis has switched to innovation and execution and less around team work and collaboration as they have been historically.
- A more rigorous performance review process has been implemented; that process is expected to be a tool to communicate to high potential leaders and to develop personalized leadership development plans.
- A new global leadership development organization was implemented and external staff was hired to bring stronger expertise to the table. Work force and succession planning processes are also being put in
- HR is actively managing a culture change to break down organizational silos across the company – ensuring that leaders throughout the business are promoting and hiring according to the core leadership skills; metrics are developed; and proactive succession planning is taken seriously.
- A new model for successful performance is being implemented-putting more emphasis on: building relationships across and up and down the organization; acting with integrity and transparency; and leading by example. It is rewarding for the power of influence rather than the power of position.
- There remains the challenge of balancing a 'lean and mean' work force (that has taken on increasing responsibility as downsizing has occurred with the economic downturn) with increasing the effort around these multi-faceted HR initiatives.

The talent leaders of nearly every company in the U.S. face the challenge of preparing for the demographic shift in their organizational structure. Those that will successfully navigate this change will have proactively created a comprehensive holistic system of processes that the entire organization from top to bottom has embraced. These processes include multi-level succession planning, structured leadership development and assessment programs, and open communication channels throughout the organization which are designed to retain and inspire those high potential leaders to develop the core leadership skills and competencies required to become leaders in the organization. Most companies will have identified succession readiness gaps in their talent pools, and need to proactively develop external recruitment strategies that can attract high potential, management-ready talent in a very timely fashion.

If a company recognizes the need to attract mid-to senior level talent from external sources, partnering with a high quality retained search firm may optimize the effectiveness of the overall talent strategy. As a woman-owned, retainer-based executive search firm, Coffou Partners builds long-term trust-based relationships with our clients across the U.S. The firm has a proven record of success in the careful and timely selection and thorough assessment of the highest caliber candidates. The firm's consultants continually look for ways to add value. Whether it is helping our clients understand the marketplace, enhancing their recruiting processes, or streamlining decision making, our goal is to ensure they make far more informed decisions to achieve the most successful fit for the company.