

# The Leadership Revolution: Developing Talent in the New World of Business

## Introduction

In the new world of business, the identity of leadership is rapidly changing. Although traditional competencies such as integrity, vision, judgment and people development are still relevant, organizations needing to develop leaders must look beyond the conventional. They must create an environment that allows high performers to grow professionally and, ultimately, develop new skills that will lead businesses into the future.

Developing and building leaders at all levels of an organization is hard work. However, the rewards are worth it: lower employee turnover, higher workforce empowerment, increased work productivity and successful execution of business goals.<sup>1</sup> Senior executives are acutely aware that achieving these business goals and gaining organizational stability depends on stocked talent pools and brimming pipelines of qualified leaders.

Unfortunately, newly minted college graduates haven't earned the degrees and skills employers need. Qualified talent is in short supply, and leadership positions are getting harder and harder to fill.<sup>2</sup> It's a rough new world out there.

Faced with this new reality, organizations must take a step back and reevaluate how they assess, develop, engage, attract and mobilize current and future leaders while widening their leadership audiences. Organizations must extend development initiatives outside of the C-suite into every level within a company's structure. To truly have an impact on business goals, talent management and development must be a high priority and a continual process that happens throughout the employee lifecycle, not just during periodic training events.

The demand for quality leaders has become a critical talent issue facing global companies in this new era of business.<sup>3</sup> And as organizations try to grow amid the uncertainties of the global recession, they must explore and implement new talent management processes to ensure that leaders develop the skills and competencies they will need to tackle the business challenges of today and tomorrow.

### The Cost of Ineffective Leadership

- Unexecuted business goals
- Underused talent management tools
- Weakened talent pipelines
- Reduced productivity
- Poor morale
- Stifled innovation
- Attrition of key talent
- Dissatisfied clients
- Poor product quality
- Lack of collaboration

1 High-Impact Leadership Development for the 21st Century, Part 1 - Key Findings, Trends and Analytics. Bersin & Associates. July 14, 2011.

2 An economy that works: Job creation and America's future. McKinsey Global Institute, June 2011.

3 High-Impact Leadership Development for the 21st Century, Part 1 - Key Findings, Trends and Analytics. Bersin & Associates. July 14, 2011.

## How Has Leadership Changed in the New World of Business?

In a recent PricewaterhouseCoopers survey of 1,198 CEOs and senior business leaders, employers candidly talked about the impact of stagnant hiring numbers and of baby boomers leaving the workforce. These factors have made it difficult for CEOs and business leaders to find and hire qualified leaders.<sup>4</sup> A recent Bersin & Associates report on high-impact leadership uncovered that it isn't that new employees aren't trying to enter the workforce every day; it's that none of them have the skills and competencies that employers want.<sup>5</sup> It's as if an entire contingent of leaders vanished during the recession.

Employers are fully aware that without effective leaders stationed at every level of an organization, they face increased employee losses, the inability to attract and retain key talent and, ultimately, widened gaps in their leadership pipeline.<sup>6</sup> How do organizations close these gaps? By internally growing leadership to increase their talent bench strength.

But in the new world of business, the face of leadership has changed. The bar for how leaders are defined, measured and assessed is different. Employee expectations are different, too.

In the 20th century, rational, analytical, dispassionate and stern were typical leadership qualities.<sup>7</sup> Leaders were expected to direct work with integrity and vision. Many of these characteristics are still relevant for tomorrow's leaders; however, the competency gap for today's leaders lies in a lack of human engagement skills or emotional intelligence. Leaders who have human engagement skills and sufficient emotional intelligence<sup>8</sup> empower workforces and are more likely to boost performance and productivity, ensure cascading goal alignment, increase employee retention and, ultimately, sustain engagement.<sup>9</sup>

If organizations are going to survive and thrive in this new business environment, they have to start building such leaders rather than trying to acquire them. Today's successful leaders must be:

- **Authentic:** When leaders say, "Our people are our No. 1 priority," deeds speak louder than platitudes. Today's leaders need to be able to authentically connect, communicate with and empower employees.<sup>10</sup>
- **Great Communicators:** Organizations need to build leaders that articulate a company's short- and long-term business goals, strategies and vision to multiple employee levels. They also need leaders to actively listen.

"Leadership is not defined by the exercise of power but by the capacity to increase the sense of power among those who are led. The most essential work of the leader is to create more leaders." – Mary Parker Follett, *Creative Experience*

4 PwC 13th Annual Global CEO Survey, 2010.

5 High-Impact Leadership Development for the 21st Century: Part 1 - Key Findings, Trends and Analytics. Bersin & Associates. July 14, 2011.

6 Ibid.

7 Closing the Engagement Gap: A Road Map for Driving Superior Business Performance. Towers Perrin Global Workforce Study 2007-2008.

8 Ibid.

9 The Empowered Workforce: Crucial to Success in the New Economy. Cornerstone OnDemand. October 2010.

10 Closing the Engagement Gap: A Road Map for Driving Superior Business Performance. Towers Perrin Global Workforce Study 2007-2008.

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- **Inspiring:** The knowledge-based workers of tomorrow require new and innovative methods of coaching and motivating employees. Organizations will need to build leaders that understand, harness and manage the intrinsic motivations of employees. In his book *Drive: The Surprising Truth About What Motivates Us*, Daniel Pink says that traditional carrot-and-stick rewards that might have worked in the 20th century workplace actually won't in the contemporary workplace. Pink illustrates, citing study after study, that financial incentives fail to motivate and inspire employee engagement. What truly drives employees are the intrinsic motivations of autonomy, skill mastery and sense of purpose.<sup>11</sup> If organizations are going to build leaders that inspire motivation, business leaders need to know how motivation really works in creating a high-performance work environment in which employees are empowered to achieve business objectives.<sup>12</sup>
- **Collaborative:** The nature of how people work together has changed. Gartner predicts that over the next 10 years, teamwork and collaboration (rather than individual performance) will be valued, rewarded and practiced more frequently.<sup>13</sup> Organizations must develop leaders that are able to foster and manage collaborative work environments, not only in an office setting but in the virtual world as well.
- **Globally Focused:** Employers must develop leaders that have the ability to lead and manage a global workforce. What does that mean? It means leaders must be sensitive to cultural, religious and political diversity. Organizations must build leaders that can manage all of the moving parts and then lead those parts to execute business goals and strategies.<sup>14</sup>
- **Technology Savvy:** Organizations work in a world where technology is king. Companies must develop leaders that understand how technology impacts every part of the business, from managing employees and fostering collaboration via social media to knowing how new technologies affect production time and diversify point of sale methods.

## Keeping Talent Mobile

One of the most important leadership and talent management challenges in organizations is talent mobility – the ability to proactively and strategically move people from role to role throughout an organization.<sup>15</sup> Talent mobility is strategic because it:

- Enables the organization to build deep skills
- Engages employees in the process of building a career in the business
- Builds a leadership pipeline for managerial and professional roles
- Reduces the cost to hire and train new people

Bersin & Associates has identified seven types of talent mobility that create value for employees and employers:<sup>16</sup>

- Lateral movement
- Lateral promotion in role
- Upward promotion into leadership
- Temporary or developmental assignment
- Stretch assignment
- International or external assignment
- Part-time loan

11 Drive: The Surprising Truth About What Motivates Us. Daniel H. Pink. 2009.

12 Closing the Engagement Gap: A Road Map for Driving Superior Business Performance. Towers Perrin Global Workforce Study 2007-2008.

13 Gartner Report. Watchlist: Continuing Changes in the Nature of Work, 2010-2020. 2010.

14 High-Impact Leadership Development for the 21st Century: Part 1 - Key Findings, Trends and Analytics. Bersin & Associates. July 14, 2011.

15 The Important Role of Talent Mobility in Business Performance. Bersin & Associates. October 6, 2010.

16 Ibid.

To build leaders that possess the skills and capabilities to successfully navigate the global business challenges of today and tomorrow, organizations must have the talent management tools, processes and culture to support ongoing learning and development initiatives across all job roles within the organization.

## Building Tomorrow's Leaders

Forward-thinking organizations are beginning to reap the business benefits of internally developing leaders – empowering employees to build a career within a business, stocking talent pools with deep skills for managerial and professional roles and reducing the time and cost of training new people.<sup>17</sup>

But for development to work properly, organizations must have established and integrated talent management tools and processes that define success for each role within the company. Organizations that fail to use talent management to develop leaders will be unable to build the leaders they need to achieve future business goals and gain organizational stability.

Identifying, assessing, developing, engaging and mobilizing future leaders is a continual process known as career pathing. Creating employee career paths helps organizations drive engagement and retention by developing leadership potential through access to internal job openings, learning and development experiences and succession planning. Putting employees on a career path starts on the first day a new hire arrives on the job, and it evolves throughout the employee's lifecycle with the organization.

- **Onboarding:** Building leaders at every level within an organization starts during onboarding. The use of assessments enables employers to identify high potentials, group new hires into talent pools and create learning development plans based on aptitudes and deficiencies found in the assessment results. It also allows the employer and employee to align development goals with business strategies, ensuring a relationship of reciprocal interests while maximizing development opportunities.
- **Performance management:** Having a performance management system is critical to assessing the learning and molding process of potential leaders. By measuring performance against personalized learning and development plans, onboarding assessments and talent pool peer groups, employers have the opportunity to evaluate development progress and realign individual performance with the business goals and strategies of the organization. It also gives them the chance to readjust learning and development plans based on individual needs.
- **Learning management:** Enterprise-wide learning initiatives are critical to stocking an organization's talent pool of potential leaders as well as mobilizing current leaders. Learning management is a fruitless endeavor when development plans are randomly assigned or poorly executed. Learning is truly an ongoing process that requires diligence. If employers want to build leaders that are capable of tackling global business challenges, then they must actively identify, address and minimize skills gaps across an organization.

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- **Succession management:** Identifying, assessing and developing future leaders and other strategic talent are imperative to competing in the global marketplace. To do this effectively, organizations need a system that uses automated talent profiles, career management, internal recruiting and employee succession planning. Succession management ensures that the right people are promoted to the right positions, and it channels the right candidates into the right talent pools.

Consider the talent management practices used by Advantage Sales and Marketing (ASM), a premier consumer packaged goods sales and marketing agency that represents more than 1,200 clients across North America. With more than 30,000 employees in 66 offices and revenue exceeding \$1 billion, ASM has successfully applied talent management technology to build and groom the future leaders of its organization.

### The Power of Talent Pooling

Talent pooling focuses succession planning on leadership and other critical positions rather than management hierarchy.

Talent pools can be created for certain attributes – commonly high potentials or high performers. By organizing these employees into talent pools, management can closely monitor their career paths, track their learning and development, and keep an eye on their retention risk.

Talent pools can then be a preferred candidate source for any open leadership or critical positions.

At the foundation of ASM's leadership program is performance management, which is used to assess an employee's ability to accomplish key business goals. Once high performers and high potentials have been identified, they are placed into talent pools within ASM's succession management program.

ASM uses its succession planning and management tools to track development progress and identify retention issues for more than 600 future leaders for multiple roles across the organization. But ASM leadership initiatives go beyond performance management and succession planning.

ASM has rolled out a program to identify future business development managers, which is a critical role within the organization. ASM has launched a yearlong leadership program called ACE, aimed at training and grooming newly minted college graduates for business development roles. To develop employees at all levels, ASM uses learning management technology to help employees across the company build the competencies they need to be masters of their craft.

Before ASM started using talent management technology to develop and groom its future leaders, it was hard-pressed to identify key talent within the organization for leadership or business opportunities. Since it began implementing talent management tools, ASM's cultural and business approach to leadership has changed. Now, ASM is able to identify potential leaders through talent pools and career profiles for upcoming business opportunities. Business leaders are able to assess the talent health across the organization on a monthly, quarterly and annual basis.

Using talent management tools and processes like performance management, succession planning, talent pools and learning management has enabled ASM to build its leadership bench strength into a talent pool of more than 1,200 candidates across its organization.

## No Employee Left Behind

In the past, programs for developing and molding leaders were often focused narrowly on upper-echelon management and high-potential individuals. But many organizations are beginning to look further down the chain to identify leaders and are looking beyond “development necessities.” Forward-thinking organizations are beginning to allocate talent management funds and resources for leadership development, process training and other programs, across organizations.<sup>18</sup>

As companies look down the chain to develop and build future leaders from within the organization, HR professionals need to consider that leadership and training curricula must be designed for each different level, from executives to employees. When HR and learning and development professionals are designing and implementing, they need to consider the appropriate topics, skill levels and learning objectives for each tier.

- **Executives:** At the executive level, learning and development programs need to have a higher emphasis on organizational vision, culture-building, leadership, business strategy and strategic thinking.<sup>19</sup>
- **Senior managers:** The focus is primarily on senior-level managers running the business. Learning and development topics should explore strategic planning, business acumen, financials, value-creation and global business issues. Senior executives need to understand how a company runs.<sup>20</sup>
- **Midlevel managers:** Development for midlevel managers should continue to build on core management capabilities while encouraging coaching and mentoring opportunities. Midlevel managers need to learn how to build deeper communication skills, create a team-centric work environment and shift more toward leadership skills. Managers at this level need to be encouraged to stay current with best practices and innovative business models as well as to develop critical thinking skills needed to compete and thrive in today’s global business environment.<sup>21</sup>
- **Frontline managers:** Training and development for frontline managers should address foundational management skills to help new managers transition from an individual contributor role. Frontline managers should focus most of their development time on tactical and management activities, including communicating, delegating, budgeting and staffing. Managers at this level should focus on ensuring that specific work product goals and deadlines are being met.<sup>22</sup>
- **Employees:** Just like managers, employees need development, too. To empower and retain employees, organizations must help their people establish clear goals, develop relevant career paths, build competencies and realize mobility.<sup>23</sup> Company leaders need to be able to provide constructive feedback in an environment that encourages authentic collaboration. Keeping workforce growth and development aligned with business growth goals leads to retention, empowerment and a sense of purpose.

18 High Potential Versus High Performance: What Is the Real Difference? Bersin & Associates. July 14, 2008.

19 Twenty-Five Best Practices for Building a Multilevel Leadership Development Curriculum Model. Bersin & Associates. April 22, 2011.

20 Ibid.

21 More in the Middle: Focusing Leadership Development on Your Midlevel Leaders. Bersin & Associates. March 3, 2011.

22 Twenty-Five Best Practices for Building a Multilevel Leadership Development Curriculum Model. Bersin & Associates. April 22, 2011.

23 Employment to Empowerment: Execution Is Not Enough. Cornerstone OnDemand. July 2011.

## Conclusion

Developing and building leaders that will be able to tackle current and future business challenges is a tall task to conquer, especially when done at every level within an organization. However, many forward-looking companies have taken this route and are already reaping rewards, including:

- Execution of business goals and strategies
- Use of talent management technology to its fullest potential
- Stocked talent pools and brimming leadership pipelines
- Energized productivity and high morale
- Creative, innovative solutions
- Lower talent retention risk involving key positions
- Satisfied clients and better customer service
- Higher product quality
- More organizational collaboration and teamwork

But without an integrated talent management system to develop and build current and future leaders, none of these things are possible. Shaping and building leaders is more than identifying successors; it's about building a culture that attracts, hires and retains great employees.

Developing and building leaders across your organization is really about fostering a high-performance company with an environment that allows high performers to achieve mobility, grow professionally and, ultimately, lead your business into the future. In order to manage and execute all of these things, you need integrated talent management solutions.

Cornerstone OnDemand is ready to help you put the leadership tools, processes and culture into place with five integrated platforms for learning management, enterprise social networking, performance management, succession planning and extended enterprise. We are ready to start building when you are.

### About Cornerstone OnDemand

[Cornerstone OnDemand](#) is a leading global provider of a comprehensive learning and talent management solution delivered as Software-as-a-Service (SaaS). We enable organizations to meet the challenges they face in empowering their people and maximizing the productivity of their human capital. Our solution consists of five integrated platforms for learning management, enterprise social networking, performance management, succession planning and extended enterprise. Our clients use our solution to develop employees throughout their careers, engage all employees effectively, improve business execution, cultivate future leaders and integrate with their external networks of customers, vendors and distributors. Visit it us on the web at [www.csod.com](http://www.csod.com).

When designing leadership training courses across multiple levels within the organization, HR professionals should keep in mind:

- Performance expectations vary with every level of employee.
- Different competencies, knowledge and experience should be assessed and addressed.
- Specific developmental opportunities are geared toward different levels of employees.
- Levels of learning topics should change and increase with sophistication as leaders move up in development.