We live in a world where the pace and complexity of everything we do is increasing. Organisations face unprecedented challenges from increased competition, globalisation and an uncertain and unstable economy. In order to survive, let alone thrive, businesses must be able to deal with the pace of change and the demands of an ever more sophisticated market place.

The economic downturn forced many private sector organisations to reduce both their staff numbers and their budgets for development, and so many are realising that their talent pipelines have been neglected, leaving them in a vulnerable position for the future. This could be because some of their most talented people moved on in response to a lack of investment in them. It could also be because those that have remained may not be recognised as talented employees. They may well have been asked to step up to new responsibilities or increased roles without the necessary experience, skills or the right motivation to deliver much needed results. It could also be because the skills and talent needed to create future business success are changing rapidly in a more dynamic...
environment, and there may be a distinct leadership gap that cannot easily be defined or filled.

In this guide we look at what best practice tells us about how to create, develop and sustain this vital source of talent in order to boost performance, and prepare for the unpredictable years ahead.

Creating the ‘right’ pipeline

According to an article by John Coleman, published in the Harvard Business Review in January 2017 (i), leaders need to have the skills required to run the organisation today, but must also remain responsive to changing trends in the market and adapt to meet them. Coleman describes this as: “the ability to hold two specific traits in balance: consistency and agility.”

Organisations are well aware of the importance of the role of Leadership for business success and the importance of having a strong leadership pipeline. Successful organisations attract talent because they invest in developing their leaders and become more successful as a result, which in turn makes it easier for them to attract talent.

These organisations devote considerable amounts of time and money to developing their leaders and the most successful ones start that process early. Research from the recent CE/Hewlett leadership study (ii) showed that 91% of top 20 Companies for Leaders have a process for early identification of leaders compared to 61% of the overall group.

Measure the right elements

So, if the processes and commitment are there to create and build the pipeline, why do so many organisations still find themselves with gaps in their pipeline and with a scarcity of the required leadership characteristics for business success?

The problem seems to be that what they are aiming at has become a moving target. Businesses need to evolve at an ever faster rate to remain competitive in a tough market. Therefore what they need in terms of leadership also changes. However, many organisations still recruit, identify and promote talent on the basis of past performance and competency.

A global pharmaceutical organisation encountered significant problems promoting internal candidates into Site Director roles. In a high proportion of the promotions, performance dipped significantly within the first year in role and it emerged that individuals were being promoted based on their previous success. The requirements for the Site Director role were not only different from the less senior role, but the success criteria had also changed from when the previous incumbent was in post. It was therefore no longer appropriate to promote against track record or to mirror the characteristics of the person in post.

360° questionnaires are at best a diagnostic tool. What participants do to develop themselves afterwards is far more important.
So, what is this telling us about our ability to create the right pipeline for our organisations’ evolving requirements? Does it mean that it is no longer possible to predict leadership potential? We at PSI Talent Measurement believe it is a matter of looking broadly across different leadership characteristics and taking a more holistic approach to leadership assessment.

In today’s fast changing world, where roles may evolve or disappear, and company strategy changes to respond to the changing environment, Learning Agility is set to become one of the most important aspects of leadership effectiveness. It is well known, for example, that Microsoft put candidates through a series of tests to assess technical capability and problem solving skills but also assess how well they interact with other people. In a dynamic environment such as theirs a job may easily change or disappear, so the individual may have to take on a different role in another part of the business. According to research by Professor Bill Joiner, the co-author of ‘Learning Agility’ (iii), argues that it is the ability to thrive on change, rather than create stability that will differentiate high from low performers. So what do we mean by Learning Agility? In an article in Forbes Leadership in April 2013, Kevin Cashman (iv) describes Learning Agility as “a complex set of skills that allows us to learn something in one situation and apply it in a completely different situation. It is about gathering patterns from one context and then using those patterns in a completely new context. In short, Learning Agility is the ability to learn, adapt, and apply ourselves in constantly morphing conditions.”

We have established that assessing your leadership pipeline in a one-dimensional way cannot deliver the ‘right’ pipeline in this era of change, dynamism and complexity. If testing for Learning Agility provides us with a richer and more accurate predictor of organisational success, are there other elements of leadership that contribute to a better and more relevant assessment of what is needed for future-proofed leadership? Our LIVED model of leadership incorporates five core elements that are well established as being critical to leadership effectiveness.

Get the right ‘fit’

However, even this holistic approach to assessing leadership characteristics falls short of recognising an important ingredient in establishing the ‘right’ pipeline for organisational success. To guarantee a strong pipeline of good leadership talent, that can ‘hit the ground running’ and deliver business results quickly, there has to be a good ‘fit’ between the individual characteristics and the organisational context as the right sort of leader in one environment may well struggle if the context changes. Individual leadership qualities therefore need to be ‘right’ for the organisational culture, the business strategy and the challenges from the external environment at a specific point in time. In this context the identification of talent using external benchmarks becomes less relevant, and in some cases counterproductive.

How useful is it to see how your talent stacks up against different organisations with different values, culture and business strategies or against data that may be 10, 15 or 20 years old? What becomes much more important in this context is the role of the line in making business-driven decisions about the leadership pipeline. Therefore those who are responsible for setting the leadership pipeline strategy need to stay in close contact with those who are responsible for business strategy and results.
Learning
The ability to adapt to one’s experiences, make sense of them and change in order to deliver better performance.

Intellect
This is one of the most widely-used predictors of leadership success, particularly in progressing towards senior roles. More than just intelligence, this component of leadership incorporates the ability to think strategically and commercially.

Values
This element focuses on integrity, honesty, sincerity, trust and respect and is the basis of what many leadership theorists have described as “character.” It has a solid base in research and is clearly important when it comes to role-modelling desired behaviours and ‘walking the talk’, which many leaders fail to appreciate.

Emotion
Since Goleman’s work in the 1990s, it has become increasingly well-known that the most effective leaders possess high levels of Emotional Intelligence and that those with lower levels of EI are more likely to derail when they achieve a senior position.

Drive
This is the engagement aspect of leadership, which inspires people into action. It covers passion, self-motivation, resilience and tenacity.

Developing the leadership pipeline
Establishing the right criteria for your leadership pipeline will help you identify potential, but get the timing or the type of development intervention wrong, and your pipeline will be full of unfulfilled promise or gaps which will need to be filled by turning to the external market. Best practice organisations grow their pipelines from within, and many organisations use the well-documented Charan and Drotter Leadership Pipeline model which identifies six critical ‘passages’ when leaders need to learn new skills and adapt to different and more complex challenges.

The existence of these ‘passages’ means that organisations need to provide targeted, specific development in preparation for each passage in order to reduce the risk of leaders failing in their new roles.

Accelerate development in preparation for new roles
The question then, is how to best accelerate development in preparation for those vital transitions? Research by Princeton University for their 70/20/10 model suggests that 70% of learning and development takes place from on-the-job experiences, tasks and problem solving, 20% comes from feedback and from observing and working with role models and only 10% of learning and development comes from formal training.
Provide the best opportunities for accelerated development

Organisations need to create development opportunities that combine formal training with initiatives that mirror the ‘step up’ role and provide real experiences with minimal risk to the business. The organisations that follow best practice don’t just focus on vertical career moves to upskill their future leaders. They also provide the necessary experience for them by offering lateral moves to roles which involve different challenges or more complexity but which are at the same grade, by allowing future leaders to work on initiatives that require them to work across boundaries or functions and by offering secondments to other roles. This requires a move away from the traditional way of thinking that career advancement can only be achieved by upward moves.

It also addresses another challenge for organisations during tough times where there are fewer opportunities for vertical progression, and engaging and retaining talent requires a more creative approach. The latest report from the Centre for Creative Leadership on ‘the View from Inside the Leadership Pipeline’ (vi) indicates that high potential leaders are more committed and engaged when they have a clear career path, and they understand next steps in terms of moves, development and experience. The opportunity to learn from mistakes whilst gaining experience in a lower risk environment is an essential element of motivating and engaging your leadership pipeline.

Leaders should develop leaders

The same report also highlights the importance of senior stakeholders in developing and engaging the leadership pipeline. Those organisations that have a strong ‘Leadership Brand’ have a reputation for investing in their talent, and therefore attract talent to their pipeline. This investment is both financial and practical. There is solid evidence now demonstrating the correlation between financial investment in talent and business performance. The argument for practical investment from the leaders of leaders is less well understood and much less well practised.

At a recent Talent Management Forum a leading figure from one of the world’s largest mobile phone operators made this plea: “We need to move away from process and get back to having real conversations with our people”. Leaders play a critical role in developing other leaders, and they need to have the right conversations at the right time and in the right places. Organisations need to ensure that honest and open communication is part of their culture. High potential leaders want an honest assessment of where they stand and clarity about their position in the leadership pipeline. Their seniors therefore need to be prepared to provide not only accurate feedback, but also longer-term guidance in order to map out successful career paths for their talent. Of course, many senior leaders are more used to conducting performance conversations than...
development conversations and will therefore need support and training in order to feel confident and motivated to take on what is more of a coaching and mentoring role.

We are approaching an era in which it will be commonplace for there to be three generations working within an organisation. As demographics change and as legislation is introduced to encourage employees to work for longer, organisations will need to understand the needs, skills and aspirations of an older workforce. Age diversity within business will bring with it many challenges, but also great opportunity. For example, the career aspirations and motivations of more seasoned leaders are likely to alter, and creative solutions will be required to make the most of their knowledge and experience. Mentoring and coaching younger aspiring leaders or talent is an obvious and valuable role for those with significant technical and leadership experience. They can provide much-needed development resource to increase the size of their organisations’ talent pools and to accelerate progress.

Broaden your talent pipeline

When times get tough, it is easy to see why organisations are tempted to reduce their investment in leadership pipelines. But even in periods of growth, do organisations invest broadly enough to guarantee a robust and healthy pipeline? High potentials should and do expect a higher degree of support and development than those who are not in the formally recognised pipeline. Investment decisions, however, should not ignore the wider pool, as this less high profile population will undoubtedly contain future leadership contenders. For example, Grundfos, one of the world’s leading pump manufacturers, develop their leadership pipeline by identifying two talent pools - their ‘global’ talents but also what they describe as ‘local’ talents. These are talented employees who can do a great job for them as a technical expert or as a leader within their existing market, but who do not aspire to more strategic or global roles.

Organisations ignore emerging talent at their peril, and can and should develop specific development programmes for those who have not yet gained the experience or skill to be classified as ‘top talent’. If formal investment in the development of this group is a step too far, then informal development can provide a valuable alternative. 84% of the high potentials surveyed in CCL’s Leadership Pipeline report said that they were actively engaged in identifying and developing potential in others because they had the insight and experience to develop the next layer of talent. Organisations should support this type of initiative as it will create a wider pool of individuals who have the potential to fill the narrower and more select leadership pipeline.

Change is the new constant in our unpredictable and uncertain world. It has never been more important to invest in creating a leadership pipeline that provides a rich source of talent equipped to deal with any eventuality. It is more important than ever to make the right decisions about where to invest for maximum return, and to ensure that your talent programmes keep evolving to match the pace of change.
Summary – Developing the leadership pipeline

• Wherever possible, grow the pipeline from within.
• Identify the key stages of transition for your leaders and provide development to help them to prepare for these transitions.
• Combine formal training with a heavy emphasis on real work experiences to consolidate skill acquisition.
• Create a culture in which senior leaders are expected to help develop future leaders.
• Invest in the pipeline but don't ignore the wider talent pool.
• Create a variety of different career pathways to keep those who are in the pipeline engaged and committed.
About PSI Talent Measurement

PSI Talent Measurement solutions enable organisations to identify and select the highest performing human capital across the widest range of job roles. Our unique blend of scientifically proven assessment content, market leading technology and our extensive knowledge and expertise, ensure we deliver selection methods that drive individual and organisational effectiveness.

In June 2017, a&dc (a PSI business) was acquired by PSI Services LLC, joining forces to deliver innovative assessment content using world leading technology.

References:

2) Leadership Study - CE/Hewlett
3) Leadership Agility –Dr Bill Joiner
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5) A View From Inside The Leadership Pipeline – Michael Campbell and Roland Smith (CCL)