

# BEST PRACTICES in TALENT MANAGEMENT

HOW THE WORLD'S LEADING  
CORPORATIONS MANAGE,  
DEVELOP, AND RETAIN TOP TALENT

EDITED BY

MARSHALL GOLDSMITH AND LOUIS CARTER

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HR Professionals

# BEST PRACTICES IN TALENT MANAGEMENT

## How the World's Leading Corporations Manage, Develop, and Retain Top Talent

**MARSHALL GOLDSMITH AND  
LOUIS CARTER, EDITORS**



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# CHAPTER

# 8

# KAISER PERMANENTE COLORADO REGION

**MARGARET TURNER**

A leadership succession management strategy that creates a pipeline of talent to drive current and future organizational performance. Executed through a fully supported system process to develop leadership talent.

- Introduction
  - Company Background
  - The Business Case
- Design
- Process
- Implementation
- Support and Reinforce
- Evaluation
- Next Steps
- Conclusion

## INTRODUCTION

This case study introduces the systematic process and tools that are currently used to develop leaders in the Colorado region at Kaiser Permanente. This process and tools, specific to Colorado, were built upon the national review process. Using the national review and the Colorado systematic process and tools helps to create a pipeline of national leaders through the identification of leaders' ability, aspirations, and readiness for their next roles.

### ***Company Background***

Founded in 1945, Kaiser Permanente is the nation's largest not-for-profit health plan, serving 8.6 million members, with headquarters in Oakland, California. It comprises:

- Kaiser Foundation Health Plan, Inc.;
- Kaiser Foundation Hospitals and their subsidiaries; and
- The Permanente Medical Groups.

At Kaiser Permanente, physicians are responsible for medical decisions. The Permanente Medical Groups, which provide care for Kaiser Permanente members, continuously develop and refine medical practices to help ensure that care is delivered in the most efficient and effective manner possible.

Kaiser Permanente's creation resulted from the challenge of providing Americans with medical care during the Great Depression and World War II, when most people could not afford to go to a doctor. Among the innovations it has brought to U.S. health care are

- Prepaid insurance, which spreads the cost to make it more affordable;
- Physician group practice to maximize their abilities to care for patients;
- A focus on preventing illness as much as on caring for the sick; and
- An organized delivery system, putting as many services as possible under one roof.

Organization-wide, Kaiser Permanente has 8,663,543 members, 159,766 employees, and 14,087 doctors to serve its regions. Kaiser Permanente is comprised of the following regions:

- Northern California
- Southern California
- Colorado
- Georgia
- Hawaii

- Mid-Atlantic
- Ohio
- Oregon/Washington

Kaiser Permanente Colorado is driven by a social mission. Its mission is to exist to provide high-quality, affordable health care services to improve the health of our members and the communities we serve. We promise to consistently provide high-quality affordable health care in an easy and convenient manner with a personal touch. This case study will focus on the work in leadership succession management in Kaiser Permanente's Colorado Region.

Kaiser Permanente Colorado is a non-profit integrated health care delivery system operated by Kaiser Foundation Health Plan of Colorado and the Colorado Permanente Medical Group. Together they have provided comprehensive health care to Kaiser Permanente Colorado members since July 1, 1969. Kaiser Permanente is Colorado's oldest and largest group-practice health care organization, with 490,000 members in the six-county Denver/Boulder metropolitan area and the Colorado Springs service area. The region has more than 5,400 employees and 2008 revenues of \$2.3 billion.

Kaiser Permanente Colorado owns and operates seventeen medical offices and three behavioral health and chemical dependency offices throughout the Denver/Boulder area. In Denver/Boulder, members receive care from more than 300 primary care and 530 specialty physicians. Kaiser Permanente Colorado provides health care in the Colorado Springs service area through a network of 219 primary care physicians and 534 specialists. Additionally, the organization is affiliated with Memorial Hospital in Colorado Springs and Parkview Medical Center in Pueblo.

In 2008, Kaiser Permanente Colorado was awarded the JD Powers award for the highest customer satisfaction. Each year, J.D. Power and Associates surveys millions of consumers around the world to gather their opinions and expectations about the products and services they purchase. This information is used to compile rankings based on product quality, customer satisfaction, or other industry-specific metrics that gauge company performance. Kaiser Permanente Colorado in 2008–2009 is also a top-ranked commercial health plan and top-ranked Medicare plan, according to ranking by U.S. News World Report (Camarow, 2008) and the National Committee for Quality Assurance (NCQA).

### ***The Business Case***

The Kaiser Permanente executive recruiting department conducted an analysis of past executive-level hires, internally as well as externally, and realized that 65 percent of its executives were recruited externally. The information from the analysis helped the organization realize that there was a gap in the way leaders were being developed in the organization. Due to this information, the organization set a goal to hire 60 percent internally and 40 percent externally to create opportunities for current leaders to grow with the organization, and still bring in new talents and perspectives to the leadership

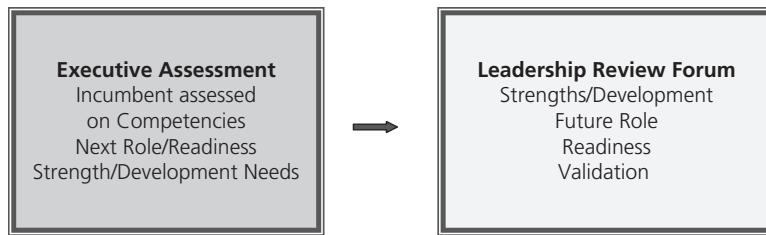
ranks. The importance of this is for the regions to use and build on the national approach for developing leaders to reach our national internal/external hiring goal. Kaiser Permanente is a matrixed organization. Using a common national framework and region-specific processes to support the growth and development of its leaders serves to create synergies between the national organization and its regions. Because of this, Kaiser Permanente can create a robust national pipeline of leaders, consisting of proven leaders across our multiple regions.

This case study will showcase the systematic approach that Kaiser Permanente's Colorado Region developed to create a regional pipeline comprised of the senior director/director leadership. This systematic approach builds on national processes and feeds into the national pipeline.

The high-potential leadership attrition rate in Kaiser Permanente Colorado is less than *5 percent since 2005*. Sixty percent of the high-potential population has either been promoted to their aspired roles or had job role expansions. These statistics are due to the fact that the Colorado executive team identified a need for a systematic approach to build leadership bench strength for the region in 2005. The executive team is responsible for setting short-term and long-term strategic direction for the region. The strategic direction is focused around affordability, service, quality, membership growth, community benefit, and people. The executive team is also responsible for monitoring the execution of the strategic plan and ensuring that we have the talent in place to deliver on its promise.

The executive team strongly believes that leadership development must be aligned with the organization's business strategy, so that Kaiser Permanente Colorado can execute against its top critical business strategies now and in the future. Leadership development is not seen as a program, but rather as *part of the organizational strategy that creates leadership capability*.

When the leadership review process was first introduced in the Colorado region, it was the beginning process for identification of high-potential talent. This was a great initial step in the process of developing leaders. The review process was implemented from the Leadership Development Department at Program Office (corporate office), since there was not capacity within the region to execute on the process. The beginning of the leadership review process (Figure 8.1) had the executive leaders fill out an assessment on the incumbent based on the incumbent's competencies, interest, and potential. This information was gathered and presented in an all-day forum with the Colorado executive team. The incumbents were discussed as to their potential, aspired roles, and level of readiness. This process was not transparent, and there was not a clear process for communicating the results or resources to follow through on the suggested actions. Also, the review process was designed to have the executives be accountable for the development of their high-potential leaders. As the executives started to work on the development of their high-potential talent, they realized that they needed support to develop these future leaders. The Colorado executive team realized that without those resources the process was incomplete and not driving the needed business results.



**FIGURE 8.1.** *Beginning Leadership Review Process*

In 2005, Kaiser Permanente Colorado created a systematic approach to the development of their leaders. First and foremost, the process of leadership development needed to become transparent. It was also agreed by the executive team that all leaders reviewed would be afforded the opportunity to develop not just the high-potential talent. In this systematic approach, different levels of development and resources are identified based on the leader's level of readiness.

The approach for a systematic process involved the following components:

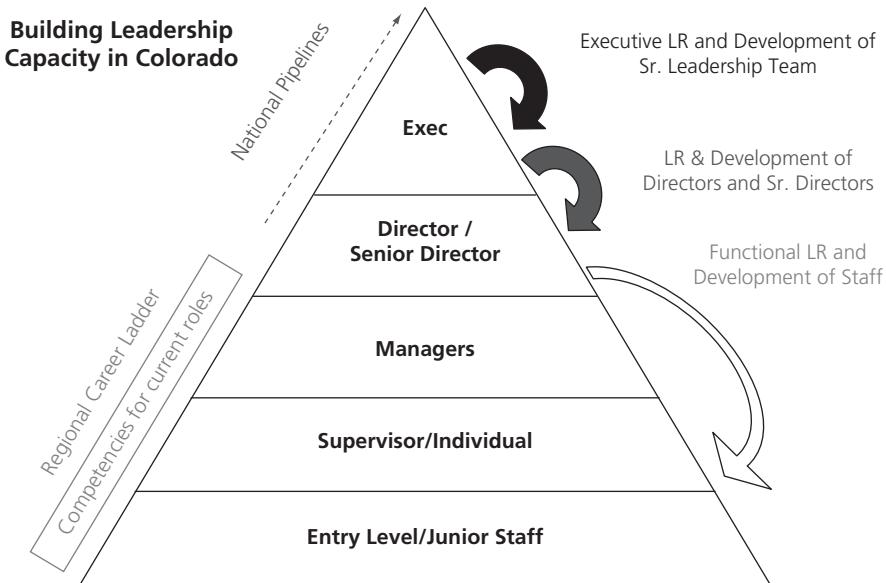
- Identification of high-potential talent and behavior gaps;
- Management of talent;
- Development of talent; and
- Creation of a leadership pipeline for regional and national roles.

Building leadership capacity in the Colorado region (Figure 8.2) feeds the national pipeline for leadership succession management. The national talent pipeline is comprised of high-potential talent from all regions. Each region conducts a leadership review process and then feeds the information of high-potential talent who aspire to a vice president and/or executive director role to the national leaders. Once validated by the national functional leaders, the incumbents are placed in the national pipeline for development. National and regional resources are used to accelerate the pipeline candidates' development. The Colorado region helps not only to identify incumbents with a high level of readiness for the region, but also for the national organization.

As this case study proceeds, it will outline the systematic process that has been built and the integrated approach to Kaiser Permanente Colorado's leadership succession management.

## DESIGN

The purpose of the leadership succession management process folds into the Kaiser Permanente People Strategy for Colorado, which has a clear line of sight to the organizational strategy. Developing leaders is a significant component of the Colorado



**FIGURE 8.2. Capacity Building in Colorado**

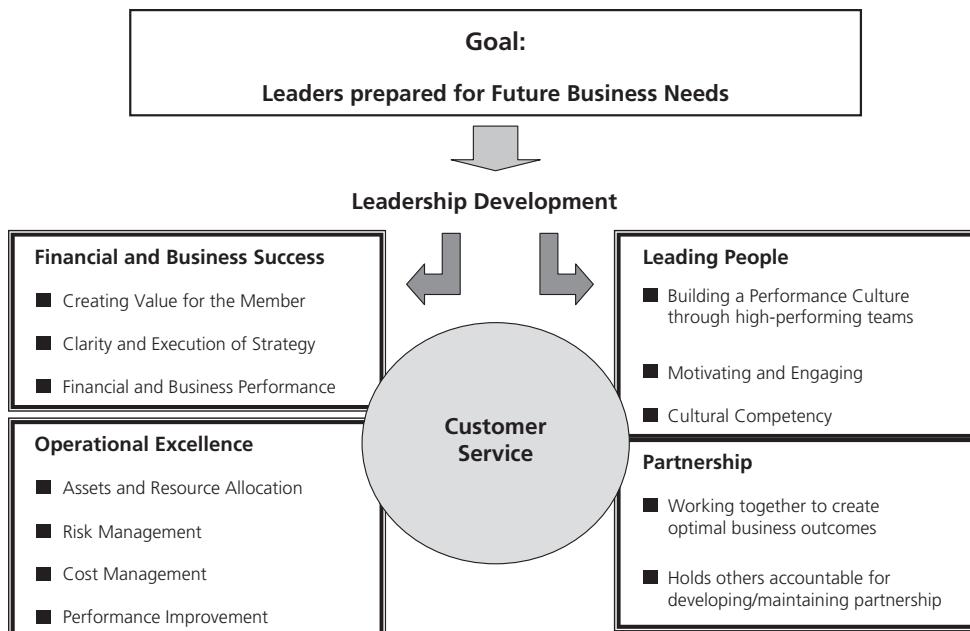
Region's People Strategy, which acknowledges that our people drive business results. Increasing employee engagement and accountability to execute the region's strategic priorities requires highly skilled leaders and a plan to sustain those skills through succession management. The People Strategy enables organizational performance through people.

One of the outcomes of the People Strategy is to have the leadership talent in place to effectively lead the current business and transform the organization to meet future business challenges. Out of the People Strategy, the framework for building leaders emerged. This framework keeps the customer as the center of focus for leaders to drive business outcomes. Each of the buckets in Figure 8.3 represents areas in which leaders need focus to be successful in driving optimal results for the organization.

The organization's competency model was aligned with this framework. In this way, the development of the organization's leaders is focused on what is most important to drive results.

Another outcome of the People Strategy and the leadership framework was for the executive team to agree to be accountable to the development of the high-potential population as a group. In other words, there was team ownership of

*The overarching focus is "To select, retain, and engage talented and accountable team-oriented individuals to execute the region's key strategic initiatives."*



**FIGURE 8.3. Leadership Framework**

identified talent by the executive team. Together the executive team holds itself accountable by:

- Conducting two yearly review processes to update current high-potential talent and to identify new talent (approximately fifty-five incumbents). This also includes leadership diversity talent;
- Providing feedback to the incumbents from the review process as a first step in developing them for their aspired roles;
- Continually working together to identify experience management opportunities that will accelerate the high-potentials' growth toward their next aspired role (approximately thirteen high-potentials, on average);
- Sponsoring and supporting development processes for the high-potential talent as a group; and
- Coaching and mentoring, based on best practices and best-fit principles.

## PROCESS

Kaiser Permanente Colorado leadership succession management is a systematic approach to development that starts with the national talent assessment. The national

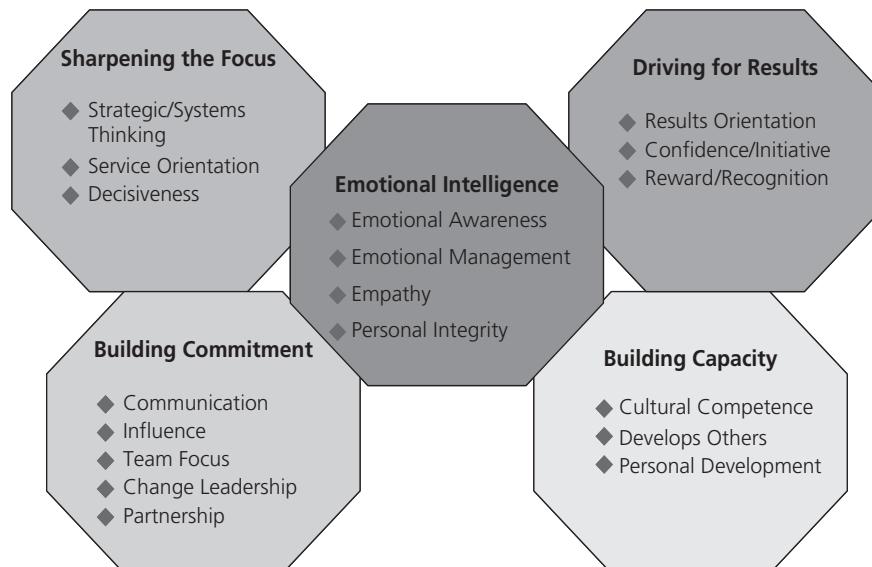


talent assessment process that is used in Colorado is based on a behavioral competency model that measures behaviors that are observable, demonstrated, and critical to successful leaders (Figure 8.4).

The leadership success factors (LSF) were developed after a comprehensive analysis of the leadership competencies that managers must exemplify for Kaiser Permanente to be successful, both now and in the future. These competencies are recognized as applying to Kaiser Permanente managers in all entities and at all management levels of the organization. The LSFs provide a framework for Kaiser Permanente managers to identify and communicate critical leadership behaviors, assess individual manager capabilities (360-degree feedback), and focus developmental and learning efforts. Each LSF is associated with a leadership competency cluster. The clusters provide an overall view of what a leader needs to be successful. The clusters and themes are outlined in Figure 8.4.

Research has shown that emotional intelligence has a positive impact on successful leadership and organizational performance (Goleman, 2002). In order to successfully demonstrate the LSF, one must have emotional intelligence as a baseline competency. For example, to demonstrate effective influence behaviors requires that one be effective in managing one's emotions and understanding the needs of others.

The LSFs are a part of the national talent assessment process which is designed to:



**FIGURE 8.4.** *Leadership Success Factors*

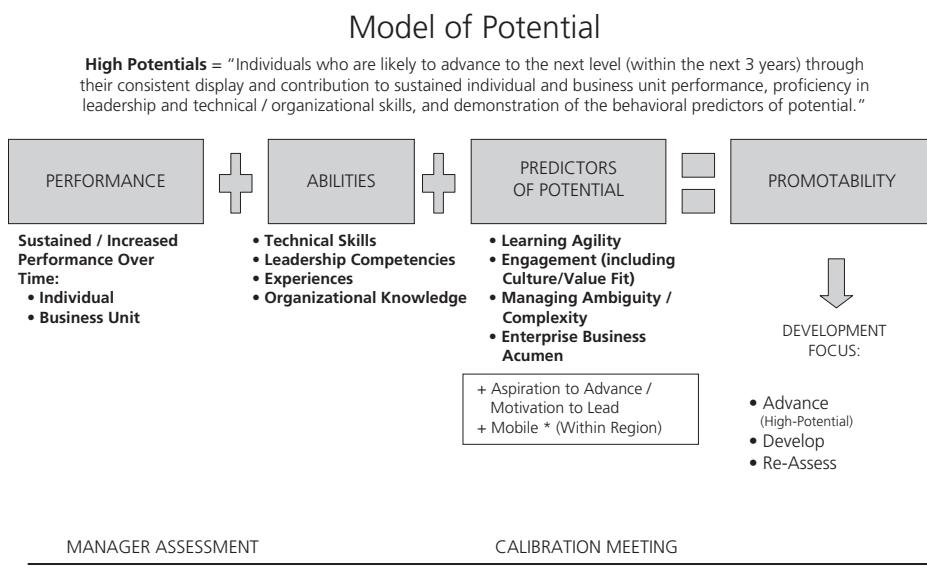
- Foster objectivity;
- Assess performance and potential, and
- Distinguish between “high potential” and “high performers.”

In the national talent assessment process, objectivity is achieved by evaluating the incumbent against the organization’s competency model and the Colorado executive team leadership review. The outcomes of the leadership review include:

- Collective understanding and agreement of the high-potential population;
- Peer feedback/input on the performance, strengths/development needs, aspiration, engagement, and willingness to learn;
- Identification of future role, readiness, and mobility; and
- Collective agreement to map high-potential talent to key experiences for their development.

The national model shown in Figure 8.5 clarifies an incumbent’s picture of a high-potential candidate. This national model creates a common framework for the regions to identify leadership talent.

The leadership talent review is the first step in the development process, working in partnership with the National Office of Leadership Development. Kaiser Perman-



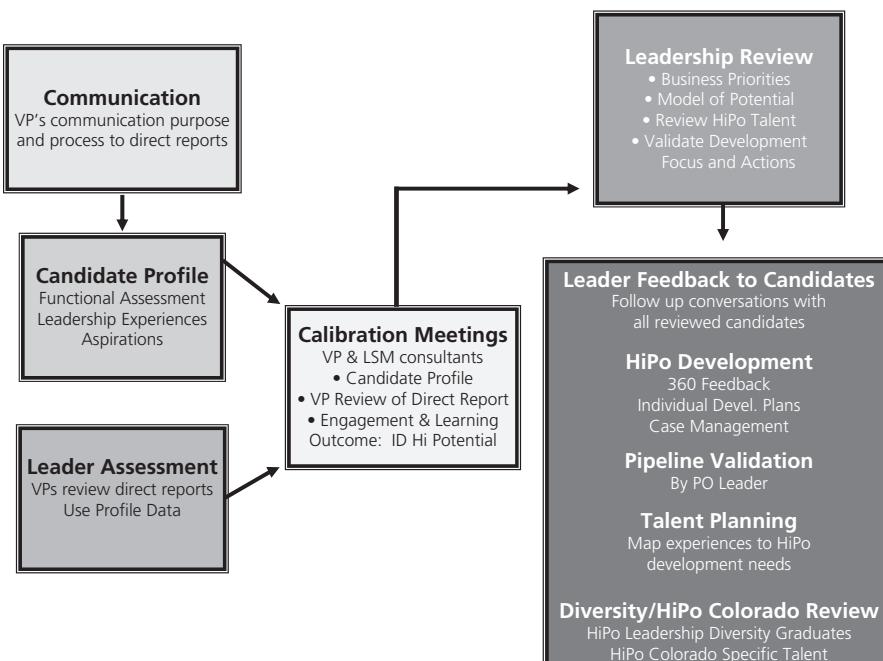
**FIGURE 8.5.** *National Model of Potential*

ente Colorado has built upon the national review process (Figure 8.6). To further clarify high-potential status in the review process, additional components were developed in the Colorado region, which include preliminary incumbent self-rating, calibration meetings in which the incumbent is discussed with his or her leader to identify several factors, and measurement of engagement and learning. These processes help to give the organization a more informed picture of the incumbent and lead to a transparent talent management process.

The talent review process in Kaiser Permanente Colorado is transparent, in that the incumbent is aware of the expectations of the process. The incumbent fills out a survey with the following information:

- Resume;
- Aspirations;
- Willingness to relocate and time frame; and
- Vice-president-level experiences.

The leader will fill out an assessment on the incumbent based on the leadership success factors, performance (both personal and business unit), future role, and level

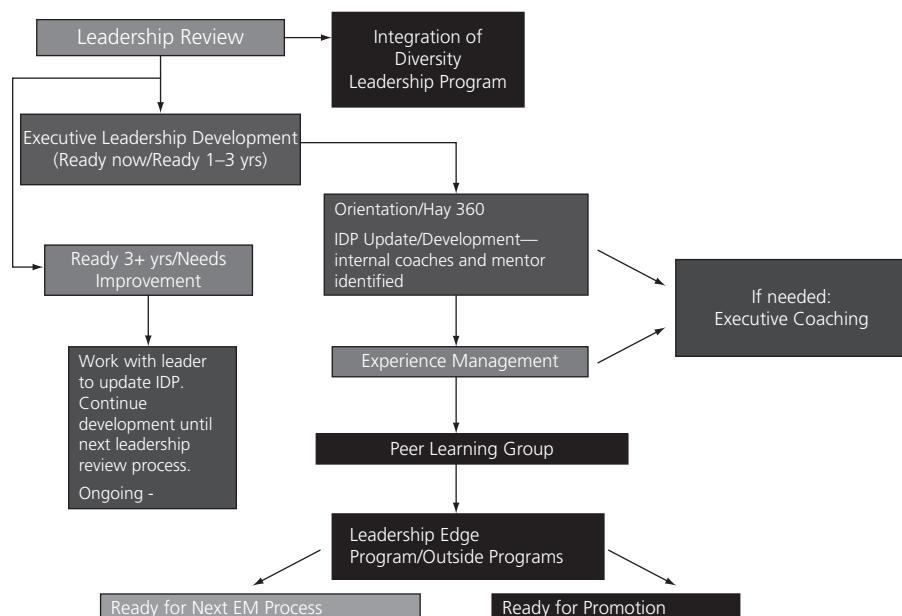


**FIGURE 8.6.** *Colorado Leadership Review Process*

of readiness. Both sets of information are then brought together and the Leadership Succession Management Consultant meets with the leader to conduct a calibration meeting. In this meeting the following is discussed for each incumbent:

- Strengths—for both current and future role;
- Development needs—for both current and future role;
- Aspiration for future role;
- Derailing behaviors;
- Learning agility;
- Engagement;
- Level of readiness; and
- Development actions.

As a result of the calibration meeting, the incumbent is placed on a readiness matrix. Those incumbents who fall into the now-to-one-year, and one-to-three-year levels of readiness and have the ability to relocate (high potential), move onto the leadership review forum. All other incumbents who go through the process are given feedback from the calibration meetings, create individual development plans, and work with their leaders through quarterly development meetings (Figure 8.7).



**FIGURE 8.7.** *Leadership Succession Management Process*

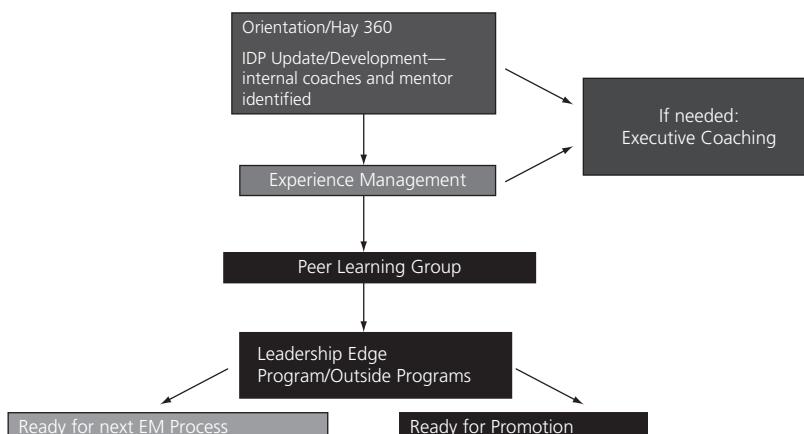
The high-potential candidates are reviewed in a one-day forum with the executive team to validate their level of readiness and aspired, future role. The main results of the leadership review process are the identification, agreement of the talent, and group ownership of the high-potential talent.

Once the high-potential talent has been identified, they start in the systematic process of development. The processes in Figure 8.7 were created in the Colorado region to keep focus and accelerate leaders' development. The process begins with the high-potential orientation and flows into the following processes: peer group activities, individual case management of high-potential leaders, and development opportunities driven by levels of readiness for aspired roles. Each of these processes will be defined in the following section.

Kaiser Permanente Colorado has designed processes, programs, and opportunities for leaders to enhance their development (Figure 8.8). Each of these programs has been strategically aligned to address the development gaps in the organization. Each process, program or experience, inculcates the systematic process for development of the organization's leaders.

**Orientation/Assessments** Once the high-potential leaders have been identified, they attend an orientation to the systematic process for their development. Accountabilities are outlined and agreed on to continue in the process. Assessments are utilized after the review process is complete to measure the high-potentials' preferences, determine emotional intelligence, and give 360-degree feedback. These assessments help identify current strengths and development needs that inform the individual development plan for each high-potential leader.

**Individual Development Plan** The individual development plan (IDP) is the road map for a high-potential's development. This plan is focused on the individual's



**FIGURE 8.8.** *Development Process*

business objectives and what behaviors need to be developed to successfully execute those objectives. The IDP process also identifies the high-potentials' future roles, development needs, and experiences for that role.

**Case Management** Each high-potential leader is assigned a case manager who works with him or her on the development plan. The high-potential leader and case manager meet quarterly with the high-potential's manager to review development progress. The executive team, as a group, also receives quarterly updates on each high-potential leader. The case manager, who also partners with National Leadership Development, is the champion for the high-potential leader to help the leader develop toward his or her aspired future role. The outcome of this process:

- Continuous monitoring of the high-potential's development;
- Coaching for development;
- Roadblocks to development addressed; and
- Experiences identified for the high-potential leader.

**Peer Network** The Peer Learning Group, composed of our high-potential talent, meets quarterly to discuss development and to provide networking opportunities. The executive team is involved with the group by sharing their experiences of their leadership journey. Expected outcomes of this program include:

- Cross-functional partnerships that help the organization move away from a "silo" orientation—reducing redundant processes;
- Internal/external mentoring support; and
- Peer support network that brings together the high-potential population to work on their development.

**Leadership Edge—Senior Director/Director Level** This program was developed by Kaiser Permanente Colorado based on the leadership gaps within the region. It is a thirteen-day learning program extended over a four-month period. The program is based on the core leadership competencies, gaps, and skills critical to the region. What is unique and important about the Leadership Edge program is that executive team members play the role of "color commentators" throughout the curriculum. The color commentator role is designed to have the executive, who is the subject-matter expert, come into the class and interact by challenging participants on current issues that face the organization; listen to solutions to implement; and dialogue on innovation. The Leadership Alumni Group continues working with past graduates on critical business initiatives with the executives. Outcomes of this program have been:

- The first cohort assisted the executive team to define the six key business strategies for the organization;

- Cohorts have made recommendations to focus on two strategic initiatives, down from six initiatives previously; and
- Most importantly, this program is instrumental in breaking down silos for leaders to work effectively across functions.

**Experience Management** Experience management (EM) is a challenge in a small region. EM is a structured process that identifies the scope of the project, competencies, and resources. High-potential talent is mapped to the following year's key strategic initiatives based on their developmental needs. Risks associated with the project are also identified before assigning a project for the experience. Other sources for developmental experiences are national projects and outside community projects. The outcomes of this program are

- Incumbent gains experience in an area needed for growth for his or her current or future role;
- Incumbents have exposure to executive/national teams; and
- Incumbents receive cross-functional exposure and experience.

**Executive Coaching Program** The executive coaching program provides a structured approach for individual development. Each high-potential leader has an external executive coach available to him or her. Once the IDP is created, the high-potential leader can request an executive coach through the leadership succession management (LSM) department. Based on their developmental needs, the high-potential leaders receive three bios of coaches and interview questions to help in selecting a coach. Once a coach is selected, the high-potential leader, his or her manager, and the coach meet to agree on the outcome of the coaching. There are mid-course check-ins with these three parties. At the end of the coaching program, there is a final meeting and evaluations are completed. The results have been:

- Increased quality of the individual development plans;
- Noticeable increase in leadership effectiveness; and
- Noticeable increase in commitment to development, at multiple levels.

**Outcomes of the System Process** Kaiser Permanente Colorado measures high-potentials' satisfaction with their development process with an annual survey. In the 2007 survey, 100 percent of respondents strongly agreed they would stay with the organization. The leadership succession management process has proven to increase the retention of our leaders. As stated earlier, *throughout the three-year process, Kaiser Permanente's attrition rate in the high-potential development program is less than 5 percent.*

## IMPLEMENTATION

Sponsorship from the executive team is of paramount importance for successful execution and sustainability. In the Colorado region, the executive team is the sponsoring body for the leadership succession management process.

Two talent review processes are conducted each year with the executive team. One is for overall identification of high-potential talent; the other is for high-potential diverse leaders (supervisor and manager level) and high-potential talent who do not have the ability to relocate within the organization. After the review process, the executive team meets to map the high-potential talent to experiences for the coming year.

Once the high-potentials have been identified, their leader gives them the feedback from the review and they then enter into the case management process. The high-potential talent goes through an orientation process that gives them information on the expectations for being high-potential leaders and the resources available for them. They build their individual development plans, which guide the development actions they will be focusing on for the year.

The training programs discussed below contribute to the development of high-potential leaders:

***National Executive Leadership Program—President/Vice President/Executive Leaders*** The Kaiser Permanente Executive Leadership Program (ELP) is a comprehensive leadership program whereby leaders from across the program gather to concentrate on business focus designed to enhance participants' knowledge, tools, and relationships. This is accomplished through extensive case studies that are designed to help participants examine and refine their leadership points of view. ELP provides participants with a unique opportunity to evaluate their leadership approaches and skills with the expectation that they return to work with their "game up."

The objectives of the program are to:

- Give leaders a broader perspective;
- Develop leaders to ensure KP's future;
- Build a network of organizational relationships that provide current and future value to the participants and to the organization;
- Deliver customized business content relevant to KP's issues and needs;
- Build commitment to KP; and
- Improve participants' effectiveness in their current roles.

ELP participants' behavior change is evidenced by:

- Taking initiative and leading change more frequently;
- Exhibiting greater confidence;

- Using a broader perspective to lead more effectively;
- Having higher expectations of themselves and others;
- Having greater energy and delivering better performance;
- Communicating more effectively; and
- Innovating—using newly acquired tools and a network of colleagues to develop new processes.

**Diversity Leadership Program** The leadership diversity development program for supervisors and managers is a fifteen-month program that includes mentoring, training and development, and case management for leaders of diverse background to increase their leadership skill sets. The program gives the diverse leaders the opportunity to work with mentors and gain exposure and knowledge around organizational issues. It also gives the mentors the opportunity to increase their awareness and skill levels around diverse cultures from the mentees. The outcomes of this program include:

- Identification of high-potential diverse leaders;
- 50 percent promotion rate for individuals who have attended the program;
- Targeted development and support of high-potential diverse leaders; and
- Exposure to senior leaders.

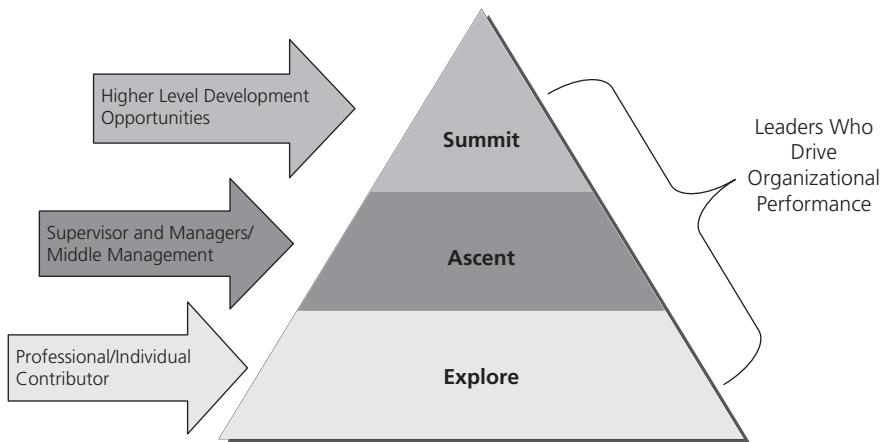
**Leadership On-Boarding** This program is an introduction for new leaders (both internal and external hires) to create focus and clarity during their first ninety days in their roles. A 30-60-90-day plan of action is the major product of the leadership on-boarding. An executive coach can be attached to this process if needed.

**Additional Training Programs** Organizational effectiveness (OE) in Kaiser Permanente Colorado believes that the performance management pyramid, as shown in Figure 8.9, is one of the keys in mapping employee development.

OE works with mid-level leaders to achieve the following:

- Set performance objectives linked to organizational objectives;
- Establish standards against which the performance objectives can be measured;
- Identify areas for performance improvement; and
- Provide ongoing feedback.

The paths in Figure 8.9, Explore, Ascent, and Summit, have specific training programs attached that address the developmental needs of that level. The design continuously develops leaders from their first supervisory experiences and empowers leaders in service, change management, and strategic execution.



**FIGURE 8.9.** *Organizational Effectiveness Map*

OE provides various training programs that link to the developmental gaps of leaders in the organization. Kaiser Permanente's program office also has national programs that support the learning of leaders that are used in the development of regional leaders.

All elements of the systematic process are critical, as one builds upon the other. The elements that have had the biggest impact on the development for Kaiser Permanente Colorado are the Leadership Edge Program and individual case management. The success with the Leadership Edge Program is driven by Kaiser Permanente Colorado's executive team involvement. Learners directly interact with the executives and have an impact on the direction of the organization. The case management process gives the high-potential employee personalized one-on-one assistance, which has been instrumental to ensuring development.

## SUPPORT AND REINFORCE

Kaiser Permanente Colorado's leadership succession management process is based on sustained commitment to development. The process looks at the leadership talent life cycle from an end-to-end perspective. This starts with the on-boarding of new leaders, identification of top talent, and steps leading to promotion. The manager is ultimately accountable for the high-potential leader's development, with support from the leadership succession management consultants.

Since 2005, we have identified a yearly average of thirteen high-potential leaders. Sixty percent of the high-potential population over the last three years has either been promoted or given expanded roles as an outcome of the systematic process Kaiser Permanente Colorado has developed. To continue executive involvement with the

development of our leaders, the Leadership Edge Program has an alumni group that continues to work with the executive team on business solutions.

The executive team models commitment by following through on their actions. They keep development in their daily conversations. When a position becomes open or a project opens up, one of the first places they look is at our high-potential population. This helps to create a culture of development for the organization.

## **EVALUATION**

Kaiser Permanente Colorado measures the success of the leadership succession management process through several different tools. The first is the standard measure around promotion/role expansion per year of our high-potential population. Another is through the leadership development satisfaction survey. In the Leadership Edge Program, the organization is currently reviewing the anecdotal evidence and outcomes of projects to measure ROI. One of the most telling pieces of anecdotal evidence is with the executive team. They are asking the question of development when projects or opportunities arise that might fit an experience for our high-potential population.

Kaiser Permanente Colorado stands out in leadership succession management through the work of creating a systematic process for the identification and development of high-potential leaders. The process has strong executive leadership accountability and support, robust tools, and training, coaching, and mentoring programs in place. Metrics and progress are monitored. All of these elements lead to a successful leadership succession process that retains the organization's top talent and drives organizational performance.

## **NEXT STEPS**

To continue to build on the organization's leadership succession management success, the following is a high-level overview of the work for 2009–2011:

- Drive the leadership review process down to the supervisor level to create a regional pipeline for all levels of leaders;
- Integrate the diversity leadership program into the systematic leadership succession plan to increase the development of diverse leaders;
- Integrate recruiting and pipeline work;
- Generate additional metrics that measure success;
- Conduct a predictive analysis of future leadership needs;
- Deepen the understanding of critical roles;
- Create a peer network for different levels within the organization; and
- Create a formal mentoring process for leaders.

## CONCLUSION

The systematic approach used in the Colorado region has provided a consistent framework to identify and develop leaders. It is successful in the fact that it supports the executive team's development of their direct reports, which drives their sponsorship for the leadership succession planning strategy. Success also lies in the partnership with the national leadership development department.

This process is only three years old, and it is still evolving. The systems are continually evaluated and updated for effectiveness. Processes are slated to be incorporated that will enhance leadership development and hopefully increase the velocity with which leaders are moving through their roles. Kaiser Permanente Colorado firmly believes that the development of their leaders will drive creative opportunities and solutions for the organization to execute on its current and future business objectives.

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**Margaret Turner** is currently the internal senior consultant for leadership succession management at Kaiser Permanent Colorado. In her role, Turner is responsible for the strategy and execution of leadership succession planning. She collaborates with her national partners in creating a robust leadership succession process. Because of the success of Kaiser Permanente Colorado's leadership succession process, the body of work is benchmarked throughout the national organization. Turner has over twenty years of experience in organization development, planning, and coaching of leaders. She has a master's degree in organizational management.

# CHAPTER



# MCDONALD'S

**JAMES INTAGLIATA AND NEAL KULICK**

This chapter describes five separate initiatives that have been introduced in the past eight years to strengthen the areas of performance development, succession planning, and leadership development. For each initiative we describe how and why the changes were introduced, how they have been refined, and the multiple positive impacts they have had on the business over time.

- Context for Global Talent Management Initiatives
  - The Need for Change
  - Business and Global Workforce Strategy
  - Striking the Right Global/Local Balance
  - Customer and Employee Focus
- Evolution of the Talent Management System: Key Initiatives and Enhancements
  - Initiative 1: Performance Development System Enhancement
  - Initiative 2: Global Succession Planning and Development Process
  - Initiative 3: The Leadership at McDonald's Program (LAMP)
  - Initiative 4: The McDonald's Leadership Institute
  - Initiative 5: The Global Leadership Development Program
- Overall Summary

## CONTEXT FOR GLOBAL TALENT MANAGEMENT INITIATIVES

### ***The Need for Change***

For most of its fifty-four years of existence, McDonald's has been quite successful growing its business while utilizing a decentralized approach to managing its global workforce. As the size, complexity, and global character of the business have continued to grow (to more than thirty-thousand restaurants in 118 countries serving fifty-five million customers per day), however, it became increasingly apparent that sustained success requires the development of more consistent and disciplined approaches to talent management and development. In response to this recognized need, McDonald's has taken a number of steps, starting in 2001, that have enhanced its capabilities for developing local leadership talent and ensuring management continuity throughout its global system. This chapter will provide an overview of how McDonald's system for developing its management talent throughout the world has evolved over the past eight years and will focus on describing the design, roll-out, initial impacts, and continued refinement of five major initiatives that have been introduced to enhance this system since 2001.

A number of factors led the organization to the conclusion that enhancements in its talent management and development system were needed. First, after many years of outstanding business results and growth, business performance began to falter. For the fourth quarter of 2002, in fact, the company declared the first loss in its history. In contrast to the significant problems surfacing in the company's business results, however, the ratings of managers in McDonald's performance management system were incredibly high and suggested that everyone was doing an outstanding job. More specifically, more than 90 percent of the managers were rated either "outstanding" or "excellent," and over 75 percent were assessed as having the potential to advance to take on greater responsibilities. Senior management recognized that "something was wrong with this picture." It was clear that the bias toward inflated ratings of both performance and potential did not align with the overall performance of the business. Furthermore, senior management noted that, despite the very high ratings of employees' potential throughout the system, when key leadership positions actually needed to be filled, the company was frequently having difficulty finding individuals everyone could agree were truly ready for these roles.

These factors led senior management of the company to begin to take significant actions to upgrade the company's talent management systems and processes on a global basis. (Note: While the initiatives to enhance talent development that are described in this paper were well under way at the time, the urgency for them was painfully validated when in April of 2004, McDonald's CEO Jim Cantalupo died suddenly and unexpectedly. Fortunately, due to the heightened attention that was being given to talent management at this time, his successor, Charlie Bell, was quickly and smoothly named to step into the CEO role. Tragically, not long after Charlie Bell was named as CEO he was diagnosed with colon cancer and died within a year. Once again McDonald's was challenged to address the succession issue at the very top of the organization and did so by naming Jim Skinner as CEO in January of 2005.)

### ***Business and Global Workforce Strategy***

Before launching into an in-depth description of McDonald's talent management system, it is important to make clear how this system fits into McDonald's overall business strategy and aligns with its key values. McDonald's strategy to develop its global workforce is designed to be aligned with and support the execution of its over-arching strategic business goal, which is "to become everyone's favorite place and way to eat." McDonald's has an overall "plan to win" that provides the global business with a common framework for developing tactics to reach this goal. The framework includes five key elements: (1) people, (2) place, (3) product, (4) promotion, and (5) price (see Table 9.1).

The five initiatives that have strengthened the company's talent management system, and that will be described in this chapter, are key elements of the "people" component of the "plan to win." They have been designed and implemented to enhance the organization's global capability to develop and have "at the ready" the quantity and quality of leadership talent needed for effectively executing its "Plan to Win" and ensuring the company's continued growth and success. Further, in order for these talent management initiatives to be successful, it was clear that they also needed to reflect the value that McDonald's places on striking the right global/local balance and customer/employee focus.

### ***Striking the Right Global/Local Balance***

In order for McDonald's to successfully execute its business strategy, the company has determined it needs to excel at developing and successfully implementing a balanced

**TABLE 9.1. Framework for "Plan to Win"**

Key Elements	Relevant Measures
People	Well trained Fast and friendly service Delighting customers
Place	Clean Relevant Inviting
Product	Food tastes great Lots of choices Hot and fresh
Promotion	Consistent with the brand Relevant to the customers
Price	Best value to the most people Affordable

global/local approach in managing and developing its global workforce. While global frameworks and parameters can be used to set the stage for success and align the entire business with regard to strategy, essential tactics, and a shared company culture—at the end of the day, the actual execution of the company’s “plan to win” depends on the capability of *local talent* to develop and customize the elective tactics to fit their local culture and circumstances. As a business, McDonald’s success relies not only on the leverage that comes from its coherent business strategy and focus on standardizing core operations/processes but also on its ability to adapt its tactics to fit the needs and preferences of specific customers in particular regions or countries and to develop a deep connection between McDonald’s and the local communities in which it operates. This connection is reflected in McDonald’s commitment to local charities; to Ronald McDonald Houses; and, most importantly, to the very people who own, operate, and manage McDonald’s stores in any locale, country, or region. Given this, it is deemed highly important that the individuals operating the business come from, understand, and represent the communities and cultures in which the business is located.

All areas of world have freedom to execute in their locales as long as they stick within the basic parameters of the “plan to win” framework by (1) developing an aligned strategy, (2) meeting customer needs within the marketplace, (3) supporting the global brand campaign—“I’m Loving It,” and (4) ensuring that their people *develop and demonstrate key competencies that reflect the core elements of the company’s common culture and support its “plan to win.”* In addition to having the technical skills and expertise to do their specific jobs, staff throughout McDonald’s are expected to be attentive not just to getting results but to doing so in a way that is aligned with the company’s shared global company culture and values.

### ***Customer and Employee Focus***

Whatever is done within McDonald’s is routinely assessed and measured against its impact on customers. Customer service and experience levels are key metrics that are embedded within the performance expectations for employees throughout the system. The company’s focus on and commitment to quality, service, cleanliness, and value (QSC&V) is strong. These variables have been shown to be strongly linked to customer expectations and loyalty. Any and all efforts to enhance the company’s global workforce management system incorporate a focus on key behaviors (customer focus and service orientation) and results-metrics (speed and quality of service, food, and environment) that deliver to customers what they value.

McDonald’s has also paid significant attention to its employees and their development throughout its history. The company is well known for the opportunities it has given many of its people to grow with the company and to rise (over time) from working as a member of a store crew to its highest executive ranks. In addition, the company has placed strong emphasis on its managers’ ability to create a work climate within which their employees are motivated to excel, give their best, and help to make McDonald’s “everyone’s favorite place and way to eat.” Since 1997, McDonald’s has

used its commitment survey to assess the extent to which the desired work climate is being created throughout the company. This survey gathers employee feedback on a wide variety of specific management behaviors and practices that have been shown to be linked to employees' personal satisfaction and commitment and to the company's business success. More specifically, the survey assesses employee satisfaction with such factors as the support and recognition they receive, the extent to which their skills are utilized and developed, their workload, the degree of their empowerment, resource availability to get the job done, the quality of supervision/leadership, and their compensation/benefits. A manager's scores on the commitment survey are one of many important factors considered in rating his or her effectiveness and potential for advancement. In addition, turnover and tenure measures are used to evaluate the effectiveness of managers—especially in retaining top talent. The global workforce initiatives described later in this chapter were developed so that they reflect both the customer and employee focus described above.

## **EVOLUTION OF THE TALENT MANAGEMENT SYSTEM: KEY INITIATIVES AND ENHANCEMENTS**

As mentioned earlier, five separate initiatives were developed and have been implemented since 2001 to enhance McDonald's talent management and development processes and support the organization's goal of meeting the global leadership needs of the business. These include: (1) the redesign of the performance development system (PDS) for all staff positions throughout McDonald's; (2) introduction of the talent review process for all officer-level positions; (3) the development and roll-out of a series of accelerated development programs beginning with the Leaders at McDonald's Program (LAMP) launched in 2003 to enhance the development of high-potential individuals for officer level positions; followed by (4) the introduction of the McDonald's Leadership Institute; and (5) the design and launch of the Global Leadership Development Program.

### ***Initiative 1: Performance Development System Redesign***

Prior to 2001, McDonald's performance development system was comprised of (1) an "MBO-based" annual performance plan that measured performance against established annual objectives but included no assessment of *how* these results were achieved (that is, leadership behaviors); (2) a 5-point rating scale of overall performance ranging from "outstanding" to "unsatisfactory"; (3) a personal developmental planning element based on a McDonald's-wide competency framework that included nine core competencies and four leadership competencies as well as a menu of "elective" competencies that could be chosen/applied as relevant in specific functional areas (see Table 9.2); (4) a three-level assessment of career potential that combined performance and demonstrated leadership competencies; and (5) an annual compensation system element tied to the results of the annual performance rating.

**TABLE 9.2. McDonald's Competency Framework (as of 2003)**

Competency Category	Specific Competencies
<b>Core Competencies</b> <ul style="list-style-type: none"> <li>Change Orientation</li> <li>Communicates Effectively</li> <li>Continuous Learning</li> <li>Customer Focus</li> <li>Drives to Excel</li> <li>Holds Self and Others Accountable</li> <li>Problem Solving and Innovation</li> <li>Teamwork and Collaboration</li> <li>Values and Respects Others</li> <li>Leadership Competencies</li> <li>Coaches and Develops</li> <li>Maximizes Team Effectiveness</li> <li>Maximizes Business Performance</li> </ul>	
<b>Strategic Perspective</b> <p><b>Functional Competency Menu (elective)</b></p> <ul style="list-style-type: none"> <li>Job Knowledge</li> <li>Leverages Resources</li> <li>Decisiveness</li> <li>Gathers and Uses Information</li> <li>Impact and Influence</li> <li>Negotiation and Conflict Resolution</li> <li>Uses Technology Appropriately</li> <li>Vendor Management</li> </ul>	

While the process for rating performance and potential was not unusual in structure and design, the outputs of the system reflected the culture of McDonald's at that time. Specifically, there was *significant rating inflation* for both annual performance (98 percent of managers were rated either "outstanding" or "excellent") and potential (78 percent of managers were rated as having the potential to advance in the business at least one level). Because there was significant inflation in such ratings, there was little meaningful performance and compensation differentiation. Further, since almost everyone was rated not only as being an excellent/outstanding performer but also as having advancement potential, it made differentiation for purposes of realistic succession planning very difficult.

Senior management realized that because the business had been so successful for so long, a *culture of entitlement* may have set in. This was exemplified by many employees believing that their past success and associated rewards would guarantee their future success/rewards rather than their having to earn success each day with every customer. Senior management believed it was important to change the culture in order to help the organization become better able to face the challenging realities of a more competitive global marketplace. As one approach to signaling the need for this change to the organization, the top management team at McDonald's asked human resources to redesign the performance development system in order to (1) place a stronger focus on *accountability for results*, (2) increase performance differentiation, and (3) enhance openness to change and innovation.

The redesign and enhancement of the system (designed for all staff throughout the company—not just officers) rolled out in 2001 included the following changes:

1. The addition of six key expected leadership behaviors termed “performance drivers” (see Table 9.3) as an element of how annual performance will be assessed so that managers would be measured not just on the “what” of their accomplishments but also on “how” they accomplished them. The performance drivers were very much like “competencies” but were written to measure the actual application of those competencies on the job versus measuring one’s level of capability. Further, these “performance drivers” were used as an additional key lever by top management to *signal the importance of needed culture change along certain dimensions identified as critical to enable the organization to compete more effectively in the marketplace* (greater accountability and performance differentiation, more innovation, etc.).
2. The introduction of a 4-point rating scale (“exceptional performance,” “significant performance,” “needs improvement,” and “unsatisfactory” to replace the 5-point scale) with a rating distribution *guideline* of 20-70-10 percent for each category, respectively (the last category of 10 percent includes both “needs improvement” and “unsatisfactory”). The new 4-point rating scale and distribution guidelines were put in place to help address the rating inflation problem.
3. A new incentive compensation plan that tied to the improved performance differentiation and ensured that those rated in the “top 20 percent” were receiving *significantly* higher compensation than those who did not.
4. A revised assessment of potential that utilized a combination of performance, performance drivers, position-specific competencies as criteria supported by a facilitated calibration roundtable process. This revised assessment of potential was also accompanied with a guideline that stated that no more than 20 to 25 percent (this guideline was set based on internal discussions regarding what was realistic as well as some external benchmarking done with outside companies) of managers in any given year were expected to be assessed as “ready” immediately for a promotion to the next-higher level and “ready within two years” for such a promotion.

**TABLE 9.3. Performance Drivers**

Performance Drivers	Sample Behaviors
<b>Setting Clear Objectives with Results Accountability</b>	Involves establishing high standards for performance, well-defined objectives and targets, and clear priorities for what must be accomplished and taking full personal responsibility for doing what it takes to deliver promised results. For people managers, it includes ensuring that direct reports understand what is expected of them and receive regular feedback on their performance as well as clearly differentiating between top and lower contributors when evaluating performance.
<b>Coaching and Valuing People</b>	Involves treating people with dignity and respect at all times, demonstrating honesty and integrity in all dealings with others; ensuring that the highest quality people are being selected for the organization and are actively provided with opportunities to use their capabilities to contribute to the business as well as grow and develop their potential to do more in the future.
<b>Strategic Focus and Business Planning</b>	Involves being able to develop an effective organizational business vision and strategy that are based on sound facts and that are well thought through, communicating them so that others understand and commit to them, and translating the vision and strategy into a clear overall work plan as well as into the individual goals and priorities that will guide and align the efforts of people at all levels of the organization.
<b>Acting in the Best Interest of the System</b>	Involves demonstrating consistent commitment to work together as a team to achieve the vision and what is in the best interest of the system. Shares information and resources with others to contribute to their success. Acts to break down silos or boundaries in order to help the business maximize the leverage from its combined resources.
<b>Open Communications</b>	Involves demonstrating strong “listening for understanding skills” and valuing diverse opinions. Conveys information and ideas in an open, articulate, and timely manner that enables others to get their jobs done. Communicates in a high-energy, positive way that motivates people to achieve.
<b>Embraces Change/Innovation</b>	Involves being open to new ideas and innovation and having not only the flexibility to adapt to change but also the energy and drive to initiate and lead it.

**New System Roll-Out—Global vs. Local Emphasis** How this new system was rolled out globally reflected the balance between the global and local approaches to workforce management. When it was introduced at a global HR meeting in June 2003, it was clear that certain elements of the new system redesign were not suited for the foreign cultures and legal structures that existed in certain countries. As a result, all 119 countries were given latitude (labeled “freedom within the framework”) to make certain changes (for example, the labels given to the three rating categories), while they were not permitted to customize other aspects of the process (such as rating distribution guidelines or the use of performance drivers in the ratings). Providing this flexibility made a key difference in how well the new process was accepted by each country and, while many countries would have preferred to continue to use their own performance plans and processes, most willingly began the implementation of the new system and accepted the value of following the framework.

**Results of Implementation** As with any major change that impacts employees’ individual performance ratings and compensation, the introduction of the new performance development system (PDS) was difficult and met some expected resistance. While this resistance was directed, in part, to specific concerns regarding particular changes made in the system (the number and labels for rating categories, changes in format, etc.), people’s reactions also reflected the reality that the revisions in the performance management process were designed to help drive what were believed to be some needed changes in the company’s management culture (enhanced accountability, greater differentiation in evaluating performance, increased emphasis on openness to change/innovation, etc.). At the same time, leaders of McDonald’s wanted to ensure that the focus on people and people development was not diminished.

The introduction of the new PDS system impacted significantly on the distribution of ratings for both performance and advancement potential. For example, in 2000 the vast majority of U.S.-based officers and managing directors received ratings (“outstanding” or “excellent”) that were above the mid-point (“good”) on the 5-point rating scale. In 2001, however, only 25 percent were given an “exceptional contributor” rating (this rating is for individuals who are judged to have “achieved results that far exceed expectations and requirements of the job in the face of challenging demands during the performance cycle and who have done so while modeling the values and behaviors expected of McDonald’s leaders”). Most individuals received a “significant contributor” rating (for “consistently meeting and perhaps exceeding some expectations and planned objectives while demonstrating the McDonald’s values and behaviors”) that was perceived to be average because it was the mid-point on a 3-point rating scale. For the first time in their careers, many managers (at the corporate officer and managing director levels) had received ratings that were not labeled “exceptional” or “outstanding,” and this was a shock and source of discomfort to them. In addition, a relatively small proportion of individuals were actually rated below the mid-point on the scale (“lower contributor/needs improvement” or “unacceptable performer”), which was highly unusual in McDonald’s culture. It should be noted, however, that the very year the new PDS was introduced, McDonald’s business performance was well below expectations and the stock price hit new lows. This softened the blow a bit, as

managers could see that change was necessary and that McDonald's was operating in a different world with new challenges that needed to be met in order to get the business turned around and once again moving in a positive direction.

As the new system has continued to be used, the proportion of individuals in each of the categories described above has stayed in a similar range. We have discovered along the way that it is a challenge to keep the distributions of individuals across performance rating categories consistent across levels of the organization. In other words, ratings creep seems to be a natural tendency as you move, for example, from the VP to the SVP level. What we have done to address this is to emphasize the importance of individuals being compared relative to those in the peer group at their specific level of the organization.

**Ratings of Potential** Consistent with this more critical differentiation of performance, changes in distributions were also seen in the company's ratings of individual potential for continued advancement. In 2001, approximately three-quarters of U.S.-based officers and managing directors had been rated as having the potential to be promoted at least one more level. With a much more critical and challenging succession planning review process instituted, 2002 ratings of this group's future potential were far more realistic (the proportion evaluated as having clear potential for further advancement from their current officer-level positions was closer to 15 to 20 percent). This proportion has remained in this same relative range since that time.

**Lessons Learned** While the process was difficult to do, our results would suggest that it's sometimes easier to "bite the bullet" and make a significant change all at once rather than trying to make incremental changes. The PDS change enacted in 2001 effectively lowered the ratings of more than 50 percent of McDonald's managers on a year-over-year basis. This was all done in a single year, but by year two, the organization had adapted to the new process. Other key lessons learned in implementing this initiative included the importance of: soliciting input from around the globe prior to program design finalization (the finalized system has been well accepted and has worked smoothly across widely varying geographic/cultural locations) and keeping the centralized, structured processes as simple as possible. Finally, we have purposefully given the organization time to become familiar with the new system and have resisted any significant "tweaking" of it. Some changes to further streamline the system continue to be made, but they have not been major.

### ***Initiative 2: Global Succession Planning and Development Process***

**Design of the Global Talent Review Process** Prior to the launch of the current global talent review process, succession planning had been conducted at McDonald's for many years. Prior to 2003, this process was less formal, less structured, and less consistent across various areas of the world, yet it probably met the needs of the business, which had an outstanding record of growth of profitability. As business growth slowed and competition increased, however, there was a recognized need to enhance the focus on leadership talent to align better with the new global business challenges.

Beginning in 2003 it was decided that the talent management process at the leadership level needed to be more rigorous and also more transparent. To achieve this rigor and transparency, the presidents of each area of the world (U.S., Europe, Asia/Pacific/Middle East/Africa, and Latin America), along with each corporate staff head (EVP-HR, EVP-Finance/CFO), were given a talent management template that consisted of a series of questions about their leadership talent requirements and the depth and diversity of their talent (see Exhibit 9.1). They were asked to prepare answers to these questions for their respective organizations. It was made clear that these questions would form the basis of the in-depth talent reviews that each of them would have with his or her immediate superior, who at that time was either the vice chair or the chief operating officer.

### **EXHIBIT 9.1. Talent Review Template Questions**

- I. Forecast of corporate leadership talent requirements for next three years, including positions, people, and/or competencies  
The answers to the following questions should be based on the strategic plan for the business as well as the operational requirements:
  - Specify the corporate leadership positions that will be added, eliminated, or changed from the current organization?
  - Expected retirements, terminations, promotions, transfers, etc.?
  - What, where, when, and how many openings are forecasted for the next three years?
  - What, if any, changes in the competencies or roles will be required of the leadership team and how will they be addressed?
- II. Assess and develop current talent pool
  - Who are your A, B, and C players?
  - What actions are you taking to develop and retain your A players? Development plans including development moves? Retention strategy?
  - What actions are being taken with your C players to improve or remove them?
  - Who represents your next generation of leaders ("ready now/ready future" with higher-level target positions)?
  - Development plans including planned development moves?
- III. Replacement and/or diversity gaps and associated action plans
  - What, if any, significant replacement gaps exist, and what plan is in place to close these gaps?
  - What, if any, diversity gaps exist and what plan is in place to close these gaps?
- IV. Summary of planned actions

The stated purpose of these executive talent reviews was as follows:

- Identify executive (officer/managing director) talent requirements for successfully executing their organizational strategy over the next three years and how these requirements will be met.
- Ensure that plans are in place in each organization to upgrade the executive talent via development, planned movement, strategic hiring, etc.
- Ensure the “next generation” (the “feeder pool”) of leaders has been identified and is being developed to ensure both depth and diversity.

As can be seen from the questions listed in Exhibit 9.1, the talent review covered the broader aspects of talent management, including forecasting needs, assessing current officers/MDs, identifying depth and diversity of replacements pools, and development planning. The premise behind these reviews is that the president and lead staff officer of each area of the world are responsible and accountable for ensuring that they are addressing the leadership talent needs in their area and are doing so within the framework of the template. Transparency was achieved as a result of the in-depth discussions that took place during the actual review meetings.

The talent reviews were held as planned in 2003 and resulted in a much more realistic and rigorous assessment of the “health” of the talent pools in each area of the world and each functional area than had been achieved previously within McDonald’s. The increased ownership that leaders were taking for the results of these reviews was reflected in the specific actions that they proactively initiated (such as accelerating the development of high-potential managers, special recruiting initiatives, etc.) to respond to the current and anticipated replacement gaps that had surfaced. The HR support team was able to analyze the overall results of these reviews and look for any organization-wide interventions that would contribute to better addressing talent needs and gaps.

**Talent Review Process Impact** Results of the one-year follow-up survey with executive management and HR leaders in each of the company’s four major regions yielded the following observations regarding improvements in the talent review process: (1) managers and the organization overall became much more aware of the strengths and talent gaps in each area; (2) more candid and more challenging discussions took place on talent and not only focused more crisply on strengths and development needs but also more effectively addressed when it was time to remove individuals from positions in which they are not performing and not developing; (3) more specific actions were being planned and taken to close replacement gaps and development talent in a more focused way; and (4) senior executives were placing greater overall priority on and taking personal ownership for talent management.

**Metrics for Assessing Quantitative Impacts** In addition to the qualitative feedback described above, a number of quantitative metrics are currently being used to assess the impact of the talent review process. These include tracking:

- The number of officers/managing directors considered to be strong contributors and evidence that those “not meeting expectations” have specific development plans in place and/or have been replaced;
- The number of key leadership positions for which there is at minimum one “ready now” and one “ready future” replacement;
- Improved year-over-year diversity in the talent pool;
- The retention rate for strong performers and high-potentials; and
- The percentage of recommended developmental job moves (these are identified in the talent reviews ) that have actually occurred within the planned timeframe.

As the process has continued to be used, the organization has done a better and better job each year of not only building up feeder pools (that are deeper and more diverse) but also with addressing issues with lower performers.

**Next Steps for Talent Review** While the process has not changed for the most part, it has been done in a more comprehensive manner each year. This includes doing a more in-depth analysis of who needs development, moves to enhance their experience, and a process that facilitates this movement. In 2006 we introduced comprehensive talent management plans at the major country level, which enabled us to roll-up the country plans into areas of the world plans and finally to an overall enterprise talent plan that is presented to our board of directors.

Our current CEO, upon his appointment, declared talent management and leadership development as one of his top three priorities, and the focus on this process has never been greater. Senior management has expressed a strong desire to spend more time in this arena, and they realize that to successfully develop their talent, they must depend on their peers to provide development job opportunities (special assignments, project teams, new jobs) that cannot be provided unless people are able to move more freely across organizational boundaries.

**Additional Positive Impacts** One additional result of the analysis that was part of the talent review process was the decision to develop a global executive staffing process designed to ensure that when an opening occurred for an officer or managing director role anywhere in the world, potential candidates could be identified on a global rather than a local basis. Prior to 2003, there had been no formal process for identifying talent globally, but rather the organization with the opening would identify candidates based on their own knowledge of qualifications which, more often than not, led to a local candidate being selected. With the new global staffing process, the organization with the opening can come to the talent management organization for a list of candidates who have been identified via the talent reviews described above. As a result of this new process, *there has been more cross-organizational movement that has resulted in better selections and also more development opportunities for those moving to these assignments.*

A second additional impact driven by the results of a more robust global talent review process was the decision to design a program to build up the depth and diversity of the replacement pools for several officer/MD roles and to expedite the development of the highest potentials for these roles. The global Leadership at McDonald's Program (LAMP) was designed and is described below as the third major initiative to enhance McDonald's Global Workforce Management System.

Overall, the executive talent review process introduced in 2003 has not only stepped up the focus on talent management at the leadership level, but has made it more of an ongoing process, versus the episodic process that it had been previously. Our leaders all consider talent management as a high, if not their highest, priority. It's less about a binder being constructed once a year and then put aside for another year and more about working the talent issue on an ongoing basis. It is also clear that by starting the process at the "top of the house" and having it accepted as useful and necessary, the process has been more easily implemented down through the other management layers across the organization and regions.

### ***Initiative 3: Design and Implementation of the LAMP Program***

***Specific Design Considerations*** Based on what had been learned in global talent reviews and in earlier training programs directed at developing high-potentials within McDonald's, several particular areas of competency/skill gaps had been identified and were specifically targeted in the design of LAMP content. These included: (1) expanding participants' mindset from local to regional to global; (2) enhancing participants' ability to maximize business performance through strengthening financial acumen; and (3) enhancing participants' innovative, "out of the box" thinking. From an organizational perspective the goals of the program included: (1) building deeper bench strength for key leadership positions; (2) shortening the ramp-up time required for newly promoted officers and obtaining quicker business results; (3) becoming more effective at developing and retaining top talent; and (4) continuing to improve the diversity profile at the officer level.

The Leadership at McDonald's Program (LAMP) was designed to be an integrated approach to developing high-potential talent. Using leadership development as a process to drive results, shape culture, and build leadership depth, the program accelerates the development of future leaders. With a focus on strengthening and building the capabilities of McDonald's future leaders, the program leverages leadership development to improve performance and drive business results by:

- Increasing the ability of participants to improve business results in their current roles as well as prepare them for achieving success at the next level;
- Leveraging participants' on-the-job accountabilities as opportunities to learn and develop;
- Helping participants gain the insight needed to further develop individual leadership capabilities; and

- Providing opportunities to build strong peer networks internally and externally by having them work closely with McDonald's high-potential peers throughout the program and with talented management peers from other companies/industries as part of the Thunderbird Program.

**Participation** The program was piloted in 2003–2004 with an initial group of twenty high-potential directors who were nominated by their regional, divisional, or functional leadership teams. Selection criteria included:

- Individuals considered “ready now” or “ready future” for positions at the vice-president level or higher based on results from the McDonald's annual talent review process;
- Succession plan gaps (priority for participation given to functions with a shortage of successors or other business priorities, such as improving the diversity profile at the officer level); and
- Participant and boss willingness to fully commit and participate throughout the nine-month-long program.

**Group Sessions** LAMP was designed to help participants drive results in two ways: vertically (as leaders of their respective departments) and horizontally (as leadership team members). The first LAMP program had five key program components. These included: (1) executive assessment and program orientation; (2) individual development planning and executive dialogues; (3) leadership modules focused on leadership of self, team, and organization with experiential exercises to reinforce the learning; (4) a two-week executive education program with a focus on global business and culture; and (5) business improvement recommendations presented to the chairman's and presidents' councils. These original program components are described in greater detail in Table 9.4. All of the sessions were held at the company's headquarters in Oak Brook, Illinois, with the exception of the two-week executive education component that was held at a university campus.

**Individual Learning Opportunities** Based on the assessment results, participants consulted with individual coaches to develop a “breakthrough business goal”—one that could truly drive business results in their areas of responsibility. Critical to this process was the linkage of personal developmental objectives to higher levels of business results. The assessment process and feedback to participants helped identify the competencies needed to enhance their contributions to the business. The development needs were then linked to the individual's breakthrough goal. To support and encourage individual learning, the following was made available to participants: (1) individual coaching and development support—each participant was assigned a coach to discuss progress against objectives and receive objective feedback and developmental coaching throughout the program; and (2) LAMP Online!—a web-based tool that

**TABLE 9.4. Leadership at McDonald's Program (LAMP)**

Program Session	Session Description	Length
<b>Program Orientation and Executive Assessment</b>	<p>McDonald's contracted with a leading assessment firm to deliver the assessment process over a three-and-one-half-day period. The assessment process included the following: (1) inventories of thinking skills, personality, work style, and interests; (2) 360-degree feedback; (3) realistic work and business simulations, with immediate feedback provided after the role play or simulation; and (4) background interviews. In addition to the assessment process, participants received detailed information on the LAMP leadership framework, program goals, and key deliverables. They also had the opportunity to dialogue with senior executives. Upon completion of the assessment process, verbal feedback was provided to the participants by their assessors/coaches. A detailed written summary was provided approximately three weeks later.</p>	4 days
<b>Individual Development Planning and Executive Dialogue</b>	<p>During this session, participants received the written summaries from the assessment process. Utilizing these results, participants worked one-on-one with their bosses and coaches to create a development plan focused on driving results in their areas of the business. Utilizing a custom development plan template, participants identified the experiences, coaching, and training required to achieve their goals. In addition, two executive dialogues during this session provided an opportunity to learn more about the business and leadership through direct interaction with senior McDonald's leaders.</p>	2 days
<b>Executive Dialogue and External Thought Leader</b>	<p>LAMP participants had another opportunity to dialogue with senior leaders during this session. A large portion of time during this session was devoted to building knowledge and skills around the critical components of high-performing teams. A number of experiential exercises were utilized to enable the participants to apply and practice their learnings as they began to form their sub-teams responsible for developing and delivering a "business improvement recommendation" to the executive councils.</p>	2.5 days

<b>Executive Education Program</b>	The university consortia program brings together select groups of non-competing, globally focused companies. Each consortium program is two weeks in length and custom developed in consultation with representatives from each member firm. The university offers participants the opportunity to gain a broad understanding of global strategic issues and to strengthen their general management skills. Learning is reinforced through discussions, case studies, exercises, and simulations.	2 weeks
<b>Business Improvement Recommendations</b>	This session focused primarily on a large team review and feedback session for each of the four sub-team's business improvement recommendations. Significant time was devoted to letting the sub-teams continue to develop their recommendations, with feedback, support, and coaching from an external expert in executive communications. An executive dialogue was also incorporated into this session.	2 days
<b>Presenting Team Recommendations and Program Wrap-Up</b>	At the conclusion of LAMP (February 2004), participants presented their business improvement recommendations to the executive leadership councils, comprised of approximately twelve senior-most executives of McDonald's. Teams made presentations to the council members and discussed the overall impact of the program on their personal development and on their individual business results. Support from coaches, dry runs of the presentations, and group dialogue and feedback around each team's presentation helped participants prepare for the presentations.	2.5 days

supports individual learning, facilitates dialogues about the business, and tracks the progress being made against the LAMP goals and key deliverables.

**Commitment and Expectations** LAMP required a strong commitment from participants and their direct supervisors in terms of time and behaviors. It was clearly communicated to participants and their bosses that participants would be expected to spend approximately 25 percent of their time on LAMP-related activities (attending LAMP group training session, working with their action learning teams, working on their personal development plans, etc.). Recommendations for managing the time commitment included using LAMP as an opportunity to develop the direct reports of the participants—by giving direct reports the opportunity to assume some of their bosses' responsibilities while participating in LAMP.

**LAMP Program Evaluation and Impact: Qualitative Feedback and Geographic Program Expansion** A survey (shown in Table 9.5) was conducted mid-way through the LAMP pilot program and also at the end of the pilot. It was given to both the participants and their immediate supervisors. It was evident from this survey that the primary goals of the program were met. Both groups surveyed gave the program high ratings and, importantly, reported seeing evidence of significant personal development. The most highly evaluated elements of LAMP included:

**TABLE 9.5. LAMP Program Evaluation Survey**

Survey Features	Approach and/or Results
<b>Methodology</b>	Online (95 percent response rate)
<b>Evaluation of Program Components</b>	<p><i>Effectiveness of Eleven Key Program Components</i></p> <p>Executive Dialogue Sessions</p> <p>LAMP Online!</p> <p>Books</p> <p>Learning Journal</p> <p>Team Building Modules</p> <p>Immersive Development Activities</p> <p>Classroom Experiential Activities</p> <p>Individual Development Plan</p> <p>Breakthrough Business Goal</p> <p>Overall LAMP Assessment</p> <p>LAMP Support Team</p>
<b>Evaluation of Overall Program Effectiveness</b>	<p><i>Rating Scale Used</i></p> <p>5-point scale ranging from "not effective to "highly effective"</p> <p>Narrative comments solicited as well for each program component</p> <p><i>Questions</i></p> <p>To what extent has LAMP better prepared you for a significant role at McDonald's?</p> <p>The LAMP program has been worth the time and effort required for my development.</p> <p>I would recommend LAMP to others in my position.</p> <p><i>Rating Scale Used</i></p> <p>5-point scale ranging from "strongly disagree" to "strongly agree"</p>

- The opportunity to interact with senior managers during the executive dialogues;
- The participants' development processes being integrated with the current job and taking place over an extended time period (nine to twelve months), which significantly improved the probability that development would take place; and
- The experience of going to the university program, where they were exposed to different thinking and best practices from outside of McDonald's via the participation in the program of leaders from several other global companies.

An area identified for improvement was "boss involvement," specifically the need to get the participants' immediate supervisors more directly involved in the process and more directly involved in assisting with their development. This feedback led to enhancements for the subsequent LAMP programs offered—with the level of boss involvement being significantly increased.

Since the successful pilot, the LAMP program has expanded into three parallel programs in order to increase the number of participants needed to meet feeder pool demands more quickly and efficiently. In addition to the LAMP program, which now develops U.S., Latin American, and Canadian high-potentials, European and Asia-Pacific programs were launched beginning in 2004.

**Quantitative Impact** In addition to the qualitative feedback described above that led to ongoing program design changes, a number of quantitative metrics are currently being used to assess the impact of the LAMP as well as the programs in Europe and Asia-Pacific. A review of these statistics for the 2004–2008 period reflects the kinds of results being achieved. These include: (1) *promotions*: as of 2008, 37 percent of the 249 graduates had been promoted (these graduates came from thirty-four countries, seen in Figure 9.1); (2) *retention*: as of 2008, only 5 percent of the individuals in this highly select and talented group had left the company for other opportunities (it is a key objective of the program for its participants to know they are highly regarded and that the company will continue to invest in their ongoing development); and (3) *boss feedback* has indicated that development is taking place as a result of this experience and being demonstrated in practical ways on the job. In addition to these results, additional measures have been gathered to further evaluate program impact including: 360-degree feedback follow-up (to be compared to the "baseline" 360 results at program start) and self-assessment of personal change as compared to specific targeted change goals.

**Evolution of the LAMP Program** Changes to the program itself have been relatively minor since it was introduced in 2004. One element of LAMP that has been enhanced is the process for getting into the program. While the overall steps are the same, we have improved the screening of those nominated to improve the overall quality of participants. This is done by making sure the senior team in each area of the world reviews each nominee and concurs with the judgment of the nominee's own manager that he or she is appropriate for the program. This higher-level review has caused more attention



**FIGURE 9.1.** *LAMP Participants by Country*

on the part of those making nominations to make sure they nominate quality candidates. We have also taken and continue to take further steps to enhance the active involvement of the managers of the participants in the program.

**Continued Evidence of Success** We have completed four LAMP programs serving participants from the U.S. business, Latin America, Canada, and home office, and now call this program “America’s LAMP.” We have also completed three sessions of the European leadership development program (ELDP) and three sessions of the ALDP (Asia/Pacific, Middle East, Africa) program. Across these programs there have been a total of 249 graduates, and the number of key leadership positions for which there is now a strong identified back-up has increased from 50 to 80 percent.

One other interesting indication of the success of this program is that it has developed its own strong brand identity and equity within the organization. The value of brand identity is reflected in the differing names for the program in each region, and the brand equity is reflected in the fact that so many employees want to be considered for participation. Overall, the support of the program has increased over time among the senior leaders, who are always asking us when the next program will begin. They also use their talent management plans to identify candidates for LAMP, as this is built into our planning process.

#### ***Initiative 4: McDonald’s Leadership Development Institute***

In 2006, the McDonald’s Leadership Institute and the Global Leadership Development Program were introduced as two important additions to McDonald’s arsenal to

support leadership talent development by attracting and retaining high-performing leaders. The McDonald's Leadership Institute was approved by the company's CEO and funded to provide enhanced development support for all leaders throughout the organization who are positioned at the director level and above (n = 1,200 to 1,500). It was designed to house all of the company's high-potential programs as well as provide development resources to all non-high-potential leaders in the way of an "online development resource center," an in-house leadership curriculum, special learning events, executive coaching, and so forth.

The Institute is a global community that drives McDonald's business by guiding leaders to reach their full potential. Unlike a "brick-and-mortar" approach, the Institute is not a physical place, but a community that provides a culture of learning and development and that can be accessed from any geographic location through our leadership portal and team of Institute guides. Its goal is to be respected as an essential part of McDonald's business and a world-class leadership institute, offering sound guidance as well as challenging, innovative development opportunities and resources to an admired community of leaders. Its offerings include:

- Participation in challenging development experiences at critical career points and transitions;
- Interaction and networking with other leaders globally;
- Individual consulting and tools for development needs assessment, development planning, and key transition activities;
- Exposure to leaders from inside and outside McDonald's; and
- Leading-edge information on McDonald's, the industry, business practices, and leadership.

### ***Initiative 5: The Global Leadership Development Program***

The Global Leadership Development Program was developed and introduced in 2006 and focuses exclusively on the company's highest potential officers and managing directors. The initial cohort for this program that was conducted in 2006 included twenty-one individuals from eleven different countries—including North America, Latin America, Europe, Asia/Pacific, and Japan. This program focuses on preparing participants for broader leadership responsibilities. It will also build a strong peer network that will be leveraged going forward as these individuals begin to move into top leadership positions throughout the company. The program was offered again in 2008 and will likely be repeated every two years.

## **OVERALL SUMMARY**

Over the past eight years, McDonald's has taken a number of significant steps to enhance its ability to develop leadership talent and ensure greater management continuity

throughout its talent management system. This chapter has described five major initiatives that have been designed and implemented to enhance the system. These included a major re-design of the company's global performance development system, a significant enhancement of the global succession planning and development process, the design and implementation of a customized leadership development program targeted to developing high-potentials at the officer level (LAMP), and, finally, the introduction of the McDonald's Leadership Institute and the Global Leadership Development Program. In addition to the specific positive impacts on internal metrics that have already been described (increased strength and diversity in the leadership team, greater depth/diversity in candidates ready now for advancement, and retention of key performers), as of December 2008, McDonald's had posted sixty-five consecutive months of positive comparable sales—the longest run in McDonald's history—and the stock price hit an all-time high in September 2008. What the overall process described in this chapter has demonstrated is how broad-scale initiatives to develop talent—*when top management owns and drives them and human resources plays the roles of partner/enabler*—can be a powerful lever of culture building and change and make a valuable contribution to business success.

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**Neal Kulick, Ph.D.**, has been McDonald's vice president of global talent management since 2001. His responsibilities include executive assessment/development, executive recruitment, and succession management and planning. From 1999 to 2001 Dr. Kulick ran his own organizational consulting practice specializing in the areas of human resource effectiveness and leadership development. Prior to consulting, he served as VP of corporate human resources for Ameritech Corporation in Chicago and as a line operations manager at Michigan Bell Telephone Company in Detroit.

# CHAPTER

# 10

# MICROSOFT CORPORATION

**SHANNON WALLIS, BRIAN O. UNDERHILL, AND CARTER McNAMARA**

Leaders Building Leaders—transforming Microsoft’s high-potential development experience that integrates assessment, coaching, mentoring, learning circles, action learning, and business conferences.

- Introduction
- What Led Microsoft SMSG to Make the Change
- Expo Leaders Building Leaders—The New High-Potential Development Experience
  - High-Potential Identification
  - ExPo Tiers
  - Five Drivers of Accelerated Development for High-Potentials
  - Five Development Components
- The Process of Redesigning the High-Potential Development Experience
  - Key Steps and Timeline
  - Research Activities

- Team Structure and Thought Leaders
- Transition Management Activities
- Coaching as a Primary Development Component for HiPo Development in SMSG
- Learning Circles as a Primary Development Component for HiPo Development in SMSG
  - Circles Process Mirrors How Today's Leaders Work and Learn
  - Unique Principles of Learning Behind Learning Circles
  - Learning Circles Compared to Traditional Forms of Training
  - Life of a Circle
  - Coaching Goals
  - Actions Between Meetings
  - Circle Termination and Renewal
  - How Circles Are Organized
  - Results and Benefits for Circle Members
- Conclusion

## INTRODUCTION

The opportunity for ongoing learning and development is a commitment Microsoft makes to all employees. Microsoft invests more than \$375 million annually in formal education programs directed at the employee, manager, and leader, offered by the Corporate Learning and Development groups and other profession-specific learning groups throughout the company.

In addition to the development offered to all employees, Microsoft invests in a smaller group of employees who have the potential for, and strong interest in, taking on more senior, critical roles as individual contributors or managers. These individuals are identified and considered for more focused career development, which may include participation in one of several professional development experiences known as high-potential development programs.

In identifying employees as high-potential, it is important to appreciate that natural “gifts” are not sufficient. For an employee, reaching his or her full potential depends on a combination of natural gifts, what he or she does with that talent (hard work, perseverance, courage, etc.), the experiences he or she is given, the support of others along the way, and the context/culture within which he or she operates (McCall & Hollenbeck, 2002; McCall, Lombardo, & Morrison, 1998).

At Microsoft, high-potential development goes beyond traditional management or leadership development. Instead, it focuses on *accelerating* the development of these individuals to advance to the next career stage. The remainder of this chapter will

present Microsoft's case for making a significant shift in high-potential development within the Sales Marketing and Services Group (SMSG).

## WHAT LED MICROSOFT SMSG TO MAKE THE CHANGE

The Sales Marketing and Services Group is more than 45,000 employees responsible for Microsoft sales, marketing, and service initiatives; customer and partner programs; and product support and consulting services worldwide. Its field sales and marketing professionals delivered \$53B in billed revenue in fiscal year 2008 and \$34.8B in profit. Additionally, the group is responsible for corporate operations and IT functions that support the work of Microsoft's approximately 91,000 employees around the world.

Recent key accomplishments of the group include:

- Significant increases in customer satisfaction ratings;
- Growing the Windows Client, Server and Tools, Information Worker, Mobility, and Microsoft Business Solutions businesses and winning new customers in a very competitive environment; and
- Building a world-class field infrastructure and streamlining a rhythm-of-the-business, allowing the field to execute in harmony with the business groups on growth planning and the way in which we measure the health of the business.

The organization operates within thirteen geographic "areas" and has more than ten vertical segments, sectors, and functions. In 2004, SMSG had high-potential programs operating in nearly all of them. The individual programs were not aligned to Microsoft's Leadership Career Model and were not easily scalable. Furthermore, consistent criteria for identifying high-potentials did not exist, and areas and segments independently determined the number of "high-potentials" that they wanted to develop. This impacted the larger talent management system and made movement among programs difficult when employees changed areas, segments, sectors, or functions. Given the various objectives of the programs, the experience of high-potentials was inconsistent across SMSG.

To build the pipeline of future leaders, Microsoft SMSG decided to align high-potential development within SMSG to create a consistent experience.

## EXPO LEADERS BUILDING LEADERS—THE NEW HIGH-POTENTIAL DEVELOPMENT EXPERIENCE

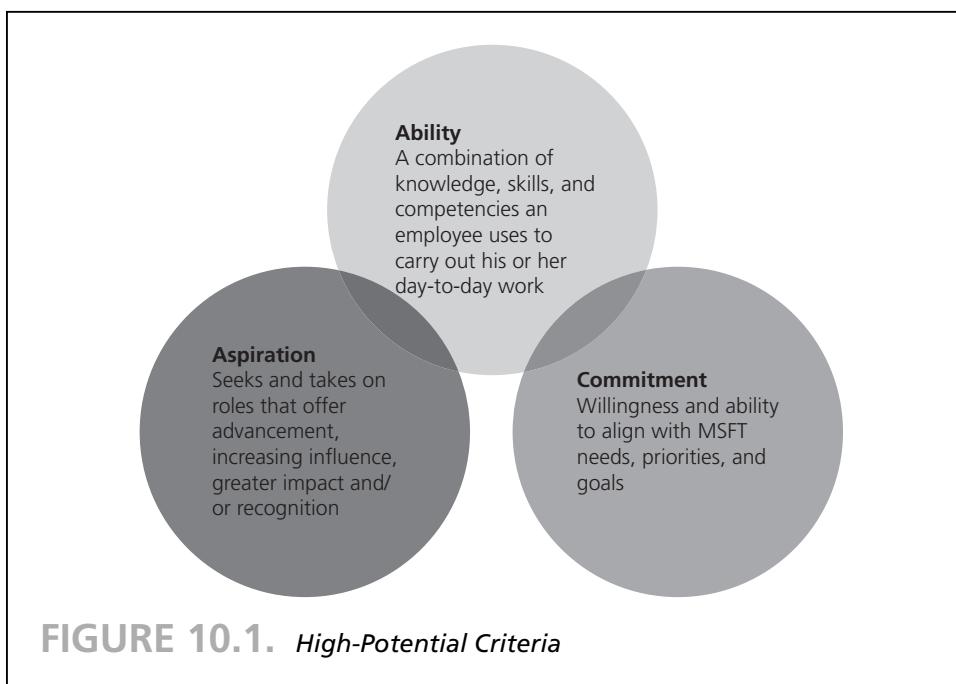
SMSG began with questions. What is a high-potential? How is high-potential talent identified? How many HiPos are needed to meet future demand? Finally, how is the development of high-potentials accelerated? The answers to these questions led to a new program, ExPo Leaders Building Leaders. ExPo, which stands for "exceptional potential," is a long-term leadership development experience in SMSG for high-potentials. Leaders Building Leaders is a leadership development philosophy that sets

up a cascading approach to the investment of time and resources by current leaders into emerging leaders at the next career stage level. Microsoft SMSG would apply this leadership development philosophy across less than 4 percent of the population or more than 1,600 high-potentials in 107 countries. To begin, they needed to identify the high-potentials.

### ***High-Potential Identification***

SMSG heavily leveraged the Corporate Leadership Council's 2005 empirical study, "Realizing the Full Potential of Rising Talent." A high-potential at Microsoft is defined as someone with the ability, commitment, and aspiration to advance to and succeed in more senior, critical roles (see Figure 10.1).

These roles include individual contributor, manager, technical and executive leadership. A high-potential differs from a high performer in that a high performer may demonstrate exceptional ability, but may not demonstrate commitment and/or aspiration to advance to more senior roles or to do so in an accelerated timeframe. High-potentials are a subset of high performers and are promotable into the next potential band. In other words, not all strong performers are high-potentials. HiPos must have the ability (skills and competencies), commitment, and aspiration to grow and succeed and be a top performer as a people leader in an accelerated timeframe relative to high performers. The combination of the three is required, and only those employees determined to be highest on all three are selected. As they take on risky jobs, this might



Source: Adapted from Corporate Leadership Council High-Potential Management Survey, 2005.

slow momentarily as they master new skills, which needs to be accounted for. It is expected that they will catch up and continue on a fast trajectory.

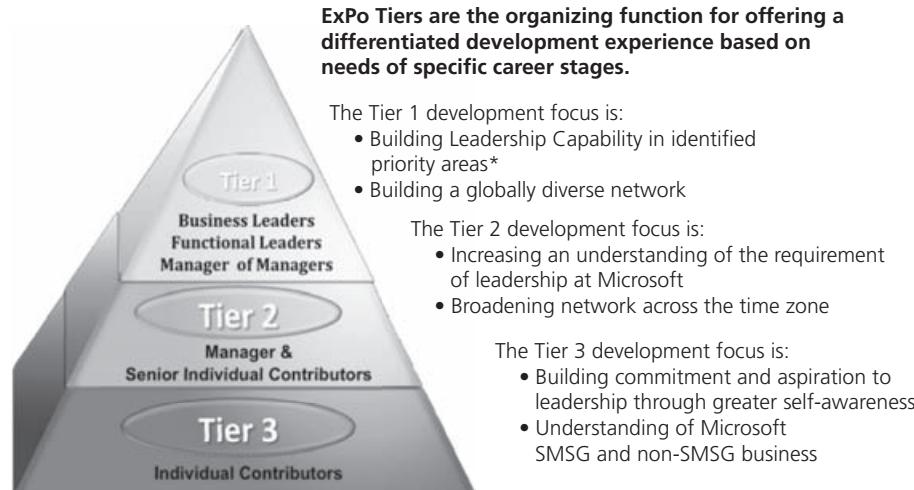
### **ExPo Tiers**

Once the high-potential talent is identified, SMSG sorts them by career stages. Whereas in the former programs, high-potentials were grouped regardless of career stage and received similar development opportunities, ExPo provides differentiated development. ExPo Tiers are the organizing function for offering the development experiences based on the needs of specific career stages. High-potentials are segmented into a three-tier system, as seen in Figure 10.2: junior individual contributors in Tier 3, senior individual contributors and managers in Tier 2, and managers of managers, functional leaders, and business leaders in Tier 1. Each tier has a different focus area based on the unique needs of the particular career stage.

Tier 1's development focus is building leadership capability in priority areas and building a globally diverse network. Tier 2 focuses on building an understanding of the requirements of leadership at Microsoft and broadening the network across time zones. Tier 3 builds commitment and aspiration to leadership through greater self-awareness and understanding of Microsoft SMSG and non-SMSG businesses.

### **Five Drivers of Accelerated Development for High-Potentials**

Once sorted into the appropriate tiers, the high-potentials' development experience begins. Underlying all development are five drivers of accelerated development for high-potentials at Microsoft. The Five Drivers are development activities that *significantly* impact the development of high-potential leaders and are derived from two



\* Microsoft Leadership Model

**FIGURE 10.2. Key ExPo Tiers**

primary sources, the Corporate Leadership Council (2005) and Morgan McCall (McCall & Hollenbeck, 2002; McCall, Lombardo, & Morrison, 1998).

Research indicates that five key areas, if executed effectively, have the most significant impact on high-potential development (Corporate Leadership Council, 2005):

- Senior leadership commitment to developing leaders;
- Manager capability and engagement in the development high-potentials;
- A professional network that allows for contacts throughout the business;
- A high-quality, customized stretch development plan with clear objectives; and
- On-the-job experiences.

These five areas were used as design principles in the design of ExPo. We will consider each one separately.

**Senior Leadership Commitment to Developing Leaders** Executive ownership in high-potential development is critical to the success of any program. Executives and senior leaders play a key role in modeling the behavior expected of all leaders in developing their high-potentials. They are also responsible for holding managers accountable for developing their high-potentials. For high-potentials to accelerate their development, they must have regular interaction with current leaders in order to build their own capability. Observing executives and senior leaders in action and learning from their stories of successes and failures are a foundational aspect of ExPo.

Executives and senior leaders can demonstrate ownership and engagement by committing to and spending time in activities such as

- Being accountable for the success of leadership programs, development of their direct reports, and development of their own leadership capabilities;
- Conducting ongoing reviews of high-potential talent and facilitating cross-company development moves;
- Acting as mentors and coaches;
- Speaking at high-potential conferences, teaching in high-potential program sessions, and sponsoring action learning projects; and
- Spending time with high-potentials in the course of their business travels.

**Manager Capability and Engagement in the Development of High-Potentials** The research indicates that the most valuable development for any employee is on-the-job learning and key to that learning is the active engagement of the employee's manager (Corporate Leadership Council, 2005).

Partnering with the manager to create access to leadership development opportunities in the current role enables faster development of the high-potential. Managers must be provided with training and coaching on how to develop their high-potentials. In addition to coaching, managers should be made aware of the kinds of experiences

that would allow the high-potentials to accelerate their development. When opportunities for those experiences arise, the manager should think first about providing those to their high-potentials.

In addition to being rewarded for business results, managers need to be held accountable through the performance management system for developing their high-potentials. An example would be the inclusion of a measurable objective for developing their high-potentials in their annual performance objectives. It is also necessary to define the accountabilities of the high-potential, the business group, and the organization, as each plays a role in development.

**A Professional Network That Allows for Contacts Throughout the Business** High-potentials thrive when they have a diverse network of people across the organization that they can draw on to gain access to information, solve complex business problems collaboratively, and achieve business goals. More importantly, the network is most powerful when it consists primarily of other high-potentials. High-potentials develop most quickly when they are managed by high-potentials, participate in a team of high-potentials, and manage high-potentials themselves. Consequently, creating opportunities to build a peer and leadership network across the business is a core aspect of ExPo.

**A High-Quality, Customized Stretch Development Plan with Clear Objectives** Ensuring each high-potential has a customized, robust, stretch development plan that contains the right mix of learning based on individual development needs is another important aspect of development. A clearly defined career aspiration statement is the most important element of this plan. Without it, the development gap cannot be established, and impactful development activities cannot be selected and executed.

**On-the-Job Experiences** In ExPo, SMSG has shifted the majority of learning from programmatic to on-the-job development and relationship building. On-the-job development is informed by the experiences that high-potentials have that are related to handling future business challenges and usually includes a cross-business group or international perspective. This type of learning can happen in two ways: placing high-potentials into roles that have been identified as containing key learning experiences or mining current roles for all of the stretch learning opportunities available. Either way, it is critical that learning objectives be defined and that the high-potential is supported in the learning. To gain the most value from development on the job, learning *from-the job* must be facilitated and made explicit.

In many respects the Five Drivers of Accelerated Development may appear to be common sense. But common sense is not always common practice. For example, it is difficult to ensure that every high-potential reports to a high-potential manager, works on a team of high-potentials, and manages high-potentials. Given that high-potentials represent only 4 percent of the employee population, this is virtually impossible. Thus, ExPo educates high-potentials about the Five Drivers of Accelerated Development and asks them to be conscious about activating them in their development. Additionally, ExPo attempts to simulate the drivers within its development activities. They are imbedded through all aspects of the ExPo experience.

### Five Development Components

ExPo allows emerging and experienced leaders to learn from each other through five developmental components that are tied to the five drivers. Each component is executed differently at each tier to provide a unique development experience that builds leader capability over the duration of the ExPo experience. This creates consistency and integrated development for emerging leaders as they move vertically through the ExPo tiers.

The five developmental components, highlighted in the pinwheel (Figure 10.3), provide a leading-edge development experience that builds leadership capability over time.

**Orientation** Orientation provides the programmatic component of ExPo. It is designed to address learning needs that high-potentials have in common, such as understanding the business strategy at Microsoft, increasing business acumen, and understanding what it means to be a leader at Microsoft. Core content relevant for a high-potential leader at the targeted career stage is provided in a classroom setting and is not meant to duplicate development found in other management or leadership development courses.

Sessions are conducted in peer groups, such as Tier 1, Tier 2, and Tier 3, and:

- Introduce high-potentials to the core elements of ExPo;



**FIGURE 10.3. ExPo Development Framework**

- Provide expert instruction—classroom-based education in leadership theory and practice;
- Include opportunities to network with executives (both internal and external) and peers;
- Provide a forum for delivering developmental feedback; and
- Set up executive coaching, mentoring, and “learning circles” (peer coaching groups of five to seven people).

Most importantly, Orientation provides opportunities for leaders who have already demonstrated the targeted competencies (Exhibit 10.1, Microsoft Leadership Competencies) and/or are considered high-potential leaders themselves to teach and share key insights. The program includes and initiates several capability-building activities in order to build individual leadership competencies. Other skill-building activities that are completed in and around orientation include:

Assessment—one of three assessments is used.

- A Microsoft sponsored 360-degree assessment tool such as the MS Leader 360 instrument created internally and used to assess the eleven Microsoft leadership competencies; or
- Kouzes and Posner’s Leadership Practices Inventory (LPI) 360 instrument, which assesses the leadership behaviors associated with The Five Practices of Exemplary Leaders; or
- Assessment of psychological preferences in how people perceive the world and make decisions via the Myer Briggs Type Indicator (MBTI) psychometric questionnaire; and
- Manager/member contracting sessions (a contract is signed to support participation in ExPo).

## **EXHIBIT 10.1. Microsoft Leadership Competencies (Subset)**

Microsoft Leadership Competencies  
Executive Maturity  
OneMicrosoft  
Impact and Influence  
Deep Insight  
Create Business Value  
Customer Commitment and Foresight

A successful development process is a strong partnership between the high-potentials, their managers, skip-level managers, and HR. The partnership is vital for ensuring a concentrated “high touch” and personalized learning experience for each high-potential member. And it is important to highlight that the high-potential development process is *self-managed by the high-potential member* with approval, collaboration, and encouragement from his or her manager, skip-level manager, HR, and POC team. Although the high-potential development process is managed by the high-potential member, without the above-mentioned people contributing time, thought, and effort, the member may still progress, but not at the accelerated rate. The significant expectations on high-potentials and the people involved in ensuring their success rely on each high-potential’s level of committed engagement and the people who are supporting their activities.

The manager/member contract is designed to assist high-potentials and their managers in clarifying the purpose, expectations, roles, responsibilities, and commitments of the high-potential development process between these two parties. To ensure clear understanding of the above-mentioned subjects, a contracting guide and session were created to facilitate a robust conversation between the high-potential, his or her manager, and human resources, which concludes with signed contracts ensuring commitment to the high-potential development process.

The signed contracts between the high-potential and the manager pledge the responsibility of personal and professional development with shared partnership necessary to cultivate the high-potential’s skills and abilities.

**Leadership Conferences** Leadership conferences are business conferences, round-table discussions, and live meetings that bring executives (both internal and external) and high-potentials together for mutual benefit and learning. Area Leadership Teams—thirteen geographic leadership teams comprised of the area VP and his or her direct reports who set the direction for and manage the business—commit to a two-day leadership conference that connects the senior leaders of the area with local high-potentials. These conferences create a forum for dialogue and learning around the strategic business issues and challenges of leadership at Microsoft.

Conferences are conducted across tiers, usually Tiers 1 and 2, with occasional participation from Tier 3. They are designed to facilitate reflection, build critical relationships from one level to the next, and provide an additional forum for sharing learning *from* the job that is discussed throughout the year in other components (particularly “leadership in action” and “learning circles”). Smaller leadership conferences, such as leader roundtables, are also held within business units or areas as appropriate and provide opportunities for substantial networking.

Most importantly, leadership conferences are designed and led by the area leaders in cooperation with local leadership and organization development consultants. Each area is able to choose a conference design that is appropriate to its cultural needs and business challenges, so there are differences in design and format.

Conferences enable high-potentials to:

- Work collaboratively with peers and leadership teams on strategic business challenges;
- Gain insight into the requirements of being a broad business leader and the transition required from functional expertise;
- Develop relationships and raise their profile as high-potentials with members of their leadership team; and
- Build and extend their networks.

**Leadership in Action** Research demonstrates that emerging leaders develop new leadership capability when their learning is linked to real business impact. Development that maximizes this type of learning is called “action learning.” It develops leadership qualities, analytical skills, and strategic thinking by way of experience-based exercises. By including the Leaders Building Leaders dimension so that all participants—Tiers 1, 2, and 3—are engaged in one integrated experience, Microsoft SMSG created Leadership in Action (LIA), which benefits SMSG by:

- Building and promoting a common leadership culture as exemplified by the leadership competencies;
- Developing leaders for the future, while establishing a strategic link between senior and rising leaders; and
- Identifying recommendations and action plans to address top business challenges.

The LIA practicum provides the opportunity for small groups of high-potentials to work on finding new solutions to real and tough business challenges. At the same time they are encouraged to reflect on their thinking and action to maximize their development as leaders. At the LIA practicum, tough business challenges are presented to each small group by a selected team leader, a Tier 1 member. Projects are real business challenges from Tier 1 team leaders and are rigorously selected as appropriate action learning projects. Each team leader works with his or her group throughout the event on a solution that he or she is expected to use in solving the challenge during the next six months.

While LIA is centered on action-learning projects, the program is integrated to leverage other capability-building activities such as assessment, executive coaching, and career-focused coaching, which benefit high-potentials by:

- Providing the opportunity to practice thinking systemically;
- Developing their mastery of listening and coaching through use of action learning methodology;
- Building deep relationships with peers across Microsoft and extending their senior networks; and
- Increasing their strategic perspectives on Microsoft.

In addition, Tier 1 team leaders gain fresh perspectives on their business challenges from the high-potential population.

**Learning Circles** Building leadership networks and collaborative working relationships are two of the most significant leadership needs at Microsoft SMSG. Learning circles are small peer-based learning groups designed to connect diverse groups of high-potentials, both functionally and geographically, to mutually support each other in developing themselves as leaders. Comprised of five to seven high-potentials who meet either face-to-face or virtually, learning circles integrate the learning from current role experiences with development priorities to provide a more impactful learning experience.

Members form close, confidential networks in which they feel free to share support, feedback, and materials to help each other address current priorities and to progress in their careers. Utilizing coaching and feedback as the primary developmental tools, high-potentials surface their learning and identify realistic actions to move their development forward between meetings. In addition, the learning circles enable them to reflect on the actions that they took, which in turn cultivates skills in learning how to learn from their own experiences.

Learning circles enable high-potentials to:

- Drive personal development as a future leader by:
  - Enhancing their proficiency at cross-business collaboration;
  - Increasing their learning agility from their current roles;
  - Customizing action and learning plans;
  - Linking formal learning with on-the-job experiences; and
  - Deepening their insight and understanding of the Microsoft business.
- Create greater business impact by:
  - Creating more effective and diverse organizational networks across Microsoft's emerging leadership talent pools;
  - Sharing support and accountability for results;
  - Increasing performance levels against current performance objectives; and
  - Delivering innovation and execution against key strategic business issues.

**Coaching and Mentoring** In addition to learning circles, Microsoft offers one-to-one partnerships through coaching and mentoring that involve a thought-provoking process that inspires the individual to maximize his or her personal and professional potential. Through individualized follow-up, coaching, and mentoring, they integrate learning from a variety of sources such as assessment feedback, current role experiences, and development priorities to provide a more impactful learning experience.

Coaching and mentoring enable high-potentials to:

- Build skills and close development gaps;
- Develop “big picture” understanding of Microsoft and our industry through cross-boundary and cross-role exposure; and
- Become more accountable for their own development since the coaching and mentoring process is a self-directed one.

Microsoft has a well-developed mentoring program that automatically matches high-potential mentors with high-potential mentees. The coaching process will be described in greater detail later in the chapter.

## **THE PROCESS OF REDESIGNING THE HIGH-POTENTIAL DEVELOPMENT EXPERIENCE**

Creating ExPo was a classic change management project with three phases.

### ***Key Steps and Timeline***

First, Microsoft analyzed the current state—understanding what was working and not working, studying the best practices that existed, and reviewing the research related to high-potential development. Next, the Microsoft team envisioned the future state—considering both internal and external best practices, adopting or adapting them, and creating some new ones. Finally, they implemented the changes. Although this initially began in 2004 with a desire to bring more consistency to the high-potential development experience, the majority of the work took place between August 2006 and August 2007 and was mostly completed by a small team of internal leadership development consultants. It is important to highlight this, as it demonstrates that a change of this magnitude can be completed internally when the right resources are applied. The current state analysis and initial research related to the drivers of development were completed between mid-August and mid-October 2006. A high-level vision was then crafted, refined, and socialized between mid-October and mid-December 2006. Once approved, more research was conducted on best practices in leadership development between January and March 2007 and implementation guides were crafted along the way. The detailed design was communicated in April 2007, and program content was built through the summer in preparation for the launch in October 2007.

### ***Research Activities***

To develop the ExPo program, Microsoft began by asking the question, “How is the development of a high-potential accelerated?” The team was guided to the Corporate Leadership Council’s 2005 empirical study, “Realizing the Full Potential of Rising Talent” (Volume 1), which provided a strong basis for the rationale and drivers underlying ExPo. After analyzing that research and drawing conclusions appropriate for Microsoft’s environment, the team looked at additional research by McCall and Hollenbeck (2002) and McCall, Lombardo, and Morrison (1998).

Once the five drivers were established, the team researched the ways to embed them in the development activities. An extensive literature search for best practices in leadership development was conducted. The team mapped these development activities to the drivers and landed on the five primary development components. With this, the team was able to move from a high-level vision to a more detailed vision. Several months were dedicated to crystallizing the detailed vision and writing implementation guides that would enable HR professionals to comprehensively understand the program so that they could effectively communicate it to business leaders in the field.

### ***Team Structure and Thought Leaders***

Core to design and implementing ExPo was a diverse group of professionals who enabled the change to take place. The team structure evolved over time. Initially in 2004, it began with a group of eight individuals who worked virtually and volunteered their time to the initiative. (By August 2006, three full-time positions were created, which expanded to four by August 2007.) Known internally as the POC Hippies (People and Organization Capability High-Potential Team—with High-Potential eventually shortened to “HP,” which later evolved to “Hippies”), they isolated the five drivers and created the high-level and detailed drafts of the vision. By February 2007, it was clear that, for the change to be implemented globally, more stakeholders would need to be engaged around the world. The team was expanded to approximately twenty members, who represented different segments, sectors, functions, and geographies. As more responsibilities were added, it was clear that the structure to support ExPo also needed to evolve. Today, three teams exist:

**POC Hippies:** A group of nearly twenty organization development, leadership development, and business professionals who share a passion for high-potential development; contribute to the overall design and development of the ExPo experience; and work closely with the ExPo core design team. They meet monthly via two international conference calls and twice annually face-to-face in April (Microsoft Headquarters) and August (international location).

**ExPo Execution Excellence Team:** A group of nine program managers who ensure the execution of ExPo in the thirteen areas worldwide. They meet once monthly at a minimum via conference call and once annually face-to-face in June (location to rotate). They meet virtually and frequently during the pre-launch period (August through September).

**ExPo Core Design Team:** A group of five full-time leadership development consultants responsible for the overall HiPo strategy and experience for Microsoft SMSG and act as the primary thought leaders for the ExPo components. They meet once per year face-to-face in early February and virtually as needed ongoing.

These three teams were the primary owners of the change management plan and transition management activities.

### ***Transition Management Activities***

A change of this magnitude requires leadership commitment, stakeholder involvement, and appropriate phasing. It begins with leadership. Kevin Turner, COO of Microsoft, was unwavering in his desire for one consistent program worldwide. When areas and segments suggested that they were unique and somehow exempt from making the change, Turner did not yield. Instead, he continually asked for one program and one name, ExPo, which was symbolic of the change. In addition, Sue Bevington, CVP HR for Microsoft SMSG, and Jeff McHenry, senior POC director at that time, were equally committed to a common approach to high-potential identification and development, globally.

Critical to making the change was the expanded Hippies team, which met for the first time in April 2007 in Tokyo, Japan, to evaluate the viability of the detailed vision and implementation plan and to provide feedback on how to improve both. Energized by the possibility of change, the team contributed many hours to taking the thinking to all potential HR and business leader populations in order to increase their engagement and the probability of implementation success. In addition, sorting the responsibilities of the team and understanding that three primary team roles were required enabled the team to divide and conquer as the program expanded.

Finally, implementation was phased in over a two-year period. Only four of the five development components were introduced in October 2007. Leadership in Action was held until October 2008 to allow more time for research and testing prior to launch. Likewise, new content is introduced annually as each tier progresses through each year of the program.

Although the program is relatively new, the feedback from the business has been substantial and positive. ExPo has been highlighted as an example of what Kevin Turner calls “business excellence,” meaning “innovation + operational excellence.” The team responsible for the design and implementation has received internal recognition and awards, and the program has been recognized as a best practice by professional associations.

In order to deliver ExPo on the global scale required, partnership with external organizations was critical. As the design and implementation plans were finalized, SMSG began a search for partners who could lend additional subject-matter expertise to a couple of key components, executive coaching and learning circles. More detailed descriptions of the work with these partners, CoachSource and Authenticity Consulting, are provided next.

## **COACHING AS A PRIMARY DEVELOPMENT COMPONENT FOR HIPO DEVELOPMENT IN SMSG**

Executive coaching is offered to Tier 1 ExPo participants (managers of managers, functional leaders, and business leaders) in the first year of their ExPo experience. Microsoft initially met with CoachSource as the potential executive coaching partner because of numerous references to the firm noted in their study of best practices.

They selected CoachSource for the availability and quality of their global coaching pool, use of technology to support the coaching process, and the flexibility they demonstrated in meeting Microsoft's needs. In the first year, approximately 214 of 250 leaders took advantage of the executive coaching program via CoachSource.

Why executive coaching? Microsoft believes that executive coaching provides the most effective ongoing behavioral development for leaders. Participants receive regular, individualized follow-up to help drive behavioral change over time. A coach offers a third-party, objective support for the leader's improvement efforts.

The definition of executive coaching adopted is the "one-to-one development of an organizational leader" (Underhill, McAnally, & Koriath, 2007). While there are different approaches to coaching, ExPo's focus was around the development of leaders in the organizational context. Coaching is focused on changing leadership behavior in the workplace.

**Coaching Process** The coaching design allows for approximately two sessions per month, mostly via telephone (or all via telephone if participant and coach are not co-located). The coaching timeline is provided in Table 10.1. Coaching sessions are focused on feedback from the Microsoft 360-degree assessment, associated Microsoft leadership competencies, other relevant data points, and the Coaching Action Plan (CAP) crafted from the results of this assessment. (A sample is provided in Exhibit 10.8.)

This coaching process requires clearly defined goals to be created, which are outlined in the Coaching Action Plan. After the plan is created, it is shared with the program managers, allowing an additional audit that *tangible goals* are the central thrust to the coaching work. Goals have to be clearly identifiable and behavioral in nature to allow for the use of metrics to measure improvement at the conclusion of the assignment (see "Measuring Results").

Following the "feed-forward" process (coined by Marshall Goldsmith), participants are encouraged to share their development objectives with their key stakeholders. Thus these stakeholders become involved in the participant's growth by being made aware of the development objectives and are able to offer future-focused suggestions related to these areas for development. Stakeholders are then surveyed at the conclusion to measure progress over time.

Coaching is ten hours spread over a maximum six-month period. After this time, unused coaching hours are lost. This is done purposefully to encourage participants to stay active with their coaches and keep momentum alive. Leaders at Microsoft are often pulled toward multiple priorities simultaneously. Enforcing a coaching deadline, as well as cancellation and no-show policies, actually helps drive greater (and more efficient) use of the service.

All coaching activity is tracked via an online web-based database. Coaches log dates of sessions, time elapsed, and any general notes to the database. Program administrators can then easily monitor progress of the pool and provide monthly reporting.

**Participant/Coach Matching** While matching is accomplished through a "full choice" process, it is also designed to operate quite efficiently. Leaders need the element of choice, which research shows increases participant satisfaction and reduces the possibility

**TABLE 10.1. Coaching Timeline**

Coaching Month	Suggested Coaching Hours, Format, and Topics	Coaching/Meeting Hours
1	<b>Session 1 (telephone):</b> Debrief 360° assessment, goal setting, and action planning <b>Session 2 (in person):</b> Finalize action plan, meet with manager to gain support for action plan	1.5
2	<b>Session 3 (telephone):</b> Coaching on goals and action plans <b>Session 4 (telephone):</b> Coaching on goals and action plans	0.5
3	<b>Session 5 (telephone):</b> Coaching on goals and action plans <b>Session 6 (telephone or in person):</b> Review post-coaching development plan, meet with manager to gain support for post-coaching development	1.5
4	<b>Session 7 (telephone):</b> Coaching on goals and action plans <b>Session 8 (telephone):</b> Coaching on goals and action plans	0.5
5	<b>Session 9 (telephone):</b> Coaching on goals and action plans <b>Session 10 (telephone):</b> Coaching on goals and action plans	1.0
<b>Total Coaching Hours</b>		10.0

of mismatches. Prior to program start, all ExPo coaches indicate which of the MS leadership expectations are their “sweet spots” (coaches are allowed to select up to four of the eleven leadership competencies). Simultaneously, the development needs of the ExPo participants are gathered. Each leader is then matched with two potential coaches based on regional location, development needs, and language requirements (in that order). An automated email is sent to the participant with coach biographies attached.

Participants are encouraged to review biographies and telephone interview the first coach of interest. If this seems like a match, the participant commences with that coach. If not, he or she interviews the second coach. (And if that doesn’t work, additional choices are provided, along with a website of all coach bios authorized for ExPo.)

The selection deadline date is enforced, and participants are reminded that coach availability fills up (which it often does). This seems to encourage leaders to make their selections quickly. Nearly all the matching for 214 leaders was complete within about six weeks.

**Measuring Results** Two key metrics are employed during the ExPo coaching engagement. First, a coach satisfaction survey measures participant satisfaction with their coach. Secondly—and much more importantly—a “mini-survey” measures impact. This coach satisfaction survey is automatically run after four and a half hours of coaching is logged (see Figure 10.4).

The five questions asked are:

“How satisfied are you with your coach in the following areas:

Q1: Identifies clear priorities for my growth and development

Q2: Genuinely listens to me

Q3: Provides specific, actionable suggestions/advice

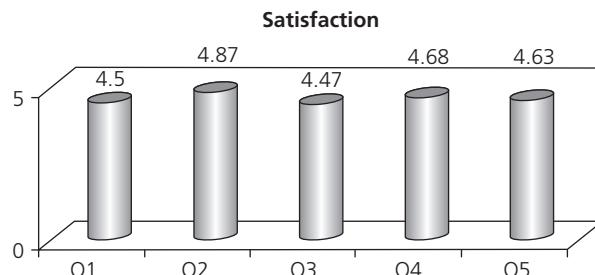
Q4: Communicates in a direct and concise manner

Q5: Overall satisfaction with your coaching experience”

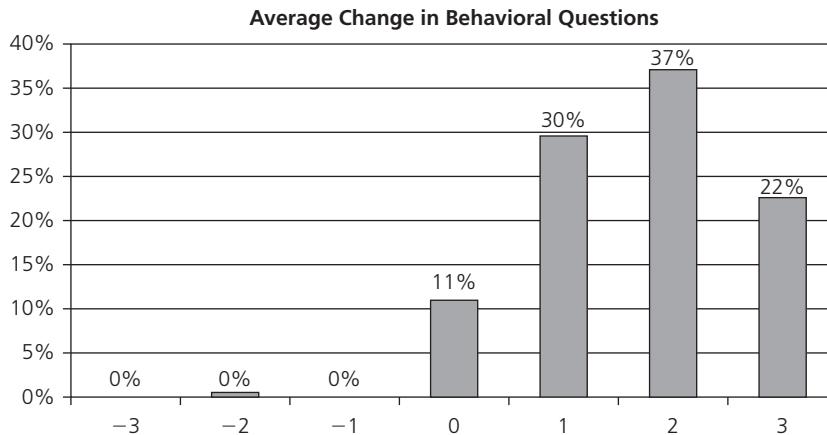
This graph shows high satisfaction ratings among the five questions surveyed ( $N = 39$ ). These data are shared with the individual coaches and adjustments/reassignments are made for any poor feedback.

The mini survey measures improvement over time in the eyes of key stakeholders working with the executive. This is the best “impact back on the job” metric currently available. Results can be aggregated over a set of participants to show leadership impact over time. The mini uses a 7-point “less effective” (-3) to “more effective” (+3) scale (Figure 10.5).

In the first year of ExPo, 22 percent of raters felt the participants had improved at a +3 level; 59 percent noted improvement at a +2 or +3 level; and an impressive 89 percent of raters observed improvement to some degree with the participants (+1, +2, +3 levels).



**FIGURE 10.4.** *Coaching Satisfaction Survey Results*



**FIGURE 10.5. Leadership Effectiveness Improvement**

**Roles and Responsibilities** The participant's boss is an important part of the process. In fact, two of the ten coaching hours are three-way sessions with the participant, his or her manager, and the coach. Managers participate in follow-up metrics to measure improvement over time. Table 10.2 defines the role of the boss (as well as the other key stakeholders).

Roles are clearly delineated for each of the key stakeholders in the coaching process (Table 10.2). Clear responsibilities are defined for not just the participant, coach, and program manager but also for the participant's boss, skip-level boss, and human resources.

**Coach Selection and Orientation** After a fair amount of research into coach qualifications, the general criteria for ExPo coaches include the following:

- **Business/corporate experience:** Does the coach have specific business or corporate experience and/or background? Has he or she coached executives in organizations of similar size, complexity, industry, etc.?
- **Coach-specific training:** Has the coach had training in a coach-specific process and skill set? How much?
- **Experience in giving feedback on 360-degree or other assessments:** Has the coach had training and/or experience in providing feedback and developing action plans around assessments that will be used?
- **Educational background:** Does the coach have a degree, and in what area?
- **Coach credentials and/or base number of accrued coaching hours:** How long has the coach been coaching? How many accrued coaching hours does the coach have?

**TABLE 10.2. Key Stakeholder Roles for HiPo Coaching Program at Microsoft**

Stakeholder	Role Description
<b>Human Resources</b>	<p>Program approval and general oversight</p> <p>Approval of all communication drafts before they are sent to other stakeholders</p> <p>Approve and sign invoices</p>
<b>Coaching Program Manager</b> (SMSG Program Office)	<p>Decide on coach selection criteria</p> <p>Source interested and qualified coaches</p> <p>Interview and select coaches</p> <p>Manage external coach-client match process</p> <p>Obtain contractual agreements with coaches</p> <p>Train coaches in MS leadership development process and external coaching process</p> <p>Manage and communicate with coaches throughout coaching process</p> <p>Assure surveys (for measurements) are designed, completed, and results reported</p> <p>Assure invoicing and payment to coaches</p> <p>Track themes that surface from clients to coaches and provide updates to HR</p>
<b>Participant's Manager</b>	<p>Meet with coach and client twice during external coaching process: once at the beginning of the engagement, once at the end of the engagement</p> <p>Approve and support client's action plan and post-coaching development plan</p> <p>Provide ongoing support throughout external coaching process (meet monthly with client and include action plan as an agenda item)</p> <p>Look for opportunities to acknowledge and support client</p> <p>Understand confidential nature of coach-client relationship</p>
<b>Participant's Manager's Manager</b>	<p>Hold client's manager responsible to the client's development</p>
<b>Participant</b> ("The Coaching Client")	<p>Review biographies of three coaches and call best-fit coach to make a selection by date indicated</p> <p>Take primary responsibility for the coaching experience, goals, and progress, including all meeting agendas, action plans, and post-coaching development plans</p>

	<p>Schedule/reschedule meetings with coach and manager as appropriate</p> <p>Attend and prepare for all coaching sessions</p> <p>Request manager's ongoing support throughout coaching process</p> <p>Complete co-designed fieldwork between coaching sessions</p> <p>Contact program manager if there is any dissatisfaction with the coaching relationship</p>
<b>External Coach</b>	<p>Coach notifies program office when selected by a client and requests they complete an agreement</p> <p>Coach client in feedback of 360-degree assessment</p> <p>Coach client in qualifying and documenting goals and action plan steps, and in post-coaching development plan</p> <p>Support and hold client accountable in movement toward and achievement of goals in progressive sessions</p> <p>Co-design appropriate goal-oriented fieldwork for completion between sessions; hold client accountable for completing fieldwork</p> <p>Be responsive to client between meetings as needed via telephone or e-mail</p> <p>Attend two meetings with client and client's manager</p> <p>Hold client information and meetings in the strictest of confidence</p> <p>Contact HR or client's manager if client is not attending meetings or is unresponsive to contact to set up meetings (aside from a suspected law being broken, this is the only reason that the coach would contact others regarding the client)</p> <p>Collect themes and patterns of issues that Microsoft may need to be aware of (examples: special needs or additional training that may be helpful for group)</p>

- **Willingness to subscribe to International Coach Federation Code of Ethics** (an ethical code in which the coach aspires to conduct him- or herself in a manner that reflects positively on the coaching profession, is respectful of different approaches to coaching, and recognizes that he or she is also bound by applicable laws and regulations): Does the coach subscribe to a code of ethics? If not, would he or she be willing to sign a contract subscribing to the ICF Code of Ethics?
- **Willingness to sign a contract for services:** Is the coach willing to sign a contract or agreement (with all of its organizational specifics) for the coaching?

- **Availability/capacity to take on new clients:** How much space does the coach have in his or her schedule to take on the number of new clients you need to have coached?
- **Specific language requirements:** Is the coach fluent in a specific language needed to coach participants?
- **Location of coach and participant:** Is the coach located in a specific time zone? Although most coaching can be done over the telephone, time-zone proximity will make scheduling easier.

Using the number of ExPo participants and their regions, a forecast is made on how many coaches are needed in each region (based on a 4:1 or 5:1 ratio). In the Americas, a group of Microsoft coaches already met these criteria, and a majority of those were invited to return to ExPo. Outside of the Americas, the worldwide resources of CoachSource were brought to bear to screen and bring this talent on board. CoachSource screened the coaches according to Microsoft's criteria and brought the international coaches into the pool. Local Microsoft human resources professionals reviewed these biographies and selected coaches for the pool.

Approved coaches then indicated their maximum capacity for ExPo leaders, so SMSG wouldn't overload them. In the end, the ExPo pool numbered fifty-three coaches in thirteen countries, capable of coaching in thirteen languages.

Coaches then attended two virtual teleconference orientations of two hours length, the first focusing on Microsoft and the SMSG business, the second specifically highlighting the details of the ExPo program (coach expectations, the process and timeline, coach-participant matching, manager engagement, coaching success measures, and invoicing process). Coaches already working with Microsoft were exempt from the first orientation, but all coaches were required to join the second session. Microsoft's own LiveMeeting technology was used for these sessions.

**International Coaching Forum** One of the most rewarding endeavors was the Coaching Forum, held in Microsoft's headquarters in Redmond, Washington. All coaches were invited for the two-day forum. It began the night before the two days with a welcome reception. Day one included presentations by Microsoft executives and coach round-table discussions. The day wrapped up with a special dinner at the Seattle Space Needle. Day two began with joint time between coaches and Microsoft HR, presentations from several executive coaching thought leaders, a tour of the exclusive Home/Office of the Future demo, followed by a visit (and discounts) to the company store.

Coaches were paid a small stipend, and their expenses were covered once they arrived in Seattle. They were not compensated for airfare or professional fees for the two days. Despite this limitation, 70 percent of the pool attended, including coaches from as far away as China, Ireland, England, Peru, and Australia. Feedback from the two days was overwhelmingly positive: the wealth of best-practice sharing, networking, and overall goodwill generated by the event made it worthwhile for all. A sample action plan is shown in Exhibit 10.2 on page 200.

## LEARNING CIRCLES AS A PRIMARY DEVELOPMENT COMPONENT FOR HIPO DEVELOPMENT IN SMSG

### ***Circles Process Mirrors How Today's Leaders Work and Learn***

As with executive coaching, Microsoft selected a leader in the field of peer learning experiences when it was ready to launch learning circles. Authenticity Consulting demonstrated the expertise necessary to make this component viable and sustainable on a global basis. According to Carter McNamara, co-founder of Authenticity Consulting:

*"The world of today's typical business leader is very chaotic. In an environment as complex as what Microsoft presents, day-to-day leadership challenges are seldom addressed by carefully chosen, well-structured and highly rational approaches to problem solving. Leaders often don't have time to do that kind of planning for each challenge. Instead, leaders often resort to highly intuitive, real-time approaches that are based on the leaders' learning from their past experiences and on help from others in the organization.*

*"The most effective leaders have 'learned how to learn,' that is, they've developed the ability to closely examine their own perceptions, conclusions, and actions. They've used that insight to more fully understand their current day-to-day challenges, including what works and what doesn't work to address those challenges. Circles are based on the adult learning and problem-solving process called action learning that very closely matches the real world of today's leaders. As a result, the 'circles' process helps members develop and practice leadership and problem-solving skills that can very quickly be applied in the workplace." (McNamara, 2007)*

Learning for a “circle” member does not occur only when that member is getting help from other circle members. It occurs during the entire meeting when thinking about other members’ coaching goals and actions. It occurs when realizing the many interests and challenges of other members in the workplace. Also, it occurs between meetings when taking actions and reflecting on the results of those actions.

### ***Unique Principles of Learning Behind Learning Circles***

The circles process is in close conformance with these state-of-the-art principles of adult learning:

- **People learn best when they apply new information to current challenges.** The urgency of current challenges often causes people to be far more interested in using recent learning to address those challenges and, thus, to be far more involved in understanding and benefiting from that learning.
- **People often learn best when they share ongoing feedback with peers.** People often place more value in the help they receive from others in similar situations than from “outside” experts. Continual dependence on outside experts can sometimes cultivate passivity and dependency in people, minimizing their own capabilities.

## EXHIBIT 10.2. Coaching Action Plan



### FY09 ExPo Program: Coaching Action Plan

The purpose of this document is to provide high-potential employees a coaching action plan, agreed on with their managers, which can complement the ExPo development experience.

#### 1. Complete the action plan.

Identify one to three Leadership Competencies you will work on (from your 360-degree results or other feedback items). Full leadership competency descriptions are available on HR Web at <http://hrweb/US/CareerModel/Find/Competencies/leadership-comp.htm> for assistance with mapping leadership competencies and manager or profession competencies; email "expcoach."

Goals: Identify one to three goals that you are most passionate about working on.	Measures: How will each goal be measured (can be quantitative or qualitative)?	What specific action steps can you take in support of this goal?	Potential Business Impact: What is the value to you and the business if you do not achieve your goal?
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What is the value to you and the business if you do?

Target Date: Set a target date for each goal.

#### 2. Schedule the coaching action plan contracting conversation with your manager.

**Contracting Conversation:** Set up some time to review this document with your manager and coach, ensuring a meaningful conversation and agreement regarding your development plan. Contracting is another form of commitment—commitment to working in a partnership as manager and ExPo member. Think of it as a commitment to maximize your potential; which was identified during

nomination; and ensure continued strengthening of the criteria on which a high-potential employee is identified: aspiration, ability, and commitment.

3. Prepare questions that will be used to verify coaching effectiveness.

At the end of coaching, a "mini survey" will be conducted with your stakeholders.

List two or three questions that reflect the leadership behaviors you are working on with your coach.

Questions

- 1) Has this person shared with you in the past six months what she is working on?
- 2) Do you feel this person has become more effective or less effective as a leader in the past six months?
- 3) The following improvement area(s) have been specifically selected by this leader.  
Please rate the extent to which this individual has increased/decreased in effectiveness in the following areas of development in the past six months.
  - Being less specifically directive during project work, versus being inclusive with others ideas and contributions
  - Ability to give feedback in a manner that is genuinely heard and seriously considered by others
  - Able to effectively work with conflict, remaining engaged, without attempting to avoid it or dissolve it at all costs
- 4) What has this person done in the past six months that you have found particularly effective?
- 5) What can this person do to become more effective as a leader in the areas of development noted above?

4. ExPo Learning Commitment:

Signoff:

**Member:**

**Manager:**

Please take appropriate steps to update and then periodically review your commitments in the Performance @ Microsoft tool and track resulting development activities in your development plan in Career Compass.

- **The person with the problem is the expert on the problem.** The problem presenter is most closely involved in the problem and, therefore, can have the most ability and influence to understand and solve the problem. Quite often, the solution to the problem has to start with that person.
- **Finding the right problem is as important as solving it.** Often, people only see the symptoms of a recurring problem, rather than its real cause. Thus, the problem tends to recur. It is frequently caused more by how the person perceives it versus missing a specific piece of new information. Understanding one's own perceptions and conclusions can enable better learning.
- **Learning involves the whole person.** People cannot learn unless they are ready to learn. Therefore, learning environments must provide opportunities for learners to be involved in that learning. They must be able to fully question new information and materials, to try them out, and to reflect on how that learning best suits how they learn.

### ***Learning Circles Compared to Traditional Forms of Training***

Table 10.3 compares traditional training with action learning-based learning circles. The contents of the table do not suggest that one form is always best. Often, both forms together make for very powerful learning and development.

#### ***Life of a Circle***

**Circle Kickoff** The “core” circle process, which is common to all tiers, is introduced early in the ExPo experience. Each circle starts with a one-day kickoff session at orientation, during which members learn about the circle process, including the circle agenda and how to select the most appropriate coaching goals to work on in their

**TABLE 10.3. Traditional Learning vs. Learning Circles**

Traditional Training	Learning Circles
Students are taught by expert instructors.	Learners develop from the inside out.
Students are expected to master subject matter.	Learners focus on actions and learning from those actions.
Instructors pose questions to lead students to discover the existing correct answer.	Learners share questions to increase understanding and develop action plans.
Instructors use simulated exercises to help students master information.	Learners focus on real-life problems to get things done and learn at the same time.
Instructors reinforce the correct answers.	Learners encourage each other to explore their thinking and actions.

meetings. They learn how to coach and receive coaching, how to identify appropriate actions to take between meetings, and how to capture learning during the life of the circle. Members also learn how to self-facilitate their circle meetings.

The kickoff meetings help circle members to be comfortable with the process, develop trust and commitment within the circle, be open to other members, and create a self-facilitated, long-lasting team.

**Circle Meetings** The power in circle meetings is in their simplicity. Each circle includes five to seven members, ideally six. Members are encouraged to meet four to eight times a year. Circles for Tiers 2 and 3 are self-scheduled, self-facilitated, and usually conducted virtually via teleconference. Circles for Tier 1 might include a mix of externally facilitated and self-facilitated meetings. Meetings are from an hour and a half to three hours long, depending on the number of members per circle and how often members can schedule their meetings. Circles function more effectively when they have frequent and short meetings (for example, eight hour-and-a-half meetings) versus infrequent and longer meetings (for example, only four three-hour meetings). In the meetings, each member addresses a current, real-world priority called a coaching goal that exists in the member's workplace or career. Each member receives equal time in the meeting to get help from other members to address priorities and to identify relevant and realistic actions to take between meetings. Each member learns from the coaching and feedback from the other members and from the reflections on his or her ongoing actions between meetings. Brief, practical evaluations ensure high quality and continuous improvement of the circle process. Ground rules, especially confidentiality, are stressed during each meeting.

### **Coaching Goals**

Each circle member chooses a coaching goal to address in each circle meeting. The goal is considered appropriate if it is in regard to a current, real, and important priority for the member. Usually goals are in regard to matters in the workplace. However, occasionally, a member might take advantage of the trust and confidentiality in the circle to share somewhat personal struggles regarding the goal.

For ExPo Tier 2, members are encouraged to select coaching goals related to enhancing their leadership capabilities in Microsoft. For ExPo Tier 3, members are encouraged to select coaching goals related to learning more about the Microsoft business and/or choosing a career in leadership in Microsoft.

Here are some examples of coaching goals used by members of circles:

1. “I’m really excited about the goals in my career plan. There are so many, I’m not sure where to start.”
2. “I don’t know how to delegate. All my tasks are in my head. How can I get started?”
3. “I need to manage my time more effectively. I’ve taken time management courses, but they didn’t seem to be helpful.”

4. “I’m supposed to convey my department’s vision to my employees. What is a logical next step?”
5. “There’s a big gap between our five-year vision and what we’re doing now. How can I bridge that gap?”
6. “I want to go to the next level of leadership. I’m not sure how to do that.”

### ***Actions Between Meetings***

During meetings, each member identifies relevant and realistic actions to take to address the coaching goal. Between meetings, the member conducts those actions and records any learnings from those applications. In the next meeting, members choose to report the results of their actions and/or introduce a new coaching goal to work on. Between circle meetings, it’s common for members to contact each other to update each other on their actions and learning, to share materials, or to see how others are doing and whether they need any help.

### ***Circle Termination and Renewal***

After a full year cycle, circles are formally closed, although circle members may continue their circles on an informal basis. Microsoft does not provide facilities and resources to support the circles continuing beyond one year. Instead, high-potentials join a new circle, with new members, at the beginning of each year in order to expand their network.

### ***How Circles Are Organized***

Circles can be used for a variety of results, for example, to solve problems, achieve goals, cultivate close networks and collaborations, deepen and enrich development programs, teach coaching skills, or even provide support groups. Circles are organized differently depending on the desired results. Microsoft uses circles primarily for networking, collaboration, and learning, although the other results are often achieved as well. Therefore, circles are organized according to the following guidelines:

***Members with Similar Interests and Responsibilities*** It’s important that members of each circle have somewhat similar interests and levels of responsibility so that they can quickly understand each other’s coaching goals and quickly share help and materials that are highly relevant and quickly understood. This guideline ensures that members feel they have enough in common to form a strong team. For example, in ExPo, some Tier 2 circles are comprised of managers and/or senior individual contributors (many of whom have been managers) interested in enhancing a particular management competency in Microsoft.

***Members with Somewhat Different Personalities*** Next, sufficient diversity in the nature of the members of a circle enhances the experience. Diversity of perspectives, ways of learning, and decision-making styles often results in more robust coaching and

problem solving among members of the circle. It also expands each member's ability to understand and work with different people in the workplace.

**Members with Different Functional Roles** Finally, members of each circle should represent different business areas so that members can learn more about all of the other areas and activities within Microsoft. The diversity of roles creates a rich environment for networking and collaboration.

### **Results and Benefits for Circle Members**

Circle members have reported multiple benefits of circle participation, including:

- Substantial cost savings as members share coaching, feedback, and materials;
- Confidential network of peers who respond to a call for help;
- Individualized attention to their needs;
- Leadership skills—skills in establishing priorities and in motivating themselves and others to address those priorities;
- Numerous interpersonal skills, including communicating, consulting, facilitating, and problem solving;
- Resolved real-world issues from using real-world advice and materials; and
- Time to stand back and reflect.

A sample of quotes from circle members follows:

- Accountability—"I feel like I'm letting my circle down when I don't take my actions or help other members."
- Coaching, consulting, mentoring skills—"I've learned to better understand my people's needs and how to help support their own learning."
- Information, materials, and tools—"Additionally, handouts and resources made available on request or in response to a goal have been very good and helpful, targeted and appropriate."
- Knowledge—"I got a fair amount of substantive knowledge about management planning; my other stuff ends up on a bookshelf somewhere."
- Motivation—"What has been most useful is the motivating 'kick in the butt.'"
- Networking—"It is difficult to establish friends and colleagues among organizations who are competitive. This forum allows collegiality to flourish."
- Problem resolution—"I've gotten through several tough issues, even in the first months, with my group."
- Productivity—"The group has spurred me on to getting a lot done."

- Professional development—"This has made a huge difference in my ability to see my role in perspective and my take on leadership; my work, and my comfort with my work have improved considerably from this experience."
- Renewal—"This is the best burnout prevention I can imagine."
- Safe environments—"I can say things here that I can't say anywhere else; I feel safe."
- Self-development—"I am seeing my own experience in a different light and am seeing common issues handled in different ways that I can use—at work and as a volunteer."
- Support—"I continue to receive a] lot of good support from my circle members."

## CONCLUSION

Microsoft has a strong commitment to building leaders at all levels. The ExPo Leaders Building Leaders program is an integrated and comprehensive high-potential development program encompassing multiple learning methodologies, tailored to each leader's level in the organization. The research-based design includes elements of assessment, coaching, mentoring, learning circles, action learning, and business conferences.

As the program progresses into its fourth year, initial ExPo participants are now participating as conference instructors and mentors for new participants. In this way, participants are learning that they are part of a community that continues to grow and develop itself beyond the initial experience. The expectation is that participants will give back to the program over time.

Meanwhile, as the economy continues to challenge the company, Microsoft's investment in ExPo continues unabated. In July 2008, COO Kevin Turner said, "Developing future leaders in the company is one of the most important things we can do as a leadership team." Thus ExPo will continue without any cutbacks, given the critical nature of this development in Microsoft's future.

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# CHAPTER

# 11

## MURRAY & ROBERTS LIMITED

**ZELIA SOARES**

Building a “leadership pipeline” to manage talent through rigorous performance management and development as a lever to deliver sustainable business results.

- Introduction
  - Background
  - The Business Case
  - Analysis and Customization
  - Validation and Communication
- Design and Alignment
  - Rationale: Performance and Development
  - Understanding Performance

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The author would like to acknowledge Drotter Human Resources, who provided a sound methodology and language that was user-friendly to implement. She would also like to acknowledge the line managers and individuals who have embraced the Leadership Pipeline philosophy, making it part of their everyday management.

- Performance Management and Development Contract
- Appraisal Process
- Understanding Potential
- Implementation
  - Training
  - Leadership and Succession Review
  - Annual Performance Management and Development Process
- Evaluation
- Summary
  - What Happens Next?

## INTRODUCTION

### ***Background***

Murray & Roberts is South Africa's leading engineering, contracting, and construction services company. It has created employment, developed skills, installed infrastructure, delivered services, applied technology, and built capacity throughout South and Southern Africa for 106 years, making a significant contribution to sustainable socio-economic development in the region.

Murray & Roberts operates in Southern Africa, the Middle East, Southeast Asia, Australasia, and North America from its home-base in Johannesburg, South Africa, where it has a public listing on the Johannesburg Stock Exchange Limited. It has an international coordinating office in the United Kingdom and principle offices in Australia, Botswana, Canada, Namibia, United Arab Emirates, and Zimbabwe.

Murray & Roberts is primarily focused on resources-driven construction markets in industry and mining, oil and gas, and power and energy, and offers civil, mechanical, electrical, mining, and process engineering; general building and construction; materials supply and services to the construction industry; and management of concession operations.

The Murray & Roberts value proposition is defined through its non-negotiable commitment to sustainable earnings growth and value creation. The Group aspires to world-class fulfillment in everything it does, through its core competence in industrial design, delivering major projects and services primarily to the development of emerging economies and nations.

### ***The Business Case***

As the Group's value proposition took shape, came the recognition that people are the cornerstone of sustainability and that a unitary leadership framework was required if the Group was to succeed in delivering on its high-profile order book.

Talent management processes and practices such as performance management, development, and succession were not formalized, and—in some companies—nonexistent. The Group had no centralized talent inventory or succession plan.

In September 2006 after extensive research, Steve Drotter's Leadership Pipeline philosophy was ratified by the Murray & Roberts Holdings Board as the Group's strategic framework for managing talent. This philosophy offered the Group an integrated approach to managing and growing talent using toolkits (performance management and development as well as talent reviews) that line managers and individuals could understand and easily apply. The Leadership Pipeline philosophy allows companies to segment work into various leadership layers and to define what output is required at each layer. This becomes a proven model for identifying future leaders, assessing their competence, planning their development, and measuring the results.

As denoted in outline below, the core architecture of the Leadership Pipeline offered Murray & Roberts a solution which consisted of four drivers. These drivers were implemented in a two-phased approach:

### ***Leadership Pipeline Core Architecture***

*Phase 1—Analysis and Customization:* Build the business case (the destination) and the tailored Murray & Roberts Leadership Pipeline and performance standards (accountability anchor).

*Phase 2—Design and Alignment:* Design and implement the performance management and development process (the foundation) and introduce the Leadership and Succession review process (the driving mechanism).

### ***Analysis and Customization***

Phase 1 took three months to complete. A project team reporting to the enterprise capability director was put together to complete this phase. The project team consisted of both line managers, HR practitioners, and a consultant from Drotter Human Resources. This reinforced the fact that this project was responding to a business need and was not just another human resources initiative.

A clear vision was articulated: The Leadership Pipeline will deliver the leadership the Group requires to deliver on its growth objectives by ensuring that:

- Every leadership job is filled with a fully performing individual now (high *performance*) and in the future (*succession*) no matter how much Murray & Roberts changes or how fast it grows.
- Every leadership job in Murray & Roberts is absolutely necessary and adds appropriate value.
- Murray & Roberts leadership pipeline, as the core leadership delivery system, is effective from top to bottom.

- Murray & Roberts is able to make high-quality appointment and deployment decisions quickly with high confidence.

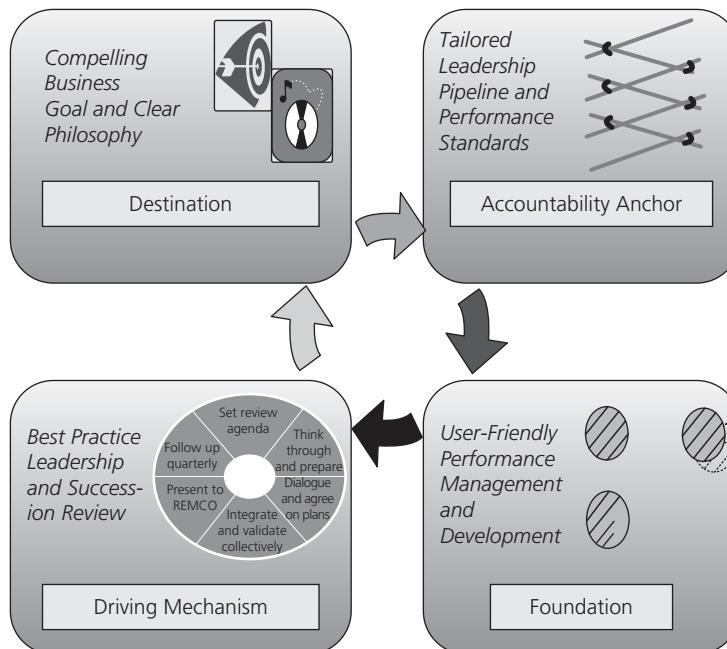
This vision resonated with line managers at all levels, as it gave them a working solution to an ongoing business need.

The Leadership Pipeline differentiates and distributes work from the chief executive officer (CEO) to the entry-level individuals. Each layer requires specific skills, mindset, and delivery. The task of the project team was to customize a Murray & Roberts Leadership Pipeline by identifying what work is done in the Group to deliver on the strategy.

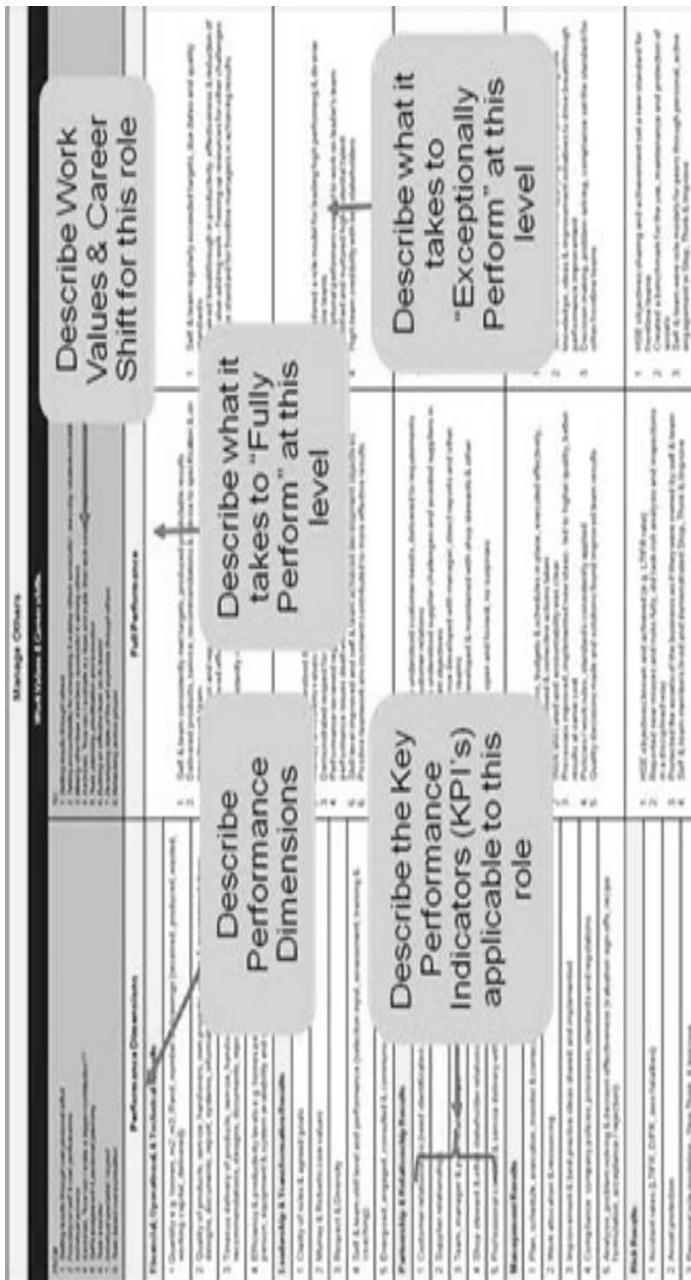
The customized Murray & Roberts Leadership Pipeline was designed by conducting sixty structured interviews across both hierarchy and business. These interviews were detailed in nature, and took three to four hours to conduct.

Once all the interviews were completed, a week was set aside to analyze the interview data and design an appropriate leadership pipeline (see Figure 11.1) consisting of eleven different roles.

The next step was to develop generic one-page performance standards that described each pipeline role (see Figure 11.2). These were then benchmarked against global standards kept by Drotter Human Resources.



**FIGURE 11.1. Murray & Roberts Leadership Pipeline**



**FIGURE 11.2:** *An Example of a Typical One-Page Performance Standard*

The eleven performance standards described performance in five performance dimensions:

- Financial/Operational and Technical Results
- Leadership and Transformation Results
- Partnership and Relationship Results
- Management Results
- Risk Results

In the past, individuals were only measured on bottom-line delivery, resulting in a myopic view of performance that did not support sustainability or the Group's growth strategy. Now, the five performance dimensions ensure that individuals are measured and developed on both what they need to deliver as well as how they need to deliver it—results and behaviors. This will support a culture of sustainable results and continuous improvement that is imperative to the Group's growth strategy.

The generic performance standards raise the bar of performance across the Group, and set the standard of what is expected. They are easy to keep updated and are available on the Group's intranet. This transparency encourages individuals to take accountability for their careers as performance requirements are clear and objective. Figure 11.3 is an example of what a typical performance standard looks like: The first column describes



**FIGURE 11.3. *Role of Performance Standards***

what performance is required, the middle column describes what full performance looks like, and the last column describes what exceptional performance looks like. The Performance Standards are now the starting point for both line managers and individuals when dealing with any people management issues. They have replaced the need for traditional job descriptions and competency models. (See Figure 11.3.)

### ***Validation and Communication***

Once the customized Murray & Roberts Leadership Pipeline and Performance Standards were finalized by the project team, a process of validation began in the Group. Validation was conducted in a structured top-down approach, starting with the chief executive officer and cascading it throughout the Group via sessions with each managing director and the relevant management team. The reason for this was the realization that the implementation of the Leadership Pipeline would require a culture shift in the organization, and that it was not just a process implementation. Visible leadership was critical to the implementation and sustainability of a new way of doing things.

An initial presentation was given at the CEO's monthly forum attended by all the managing directors across the Group. At this meeting the business case, rationale as well as the customized Leadership Pipeline and performance standards were explained. It was agreed that the same presentation would be given to each management team across the Group.

At the business presentations, the relevant managing director was responsible for introducing and endorsing the Leadership Pipeline. Each business was also encouraged to validate the customized pipeline and performance standards and to provide the implementation team with feedback.

These business presentations took three months to complete and gave the implementation team a good sense of which businesses would be ready to move on to the next phase of performance management and development implementation.

## **DESIGN AND ALIGNMENT**

### ***Rationale: Performance and Development***

While validation was being done, a performance management and development process was designed in alignment with the Leadership Pipeline. This process is the foundation to the Leadership Pipeline philosophy, as it ensures that:

- A shared purpose is created.
- The work is differentiated and delivered at each layer of the pipeline.
- People are developed to deliver the required work.
- Succession and career management is sustained.
- A common language is used.

The following design criteria were critical:

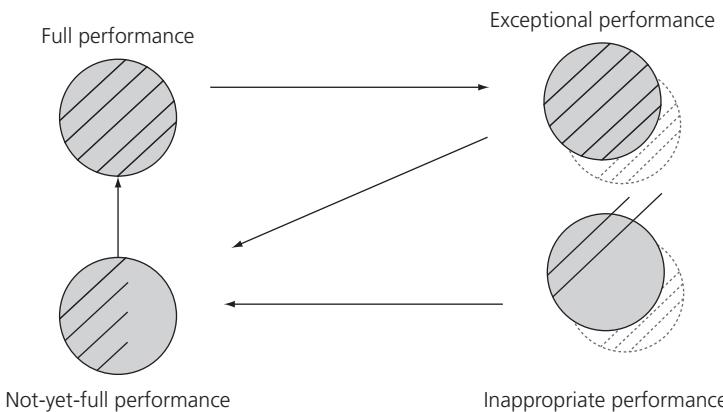
- Strategic alignment
- Simplicity
- Group solution
- Measurable
- Developmental
- Objectivity
- Transparency

### ***Understanding Performance***

To keep the process simple, The Leadership Pipeline philosophy moves away from using a numeric system of describing performance, and opts for a qualitative approach (full, not-yet-full, and exceptional). This requires managers to apply a thinking model supported by evidence as opposed to manipulating and arguing about numbers. (See Figure 11.4.)

Performance is defined through the symbolic use of a circle. The circle depicts the job while the five performance dimensions are each represented by a line in the circle. This simple methodology assists the manager and individuals to keep performance conversations focused and objective:

- *Full performance*—the circle is full, meaning that the individual is delivering the work that is required at this layer of the pipeline in all five performance dimensions.



**FIGURE 11.4.** *Defining Performance*

- *Exceptional performance*—the individual is not only achieving the required results, but is also doing work outside of the circle. This work is typically that of the next layer of the pipeline, showing that the individual has excess capacity.
- *Not-yet-full performance*—one or more gaps identified requiring development interventions.
- *Inappropriate performance*—the individual is only doing some of the work required (possibly what he or she likes or is good at) and the rest of the time doing work at the layer below. This is a typical profile of a micro-manager.

### ***Performance Management and Development Contract***

As the Leadership Pipeline and performance standards provide the foundation for performance management, there was no need to design complex templates. An extra column was simply inserted into the performance standard where individuals could capture their job-specific targets, and the exceptional performance column was removed, as individuals contract for full, not exceptional, performance. (See Figure 11.5.)

In the first year of implementation, a paper process was used. Templates were available on the intranet, and the first three layers of leadership were required to complete the process. The focus of the first year was to establish the new language and ensure that the senior leaders of the Group were able to use the new process and adjust their leadership styles to support the process. Leaders had to learn to engage their people and become comfortable in making judgments through observation and evidence.

The automated process was introduced in the second year of implementation. The system was designed for simplicity, and online templates looked exactly the same as the paper templates, avoiding confusion and re-learning of the process. Daily electronic reports were made available to each managing director and HR executive on the status of performance management in the company. Monthly reports were also given at the Group's board meeting to keep the process on the radar screen.

The performance and development contract has two parts:

- The performance contract
- The individual development plan

Once the individual and manager agree on the individual's pipeline role, the individual receives an electronic workflow with a link to the performance management system. In three easy steps, individuals compile their performance contracts and development plans and send them to their managers for discussion. As the template provides a framework for the standard of performance, only job-specific targets need to be formulated. Individuals are encouraged to pick only two to four critical key performance targets per performance dimension. These targets need to be formulated in measurable end-result terms (outputs not inputs). All five performance dimensions have to be considered. This ensures that individuals are measured on both the "what" and the "how" and no longer just on bottom-line results. Once agreement is reached, the individual accepts the contract as final, and the system files the document.

Manage Managers			
Key Performance Indicators (Typical Results)	Full Performance	Job Specific Targets/Objectives	
<b>Financial, Operational, and Technical Results</b>			
1. Financial results (budget - sales, costs, overheads) 2. Project delivery (design-build, on time, industrially designed & commission effectiveness) 3. Department delivery of services (e.g., tenders; contracts; people; advice; recommendations; standards; intelligence) to client expectations 4. Productivity & efficiency	1. Self & teams consistently met targets, produced predictable results 2. Delivered project results to tendered parameters (cost, time, quality) 3. Delivered services to client expectations		
<b>Leadership &amp; Transformation Results</b>			
1. Functional strategy contribution, translation, & execution 2. Murray & Roberts core values 3. Respect & diversity 4. Selection, coaching, training & development of direct reports & key people 5. Team strength & performance levels 6. Energized, engaged, consulted, & communicated	1. Contributed to development of functional strategy & translated strategy into operational goals & objectives 2. Ensured all department/project/regional members understood, supported & executed the values, vision, and goals of the function 3. Lived, shared, and ensured that everybody in the department/project/region understood the Murray & Roberts core values 4. Achieved diversity targets and ensured respect for people throughout the department / project / region 5. Frontline managers hired based on demonstrated leadership capabilities rather than only on technical expertise—selected managers of others that “can do & lead” 6. Sought opportunities for growth and development and produced written development plans for self and direct reports	<p><i>Individuals select 2-4 generic KPIs from the first column and develop customized targets for their specific job in this column. The full performance column guides the thinking.</i></p>	
<b>Partnership &amp; Relationship Results</b>			
1. Clients, suppliers, & partners 2. Team manager & poor relationships 3. Shop steward & other stakeholder relationships 4. Crossfunctional team work 5. Professional conduct & service delivery with integrity	1. Client, supplier, & partner relationships delivered predefined department/project/region objectives 2. Trusted and respected by manager, direct reports, peers, & other managers 3. Built & maintained constructive relationships with shop stewards & other stakeholders 4. Self & teams understood challengers facing other departments/projects/regions Self & teams were open and honest, no surprises		

**FIGURE 11.5. Example of a Performance Contract**

The development plan entails three steps:

- The manager and individual agree on the individual's current status of performance by drawing the performance circle. This is supported by work evidence and not opinion.
- Once the circle has been discussed, strengths and development areas are easily identified.
- An appropriate development plan is agreed to. To encourage managers and individuals to consider development more broadly than just educational interventions, the development template breaks down the possible developmental interventions as:
  - On-the-job development
  - Manager coaching
  - Educational intervention

Figure 11.6 shows the one-page individual development template designed to focus on immediate actions that will make a difference to performance.

### ***Appraisal Process***

The annual performance cycle comprises three key evaluation activities:

- Informal circle discussions done monthly;
- Interim formal performance and development review done in January, six months into the performance year; and
- Final performance and development evaluation done in June at the end of the financial year.

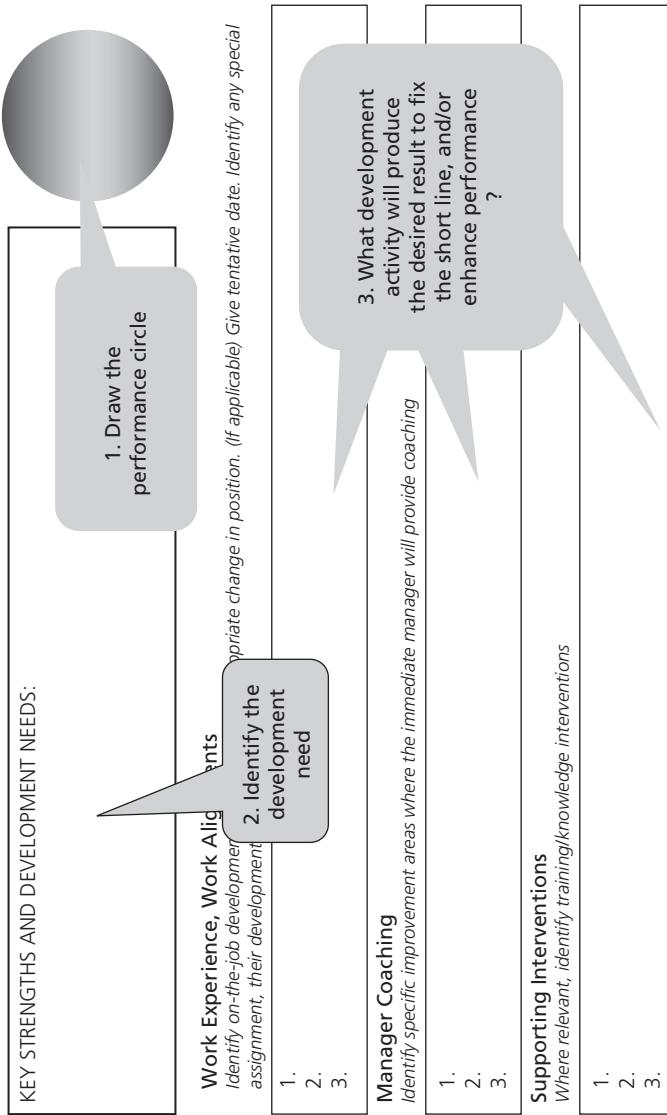
The informal monthly circle discussions are critical, as it is at these sessions that real performance management happens. The manager identifies both the work that is being done, as well as the work that is not being done, and develops and coaches the individual to do the work.

The two formal reviews should merely be summaries of what has been discussed in the monthly meetings. Managers who do not have the monthly discussions will lack the evidence to make meaningful judgments.

In the final performance and development evaluation, managers will not only be expected to make a call on the individual's performance, but they will also be required to make a call on the individual's potential. This information allows for talent to be segmented and leads into the annual leadership and succession review. As always, judgments must be backed up with evidence.

### ***Understanding Potential***

Potential considers the current performance and predicts where the individual is likely to be in two years' time. If there is no evidence of performance, potential cannot be



**FIGURE 11.6.** Example of an Individual Development Plan

measured. The Leadership Pipeline philosophy defines potential in three categories to assist line managers in interpreting the individual's performance against the performance standards:

- *Turn Potential*: The performance indicates that it is likely that the individual can make a turn to the next pipeline layer.
- *Growth Potential*: The performance indicates that the individual can transition to a bigger job at the same pipeline layer.
- *Mastery Potential*: The performance indicates that the individual should continue in the same role, but with continuous learning and improvement.

Managers are required to make this decision in conjunction with the individual. This transparency is fundamental to the retention of skills as well as career management.

## IMPLEMENTATION

### *Training*

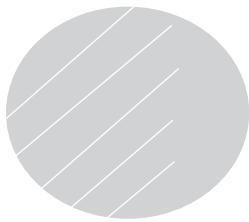
It was decided to implement the performance management and development process in a phased approach, starting with the top three levels of each company across the Group. Senior managers had to understand and believe in the process (walk their talk) if it was to succeed. Also, as the process starts with each managing director, strategic alignment is achieved and cascaded through the contracting process.

Intensive four-hour interactive training sessions were designed and delivered to not only ensure that managers understood the theory and the tools, but also to help them to develop their performance and development contracts.

Training sessions were facilitated at the different companies by the two project team members who ensured that the same message was being delivered throughout the Group. The managing director (manage business) and his executive team (manage function) were trained first; then training was cascaded to the third level (manage managers). The facilitators were also available to assist the managing directors with their contracts, and to do quality control as required. Supporting material such as relevant articles and "how-to" tactics were placed on the intranet (see Figure 11.7). An e-learning facility was also set up to facilitate system training. The HR executives at the different companies further assisted the implementation process by providing hands-on support to the line managers.

Once the training was completed, it was noticed that some leaders were not implementing the performance and development process as diligently as others. Commitment was lacking, and the main excuse was lack of time. Managing directors needed to drive the process in their businesses by holding their managers accountable for performance management. This could not and should not be done by human resources. It was at this point that the project leader approached the CEO and suggested that he chair a Group leadership and succession review. This required that all the managing directors master the Leadership Pipeline philosophy through the application of the

How to conduct monthly circle discussions:

	<ul style="list-style-type: none"><li>• Spend a few minutes drawing the circle and lines</li><li>• Spend a few minutes discussing the work that is getting done</li><li>• Spend a few minutes discussing the work that is not getting done</li><li>• Agree on a plan to get the work done</li><li>• Capture diary entry online</li></ul>
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**FIGURE 11.7. Example of Supporting Material Available Online**

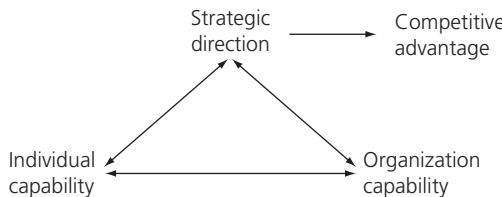
tools and not just intellectual understanding. This created a renewed energy and focus into the system.

### ***Leadership and Succession Review***

The annual leadership and succession review is the driving mechanism of the Leadership Pipeline philosophy, as this comprehensive process allows the executive leadership of Murray & Roberts to understand the “bench strength” and related people issues in the Group.

Managing directors were given training in a workshop environment to equip them to prepare for the review. The first leadership and succession review only looked at the “manage function” layer of the pipeline—the managing director’s direct reports. The second review, held a year later, included the top three levels of a business: “manage business,” “manage function,” and “manage managers.” This gave the CEO a real-time sense of what talent was available and where the potential risks lay. From a corporate perspective, it is unlikely that the review will include individuals lower in the pipeline. These individuals will be reviewed by the business managing directors. The leadership and succession reviews consist of presentations by each managing director, and cover the strategic triangle which drives competitive advantage. (See Figure 11.8.)

- *Strategic Direction:* What are the major strategic issues, their effects on the organization and consequently on talent management?
- *Organization Capability:* Given the strategy, what are the organizational challenges (structure, values and culture, processes, etc.)?
- *Individual Capability:* Provide a nine-box performance and potential matrix. See Figure 11.9 as well as the necessary supporting data, which includes:
  - Next assignments for individuals who are “exceptional-turn performers”
  - Individual profiles (education, achievements, strengths, and development areas)

FIGURE 11.8. *Strategic Triangle*

Matrix		Performance		
		Exceptional	Full	Not yet full
Potential	Turn Able to do work at next level	John Smith Betty Meyer		
	Growth Able to do work of bigger jobs at same level	Josh Govender	Dianne Botha Fred Brown	
	Mastery Able to do same kind of work, only better		Peter Brand Stuart Williams	Alan Vorster

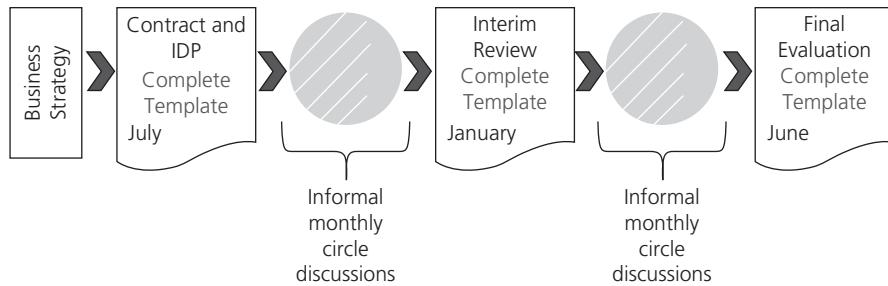
FIGURE 11.9. *Nine-Box Performance and Potential Matrix*

- Potential successors
- Poor performers
- Employment equity status
- Development expenditure
- Conclusions and plans for improvement

Once the presentations are done, data is collated across the Group and action plans are put in place to manage the most pressing people issues. The managing directors are held accountable for the execution of agreed plans. This process allows managing directors and executive directors an opportunity to review business plans through a people lens.

### ***Annual Performance Management and Development Process***

The annual performance management and development process is summarized in Figure 11.10. The process starts annually with the strategy formulation and is positioned as a business process driven by the relevant managing director.



**FIGURE 11.10.** *Annual Performance and Development Process*

The process drives full performance, ensuring that the right work gets done to deliver the business strategy. Even though the process is there to get the work done, it is fundamentally an engagement tool and is developmental in nature. It embeds the culture of the organization and drives the behaviors critical for sustainable results.

## EVALUATION

The Leadership Pipeline language is currently prevalent throughout the Group to the “manage managers” layer. The process has been automated through a workflow system to facilitate roll-out and reporting. Intellectually, line managers understand the need for a leadership framework and the importance of managing performance and development. Many, however, are still battling to make it part of their day-to-day management. The main benefits have been:

- Job clarity
- Identification of successors
- Identification of development areas
- Improved feedback
- Improved engagement
- Cross-company appointments

It is believed that these benefits are likely to lead to improved performance, which should be made tangible post-June when the final performance and development evaluations are conducted.

The three biggest challenges to implementation:

- The line manager’s lack of coaching and dialogue skills
- Breaking the culture of measuring only bottom-line results
- Getting line managers to “let go” of work they should not be doing

Corporate leadership programs have been introduced at each layer of the pipeline to provide “just-in-time” development to equip managers with leadership skills to

perform at the required standard. These programs have been designed in partnership with the local business school and are in alignment with the relevant leadership pipeline performance standard and the five performance dimensions.

Coaching workshops are also being rolled out in the Group to assist managers to acquire people engagement and feedback skills critical to performance management and having a direct impact on retention. There is an understanding and acceptance in the organization that, with time and practice, the quality of the dialogue and the application of the leadership pipeline tools will improve to the required level of proficiency.

## SUMMARY

### ***What Happens Next?***

Given the initial success, the following is planned for year three:

- Roll out performance management and development training to the rest of the organization, excluding unionized individuals. Unionized individuals will only be included once discussions take place between the organization and the trade union. This is likely to happen only in year four to five of implementation.
- Align the recruitment process to the Leadership Pipeline. Currently only executive recruitment is being done in accordance with the methodology.
- Roll out the leadership and succession review, per company, to include all individuals.
- Review and align recognition and reward to the process.
- Review the Leadership Pipeline and performance standards to ensure continued relevance.

**Zelia Soares**, executive: leadership development, is responsible for performance management, talent management, and succession, as well as all corporate leadership programs across the Murray & Roberts Group. Prior to joining Murray & Roberts, she implemented the Leadership Pipeline in two other blue-chip companies. Soares has more than fifteen years of talent management experience, specifically in the engineering and leadership fields. She holds a bachelor's degree specializing in human resources from the University of the Witwatersrand in South Africa.

## RESOURCE

Charan, R., Drotter, S., & Noel, J. (2001). *The leadership pipeline: How to build the leadership-powered company*. San Francisco: Jossey-Bass.

# CHAPTER

# 12

# PORTER NOVELLI

**GREG WALDRON**

Applying the Drotter “results-based” Leadership Pipeline approach to create a performance management system in a professional service firm.

- Introduction
  - Business Diagnosis and Assessment
  - Feedback
  - Program Design Considerations
- Program Implementation
  - Design Considerations
  - Chosen Approach, Format Development, and Introduction
- Performance Management System Development
  - Tailored Leadership Pipeline Development
- Evaluation
  - Business Results
  - Employee Climate Survey Results
  - Turnover Results
  - Anecdotal Evidence

## INTRODUCTION

The Drotter results-based approach is tailored to a professional services firm structure and applied in the development of a performance management system aligned with the business's strategy. Drotter's Leadership Pipeline approach is implemented, with the full performance definitions for each leadership level in the tailored pipeline becoming the basis for a new organization-wide performance management application. The Drotter full performance definitions subsequently become the "source code" for selection, talent management, and training planning applications. The focus of this paper is the first application, performance management.

### ***Business Diagnosis and Assessment***

In 2004, Porter Novelli, a leading global marketing communications firm, undertook a fundamental strategic assessment and visioning process to guide it through the next five years. The firm's CEO, president, and chief strategy officer led this process. The vision focused on a new approach to client account planning, a more client-centric structure, and a greater emphasis on operating interdependence between the globally dispersed offices in the service of multinational clients. It was felt that these three initiatives would dramatically increase the firm's capacity to win and grow large, complex, and geographically dispersed client accounts—the firm's strategic market target.

The senior management group identified the need to upgrade and align human resources management processes to successfully communicate and implement the new business strategy. The firm proceeded to hire a chief talent officer (CTO) to assist in the strategy implementation effort by designing and installing a more systematic, business-focused human resources management process.

In the CTO's opinion, the vision implementation challenge centered on creating the highest possible level of employee engagement with the vision in the short term—by providing people throughout the firm with a clear, specific understanding of what the business strategy meant for them.

His metaphor for engagement was specifying the "four entitlements of all employees." The CTO's experience with corporate change efforts had led him to the conclusion that specific answers to four fundamental questions were a reasonable baseline expectation for every employee, regardless of level or function:

1. What *specifically* do you expect of me?
2. How will you define success (and measure me)?
3. What's in it for me if I deliver the results you expect?
4. Will you provide me the resources I need/eliminate the barriers I face to achieve these results?

Individual role clarity and clear performance expectations are absolute requirements for these questions to be addressed. It was clear that the firm's current approaches,

although based on current practice and invested with significant effort, were not meeting these requirements.

The CTO had previously become familiar with Stephen Drotter's Leadership Pipeline work, both as a client and as a consultant working with Drotter Human Resources. Drotter's primary focus has been executive succession and the related processes: executive assessment; organization and job design; succession planning; and tailored individual development plans. However, his core concepts add significant value in broader application, particularly for performance management, selection, and development planning at all levels. The emphasis on specific results required, as well as the positioning of management and leadership results as measurable business outcomes, aligned well with the needs of the firm.

Performance management practice was spotty at best, as the firm's current system—based on generic competencies—was complex and process-heavy. A leadership competency model upon which to base the system was missing. Professional development was considered important, and a full curriculum of professional training was offered. In the absence of a common "source code," the various HR processes did not align well, and therefore opportunities for mutual reinforcement were being missed.

Clearly, there were opportunities for human resources to make a business impact through better practice application.

**Management Interviews** Discussions with the CEO, president, chief strategy officer, and other senior managers both before and after the CTO commenced employment confirmed the need for a set of management processes that strongly reinforced individual accountability as well as the increasingly interconnected nature of the company's operations. Senior managers in all offices around the world would be asked to place global priorities over individual office considerations as multi-office and multi-region client accounts became the strategic imperative for growth.

**The "Vision" Process** "Vision 2004" was a combined business planning and senior management team-building exercise that involved detailed reviews of internal and competitive analysis, discussion of strategic alternatives, and development of the new client account planning approach for the company. A small internal team facilitated the process, which involved a global management meeting outside New York City, as well as a number of regional follow-up sessions. It provided the starting point for the strategy implementation effort. There were several significant outputs:

- Agreement on a new core client account planning perspective—that is, a new method for assessing a client's business situation and challenges and for developing solutions for the client;
- Management training in this new methodology;
- Confirmation of an emphasis on acquiring and growing large, complex client relationships;

- Commitment to a closely coordinated “interdependent” operating approach across the global network; and
- A project management structure to move these initiatives forward.

This set the stage for the communication and implementation effort. The chief talent officer joined the organization shortly after the first implementation projects had begun and moved quickly to review and recast the talent management portion of the overall plan.

**Business Results** A key assumption underlying the visioning logic was robust business growth over the strategic plan period. The company was solidly profitable, and the business was growing. The senior management group was confident that the enhanced focus on larger, more complex client relationships would take revenue and margin growth to new, sustainable levels. The bar was set higher.

**Climate Measurement** The company administers a biannual staff climate survey that measures operating culture along thirteen dimensions: teamwork; organizational culture; strategic planning; leadership; long-term focus; stake in the outcome; quality; client satisfaction; learning orientation; empowerment; communication; morale and loyalty; and survey results implementation. Scores in 2004 were on track with parent organization averages, but management wished to improve these scores on both a trend and relative basis. This would be an important metric for the effectiveness of the leadership and human resource management interventions being developed.

### **Feedback**

As a member of the senior leadership team, the chief talent officer had abundant access to the other members of the group—the CEO, president, and the chief financial officer—to discuss his ongoing findings and developing recommendations. After the first ninety days, he had effectively presented his findings and made overall recommendations regarding priority areas to address and an agenda for the HR and knowledge development and learning functions.

The group’s frequent and informal open discussion format facilitated processing of the feedback and gaining consensus on how to move forward. The feedback and recommendations were

- The business strategy was timely and sound, but it required better aligned human resources processes to successfully implement.
- Important requirements of the business strategy—higher levels of sustained collaboration between senior managers across offices and geographies; a greater emphasis on leadership and management work; more explicit definition of role expectations and required performance at all levels; and stronger link between individual performance and reward outcomes—would be best achieved through revised role and performance definitions.

- The revised role and performance definitions could be best defined and delivered through an application of the Leadership Pipeline approach to work definition and performance standards development.
- Pipeline-based definitions of senior roles would more explicitly define management and leadership accountabilities for reinforcement with coaching, performance management, and revised incentive compensation plans. This would be effectively the first application of the Pipeline approach.
- The second application of the Pipeline approach would be a complete revision of the firm's performance management system. This was required to buttress reinforcement of individual accountability as well as support the updated performance-based pay and reward programs to be installed.
- The third Pipeline application would be selection practice, as an opportunity would be created with the new work definitions to introduce a more structured and consistent interviewing process.
- Another opportunity for Pipeline application would be to better organize and align the substantial existing training offerings with the company's career structure, as well as guide the prioritization of investments in new and revised offerings.

The general findings and recommendations were also communicated and discussed with the senior manager group over a number of regularly scheduled conference calls. There was broad acceptance of the conclusions and proposed direction, so program work was commenced.

### ***Program Design Considerations***

The appeal of the Pipeline model as the foundation for the new human resources systems was based on several opinions shaped by the chief talent officer's experience:

- Drotter's thinking takes us first to work, role, and organization analysis before classic human resource applications such as assessment/performance management, selection, development planning, and training are considered—moving from the "supply side" to the "demand side" for talent. People are ultimately treated better and more engaged if these role definition and organization design issues are addressed first. The approach constituted an ideal basis for specifying and communicating the new personal accountabilities required by the new strategy.
- The Pipeline model does not rely on competencies, but rather required work results by level for its core "source code." These required work results are actually the first element of a classic competency model development; the key notion is that focus is maintained on actual work results rather than abstracting one level to the associated knowledge, skills, and personal values/attributes. The CTO felt

this was fundamentally sounder for specific role and full performance definition purposes. Performance management and selection applications would be built on foundation of work results definitions.

- The model focuses on the vertical distribution of work in the organization. Vertical organization and process considerations have frequently been overlooked as organizations have “flattened.” The process of de-layering actually places a greater requirement on thoughtful vertical task distribution, communication, and coordination across the enterprise. While recent organization design thinking has been around selecting the optimal horizontal structure (organizing by product, customer set, geography, process, function, or matrix), vertical considerations have been overlooked.
- Drotter requires the same explicit definitions of management and leadership results by level as financial and customer results, making these accountabilities far more specific, measurable, and therefore understandable to employees. The down-to-earth, application-based approach demystifies leadership in particular and facilitates the introduction of simple models to describe and explain both activities.
- The core Leadership Pipeline concept of a job is well suited to the fluid, fast-changing business environment of a professional services firm. A job is considered a collection of results to be delivered, many of which are shared with other employees and therefore requiring cooperation and collaboration to achieve. Required results change as business conditions change, giving the model great dynamism and flexibility. It is a particularly relevant approach for reinforcing an internal collaboration-based strategy.
- Core Leadership Pipeline level, performance dimension, and full performance definitions can be used as the core work architecture—the “source code”—upon which all talent management and development applications are based. As a result of this common basis, the various programs would better align and mutually reinforce each other.

These last two points are contrary to the belief held by some that the Leadership Pipeline model is inflexible and geared primarily to large industrial company applications. The thinking has universal applicability, and the model is actually quite flexible. Frustration has resulted in some cases in which practitioners have attempted to literally apply the generic large company examples in *The Leadership Pipeline* (Charan, Drotter, & Noel, 2001). Drotter has actually been quite explicit in requiring that tailored pipeline level, performance dimension, and full performance definitions be developed for every company application. This development involves structured work content interviewing, analysis, and comparison with a large database of work results definitions across scores of companies.

Therefore, the chief talent officer committed to building a tailored leadership pipeline and installing it by creating results-based role definitions, performance management process, selection and training structure based on its “source code.”

## PROGRAM IMPLEMENTATION

Tailored leadership pipelines are based on the specific work requirements of the company. Typically, an implementation project plan includes the creation of a trained team of human resource professionals and line managers who conduct structured work content interviews with a sample of full performing employees at different levels across all functions in the organization.

### ***Tailored Leadership Pipeline Development***

The generic work content interview format must be reviewed and customized as needed to fit the individual company’s operating culture and language—the goal being to make the questions as understandable and familiar as possible to employees unaccustomed to this type of information-gathering method. The customized work interview format was tested with several staff members before being used for project team training and actual information gathering. Several small language adjustments were recommended by the test subjects and subsequently implemented.

A core project team of two senior human resource managers and a senior line operating manager was trained in conducting structured work interviews and recording and analyzing the input data. This training took the form of a session explaining the interview format, question by question, and covering important interviewing techniques. The workshop was followed by two two-on-one interviews per team member with the CTO to practice interviewing and data recording skills and to receive coaching.

As the firm’s history was the combination of acquired offices and companies, it was felt important to get a work interview sampling that ensured geography and legacy firm representation as well as level and work function coverage. This resulted in the completion of seventy-five interviews in ten of the firm’s twenty-three offices across North America and Europe, with staff members ranging from entry-level professionals and administrative support people to senior partners. Every major legacy company location was covered.

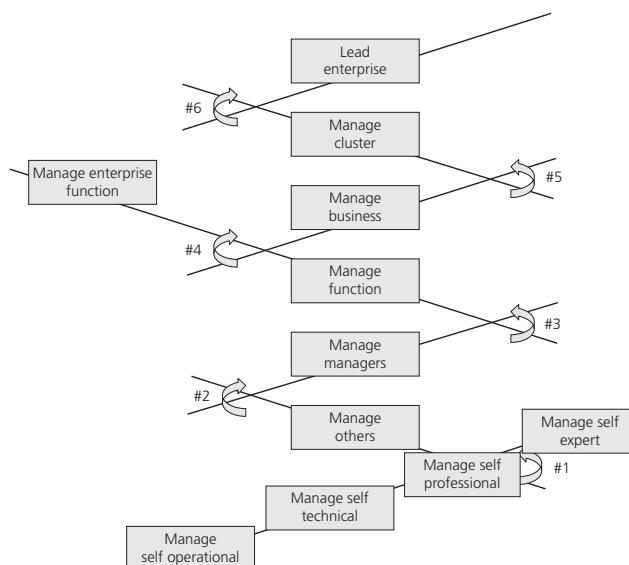
An interesting and quite positive side-effect of the work interview process was the new insight gained by a number of staff members concerning the purpose of their work. When facilitated to first describe the actual results they were responsible for delivering, rather than work activities, tasks, or required competencies, interviewees gained a clearer understanding of their roles’ key business purpose. For a number of managers, this produced not only a better understanding of their own work requirements, but also a clearer basis for determining account team capacity requirements by level.

Upon the completion of the interviews, the resulting data was analyzed and integrated by the project in a series of meetings facilitated by the CTO. The CTO then developed a draft work architecture for the firm, specifying both leadership levels and company-specific contribution dimensions that aligned with the business strategy and operating process. Full performance standards were created for each contribution dimension at each leadership level. The first determination was that the tailored leadership pipeline structure for the firm was constituted of five leadership levels, shown in Figure 12.1.

This structure appears to be typical of professional services firms, with the manager of managers level populated by the critically important client account directors who manage the firm's revenue-producing activities on an ongoing basis. The business manager level incorporates functional managers as well as classic P&L owners, and there are no true group managers in what is essentially a one-business model.

This structure works well in capturing both the client service and the support functions of professional services businesses. The client-facing function is supported by the specialty and support functions (research; planning; marketing; finance; human resources; information technology), and this simple two-function structure is represented by this architecture.

The work content analysis involved in the development of the essential pipeline "skeleton" provides the analyst with many rich opportunities for organizational diagnosis and enhancement. The first such opportunity occurred for the CTO when populating the new leadership levels with job titles. An operating complication for the various offices when attempting to create cross-office, cross-geography client teams was understanding and integrating the various title structures that existed in each



**FIGURE 12.1. Leadership Pipeline for a Professional Services Firm**

**TABLE 12.1. Job Title Rationalization Using the Leadership Pipeline Levels**

Leadership Level	Job Titles
Enterprise Manager	CEO; president; CFO; CTO; other C-level executive committee members
Business Manager	Subsidiary president/CEO; regional director; office managing director; global account director; director
Manager of Managers	EVP; SVP; account director; director; functional/specialty director
Manager of Others	VP; account manager; associate/deputy director; senior consultant; project manager; account supervisor; function/specialty manager
Manages Self	Senior account executive; account executive; assistant account executive; consultant; junior consultant; coordinator; functional/specialty professional

country and in different legacy firm offices in the United States. The mapping of titles onto the enterprise-wide leadership layer architecture created a title rationalization grid that was distributed to all offices providing a global organization translation for team managers, as shown in Table 12.1.

The contribution dimensions identified for the firm were based on a literal analysis of the work content interviews, but also vetted against and aligned with the new client-centric strategy. The contribution dimensions are of critical importance, as they outline the “source code” to be used in developing performance appraisal, assessment, selection, and career development applications. Close alignment with the business strategy facilitates full line of sight for every staff member and powerful process reinforcement of the key strategic and operating cultural elements. The contribution dimensions were:

- Client Results
- Leadership Results
- Management Results
- Relationship Results
- Innovation/Creativity Results
- Business/Financial Results

The order in which the contribution dimensions are displayed and communicated was of primary importance in conveying the firm’s full strategic message to its staff at all levels.

- Clearly, a “client-centric” strategy must place the client as the first strategic priority, so this factor was listed first.
- Leadership and management had been the great “wild cards” in strategy and performance discussions; everyone realized they were critically important, but everyone struggled to operationalize this importance as neither term was particularly well defined, and therefore not well articulated or measured. Now these dimensions took their appropriate places.
- Relationships with clients had always been recognized as critical; the new strategy mandated a closer, more selfless “interdependence” between partners and senior managers than ever before, and this dimension captured the new emphasis.
- Creative thinking and its business-focused application in the development of client strategies had a similarly traditional importance; the new dimension of innovation was added as new approaches to both client business solutions and growing the firm aggressively were viewed as critical for success.
- Financial results were intentionally placed last. They had previously been so heavily emphasized that they had become the primary strategic goal, to the detriment of factors such as client satisfaction and professional work quality. This perception was confirmed in staff climate surveys that asked respondents to prioritize the importance of a number of key operating factors. Financial results had come in first. The CTO found this a particularly disturbing finding in the case of junior professionals at the firm—people who had no direct impact on the overall financial performance of the enterprise. So financial results were characterized as literally the “bottom line”—the result of excellence in delivering the first five dimensions. The message was that above expectation growth and financial returns would occur if clients, people, and the work were the primary leadership focus.

Finally, the work interview data and strategy input were analyzed against a database of other companies’ standards to draft full performance definitions for each leadership level, for both client-facing and specialty/support functions. As the firm had been struggling with the fundamentals of good performance management practice—again, a rather typical professional services situation—it was decided that the first iteration of the performance model would follow the work architecture’s simplicity. Therefore, only the full performance benchmarks would be detailed, with consideration of adding exceptional performance definitions left for later versions.

The draft performance standard definitions were presented and discussed with several focus groups of managers and professionals in the New York and London offices, as it was felt these large, central operations would most efficiently capture the full range of client and functional populations. Also, the U.K. groups were a critical test of the portability of the language, and in fact it was necessary to make significant modifications in the text to better reflect proper British English in this major operating location.

The architectural foundation was now established, and application development could commence. The CTO felt that the approach was sufficiently different that managers would first need an introduction and orientation to the core pipeline concepts. A three-hour overview of key concepts, as well as an introduction to the new model of management and leadership the CTO wished to apply, was developed. The title was “Achieving Excellence Through Your People” to reinforce both the business focus as well as the leadership emphasis of the new approach. A four- to five-hour version of the content with some added introductory skill building in goal setting and coaching was also developed for manager and staff member groups across the offices.

The concept orientation for management covered the following topics in an interactive discussion format:

- *A New Talent Management Focus:* Starting from the demand (work and organization design) side rather than from the supply (people acquisition and development) side to build the core architecture for talent management.
- *Understanding Performance as Results Achieved:* As opposed to activities or competencies alone, the key business requirements are every job being necessary and adding appropriate value, and every staff member being a full performer.
- *Understanding Development and Potential:* Potential is no longer defined as “high,” “moderate,” or “low,” but rather is expressed as the assessed ability and readiness to do different work within the planning period.
- *Understanding the Work of Leaders:* A simple definition of leadership and management and how they interact and together create full capability.
- *Understanding the Pipeline Model:* People had to know its origins, its core definition as an application model based on differentiation of required output, and how each business’s pipeline was unique (that is, the book cannot literally be applied). The firm’s tailored pipeline model was introduced, along with the performance dimensions, and coverage included the definition of each layer as well as the transition points and associated changes in required skills, time applications, and work values.
- *The New Definition of a Job:* Understanding the new dynamic and interdependent definition of roles at the firm and their placement within the pipeline architecture. Jobs were seen as collections of results to be delivered, many of which required close collaboration with other staff members for achievement.
- *Three Key Skill Sets for Leaders of Other Professionals:* Assessment for selection, performance planning, and assessment for developmental appraisal; coaching for current improvement and future development.

Sessions were held in the major offices, and the reception the concepts received was uniformly positive. While human resources people in particular found the emphasis

on results rather than competencies a bit unsettling, line managers and professionals found the approach far more in tune with the reality of their work situations and refreshingly free of process complication and jargon. In particular, people found the concepts and language easy to embrace. Initial signs were hopeful.

## **PERFORMANCE MANAGEMENT SYSTEM DEVELOPMENT**

The core element of the new talent management implementation was to be a completely revised performance management system, and this application is therefore our focus. The CTO felt the key business drivers of revised, specific, and reinforced role definition, significantly strengthened operating concepts of personal accountability, and a clear definition of the management and leadership roles were best covered by this first step. In addition, new cash compensation designs being anticipated were more heavily dependent on a robust performance management process. The other executive committee members agreed.

### ***Design Considerations***

The existing, competency-based system was not widely used. There were several reasons for this. Generic competencies were applied, creating the challenge of relating each behavioral definition to each staff member's level and role. The process itself was quite complicated, and the formats were long and daunting for busy managers and their staffs to use. Training and reinforcement had not been adequate to overcome these shortcomings.

As a result, the challenge was to re-introduce performance management as a core management discipline with the new approach. Reaction to the announcement that the old system was being discontinued was universally positive. As the new system needed to be as user friendly as possible, the process design needed to simultaneously:

- Align with Leadership Pipeline principles;
- Provide both specificity and flexibility in defining job requirements and personal accountabilities; and
- Be as easy to understand and use as possible, for people new to both goal-setting-based performance management as well as the results-oriented approach. This last requirement proved to be the most difficult to achieve.

### ***Chosen Approach, Format Development, and Introduction***

The new system was titled "Results Based Performance Planning and Appraisal." The business context for this approach was made clear: clients paid the firm for results, not for competencies, capabilities, activity, or effort. Therefore, the new "true north" on management's compass would be the results that individuals, teams, and the firm delivered to clients, staff members, and investors. This message had great resonance with people at all levels in the firm.

Instrument development took the CTO in a different direction than previous pipeline-based performance management applications he was familiar with. The results profile for a client-facing manager (Figure 12.1) provides the rich detail a pipeline definition provides for role clarity, but can introduce a significant amount of process burden when literally applied to performance planning and management. Rather than compromise the comprehensiveness and detail of the results profile, the approach the CTO eventually chose used the results profile as a reference document with a separate instrument driving individual performance planning and review discussions. Both formats are for use by client handlers at the manager-of-managers level.

The CTO elected a simple goal-setting approach to provide individual role specificity to the general performance standards by level. A total of fourteen formats, conforming to the pipeline leadership levels for both client-facing and specialty/support functions, were created using the full performance standards as source content. There were multiple formats for several leadership levels, conforming to differentiated job categories within the lower leadership levels:

- The Manages Self or individual contributor level included forms for administrative support positions, junior individual professional, and senior individual professional positions.
- The Manager of Others level included forms for supervisors/project managers as well as managers. The supervisor/project manager position was a particularly important threshold management role and required some differentiation from the full manager position.

While this number of formats could be difficult to navigate the first time around, the introduction was supported with two-hour orientation and training workshops for managers and staff as well as an easy-to-use, step-by-step tutorial posted on the company's intranet. The overriding advantage of multiple, job-type-specific formats was the ability to use general full performance definitions as individual employee guidance, with specific goals being required in only a few results areas. This ease of use factor was considered very important in gaining early adoption.

The objective of the introductory orientation sessions and online support materials was to familiarize people with two fundamentally new concepts for them: first, the focus on results in defining jobs and performance within them, as opposed to competencies or activities, and second, the use of goal setting to further reinforce personal accountability. It was anticipated that two to three years would be required to achieve full adoption with associated skill mastery for the new system. The formats and process would be refined after the first and second performance management cycles were complete and feedback from managers, staff members, and human resources managers was analyzed.

The rating scale used, which followed the Pipeline approach, was also new for the firm. The three-point scale was created for developmental purposes and was comprised of "exceptional performance," "full performance," and "less than full performance."

The preponderance of ratings—75 percent—would be in the “full performance” range, consistent with the philosophy that virtually all staff should be delivering full performance if properly managed and engaged. “Exceptional performance” was defined as not only significantly superior to full performance on an ongoing basis, but unique and different. Exceptional performance was the qualifier for promotion to significantly greater accountability.

This simple rating system avoided much of the “fluffing” of ratings prevalent in most traditional systems that was caused by managers wishing to avoid demotivating good employees by assessing them as merely “average” or “meeting expectations.” Lake Woebegone, that place where everyone is above average, was therefore avoided.

The CTO added an additional performance point, establishing two levels in the full performance category, for base salary planning and administration purposes. This was subsequently implemented and worked well in reinforcing the pay-for-performance approach.

The new formats were tested in several large offices, and these pilots provided valuable feedback regarding changes to process instructions and on-line support content. The formats were introduced in early fourth quarter of 2005 for 2006 performance planning. Managers and employees were given the option of using the new formats for 2005 reviews if they had not had any performance discussions for the year. A number took the CTO up on the offer.

### ***Experience and Action Learning***

For performance year 2006, formats were posted as downloadable Word documents in a new suite on the company’s human resources intranet site. Support tutorials were also posted. Take-up varied from office to office; however, reported participation and completion rates were significantly higher than with the old system.

An early problem that developed was difficulty in understanding and applying goal setting for many managers and staff members. The CTO, having come from environments with long-established performance management practice, had fallen into the trap of assuming too much familiarity with basic performance management concepts. Follow-up remedial workshops addressed the issue, and for performance year 2007 a performance management workshop focused on skills in creating SMART goals and cascading goals from manager to subordinates in a work team was offered ahead of the performance planning period.

The workshop also provided guidance on completing the performance appraisal step by covering the gathering of performance evidence to properly justify and document assessments. It was offered throughout the course of the year as well as at the commencement of the 2007 appraisal preparation season.

2006 was a year of significant change in other areas of human resources and talent management. The CTO had gained management approval to move to a common base salary review date as well as a common appraisal schedule that supported a pay-for-performance approach. The introduction of the new results-based approach was

advanced and reinforced with a more disciplined pay-for-performance process; however, more simultaneous change was heaped on managers already under pressure to maximize personal billability. The CTO had hoped to lessen this impact with an employee-initiated planning and review process; however, both planning and appraisal periods were lengthened and made more flexible to accommodate overloaded managers.

Strong positive feedback was received regarding the effectiveness of the process in clarifying and prioritizing job expectations, as well as structuring development discussions on more specific, quantifiable work requirements for different job levels. The previous competency-based approach had been roundly criticized for its ineffectiveness in specifying differences in performance expectations and standards from job level to job level in career hierarchies.

For 2008, the president had led an effort to update and focus the company's strategy. The strategy coalesced into three results areas (the results concept had been thoroughly embraced and was a prominent part of the operating vocabulary): serving and growing clients; developing people; and cultivating new client prospects. The CTO and his staff updated the core results by level definitions and performance standards for client staff, grouping them into these three strategic buckets to map the strategy goals to every staff member's job. For functional and support staff, the three buckets became professional work product; developing people; and integrating the functional work into the business strategy.

In addition, the 2008 performance management process went to a fully online format for enhanced accessibility and ease of use. Training was further evolved to address reported concerns as well as to orient new managers and staff members in the process. The company entered 2008 having attained an over 95 percent appraisal completion rate and a virtually 100 percent on-time salary adjustment administration performance for 2007—unprecedented in the firm's history.

## EVALUATION

### ***Business Results***

It is frequently difficult to connect talent management practice directly with business results. Intermediate measures such as unwanted turnover, survey trends, and the like provide more credible evidence of efficacy. Overall, the company produced the best two financial performances in its history in 2006 and 2007, no doubt aided by the strong economic environment that existed in the United States and Western Europe through mid-year 2007. The focus on results, as opposed to activity or effort, and the strong emphasis on personal accountability can certainly be cited as contributing factors.

### ***Employee Climate Survey Results***

Survey results are considered proprietary and cannot be cited in detail. However, it is notable that a pulse survey administered in late 2006 showed significant positive trends in all thirteen measured organization climate dimensions. Particularly significant

improvements were shown in Morale and Loyalty (the key engagement measure); Quality (that includes performance communication and management practice); and Leadership.

### ***Turnover Results***

Overall turnover decreased 24 percent from 2005 to 2006, before rising 14 percent in 2007, amidst a particularly competitive labor market. Turnover of identified high-potential managers stood at virtually 0 percent for 2006 and 2007.

### ***Anecdotal Evidence***

The professional services audience easily and enthusiastically embraced the Pipeline concepts. While performance management is still no doubt seen as a difficult and time-consuming process, this is in comparison with very little prior subscription to any performance management activity. Leadership feedback is consistent with other feedback that Drotter has received from other companies: that there is a strong connection with business context and a refreshing absence of professional “jargon.” It is viewed as conceptually elegant and easy to embrace. The language of results and accountability, as reported earlier, has become a core part of the leadership language.

Beyond the scope of this paper are the additional applications of the Pipeline concepts for selection, talent inventory, and training planning that were put in place, as well as new management variable compensation plans dependent on the results-based performance management system.

## **REFERENCE**

Charan, R., Drotter, S., & Noel, J. (2001) *The leadership pipeline: How to build the leadership-powered company*. San Francisco: Jossey-Bass.

**Greg Waldron** is a principal and executive consultant with Drotter Human Resources, a consulting firm focusing on executive succession and the critical related processes. His prior industry experience spans marketing communications, travel and hospitality, financial services, investment banking, and logistics/supply chain management. As a corporate human resources executive, Waldron has been an advisor to the CEO and board, an author of corporate organization studies, and a global leader of the HR function. He has created and implemented talent identification and succession planning processes, executive selection and performance management approaches, and total compensation programs. He has significant experience in helping leadership groups address major business change, including acquisitions, divestitures, management transitions, and initial public offerings.

# CHAPTER

# 13

# SOUTHERN COMPANY

**JIM GREENE**

A robust leadership development and succession planning process that uses leadership performance standards and competencies to identify successors and high-potential individuals, and target development.

- Introduction
- Background
- Initial Improvements
- The Leadership Action Council
- Competency Model
- Leadership Assessment
- Succession Planning
  - Identification of Potential Successors and High-Potential Individuals
  - Assessment of the Talent
  - Review of Individuals
- Leadership Database
- Development Activities
  - Senior Leader Development Program
  - Emerging Leader Program

- Evaluation and Lessons Learned
  - Evaluation
  - Lessons Learned

## INTRODUCTION

Having a steady supply of leaders with the right skills in the right jobs is critical to the success of an organization. Facing the possibility that a number of long-tenured leaders across all levels would soon retire, Southern Company enhanced its succession planning and leadership development processes to ensure a full leadership pipeline to sustain business success. This chapter details these processes.

## BACKGROUND

Southern Company is an electric utility serving 4.4 million customers in the southeastern United States. A leading U.S. producer of electricity, Southern Company owns electric utilities in four states and a growing competitive generation company, as well as fiber optics and wireless communications. Southern Company brands are known for excellent customer service, high reliability, and retail electric prices that are significantly below the national average. Southern Company has been listed as the top ranking U.S. electric service provider in customer satisfaction for nine consecutive years by the American Customer Satisfaction Index (ACSI). Southern Company employs approximately 26,000 people.

In 2003, America's aging workforce began to receive a lot of attention and was viewed as a potential business challenge for Southern Company. A "grow your own" company, Southern Company historically hired at the entry level and relied on internal promotions rather than external hiring to fill leadership positions. In the late 1970s and 1980s, the company hired a large number of people. A low turnover rate resulted in the leadership group being very stable and growing progressively older. In 2003, the average age of executives was fifty-two. The average ages of middle managers and first-line managers were forty-nine and forty-seven, respectively. This age bubble posed a potential succession risk. Southern Company has developed a cadre of leaders who possessed deep business knowledge and fit the organization and culture. Projections showed that, as executives began to retire in greater numbers, their successors would leave soon after. The need to develop a new generation of leaders became the driver for re-looking at the succession and leadership development efforts to ensure a sustainable supply of quality leaders to meet business needs.

In early 2004, Southern Company's CEO initiated an in-depth review of succession planning and leadership development. The goal of the study was to review current practices and determine the steps necessary to advance leadership development to the next level and ensure an adequate supply of leadership talent over the next ten years. The study began by interviewing a cross-section of executives and managers to gain

an internal perspective of the strengths and gaps of the succession planning and leadership development systems. An external consultant was engaged to provide an objective third-party view and to provide best practice research.

The review noted several strengths. Senior leaders were engaged and devoted a significant amount of time to leadership development. During the interviews they talked about conducting mentoring groups and spending time getting to know key high-potential individuals in their company or business unit. Southern Company also had basic processes in place to identify and develop leaders. Succession planning was conducted annually, with its primary focus being on replacement planning. Assignments and development moves were used to provide individuals a wide range of experience. A number of decentralized leadership development activities were in place. These programs utilized a variety of activities, including mentoring, group mentoring, business acumen discussions, and education classes. A corporate action learning program for high-potential first-line leaders was conducted annually.

Several gaps were identified. During the interviews, leaders talked about knowing the high-potential talent in their organization very well. However, they did not know talent across Southern Company. Cross-system calibration of talent was difficult for several reasons. A standard set of information was not available for comparing individuals. Southern Company lacked a comprehensive model that identified the key leadership practices necessary to achieve business success. Across Southern Company there were a number of different definitions of leadership, and emphasis was placed on developing different skills and abilities. A person viewed as high-potential at one location may not have been viewed in a similar light at other locations. Managers also tended to promote individuals they knew and had working relationships with. The study also revealed that the assessment process lacked sufficient rigor to support critical talent decisions. Southern Company has had the luxury of multiple people viewing a person's performance over a long period of time in different jobs and situations. This provided a good indication of people's capabilities. However, because people were viewing leaders through different lenses, there were different opinions of people's capabilities and potential to assume expanded roles. More objective measures to help predict potential were needed.

The succession planning process placed too much emphasis on replacement planning and not enough on developing critical talent pools. There was insufficient focus on high-potential talent five to ten years from the executive level. Leaders reported having difficulty targeting development to the most critical areas. A final gap noted information on succession plans and high-potential individuals was kept in a series of separate files located across Southern Company, making consolidated information difficult to obtain and use.

## **INITIAL IMPROVEMENTS**

Following the review, Southern Company took steps to improve leadership development. The initial effort focused on building a common leadership framework

across Southern Company, including a common definition and understanding of leadership. Southern Company adopted the leadership framework articulated by Ram Charan, Stephen Drotter, and James Noel in their book *The Leadership Pipeline: How to Build the Leadership-Powered Company*. Central to this framework is understanding that leadership begins with the work leaders perform. Managers go through key transitions in their careers when they move up the organizational ladder. The scope and complexity of work increases at each level, requiring new skills, time applications, and work values. Southern Company began building its leadership framework by identifying the major leadership transitions within the company and their associated requirements. Stephen Drotter was employed to help customize the framework for Southern Company. Selected executives and managers were interviewed, asking them to identify the major results they needed to produce in their jobs to be successful. This information was analyzed and resulted in six levels of leadership being identified within Southern Company:

- *Individual contributor*—leads self.
- *First-line manager*—leads a team of individual contributors. May have first-line supervisors reporting to him or her.
- *Manager of managers*—Leads a large department or organizational entity. Has first-line managers as direct reports.
- *Functional manager*—Leads a single function or organizational entity. Usually an officer.
- *Multi-functional manager*—Leads multiple functional areas.
- *CEO/business unit manager/enterprise functional manager*—Leads a company, major business unit, or a major function at the enterprise level.

For each level, the associated requirements (performance standards) were identified. Performance standards list the complete set of results expected of leaders at that level. For each level of leadership, the identified results were grouped under the following performance dimensions:

- Business (Operational, Technical, Financial)
- Management
- Leadership
- Relationships
- Community/External Involvement
- Customer

A sample set of performance standards for manager of managers is shown in Figure 13.1.

Business Results (Operational, Technical, Functional)	
NOTE: Business results are the specific goals stated in the Business Results section of the performance plan. Please use the performance plan form to document business results and progress against them.	
<b>Management</b>	
Achieve results by directing the work of other managers & the organization	
Produce annual operating/business plans which are connected to functional strategy	
Create measurement systems for evaluating & monitoring major goals	
Build an organizational structure that supports mission/goals & promotes efficient work processes	
Optimize resource allocation & trade-offs among teams	
Optimize work processes	
Build a strong leadership team with noticeable teamwork that produces results	
Ensure that self & direct reports conduct performance management & act on poor performers	
Make tough, timely decisions	
Effectively handle crisis situations	
Measure direct reports on introducing innovative processes/programs; that the value added outweighs the cost	
Collaborate & integrate across organizational boundaries	
<b>Leadership</b>	
Establish & communicate vision & direction such that everyone in organization can articulate direction & goals	
Communicate essential information to organization in a timely manner; use managers as communication channel when appropriate	
Role model Southern Style; hold team accountable for living Southern Style; ensure managers do the same	
Ensure that direct reports collaborate & help with trade-off decisions	
Select, develop, & retain effective leaders & a successor	
Mentor first level management	
Leverage appropriately diverse team; create an inclusive work climate where people trust & value one another	
Drive change initiatives	
<b>Relationships</b>	
Build effective working relationships with manager, direct reports, & the next level(s) down	
Build effective networks to get things done (peers, cross functional, business partners, contractors)	
Build coalitions to accomplish results	
<b>Community/External Involvement</b>	
Be an active member of at least one appropriate community & external group	
Respond appropriately to community requests for assistance	
Use every opportunity to be an effective & knowledgeable spokesperson for Southern Company	
<b>Customer</b>	
Focus organization on delivering exceptional customer service (internally & externally)	
Use the results of customer surveys & feedback (internal and/or external) to improve customer service	
Look for opportunities to promote the sale of available Southern Company products	

**FIGURE 13.1. Manager of Manager Performance Standards**

The identification of specific performance standards helped leaders understand the expectations for a particular level. They also helped build a common definition of leadership across Southern Company. Performance standards enabled more objective discussions of people and facilitated better development plans. Managers reported that their discussions of people became more objective because they were focused on a common set of expectations.

Performance standards were woven into succession and leadership development processes in several ways. A small group of human resource professionals were trained

to conduct behavioral interviews to determine an individual's performance relative to the performance standards. The results of these assessments were used in talent review sessions. Managers were trained to use the performance standards in their development discussions with leaders reporting to them. The performance standards were also used during succession planning to help identify high-potential individuals.

The use of performance standards in the succession planning process took hold in pockets of the organization. Overall, the implementation of performance standards was viewed as a human resource initiative rather than coming from line management. Some organizations used the standards in succession planning, while others used them as part of their development planning for leaders. They were not consistently applied in all parts of the organization. The accuracy of the behavioral interviews conducted by HR professionals was questioned by management. To fix these issues, Southern Company took several steps.

## THE LEADERSHIP ACTION COUNCIL

In 2005, Southern Company's CEO chartered a group of executives to serve as the steering committee for leadership development. This council was given the responsibility to develop guidelines and facilitate integration of leadership development programs and processes across Southern Company. The council is made up of senior line executives representing each operating company and business unit and the senior VP of HR. The formation of this council moved leadership development from being a human resource initiative to being line-driven. Human resources served in a partnership role with the council. Southern Company is a highly matrixed organization. Having a council that represented all of the parties was essential to gaining traction.

Building on the work done previously, the Leadership Action Council established project teams to research issues and make recommendations. These teams reviewed the areas of succession planning, leadership assessment, leadership development, and leadership education. Each project team was led by Leadership Action Council members, had line management participation, and utilized HR support. These teams reviewed best practices, gathered management input, determined gaps, and made recommendations. The Leadership Action Council made the following recommendations in 2006.

- Create a competency model aligned closely to the performance standards to assess leadership candidate strengths and weaknesses;
- Implement an external, objective assessment process for executives and high-potential individuals;
- Expand the succession process to focus on creating targeted development plans for successors to executive positions;
- Design and implement a leadership database to capture and track talent information and provide key analytics to assess talent gaps;

- Create a multi-event educational experience for high-potential managers of managers who are ready to move into functional manager (officer) roles; and
- Align operating company/business unit leadership development programs to have a common focus.

The creation of the Leadership Action Council helped Southern Company make major progress in advancing leadership development to the next level. The ongoing involvement of senior executives was critical in revising, gaining approval of, and implementing succession planning and leadership development programs and processes. Described below are the initiatives that Southern Company adopted as an out-growth of the Leadership Action Council recommendations.

## **COMPETENCY MODEL**

The Leadership Action Council noted that leaders were having difficulty identifying the right development actions. There was also a misalignment between feedback individuals were receiving from an external assessment process and the feedback they were receiving internally. To rectify these problems, a core set of leadership competencies was developed.

Performance standards describe the set of results individual contributors and leaders are expected to produce. These standards were used as the basis for identifying critical leadership competencies. Working with an external organizational consulting firm, Blankenship & Seay Consulting Group, leadership competencies were selected that best aligned with and supported the performance standards. The Leadership Action Council validated these competencies to ensure they were critical to achieving business success. The competency work resulted in the adoption of the nine leadership competencies shown below.

### ***Southern Company Leadership Competencies***

- Adapting and responding to change
- Critical thinking
- Deciding and initiating action
- Entrepreneurial and commercial thinking
- Formulating strategies and concepts
- Leading and supervising
- Persuading and influencing
- Planning and organizing
- Relating and networking

Two competencies typically found in leadership competency models, ethical behavior and driving results, were not included because they are emphasized in Southern Company's values statement, Southern Style.

The performance standards and associated leadership competencies now serve as the foundation for all succession planning and leadership development work.

## LEADERSHIP ASSESSMENT

A gap in the leadership development model described earlier was lack of a rigorous assessment process. Subjective views of people were used to make developmental and succession decisions. Southern Company supplemented internal views with data from assessments done by an external industrial psychology firm. In partnership with this firm, changes were made to increase rigor and alignment. The new process, used for executives and high-potential leaders, measures an individual against the nine core leadership competencies listed above. The process takes half a day and consists of a battery of psychological-related tests, a simulation exercise, and a structured interview. Participants receive ratings on the nine leadership competencies and a report containing their results and development suggestions. Figure 13.2 shows sample results from the competency assessment. Participants also receive direct feedback from the psychologist. This new process increases the rigor and consistency of executive assessments and provides objective data as input into the succession planning, talent review, and development planning processes.

Southern Company has also revised the 360-degree assessment and upward assessment processes to align with the nine core leadership competencies.

NAME: John Sample  
LEADERSHIP LEVEL: Manager of Manager

Competencies	Low		Low-Mid		Mid-Range		High-Mid		High	
	1	2	3	4	5	6	7	8	9	10
Adapting & Responding to Change						●				
Critical Thinking						●				
Deciding & Initiating Action							●			
Entrepreneurial & Commercial								●		
Formulating Strategies								●		
Leading & Supervising				●						
Persuading & Influencing						●				
Planning & Organizing					●					
Relating & Networking						●				

The blue shaded areas represent the expected range for a manager of manager at Southern Company. The range was empirically determined by assessing a cross-section of individuals at this level of leadership, and differs for each level of leadership. The black dots are the individual's score for the particular competency.

**FIGURE 13.2.** *Sample Leadership Competency Assessment Results*

Leaders receive feedback from subordinates, peers, and their managers on each of the nine competencies and Southern Style (values statement).

## SUCCESSION PLANNING

Another recommendation made by the Leadership Action council was to expand the succession planning process to focus on identifying and planning the development of people who can take on expanded leadership roles in the future. Succession planning is done annually and consists of three major steps shown in Figure 13.3.

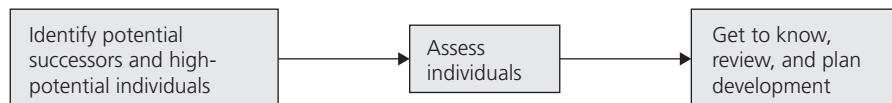
### ***Identification of Potential Successors and High-Potential Individuals***

In this step management identifies candidates who are ready now to fill a critical leadership position should it become vacant and candidates who, with additional development, could fill the position. Plans for all executive and director-level positions are developed. Potential successors are classified as:

- *Ready Now*: An individual who could be placed in the position today, without hesitation. There should be a close match between the requirements of the job and the individual's skills, knowledge, and experience
- *I–2*: An individual who needs additional development in a current position or one additional move to become ready
- *Long Term*: An individual in the pipeline for the targeted position and needs two to three additional moves to become ready

Management judgment, along with the assessment information described earlier, is used to identify potential successors. The identification process is generally bottom-up. A leader in a key role suggests potential successors for his or her position. This list is validated or modified as it is discussed by senior management.

A new tool, called a success profile, was developed to help managers identify the right successors. The success profile specifies the key competencies and experiences required to perform a specific leadership role. Success profiles are created by either interviewing the job incumbents and the direct manager or by sending them an Internet-based survey. The results from the interview or survey are combined and validated by



**FIGURE 13.3. Succession Planning Process**

executive management. Requirements are based on future business needs, not just today's world. Specifically, a success profile identifies:

- The leadership competencies most critical for the position;
- Additional business/technical knowledge, skills, and abilities needed for the job; and
- Key experiences that best prepare someone for the position.

See Figure 13.4 for a sample success profile. Success profiles provide specific criteria for managers to use in selecting successors and identifying readiness. Several examples have been noted whereby the list of successors for a particular job changed as a result of using the success profile. To date, success profiles have been completed

**POSITION:** Manager, Distribution  
**MANAGERIAL LEVEL:** Manager of Managers

Key Competencies	Low		Low-Mid		Mid-Range		High-Mid		High	
	1	2	3	4	5	6	7	8	9	10
Deciding and Initiating Action										
Leading and Supervising										
Planning and Organizing										
Relating and Networking										
Other Competencies										
Adapting and Responding to Change										
Critical Thinking										
Entrepreneurial and Commercial										
Formulating Strategies										
Persuading and Influencing										

#### Critical Knowledge, Skills, and Abilities

- A knowledge of distribution operations, including field work, applications, and restoration activities
- Solid understanding of budget activities/processes
- General understanding of and familiarity with metering, fleet operations, and distribution planning
- Knowledge of disaster preparation and restoration activities (internal and external)
- A technical knowledge of Distribution Systems and Equipment
- Basic knowledge of Distribution coordination practices
- Basic knowledge of computer systems and programs that are used in Distribution
- Basic knowledge of accounting practices used in Utilities
- Basic knowledge of Distribution Indices like SAIDI, SAIFI, Customer Value
- Broad business knowledge

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#### Experiences

- Committee involvement at the SoCo level would be beneficial since this position represents Distribution at the SoCo level
- Storm restoration experience
- Experience in building consensus among different entities/groups
- Good understanding of how each electric utility department works and their dependencies on each other. This also includes the dependencies of Operating Company to Operating Company

**FIGURE 13.4.** *Sample Success Profile*

for some executive positions, and plans are to complete them for all executive and director-level jobs.

In addition to successors, management identifies high-potential individuals during the succession process. This is also done using a bottom-up approach. Managers identify individuals within their organization whom they judge to have the potential to take on expanded roles. This list is validated or modified as it is reviewed by managers up the chain.

“Potential” addresses the aptitude to perform work at the next leadership level. Managers rate the promotability of all leaders at the manager-of-manager level and above using the following categories:

- *Promotable*: able to make the turn to the next leadership level within two or three years. These individuals are high-potential.
- *Growth*: able to do additional work, run other functions, or manage a broader organization at the same leadership level.
- *Well placed*: having neither turn nor growth promotability.

The performance standards are the basis for making the judgment on promotability.

Below the manager-of-manager level, leaders list their high-potential individuals, rather than rating the promotability of everyone in their organizations. This is done due to large numbers. The following definition is used to assist managers in identifying high-potential individuals:

- *Sustained high performance*. High-potential individuals have demonstrated sustained high performance over time.
- *Foundation skills*. High-potential individuals possess a set of skills that allows them to grow quickly and adapt to different situations. These include drive/ambition, strong interpersonal skills, presence, ability to learn and apply new skills quickly, strong political/organizational skills, ability to adapt to change, and resilience.
- *Ability to perform future leadership roles*. High-potential individuals demonstrate the aptitude to perform the performance standards at the next level of leadership.

### ***Assessment of the Talent***

In this step, successors and high-potential individuals are assessed by the external industrial psychology firm using the process previously discussed. All successors and high-potential individuals are not assessed in a single year. Rather, assessment data is built over time, refreshing the assessment information as needed. Everyone who is being reviewed by one of the executive talent review teams (described below) is assessed. Others are assessed on an as-needed basis.

### ***Review of Individuals***

In this step, successors and high-potentials are reviewed by executive management for the purpose of getting to know them and targeting development actions. Generally:

- Successors for senior officer positions are reviewed by the Southern Company CEO and his direct reports.
- Successors for officer positions are reviewed by operating company or business unit CEOs and their direct reports.
- Other high-potentials are reviewed by department management.

Talent reviews are done slightly differently in each operating company, but usually consist of:

- Review of the person's background, education, and major accomplishments;
- Information from the external leadership competency assessment;
- Identification of possible career path(s);
- Identification of major development needs; and
- Identification of development actions needed to accelerate development, such as potential moves or assignments, development actions in current job, coaching/mentoring, education, or participation in a specific leadership development program or activity.

Each management council reviews twelve to sixteen individuals per year. Usually, the candidate being reviewed meets with each council member prior to the review meeting so that each executive can get to know him or her. Following the discussion, the individual is provided feedback by council members, and the development plan is modified as needed. These individuals are tracked over time to make sure they are receiving the development they need to prepare for new roles.

A new tool called a candidate profile was developed to help identify the right development actions. The candidate profile compares an individual's assessment results to the specific job criteria listed on the success profile discussed earlier. The competency assessment is from the external assessment. Critical knowledge, skills, and abilities are rated by people within the organization knowledgeable of the person's performance. Candidate profiles are used after a success profile has been completed and the assessment information is available. See Figure 13.5 for a sample candidate profile.

Succession planning begins during the first quarter in the operating companies and business units. They complete plans for all executive and director-level positions and identify their high-potential individuals. Plans are created for other key roles as needed.

Succession plans for the top sixty-five positions across Southern Company are consolidated and reviewed by the Southern Company CEO and his direct reports. This

POSITION: Manager, Distribution  
 MANAGERIAL LEVEL: Manager of Managers  
 Key Job Challenges:

Key Competencies	Low		Low-Mid		Mid-Range		High-Mid		High	
	1	2	3	4	5	6	7	8	9	10
Deciding & Initiating Action						•				
Leading & Supervising								•		
Planning & Organizing					•					
Relating & Networking							•			
Other Competencies										
Adapting & Responding to Change							•			
Critical Thinking					•					
Entrepreneurial & Commercial						•				
Formulating Strategies					•					
Persuading & Influencing								•		

#### Critical Knowledge, Skills, and Abilities

None	Some	Proficient	
		X	A knowledge of distribution operations, including field work, applications, and restoration activities
	X		Solid understanding of budget activities/processes
		X	General understanding of and familiarity with metering, fleet operations, and distribution planning
	X		Knowledge of disaster preparation and restoration activities (internal and external)
		X	A technical knowledge of Distribution Systems and Equipment
	X		Basic knowledge of Distribution coordination practices
			Basic knowledge of computer systems and programs that are used in Distribution
X			Basic knowledge of accounting practices used in Utilities
		X	Basic knowledge of Distribution Indices like SAIDI, SAIFI, Customer Value
	X		Broad business knowledge

#### Experiences

None	Some	Proficient	
X			Committee involvement at the SoCo level would be beneficial since this position represents Distribution at the SoCo level
	X		Storm restoration experience
X			Experience in building consensus among different entities/groups
	X		Good understanding of how each electric utility department works and their dependencies on each other. This also includes the dependencies of Operating Company to Operating Company

**FIGURE 13.5. Sample Candidate Profile**

fosters cross-calibration of talent and a better understanding of the executive bench strength across Southern Company. The Management Council also reviews executive turnover and movement, potential executive retirements, and leadership demographics. Action plans are created to address emerging issues. The Southern Company CEO reviews the succession plans of key executives with the board of directors.

## LEADERSHIP DATABASE

All of the information related to succession plans and high-potentials is housed in Oracle's PeopleSoft application. The succession planning and career development modules within PeopleSoft are used. Some modifications to the panels and standard reports were made. This functionality enables us to:

- Create and report succession lists for individual jobs;
- Combine succession lists across companies to create and report system-wide succession slates;
- Track high-potential people identified during the succession process;
- Track and report on individuals nominated for and completing leadership development programs; and
- Create employee profile reports.

Security limits access to the information to specific human resource professionals across Southern Company.

## DEVELOPMENT ACTIVITIES

Southern Company uses a variety of methods to develop successors and high-potential individuals. Job assignments, development moves, and special assignments are the primary methods of development. Developmental assignments flow from succession planning and management reviews. Development assignments are monitored at the corporate/operating company/business unit level. As a practice, all open positions below the executive level are posted on an internal job board. Development moves are an exception to this practice and generally require executive approval.

### ***Senior Leader Development Program***

A gap in development efforts was that high-potential middle managers were not prepared to move into officer positions. An educational experience to address this need was developed in 2008 jointly by Southern Company human resources and Duke Corporate Education. This program, titled the Senior Leader Development Program, was delivered in 2008 and 2009. The program is grounded by two sessions, four days each. The program content focuses on:

- Understanding how global, environmental, regulatory, and human capital challenges are impacting the future of the energy industry;
- Examining methods to make objective, disciplined decisions in an increasingly uncertain business climate;
- Building strong networks of relationships to drive organizational change;
- Developing capabilities to manage diversity, complexity, and ambiguity;

- Creating a vision of the future for self and the company; and
- Articulating personal commitment to action.

A variety of learning components are incorporated in the program.

- Presentations and discussions with Southern Company executives, university professors, and external thought leaders;
- Case studies;
- Activities designed to help participants apply learning to current business issues; and
- Networking opportunities with fellow class participants and Southern Company executives.

Participant feedback about the program was strong. Among the noted highlights were

- Interaction with and insights gained from Southern Company executives;
- Networking and building relationships with peers from around the company;
- Modules on finance, leadership presence, and difficult discussions; and
- Opportunity for personal reflection.

Later in 2009 each participant will be interviewed to gather feedback about the impact of the program, specifically, how the learning is being applied to real business and leadership issues.

### ***Emerging Leader Programs***

Below the corporate level, operating companies and business units have the responsibility for providing development activities and programs for high-potential emerging leaders. These programs increase business acumen and leadership skills, leverage networking opportunities, and increase exposure to senior leaders. These programs typically last twelve to twenty-four months.

These leadership development activities and programs develop the following leadership competencies.

- Critical thinking;
- Persuading and influencing;
- Planning and organizing; and
- Relating and networking.

Emphasis is also placed on the remaining five leadership competencies, as well as career development and business knowledge. The specific activities in these programs vary based on specific business need. Following is a menu of activities that are used.

- *Group mentoring sessions.* Program participants are divided into small groups, and each group is paired with a senior executive. Mentoring groups generally set their own agendas and focus on gaining business knowledge, career development, and leadership knowledge and lessons.
- *Common education.* Participants attend a defined set of educational activities focused at building core competencies.
- *Action learning.* Participants take part in projects aimed at gaining business knowledge and leadership skills. Participants are divided into small groups, and each group researches and makes recommendations on a specific business problem or issue.
- *Forums.* These are large-scale events focused on specific business and leadership topics.
- *Group discussions.* Participants are divided into small groups wherein they discuss common topics. For example, the group may read and discuss a leadership book.

## EVALUATION AND LESSONS LEARNED

### *Evaluation*

Metrics to measure the effectiveness of leadership development at Southern Company are evolving. The strength of the leadership bench is evaluated using the following measures that come out of the succession planning process.

- Percent of key roles with at least two ready now successors;
- Average number of successors per key role;
- Demographics of successor pool;
- Percent of key jobs filled from succession list;
- Number of cross-company and cross-functional executive moves; and
- Projections of leader attrition.

Recently, Southern Company began entering information on high-potential individuals into PeopleSoft. At the completion of the current round of succession planning, the following additional metrics will be analyzed:

- The size and demographics of the high-potential pool;
- The number and type of high-potential job moves; and
- Turnover of the high-potential pool compared to the overall pool.

As additional data are collected from external assessments on executives, successors, and high-potential individuals, overall competency strengths and gaps will be identified to better target development programs.

### ***Lessons Learned***

Critical to success was the ownership by the Leadership Action Council of leadership development and the improvement of the process. Too often HR had tried to design and implement systems without executive support and buy-in. Once the CEO established the Leadership Action Council, the council members became the drivers of the initiatives. They were able to get input and support from their “home” organizations as well as look at what was best for Southern Company as a whole.

A second lesson learned was the necessity to simplify and integrate the various parts of succession planning and leadership development. Simple things like tying development and succession planning together enabled people to see the big picture. Early in the process leaders said they were creating succession lists in one place, high-potential lists in another, and planning development in a third. They did not see how these activities connected until they were integrated. The language must be consistent and the various tools and processes linked. The output of the external assessment process, the success profile, and the candidate profile all have a similar look and use the same set of competencies.

## **REFERENCE**

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**Jim Greene** is currently assistant to the senior vice president of human resources, diversity and inclusion at Southern Company. Prior to his current assignment, he was director of executive succession and development. In this role he had responsibility for leadership development strategy and processes, succession planning, executive assessment, and executive development. Greene has spent twenty-three years at Southern Company serving in a variety of human resource roles. Prior to Southern Company, he spent three years as a management consultant and ten years in mental health/mental retardation. He holds a master’s degree in educational psychology from the University of Florida and completed selected post-graduate work in educational psychology and organizational behavior at West Virginia University.

# CHAPTER

# 14

# WHIRLPOOL CORPORATION

**KRISTEN WEIRICK**

The development and refinement of a customized leadership competency model with robust analytics and integrated assessment training to build deep capability.

- Introduction
- The Business Challenge
- Design and Approach
  - Phase I—Leadership Competency Development
  - Phase II—Top Talent Indicator and Derailer Definition and Deployment
  - Phase III—Business Acceleration Drives “Next Level” Talent Assessment
- Evaluation
- Next Steps
- Summary

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Whirlpool Corporation would like to acknowledge Michael Tobin, Ph.D., of Vantage Leadership Consulting. Mr. Tobin’s knowledge of leadership development and coaching, combined with his deep and insightful perspective of the company’s unique organizational culture, fueled the development of Whirlpool’s Leadership Model and resulting tools and resources.

## INTRODUCTION

Whirlpool Corporation is the world's leading manufacturer and marketer of major home appliances. Founded in 1911 by Lou Upton, Whirlpool initially produced motor-driven wringer washing machines. Today Whirlpool Corporation realizes annual sales of approximately \$19 billion, has 73,000 employees, and maintains approximately seventy manufacturing and technology research centers around the world. Whirlpool Corporation manufactures and markets major brand names that include Whirlpool, Maytag, KitchenAid, Jenn-Air, Amana, Brastemp, Consul, and Bauknecht to consumers in nearly every country around the world.

During its first fifty years, the company grew and expanded manufacturing operations to include a full range of kitchen and home appliances. By the 1970s, company leadership began globalizing with expanded operations in Brazil, Mexico, and India. Whirlpool Corporation accelerated its global expansion in the 1990s, with an expanded presence throughout Europe, Latin America, Asia, and parts of Africa. The company was on its way to becoming the global leader in the home appliance industry.

With the acquisition of Maytag Corporation in 2006, the company drove efficiencies that resulted in an even stronger organization that was able to offer more to consumers in the increasingly competitive global marketplace. Whirlpool Corporation became a more efficient supplier to trade customers while offering a broader portfolio of innovative, high-quality branded products and services to consumers.

## THE BUSINESS CHALLENGE

For most of the company's history, the right talent was easily and readily available to help drive the business. However, a number of factors emerged over the past two decades that have impacted how Whirlpool Corporation attracts, engages, and develops talent to ensure it has the level of leadership to succeed in a constantly changing global business environment.

- The growth, size, and scale of the business added a level of complexity that required different skill sets and capabilities to compete in the global marketplace. Those skill sets and capabilities either had to be developed internally or acquired through new hires externally.
- Along with the change in the size and scale of the business, the external consumer marketplace was demanding fast-paced change and innovation in products and services. The development of technology-enabled products to meet the changing needs of consumers was necessary to compete globally. Innovative and technology-savvy talent was needed to meet these demands.
- The new global marketplace drove increased competition for market share and talent. During this time, companies experienced the shift from an employer's market to a candidate's market in which great talent was both highly desired and scarce.

- In addition to the competition for talent, the nature of the workforce was also changing. Decreasing corporate loyalty, business outsourcing, and the needs of the talent marketplace were creating an environment in which employee tenure declined. Workers more easily changed jobs, companies, and locations in search of better opportunities.

In summary, a “perfect talent storm” was brewing: a more complex and globalized market, demanding better talent to drive greater results and differentiation and an increasing scarcity of the talent that could provide it. It was imperative to have a defined set of leadership competencies and a talent management system in place that would enable the company to:

1. Define the type of leadership it needed to continue to be successful.
2. Assess the company’s current leadership competencies and talent and define any gaps.
3. Develop the necessary leadership competencies internally.
4. Assess all future leaders against these competencies for external acquisition and internal talent pool succession planning.
5. Provide a consistent set of tools, resources, and defined process to manage the company’s talent on a global scale.
6. Deeply embed the competencies and operationalize the supporting tools and resources.

## DESIGN AND APPROACH

### ***Phase I—Leadership Competency Development***

In 1999, Whirlpool Corporation began development of its leadership competencies, which became known as the Whirlpool Leadership Model. The model was developed with active leadership participation and input from the company’s executive committee and then-chairman David Whitwam.

The goal of the Leadership Model (Figure 14.1) was to provide a common language for leadership around assessing and developing employees, managing talent pool and succession planning, and assessing external talent for acquisition. The model is unique to Whirlpool Corporation as it defines *who* is wanted as a leader, *what* leaders are expected to do, and *how* they are expected to perform. The “who,” “what,” and “how” of Whirlpool’s Leadership Model have been organized in terms of leadership *attributes, practices, and performance*.

*Leadership Attributes* describe the characteristics and behaviors expected of leadership at Whirlpool Corporation. The company expects its leaders to have great *Character* and *Enduring Values*. Long before the demise of many companies due to compromised ethics, such as Enron in the late nineties or the mortgage and banking

## Whirlpool's Leadership Model



**FIGURE 14.1.** *Whirlpool Corporation Leadership Model*

industries at the beginning of the 2008 recession, Whirlpool Corporation defined and demanded a high level of character and integrity in its Leadership Model.

In addition to *Character and Enduring Values*, an appropriate level of *Confidence* and forward-looking ideas (*Thought Leadership*) were defined as necessary leadership attributes. Confidence is defined as the ability to take appropriate and decisive actions and develop confidence in people and organizations that lead to responsible risk taking and the ability to win. Thought Leadership is viewed as the ability to consistently challenge and improve thinking and decision-making processes to develop innovative thinking and sophisticated judgments that lead to positive results.

Finally, the model defined the attribute of *Diversity and Inclusion*. Leaders must create an engaging environment that leverages each individual's thoughts, beliefs, and ideas to achieve optimal results for the company and its customers.

*Leadership Practices* address the company's needs for people who exercise *Vision* and *Strategy*. Great leaders must be able to create a vision and a strategy to support it and persuasively align stakeholders and the organization to achieve the vision. Leaders must exhibit excellent *Communication and Management Skills*, communicating clearly and with candor and engaging in dialogue to enable alignment. They must also demonstrate effective management and delegation skills to drive results through others.

Leaders must be deeply concerned with their ability to *Attract, Develop, and Engage Talent* around them. Each leader must focus on his or her own development needs, as well as the needs of those around them. Finally, leaders must be able to consistently put the customer at the heart of every process (*Customer Champion*).

*Leadership Performance* focuses on the requirement to generate *Extraordinary Results* and be a *Driver of Change and Transformation* within the company. Great leaders are able to deliver performance and results that are truly extraordinary—beyond what is expected. They must also be able to anticipate future needs of the business and creatively mobilize resources to meet and exceed those needs.

Whirlpool Corporation’s Leadership Model was created exclusively for Whirlpool based on what the organization was like at the time and on how the company wanted to succeed in the future. It was also purposely designed to create a very high bar for talent within the organization—against which all current and future leaders would be assessed.

Embedding the Leadership Model required that leaders at all levels and the human resources organization have a clear understanding of the model and its implications. Training and guides were used to educate both leadership and employees. The leadership model was emphasized in assessments of talent potential and annual performance appraisals. Discussion of an employee’s potential begins with his or her leadership model assessment, which is also a consideration for their nine-box rating. Performance appraisals include a section on behaviors based on the leadership model and our values, ensuring that *how* an individual achieves accomplishments is as important as the results.

### ***Phase II—Top Talent Indicator and Derailer***

#### ***Definition and Deployment***

While the Leadership Model was successfully embedded into the people processes and culture of the organization, it also presented a major challenge: It was cumbersome. With a total of twelve competencies spanning attributes, practices, and performance, the model provided a comprehensive and hefty view of leadership. However, practical ongoing application necessitated further definition of the company’s Top Talent Indicators and Derailers.

The Leadership Model continues to be the foundation of leadership competencies at Whirlpool Corporation. However, each of the competencies of the Leadership Model was analyzed to determine which were most indicative of high potential or “top talent” within the organization. Whirlpool Corporation looked at the company’s most successful leaders—those who had continuously delivered successful results over time, demonstrating both performance and potential. Through this analysis of performance and potential against the Leadership Model, four competencies, or “top talent indicators,” emerged. Specifically, leaders who demonstrated the Leadership Model competencies of *Thought Leadership*, *Extraordinary Results*, *Driver of Change*, and *Attracting, Engaging, and Developing Talent* were almost always successful at Whirlpool Corporation. Those competencies were identified as top talent indicators.

In the same analysis, however, it was discovered that either a lack or, in some cases, excess of one of three of the other Leadership Model competencies could derail success—even in the presence of success in the other top talent Indicators. The top talent

derailers were identified as a lack of *Character and Values*, a lack of *Management Skills*, or a lack or excess of *Confidence*. For example, a leader who consistently demonstrates all four of the top talent indicators but is also arrogant (excess of confidence) will not be successful over the long haul unless he or she is provided with the right feedback and coaching to better align with the competency of *confidence*.

With the top talent indicators and derailers defined, the challenge centered around developing a global training curriculum that highlighted the indicators and derailler competencies and educated employees across the globe on how to identify them and differentiate levels of competence of an indicator on a five-point scale. The training consisted of four modules delivered over two days and covered:

- **Module 1:** Building a deeper understanding of each of the top talent indicators and derailers and how to discern them at differentiated levels.
- **Module 2:** Recognizing and eliminating biases and traps that may impede the assessment process.
- **Module 3a:** Utilizing the top talent indicators and derailers to assess external talent and appropriately calibrate assessment results.
- **Module 3b:** Utilizing the top talent indicators and derailers to assess internal talent and calibrating results in talent pool and succession planning processes.

The use of simple, yet highly effective tools reinforced learning and provided sustainable reminders for application. The modules were accompanied by a toolkit of resources that included interview guides and reference tools. The “bias card” (Figure 14.2), while simple, provided a handy reminder of different types of biases and how to minimize their effect in the assessment process.

The Top Talent Indicator and Derailler Training Modules and tools were developed and launched globally in 2005. As it was important to drive a top-down approach, the training began with the company’s executive committee and senior-most leadership. Over a period of five months, it was delivered to leaders of people in all regions across the globe.

### **Phase III—Business Acceleration Drives “Next Level”**

#### **Talent Assessment**

In April 2006, Whirlpool Corporation acquired Maytag Corporation, making them the true leader in the global appliance industry. The company’s competence in the assessment of “top talent” was stressed through the rapid assessment of all Maytag talent. In order to drive required efficiencies and ensure that the newly acquired employees from Maytag were treated with the respect they deserved, Whirlpool committed to assess and deliver decisions regarding Maytag heritage employees’ status within ninety days of the acquisition.

Through a combination of deep assessment- and efficiency-driven decisions, offers were extended, and the new organization began to emerge. While Whirlpool

## MINIMIZING THE EFFECTS OF BIASES AND TRAPS

We all interpret new information based on our own filters on the world. Culture, education, attitudes, and beliefs all contribute to our individual perspectives. While such biases are natural, they are not universal. The ability to recognize biases and traps will enable an individual to look beyond them in an assessment.

<p><b>"Planters" Bias:</b> Assessing an individual with a preconception in mind based on discussion with other colleagues who know or have assessed the individual.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Refrain from asking colleagues for their impressions of a candidate before speaking with him/her personally</li> <li><input type="checkbox"/> Do not offer up information about a candidate before your colleagues speak with him/her personally</li> </ul>
<p><b>First Impression Bias:</b> Making an overall judgment about an individual based on job-irrelevant data or impressions collected during the first few minutes of an interview.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Make note of any impressions you have in the first few minutes, acknowledge them and determine to suspend judgment until the end of the meeting</li> </ul>
<p><b>"Wow" Factor Bias:</b> Judging one candidate more favorably than others based on his/her tremendous accomplishment or other notable fact.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Do not ignore tremendous accomplishments as they can be indicative of the candidate's character (determination, tenacity, competitiveness, drive for performance, etc.)</li> <li><input type="checkbox"/> Be aware of the impression these accomplishments have on your assessment of the individual and determine not to give them more weight than you give to other data you gather</li> </ul>
<p><b>Negative Emphasis Trap:</b> Rejecting a candidate on the basis of a small amount of negative information.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Probe to understand any points that concern you about the candidate and your initial impression</li> <li><input type="checkbox"/> Look for both confirming and disconfirming information</li> <li><input type="checkbox"/> Weight this information in proportion to all other information you have about the candidate</li> </ul>
<p><b>Contrast Effect Trap:</b> Strong candidates interviewed after weak ones may appear more qualified than they actually are because of the contrast.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Document the criteria and performance standard you expect of all candidates in advance – take these into an assessment with you as a reminder</li> <li><input type="checkbox"/> Document statements and examples that appropriately factor into your decision-making and compare candidates on this basis</li> </ul>



**FIGURE 14.2. Assessment Bias Card**

received a higher than average rate of acceptances, Whirlpool went from a typical load of sixty-five open requisitions at any one time to more than two hundred. The resulting talent and resource requirements necessitated a rapid growth of the talent acquisition function (300 percent over a twelve-month period) as well as the need to further build and embed the capability to assess external talent.

To address the need, the master assessor program (MAP) was launched in June 2006 to skill and equip targeted individuals—both HR professionals and line managers with frequent hiring needs—with a mastery level of assessing talent to ensure the bar for talent was kept high. Upon successful completion of the training, an individual was certified as a “master assessor of talent.” The rigorous training program includes a one-day classroom session followed by months of practical training. Once certified, a master assessor developed the capability to:

- Describe and identify behaviors demonstrated by top talent;
- In real-time assessments, confidently differentiate top talent from competent talent;
- Identify relevant information in resumes; elicit highly relevant information from candidates in fair, productive interviews;
- Write a clear, professional, accurate assessment report;
- Lead and/or participate in calibration meetings with colleagues and contribute substantial insight into final decisions of candidates’ assessment, hiring decisions; and
- Once certified, teach and supervise subsequent master assessor program participants.

The rigorous practicum following the classroom session truly differentiated MAP from previous training. It provided participants with actual experience and immediate coaching and feedback on their assessment capabilities. Individuals in the certification process completed three phases of practicum with actual candidates that included (1) observing a certified master assessor conducting candidate assessments, (2) co-conducting candidate assessments with a certified master assessor, and (3) conducting candidate assessments while being observed by a certified master assessor.

Since the program’s launch in 2006, close to fifty master assessors have been certified at Whirlpool Corporation. With a goal of having at least one certified assessor on every interview team, the company continues to ensure a high bar for talent and further embedment of the leadership competencies defined in the top talent indicators and derailers.

## EVALUATION

A key measure that is directly related to the effectiveness of Whirlpool Corporation’s assessment capabilities for defined leadership competencies is its “Quality of Hire Report.” The recently launched quality-of-hire metric is designed to provide a measure of the company’s ability to assess and hire top-quartile talent. The report is developed through a short survey of a new hire’s supervisor at both the six- and twelve-month marks and consists of survey questions targeting four key criteria:

- Satisfaction
- Promotability

- Leadership (as measured against the top talent indicators and derailers)
- Performance to date

Whirlpool Corporation's quality of hire report provides a visual snapshot of the company's overall quality of hire metric and can be segmented by function and individual. The resulting reports and dashboards allow for the comparison of functional and individual hiring measures. Figure 14.3 demonstrates an individual report sample and Figure 14.4 depicts a functional dashboard sample.

Whirlpool Corporation's quality of hire metric measures the effectiveness of the company's candidate assessment capabilities and its Master Assessor Program by tracking all hires that were assessed by a MAP-certified interviewer. The company is also planning on correlating the quality of hire results to the effectiveness of various sources. As a source effectiveness measure, the company will be provided with actionable information to make decisions regarding external sourcing strategies.

Initial results from the quality of hire metric indicate that the MAP process has had a very positive impact on quality of hire. The average score on the quality of hire index indicates the company's new hires are being assessed as well above average. The level of leadership attributes displayed by new hires, as measured against the top talent indicators and derailers, shows almost 50 percent were rated consistently at a level of 4 on a 5-point scale, with 5 considered "role model." Assessed on their potential at Whirlpool, 77 percent of new hires were deemed promotable at least one band<sup>1</sup> level in the next three to five years, with 17 percent seen as promotable at least two band levels. Measured on their performance to date, 93 percent of new hires are already producing strong results, with 43 percent achieving very strong or exceptional results. However, one of the most significant measures revealed that almost 100 percent of new hires would be recommended for another role within the organization, showing high levels of satisfaction. In other words, the value that the newly acquired talent is bringing to Whirlpool Corporation is exceptional.

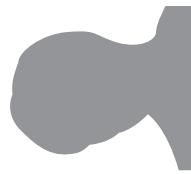
## NEXT STEPS

Given the success of the master assessor program (MAP), Whirlpool Corporation is in the process of developing MAP Level II training. The new training program continues to target deeper embedment of the top talent indicators and derailler competencies. However, the focus of MAP Level II is tailored to the internal succession planning and talent pool process. The training and certification will consist of a Level II classroom session reinforcing the leadership competencies and top talent indicators and derailers, providing application guidance to the internal assessment process and building awareness of the differences between internal and external assessment. The certification process following the classroom session will focus on actual participation and calibration in a series of talent pool sessions with a certified Level II MAP assessor.

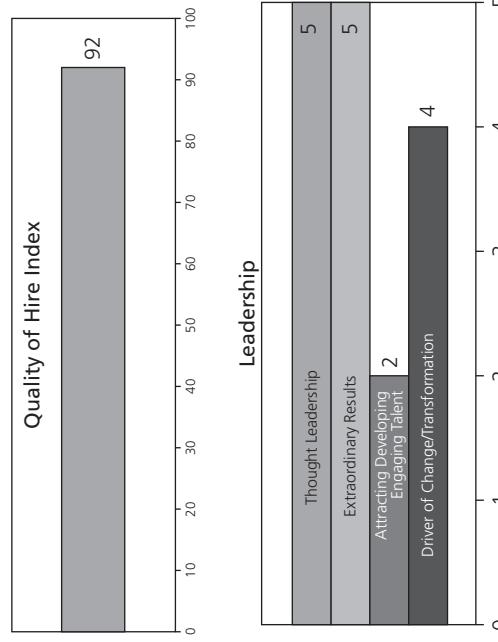
## Quality of Hire – Sample Individual Report

### Jane Employee

Position: Financial Analyst Senior
Band: 6
Hiring Manager: Joe Supervisor
Function: Finance



Gender: Female  
 Education: State College (BA); Harvard (MBA)  
 Experience: Arthur Andersen; Mercer Consulting;  
 Procter & Gamble China; Lincoln Financial



**FIGURE 14.3.** *Individual Quality of Hire Report*

## Quality of Hire – Sample Functional Dashboard

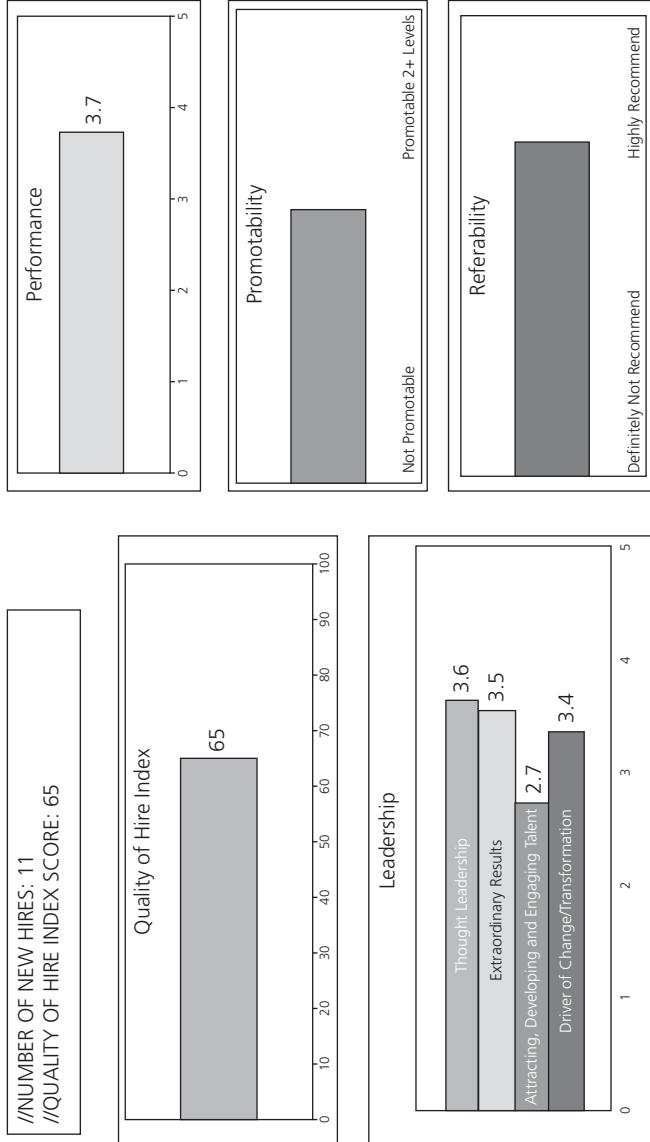


FIGURE 14.4. *Functional Quality of Hire Dashboard*

## SUMMARY

Over the past decade, Whirlpool Corporation has defined, implemented, and embedded a leadership competency model and assessment methodology that serves as the foundation for all its critical people and talent management processes, including performance management, talent acquisition, talent pool, and succession planning. All the tools, resources, and training to develop leadership, drive employee engagement, and build capability are deeply embedded and integrated with the strategy for driving the future of the business.

## NOTE

1. Whirlpool Corporation has a banded compensation structure with multiple role levels within one band. An example of two-band-level promotability would be moving from a manager to a vice president within three to five years.

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# CONCLUSION

*Everything should be as simple as it is, but not simpler.*

—ALBERT EINSTEIN

The case studies presented in this book provide a detailed picture of how fourteen organizations have successfully responded to challenges in talent management. The tipping points for action were varied, and included declining growth, a lack of qualified external hires, a need for internal succession planning, and the need to align talent strategy with business strategy. While the solutions were uniquely crafted to the needs of each company, each utilized the six-phase strategy advocated by the Best Practice Institute: Business Diagnosis, Assessment, Program Design, Implementation, On-the-Job Support, and Evaluation.

In order to present a fuller and more complete picture of the best practices in talent management, in March 2009 the Best Practice Institute released results from a groundbreaking online survey of some of America's most dynamic companies. The *Talent Management Survey* included twenty questions that addressed the heart of today's talent management challenges. Responses from fifty-one senior management professionals has allowed us to define, in a way not possible before, the best practices of leaders in industries including healthcare, government, financial services, energy, business services, consulting, information technology, the non-profit sector, and others. A sampling of the companies surveyed include the following:

- Agilent Technologies
- American Family Insurance
- American International Group, Inc.
- APS Arizona Public Service
- Art Gallery of Ontario (AGO)
- Baptist St. Anthony's Healthcare System
- Baxter Healthcare
- BBN Technologies

Best Buy

CalPERS

Cargill

Corning Inc.

Gap Inc.

Intel Corp

Internal Revenue Service

IRS

Johns Hopkins University

JohnsonDiversey

Kaiser Permanente Colorado Region

London Health Sciences Centre

Medtronic

Medtronic China

Motion Picture Industry Pension and Health Plans

Raytheon Missile Systems

Saudi Aramco

The YMCA of Greater Rochester

Trillium Health Centre

Trubion Pharmaceuticals

Tundra Semiconductor

Tyco Electronics

University of Connecticut

Upstate Cerebral Palsy

Whirlpool Corporation

The *Talent Management Survey* results complement the case studies presented in this book. In some instances the results affirm what we have learned through the case

studies, and in other ways they provide startling new insights that could only have been revealed through a personal response survey.

## AN OVERVIEW OF TALENT MANAGEMENT PROGRAMS: DIAGNOSIS AND ASSESSMENT

*Coming together is a beginning; keeping together is progress;  
working together is success.*

—HENRY FORD

Of the fifty-one respondents to the *Talent Management Survey*, we found that a vast majority—forty-two, or over 82 percent—have either a formal or informal talent management program in place (Table C.1). Another four have no plan but intend to create one, while only five reported that they had no plan and did not intend to create one. The overwhelming support for talent management plans indicates that organizations take very seriously their commitment to their people, and they recognize that human capital is not an afterthought but an integral part of a company's success or failure.

Are talent management programs only for the biggest and wealthiest companies? Surprisingly, the answer is no (Table C.2). Of the thirty-one organizations that reported having formal, budgeted talent management plans, eleven respondents were indeed

**TABLE C.1. Companies with and Without Talent Management Plans,  
Ranked by Response (n=15)**

Type of Talent Management Plan	Percentage	Responses
Formal plan in place	60.8	31
Informal plan in place	21.6	11
No plan, no intention of making a plan	9.8	5
No plan, but intend to create one	7.8	4
TOTAL	100.00	51

**TABLE C.2. Companies with Formal Talent Management Plans, Ranked by Number of Employees in Company (n=31)**

Number of Employees	Percentage	Responses
25,001+	35.5	11
1–100	16.1	5
N/A	12.8	4
5,001–10,000	9.6	3
101–500	6.5	2
501–1,000	6.5	2
1,001–5,000	6.5	2
10,001–25,000	6.5	2
TOTAL	100.00	31

from larger companies with 25,000 employees or more. But the next biggest responding group is small businesses with fewer than one hundred employees. Other responses come from organizations with a variety of staff counts.

Talent management program budgets (Table C.3) vary from under \$100,000 to over \$20 million. These findings confirm the belief of Best Practice Institute that talent management programs are accepted by, and appropriate for, companies of all sizes.

What spurs a company to initiate a talent management program? Our case studies revealed a wide variety of circumstances. Kaiser Permanente Colorado discovered that too many—65 percent—of its executive hires were coming from outside the company. Ecolab needed qualified executives to meet its aggressive growth projections. McDonald's needed to toughen and define internal promotion metrics because job performance evaluations were unreliable.

The Best Practice Institute's *Talent Management Survey* reveals that the number one catalyst for change was the need to align employee goals with business goals (Table C.4). What does this mean? A colloquial expression is “getting everyone on the same page,” or, as Henry Ford said, “Working together is success.” Getting internal alignment is critical whether a company has thousands of employees or a dozen: a wagon being pulled in opposite directions isn’t going anywhere.

The need for improved productivity ranks high; this is closely related to the need for internal alignment. The number three reason is succession planning, which is a common internal issue and one faced by Southern Company, for example, with dozens of key executives reaching retirement age. Other catalysts for change include

**TABLE C.3. Formal Talent Management Plan Budgets, Ranked by Budget Size (n=31; some multiple responses)**

Budget	Percentage	Responses
<\$100,000	22.9	8
N/A	22.9	8
\$100,000–\$499,999	17.1	6
\$2 million–\$5 million	11.4	4
\$500,000–\$999,999	8.6	3
\$5 million–\$10 million	5.7	2
\$10 million–\$20 million	5.7	2
\$1 million–\$2 million	2.9	1
\$20 million–\$50 million	2.9	1
> \$50 million	0.0	0

**TABLE C.4. Factors That Lead the Organization to Implement a Formal or Informal Talent Management Program (n=42; some multiple responses)**

Factor	Percentage	Responses
Need for alignment of employee goals with business goals	28.3	26
Need for improved productivity	19.6	18
CEO/top executive succession	16.3	15
Globalization	10.9	10
Other	10.9	10
Turnover rates	8.7	8
Labor cost efficiency	4.3	4
Effects of downturn in economy	1.1	1

globalization, unacceptable employee turnover rates, labor cost efficiency, and the recent downturn in the economy.

## DESIGN AND IMPLEMENTATION

*Go as far as you can see; when you get there, you'll be able to see farther.*

—J.P. MORGAN

Once the challenge has been diagnosed and assessed, what should be the treatment? What goals should be set? What results can reasonably be expected?

The initial stages of program design most often follow from the diagnosis. When Bank of America determined that too many external hires—including executives inherited from acquired banks—were not in tune with the bank's corporate philosophy, the bank created an executive on-boarding program targeted primarily, but not exclusively, at external hires. In Microsoft's SMSG division with its 45,000 employees, there was a high-potential development program in each of its thirteen geographical areas. The programs were not aligned to Microsoft's Leadership Career Model, and there were no consistent criteria for defining high-potentials, making internal movement and promotion cumbersome. Microsoft SMSG focused its efforts internally, on aligning executive capabilities and assessments with one unified set of standards.

One-third of our survey respondents reported that their talent management programs—both formal and informal—are dedicated to developing talent internally (Table C.5). Another third (31.4 percent) target both internal and external hires on a

**TABLE C.5. Focus of Both Formal and Informal Programs Designed to Augment Talent Capability of the Organization, Ranked by Responses (n=42)**

Program Focus	Percentage	Responses
Develop talent internally	33.3	17
A combination of internal/external driven by case-by-case economic analysis	31.4	16
A combination of internal/external driven by historical practice	11.8	6
Executive mandate	11.8	6
Other	7.8	4
Acquiring external talent	3.9	2

case-by-case economic analysis basis, while 11.8 percent target internal and external hires as dictated by historical practice. The same number cited executive mandate, while only 3.9 percent reported that the talent management program is constructed only for external hires. Clearly, for the companies we surveyed, getting their own house in order is priority number one.

Strategies for internal development can take many forms (Table C.6). Development planning and stretch assignments/projects, neither of which necessarily require dedicated cash budgets, top the list. Formal classroom training follows, along with career planning, mentoring programs, and structured on-the-job training, all of which require some cash outlay. With forty-two respondents providing a total of 347 responses, it is clear that organizations are using multiple approaches, both formal and informal, when designing and implementing talent management programs.

**TABLE C.6. Formal and Informal Strategies Designed to Develop Talent Internally, Ranked by Responses (n=42; multiple responses)**

Internal Development Program	Percentage	Responses
Development planning	11.5	40
Stretch assignments/projects	11.0	38
Formal classroom training	9.5	33
Career planning	8.6	30
Mentoring programs	8.4	29
Structured on-the-job training	8.1	28
Workforce planning	7.8	27
Competency modeling	7.2	25
Knowledge management/shared methodology	6.6	23
Access to self-paced opt-in training	6.3	22
Job rotations	5.2	18
Proactive redeployment	4.3	15
Access to structured peer learning activities/tools (social networking)	4.3	15
Other	1.2	4

For those companies that are targeting external hires for talent management (Table C.7), the top strategies are internship programs, Internet-based employment marketing, corporate career sites, professional event recruiting, and on-campus college recruiting. In a development that does not bode well for our nation's daily and weekly newspapers, the traditional recruitment tool—print-based employment advertising—ranks dead last.

How do companies define organizational competency (Table C.8)? Perhaps surprisingly, over half (54.8 percent) create organizational competency models wholly in-house. However, only a small percentage (4.8 percent) report that they have no organizational competency model—demonstrating that most companies need a goal to strive for.

**TABLE C.7. Formal and Informal Strategies Designed to Acquire External Talent, Ranked by Responses (n=42; multiple responses)**

External Acquisition Program	Percentage	Responses
Internship program	8.7	27
Internet-based employment marketing	8.7	27
Corporate career site	8.4	26
Professional event recruiting	8.1	25
On-campus college recruiting	8.1	25
Social networking	7.4	23
Direct sourcing (talent mining)	7.1	22
Employment brand management	6.8	21
Incentives for current employees to recruit contacts	6.8	21
Employee/stakeholder referral programs	6.1	19
Niche job board advertising	5.8	18
Major job board advertising	5.2	16
Remote college recruiting (virtual job fairs, social networking)	4.5	14
Contingent workforce management	4.2	13
Print-based employment advertising	3.9	12
Other	0	0

**TABLE C.8. Method for Development of Organizational Competency Model**

Method	Percentage	Responses
Created it from scratch within organization	54.8	23
Purchased and modified	28.6	12
Other	9.5	4
Do not have an organizational competency model	4.8	2
Purchased off-the-shelf	2.4	1

The identification and grooming of high-potential leaders grows out of the perceived attributes of past and present leaders (Table C.9). Perhaps surprisingly, “technical” abilities including project management, innovation, and sales skills are not at the top of the list of most important competencies, attitudes, and behaviors of organizational leaders. The number one attribute is emotional intelligence, followed by strategic planning, ethics, and customer centricity.

Is software useful to companies that are designing talent management programs (Table C.10)? Apparently not—62 percent report that they don’t use it. But of those that do use it or have tried it (Table C.11), over half (56.75 percent) reported that it was “extremely valuable” or “valuable.” This may suggest that companies have a bias against talent management software; perhaps they believe that it costs too much or is too complicated, and assume that it won’t be worthwhile.

## ON-THE-JOB SUPPORT

*Always bear in mind that your own resolution to succeed is more important than any other.*

—ABRAHAM LINCOLN

Talent management is an ongoing process; while there must be measurable goals, these goals are attained over time in an environment that is in flux. For maximum effectiveness, a program must be not just a gateway but also a pipeline, entered by the employee when hired and exited only upon retirement.

Among the organizations with both formal and informal talent management programs, a wide variety of technologies are used to develop and monitor talent management practices (Table C.12). While employee learning management software came in

**TABLE C.9. Most Important Competencies, Attitudes, and Behaviors for the Organization's Leaders (n=42; multiple responses)**

Most Important Competencies, Attitudes, and Behaviors	Percentage	Responses
Emotional intelligence	10.3	29
Strategic planning	9.9	28
Ethics	9.9	28
Customer centricity	8.5	24
Managing people	8.2	23
Innovation	7.4	21
Decision making	7.1	20
Self-aware	6.7	19
Project management	5.3	15
Effective use of communication tools	5.3	15
Consultative skills	4.6	13
Diversity	3.9	11
Negotiation	3.2	9
Other	2.8	8
Sales skills	2.5	7
Crisis management	2.1	6
Consensus building	2.1	6

**TABLE C.10. Use of Software Specifically Designed for Talent Management (n=42)**

Yes/No	Percentage	Responses
No	62	26
Yes	38	16

**TABLE C.11. Value of Software Used in the Talent Management Process. Ranked by Likert Scale: 1 = Not Valuable at All, 4 = Extremely Valuable (n=37)**

Rating	Percentage	Responses
3 = Valuable	43.24	16
2 = Slightly valuable	24.32	9
1 = Not valuable at all	18.92	7
4 = Extremely valuable	13.51	5

**TABLE C.12. Technologies Used to Develop and Monitor the Organization's Talent Management Practices (n=42; multiple responses)**

Technology	Internal/External	Percentage	Score
Employee learning management software	Externally developed	37.00	1.48/4
Asynchronous (on-demand) online learning	Internally developed	35.50	1.42/4
Synchronous web-based training (webinars)	Internally developed	34.00	1.36/4
360-degree feedback program	Internally developed	33.75	1.35/4
Multi-rater feedback tool	Internally developed	32.25	1.29/4
Satellite broadcasts	Externally monitored	22.00	0.88/4
Mobile learning (podcasts, PDA/cell phone)	N/A	20.25	0.81/4
Online communities of practice	Internally developed	19.00	0.76/4

first place with 37 percent response, other strategies were cited nearly as often, including asynchronous and synchronous web-based training, 360-degree feedback programs, and multi-rater feedback tools. Most solutions are internally developed, with the exception of employee learning management software and satellite broadcasts, which are externally developed and/or monitored.

What elements contribute to talent success within an organization (Table C.13)? Perhaps not surprisingly in the current economic and political climate, only two value proposition elements are rated to be of “critical importance”: ethics and executive quality. A host of others, including compensation and benefits, are rated highly, while “soft” issues, including workforce diversity, environmental responsibility, and

**TABLE C.13. Perceived/Proven Importance of Employment Value Proposition Elements, Formal and Informal Programs, Ranked by Likert Scale: 1 = No Importance, 5 = Critical Importance (n=51)**

<b>5 = Critical importance</b>
Ethics
Executive quality
<b>4</b>
Compensation
Health benefits
Retirement benefits
Vacation benefits
Development opportunity
Career advancement opportunity
Organizational stability
Organizational growth
Market position
Product brand awareness
Social responsibility
Innovation methodology/history
Best employer recognition
Work-life balance programs
Co-worker quality
Manager quality
Flexible work schedules/locations
Transparency in executive decision making and communication

**3 = Moderate importance**

- Meritocracy
- Workforce diversity
- Environmental responsibility
- Organization size
- Best employee recognition
- Work-life balance programs
- Work location
- Work environment
- Education/tuition benefits

There was no responses for 1 or 2; all propositions were rated of moderate importance or above.

education/tuition benefits, are of moderate importance. None of the value proposition elements was rated as having “no importance.”

## EVALUATION

*Leadership is solving problems. The day soldiers stop bringing you their problems is the day you have stopped leading them. They have either lost confidence that you can help or concluded you do not care. Either case is a failure of leadership.*

—COLIN POWELL

Not only must individual employees be evaluated, but the talent management program itself must be monitored for effectiveness. If an entire class of schoolchildren fails, it is a good idea to look first at the teacher. An issue that comes both before and after the development of a talent management program is the identification of those forces that impact talent performance (Table C.14). Human resources professionals must populate a universe of possibilities—both negatives and positives. Among our

**TABLE C.14. The Impact on Talent Management in the Organization—Selected Factors (n=52; multiple responses)**

Factor	Percentage	Average Score
Loyalty and retention of top talent	80.33	2.41/3
Ability to attract and retain top talent	73.33	2.20/3
Impact of stress and multi-tasking on performance	69.33	2.08/3
Motivating and supervising Gen Y employees	65.33	1.96/3
Negative economic effects (downsizing, reduced benefits)	62.67	1.88/3
Differences in technological ability and desire	60.67	1.82/3
Managing mobile/virtual workers	60.67	1.82/3
Workplace conflict due to generational differences	57.67	1.73/3
Employees in workforce after normal retirement age	57.00	1.71/3
New demands of a more diverse workforce	50.33	1.51/3
Trailing spouse/partner issues	47.00	1.41/3
Workers with learning or psychological issues	45.67	1.37/3
Impact of elder care	45.00	1.35/3

survey respondents, “loyalty and a retention of top talent” is the metric most often cited (Table C.14), followed by a related factor, “ability to attract and retain top talent” (80.33 percent and 73.33 percent, respectively). Negative forces or challenges include the number three factor, “impact of stress and multi-tasking on performance” (69.33 percent), and number four, “motivating and supervising Gen Y employees” (65.33 percent). The talent management universe is filled with positive and negative forces that must be managed, much as a spaceship must travel to its rendezvous while avoiding deadly meteorites.

What metrics do we use to measure organizational success? Sometimes it’s quantitative. In our case studies, Avon reported a rise in revenue to \$11 billion in 2009 from \$8 billion in 2005 despite 10 percent fewer Associates. Porter Novelli experienced a decline in turnover of 24 percent from 2005 to 2006. The survey ranks multi-rater feedback as number one (15.4 percent), followed by worker retention, MBO-type performance evaluation, and growth (Table C.15). Net profit and return on investment—shareholder metrics—are lower on the list, suggesting that talent management requires a long-term approach and that success may not manifest itself in a quarterly earnings report.

**TABLE C.15. How the Organization Measures the Performance of Its Top Talent (n=51; multiple responses)**

Measurement Metric	Percentage	Responses
Multi-rater feedback	15.4	26
Worker retention	13.6	23
MBO-type performance evaluation	11.8	20
Growth	11.2	19
Objective measures of productivity	11.2	19
Net profit	8.3	14
Customer retention	7.7	13
Return on investment	6.5	11
Group productivity	5.9	10
Third-party observation	5.3	9
Other	3.0	5

In Table C.14 we saw a few of the negative forces that may impact talent management, including workers with psychological issues and elder care. The survey specifically asked about obstacles that may inhibit a talent management program (Table C.16). Lack of time is number one (19.2 percent), followed by a host of managerial weaknesses: managers ignoring chronic underperformance; managers not committed to developing their employees; managers who fail to separate the talent wheat from the chaff (17.1 percent, 12.3 percent, and 11.0 percent, respectively). These responses serve as a reminder that in a SWOT analysis, sometimes a company's own managers should be placed in the “weaknesses” column!

## SUMMARY

*Necessity . . . is the mother of invention.*

—PLATO, *THE REPUBLIC*

In our journey through the necessities of talent management, we have seen both a commonality of invention and a nearly limitless ability of organizations to create solutions that are uniquely adapted to the crisis at hand. Whether the challenge is external,

**TABLE C.16. Obstacles That Prevent the Organization's Talent Management Program from Delivering Business Value (n=51; multiple responses)**

Obstacle	Percentage	Responses
Lack of time to do everything planned	19.2	28
Managers ignore chronic underperformance	17.1	25
Managers are not committed to developing people	12.3	18
Managers do not differentiate between high, low performers	11.0	16
Senior management does not devote enough time on program	11.0	16
Talent management and business strategies are not aligned	8.9	13
Lack of funds	8.9	13
Resource sharing is discouraged	6.2	9
Other	5.5	8

such as a culture gap with new hires or a cumbersome on-boarding system, or internal, such as employee evaluations that don't work or a wave of impending retirements, successful organizations quickly and confidently forge ahead with the six time-tested phases of talent development:

1. Business diagnosis
2. Assessment
3. Program design
4. Implementation
5. On-the-job support
6. Evaluation

With a clear plan, the fourteen companies in our case studies objectively diagnosed and assessed the challenges before them, designed and implemented effective programs, provided support, and integrated change into the fabric of each organization. In this way organic growth supplanted haphazard acquisitions and/or uncontrolled expansion, and provided a measure of security in a market environment that is unforgiving to those who are not at the peak of efficiency and productivity. Louis Carter, his co-editor Marshall Goldsmith, and the Best Practice Institute look forward

to partnering with the world's most dynamic organizations to discover, implement, and promote the very best in organizational and talent development.

Best Practice Institute offers organizations a learning community of leaders dedicated to pioneering and sharing the best practices of all areas of organization development, including talent development. To help companies large and small to meet their goals, Best Practice Institute produces a wide variety of services including online learning sessions, webinars, benchmarking research groups, thought leader and executive case-driven presentations, research publications, and a knowledge portal for its subscribers. Best Practice Institute's subscriber base includes over 50,000 managers, coaches, directors, vice presidents, senior vice presidents, and C-levels of leading Fortune 500/Global 1000 organizations. BPI's faculty includes over two hundred experts and world-renowned thought leaders who are professors or chairs of departments at Ivy League schools, and/or have contributed original research, innovative publications, and practice to the field of management and leadership.

The Best Practice Institute Senior Executive Board is a by-invitation-only group of senior executives who develop actionable plans for their organizations' best practice programs. Executives at the same level come together from various industries to present their plans for designing, implementing, and evaluating their best practice initiatives for the year. Experts interact with these key decision-makers to ensure that they are implementing the best course of action for their practice areas. The objective of the Senior Leadership Lab is to learn from your peers how to plan, organize, and execute in this area.

# EPILOGUE

**WILLIAM J. ROTHWELL**

The chapters in this volume represent truly outstanding examples of talent management programs from diverse economic sectors. They are instructive whether the reader is just starting out to build a program, is trying to enhance an existing program, is a graduate student doing research on talent management programs, or is an old hand with talent management programs. This chapter summarizes what should be regarded as key “take away points” for what is outstanding about these programs. It also lists some thoughts on next generation talent management—that is, what talent management programs of the future should include. This chapter thus emphasizes some thoughts on evaluating talent management programs for what’s good—and for what are necessary next steps.

## **KEY “TAKE-AWAY POINTS”**

Each case in this volume deserves special attention for what the company described in the case did particularly well. Each case is briefly summarized below for some, but not necessarily all, of its uniquely strong features.

### ***The Avon Products Case***

This case is outstanding for illustrating the practical implications of building the talent practice around “executing on the what” as well as “differentiating on the how.” That means “simple, well-executed talent practices dominated at companies that consistently produced great earning and great leaders” but applied Marshall Goldsmith’s executive coaching model to practice. Also of special note was Figure 1.2 in the case, which takes the well-known potential and performance grid and makes it more robust.

### ***The Bank of America Case***

This case is outstanding for summarizing a truly exceptional executive on-boarding process. The results are impressive: “the Bank of America hired 196 externally hired

executives between 2001 and May 2008 and had experienced twenty-four terminations—a new hire turnover rate of approximately 12 percent. This compares to estimates as high as 40 percent turnover in large corporations.” Of note is that on-boarding begins in the selection process and includes an entry phase, a mid-point phase (100 to 130 days), and a final phase (one year to one-and-a-half years). On-boarding is thus understood, quite properly, as a socialization process rather than as an orientation program.

### ***The Corning Case***

This case is outstanding for basing a talent program on the collective wisdom of internal experts rather than relying solely on external consultants. The goal of the Corning program is to grow “innovation leaders,” critical to a business like Corning’s. A strategic model (depicted in Figure 3.2 of the case) is of particular note, indicating that a project/program manager is developing around a five-step project process: (1) build knowledge; (2) determine feasibility; (3) test practicality; (4) prove profitability; and (5) manage the life cycle.

### ***The CES Case***

This case, about one division of a Fortune 100 company, is outstanding for its application of whole system transformational change theory to talent management. That theory helps organizations overcome the troubling inertia, and lack of necessary commitment and infrastructure, that plagues so many talent management programs. Leaders set the tone by “walking the walk” as well as “talking the talk” of talent management.

### ***The Ecolab Case***

This case is outstanding for illustrating how a talent program can be built on, and leverage, the organization’s corporate culture and values. Those values include, according to the case: (1) spirit; (2) pride; (3) determination; (4) commitment; (5) passion; and (6) integrity. The talent program was based on internal interviews of company executives.

### ***The General Electric Case***

This case is outstanding for describing the application of so-called “lean manufacturing,” as pioneered by Toyota®, to address and solve specific talent problems. The process applied a 5S model that consisted of sorting (separating necessary from unnecessary items), setting in order (arranging items in sequence of use), shining (maintaining the work area), standardizing (ensuring consistent application of sorting, setting in order, and standardizing), and sustaining (maintaining and improving the previous four steps). Many HR issues in other organizations lend themselves to the lessons of this case (see Rothwell, Prescott, & Taylor, 2008).

### ***The Internal Revenue Service Case***

This case is outstanding for its focus on the public sector. The IRS has developed a robust approach to talent management based on a concrete vision of the organization's future and the leadership competencies essential to make that vision a reality. Competencies are used to define leadership operationally.

### ***The Kaiser Permanente Colorado Region Case***

This case is outstanding for its practical approach for addressing a not-uncommon problem of an organization that was too reliant on external hires due to insufficient attention devoted to internal development. The organization uses a systematic leadership development process, as shown in Figure 8.3 of the case. That model integrates diversity, orientation, 360-degree assessment, experience management, peer learning, executive coaching, individual development planning, and recommended participation in external programs. Also of note in this case is the model of potential (see Figure 8.4 of the case).

### ***The McDonald's Case***

This case is outstanding for many reasons. They are difficult to reduce to just a few. But here is a quick summary of the best points:

- The program is global in scope and helps to build cross-cultural awareness among participants.
- The talent review template is simple yet profound (see Exhibit 9.4 of the case), focusing on (1) a forecast of corporate leadership talent requirements for the next three years, including positions, people and/or competencies; (2) assessing and developing the current talent pool; (3) meeting replacement needs and diversity gaps; and (4) recommending specific developmental actions.
- The LAMP program is a sophisticated, state-of-the-art program that is designed to build talent through accelerated group experiences (see Exhibit 9.5).

### ***The Microsoft Case***

This case is outstanding for its application of research conducted by the Corporate Leadership Council (CLC). Microsoft has chosen to organize its talent management effort around five key areas that, according to CLC research, have the most significant impact on high-potential (HiPo) development. Those are (1) demonstrating senior leadership commitment to developing leaders; (2) the manager's continuing engagement in HiPo development; (3) creating a network of professional contacts that encourages contacts throughout the organization; (4) stretch development plans with clear goals; and (5) targeted on-the-job work experiences designed to build competencies.

### ***The Murray & Roberts Limited Case***

This case is outstanding as a representative of how talent management is addressed outside the U.S. context. The company is a leading South African firm. Of note in this case is that the talent program is designed around a simple, although robust, four-step model: (1) destination (building a compelling business goal and clear philosophy); (2) accountability (creating a tailored leadership pipeline and performance standards); (3) foundation (user-friendly performance management and development); and (4) driving mechanism (best practice leadership and development review). The clarity of this model represents a difficult-to-attain elegant simplicity on which to build the talent program.

### ***The Porter Novelli Case***

This case is outstanding for its way of relating individual employee engagement to talent management. According to the case author, four fundamental questions must be answered for each employee in any talent program: (1) *What specifically do you expect of me?* (2) *How will you define success (and measure me)?* (3) *What's in it for me if I deliver the results you expect?* and (4) *Will you provide me the resources I need/eliminate the barriers I face to achieve these results?*

### ***The Southern Company Case***

This case is outstanding for its differentiation of various levels of leadership—individual contributor, first-line manager, manager of managers, functional manager, multi-functional manager, and CEO—and describing how performance standards were established for each level. The standards were set based on business, management, leadership, relationships, community/external involvement, and customer expectations.

### ***The Whirlpool Corporation Case***

This case is outstanding for the clear statement of organizational goals on which the program was based. (A lack of clear, agreed-upon goals is a common source of failure for talent management programs.) The organization defined the purpose of the program as a means to the end of “(1) defining the leadership needed to continue the organization’s success; (2) assessing the company’s current leadership competencies and defining gaps; (3) developing internal leadership competencies; (4) assessing future leaders against these competencies; (5) providing a consistent set of tools, resources, and a process to manage global talent; and (6) deeply embed the competencies and operationalize the supporting tools and resources.”

## **THOUGHTS ON NEXT-GENERATION TALENT PROGRAMS**

While outstanding, these cases are as instructive for what they include as well as what they leave out—so-called “next generation talent management” (Rothwell, 2008a).

Here are a few thoughts on what to look for in the future.

First, organizational leaders must be able to find their talent faster. Speed leads to competitive advantage. How do organizations find their in-house experts (otherwise known as high professionals or HiPros) when the organization faces a crisis? In small organizations the leaders may know everyone. But that is not possible in medium-sized to larger organizations. Hence, one challenge for leaders of the future is to pinpoint their most talented people based on their competencies and special expertise in practical ways so that they can be located quickly when crisis requires that. There is thus a need for competency inventories so that organizational leaders can find people based on their business-specific abilities rather than previous skill inventories based on less useful-to-directly-equate-to-practical-experience degrees, job titles, or language fluency. Such competency inventories may also be extended to an organization's retirees (Rothwell, 2008b).

Second, talent management must go beyond thinking about "potential"—a term that usually equates to "promotability." While potential is important, it is not enough. Additional issues should also be considered. One is that potential can mean more than promotability, but could include capacity to grow in technical ability in a dual career system in which promotion can occur by vertical promotion (up the organization chart) and by horizontal promotion (across a continuum of expertise at the same level) resulting from greater command of technical expertise.

Third, in light of recent scandals on Wall Street in which executives were financially rewarded with lavish bonuses for "performance" by leading their organizations into bankruptcy, ethics must be given more than lip service when considering potential. While many organizations have "codes of conduct" that provide some guidance, those codes are often written by lawyers without regard to more than merely meeting the letter of the law. In public perceptions, and in the popular press, the mere appearance of wrongdoing is as bad as actual wrongdoing. Consequently, talent management programs of the future will have to regard behaviorally based individual assessments of adherence to ethical standards in actual ethical dilemmas encountered by leaders in these organizations. Ethics should be objectively measured first before any potential measurement is done. Ethics should come first before assessments of an individual's ability to do the work at higher levels of responsibility.

Most troubling is that few companies have any objectively measurable ways to compare individuals to the competency and behavioral requirements at the next level up. Talent management programs of the future must separate assessments of performance at the current level of responsibility from assessments of potential to perform at higher levels. If that is not done, organizational leaders are playing to the well-known *Peter Principle*, which takes its name from the 1965 book. According to the Peter Principle, organizational leaders reward individuals with promotion. As long as individuals meet the requirements at higher levels of responsibility, they are promoted. But once they fail, they are plateaued at their current levels. The result: individuals are promoted to one level above their highest level of competence, and thus organizations

are filled with people who are actually incompetent to be where they are. To avoid that problem, organizational leaders must realize that performance management is not enough; rather, a separate, objective potential assessment must be conducted to compare individuals to the competency requirements at higher levels of responsibility.

Finally, talent management programs can focus on more than mere promotability. Two other issues could also be a focus of attention.

One is the so-called *knowledge transfer problem* in which experienced workers should be able to transfer some of what they know to their successors. Research suggests that only 40 percent of U.S. firms even attempt to ask workers to transfer some of what they know to others (see Rothwell & Poduch, 2004). The result: many successors have to “reinvent the wheel” by re-learning lessons of experience gained by their predecessors. That problem must be avoided by including practical knowledge transfer strategies in talent management (Rothwell, 2004). That is particularly important for workers whose special technical knowledge may be key to competitive success, which may be true in firms that rely on technical knowledge for competitive advantage.

The second is the so-called *social relationship transfer problem* (Rothwell, 2007). Experienced workers have built vast social networks of important relationships with people who help them obtain results. That may include friendships with people inside key customer organizations, suppliers, distributors, government regulators, and members of the press. When these experienced workers leave the organization, their social relationships are at risk of loss to the organization. That problem must be avoided by including social relationship transfer strategies in talent management. That is particularly important for workers whose social relationships may be key to competitive success—such as in firms that emphasize marketing, sales, public relations, and governmental relations.

## CONCLUSION AND SUMMARY

The future is bright for those who devote their time and attention to talent management. People have become key to competitive advantage. It is talent that sets competitive winners apart from the losers. But finding, developing, keeping, and positioning talented people represent challenges of the future for businesses, government agencies, and nonprofit entities.

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# ABOUT THE EDITORS

**Louis Carter** (lou@bestpracticeinstitute.org) founded Best Practice Institute on the principles of organization development and positive change. Mr. Carter has written eight books on best practices and organizational leadership, including the *Change Champions* and *Best Practice* book series published by Jossey Bass/John Wiley & Sons. As an expert in the industry, he has been interviewed, profiled, and quoted by such publications as *Business Watch* magazine, *Workforce* magazine, *Investor's Business Daily*, and *CIO* magazine. He founded BPI after obtaining his graduate degree from Columbia University in social/organizational psychology and an undergraduate degree in economics and government from Brown University and Connecticut College. At Columbia, Mr. Carter obtained honors from Kappa Delta Pi, an organization promoting excellence in, and recognizing outstanding contributions to, the field of education. Mr. Carter's books, research, and teaching have been translated into eight languages across Asia, the Middle East, Europe, and North and South America. He has taught at major universities, including Tsinghua School of Business in Beijing, Jackson State University, Seton Hall University, and at Fortune 500 conferences throughout the globe.

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**Dr. Marshall Goldsmith** is a world authority in helping successful leaders become even better—by achieving positive, lasting change in behavior: for themselves, their people, and their teams. His book *What Got You Here Won't Get You There* is a *New York Times* best seller, *Wall Street Journal* number one business book, and winner of the Harold Longman award for Best Business Book of the Year. It has been translated into twenty-three languages and is a listed best seller in six different countries.

The American Management Association named Dr. Goldsmith as one of fifty great thinkers and leaders who have influenced the field of management over the past eighty years. Major business press acknowledgments include: *BusinessWeek*—most influential practitioners in the history of leadership development; *The Times* (UK)—fifty greatest living business thinkers; *The Wall Street Journal*—top ten executive educators; *Forbes*—five most-respected executive coaches; *Leadership Excellence*—top five thinkers on leadership; *Economic Times* (India)—five rajgurus of America; *Economist* (UK)—most credible executive advisors in the new era of business; and *Fast Company*—America's preeminent executive coach.



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