Disrupting Leadership Development

Why the traditional approach to leadership development is not improving performance, how it is slowing execution, and what to do about it.

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Strategy made personal

Disrupting Leadership Development

Sitting at the intersection between consulting and training, we have a front-row seat to our clients' business goals, strategic priorities and culture. We have seen leadership initiatives that boom with great impact and many others that bust. Through that experience, we have identified the common culprits behind why most leadership development initiatives fail to support company strategies and business results, but more importantly we have defined the success factors and a new approach that helps companies and their leaders achieve great performance and execution.

There have been many books and articles written about the extraordinary business success of Southwest Airlines. Yet their continued success deserves reflection as they illustrate one of four major trends we see happening at the intersection of business and talent.

For those of you who need a refresher on Southwest Airlines, below are examples of the plethora of firsts they have achieved in the commercial aviation industry:

- 42 consecutive years of profitability and employee profit sharing

- Total job security, no furlows ever

- For 30 years the best return to shareholders of any stock listed on the S&P 500 index

- Named to FORTUNE Magazine's World's Most Admired Companies list for 21 consecutive years

The last two achievements are in competition with all industries – and this is an airline! History has shown that the airline industry has been a major destroyer of shareholder value over the years, and as a business school professor in the 1990s exclaimed, *"One of the worst industries to operate a business!"* Yet Southwest, relative to other American airline companies, has outperformed to such an extreme that it seems like magic.

These results are not because Southwest is smaller; in fact, they have the most domestic passengers of any U.S. airline.

Their success is not because their prices are high; on the contrary, they launched an era of unprecedented affordability in air travel, described by the U.S. Department of Transportation as "the Southwest Effect." Their unwavering profit is not because they are cheap and save at the expense of their passenger experience; instead, they enjoy the lowest ratio of complaints per passengers boarded of all major U.S. carriers since the metric was first tracked in 1987.[2]

So, what's the secret? How could an airline outperform all other companies on the S&P 500? How can other companies move towards similar success?

Southwest Founder Herb Kelleher and CEO Gary Kelly have a relentless focus on their people. Their line executives own the performance of their people (not the HR function), and their strategy is first driven by what's right for their people.

"Our people are our single greatest strength and most enduring long-term competitive advantage."

Gary Kelly, Southwest CEO

Our hypothesis is summarized by a recent quote from Gary Kelley, "Our people are our single greatest strength and most enduring long-term competitive advantage."[3]

And as Herb Kelleher says,

> "That never changes—in any way, shape, or form. The focus of Southwest Airlines has always been on its people, regardless of how large we grew. Everybody would keep saying to me, 'Wait until you get to a thousand, wait until you get to 5,000, wait until you get to 10,000'—as if there was some bright line when you go over from the humanistic and entrepreneurial into the totally managerial. There is no such line in dealing with your people. Making them happy with what they're doing, making them proud of what they're doing, putting them in a position where they're telling their grandchildren that Southwest Airlines gave me a greater reach than I ever would have had by myself—that continues to be effective whether you've got 5,000, 15,000, or 35,000." [4]

At Southwest, every leader "puts employees first and customers second, they instill leadership in every nook and cranny of their organization," and the great results speak for themselves.

Southwest's success illustrates the movement towards more line leaders taking ownership of "people" and is one of four key trends we see shaping the market that will have a profound impact on engagement and company performance.

Here is a brief summary of the discussion to follow:

QUESTIONS FOR YOU	TRADITIONAL WAY	NEW WAY
How do you define leader expectations?	Leverage generic leadership competencies	Define "great" leadership at your company
How do you identify your best leaders?	Assess against generic competencies	Select "great" leaders
How do you develop "great" leaders?	Experience the sage on stage	Experience "great" leadership at your company
How do you ensure "great" leadership on the job?	Execute a training program	Execute "great" leadership
Who owns the identification and development of "great" leaders and scaling that across the company?	HR ownership	Business ownership

Defining "Great" Leadership

What does "great" leadership look like in your company?

Focused on the task of developing leaders for the past 20 years, we have been surprised by what most companies use as their leader expectations: a competency model, adopted from an external firm, with upwards of 50 universal behaviors. At first glance, it is hard to disagree with the common themes and behaviors – for example, being "customer-centric" or a "strong collaborator" are universally good traits. But at second glance, we tend to agree with the President of R&D for a global pharma company: "We, too, have a leadership competency model. To be honest, I've never really known what to do with it or how it applies specifically to our business and my leaders."

Our view is that all-inclusive leadership competency models slow execution for the following reasons:

1. **Theoretical** Most leadership models are written by IO psychologists or the talent function in organizations. As a result, they tend to be generic and based on external research on "leadership truths." At many companies, they have the same leadership model for all leaders – senior vice presidents to front-line managers – yet the roles are very different in their day-to-day challenges. While there are kernels of goodness in these models, they feel ineffective. Showing leaders what high performance is for their level of leadership in their company would be profoundly more practical and helpful.

2. **Not grounded in the company strategy and lacking focus** Most leadership models are "universal" and fail to honor and recognize that each company has a unique history, culture, market position, business model and strategies. By their nature, they fail to define the current reality of the firm, which means they do not focus on the most critical leader behaviors to achieve business results. They also tend to be too much. As noted, many traditional competency models have had 50+ behaviors. The dean of one of the world's largest technology companies shared the guidance his founder and CEO shared with him in setting up their corporate university. "The CEO said, 'We have a unique position in the market and therefore a unique strategy to take share. It would be irrational to apply a standard, universal set of leader expectations against a differentiated strategy. Instead, we establish the most critical leader behaviors, by role, tied to our strategy."

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3. **Unnecessarily complex** Most leadership, competency, and performance models define different levels of mastery and performance—below average, average, good, excellent—embedding a bell curve for leadership into our organizations. Why would you tolerate average or below average leaders, especially when they impact so many of your employees? Why confuse your leaders with three or four variations of performance? Set high performance or "great" as the standard and quickly the new-to-role leaders will rise to the occasion and become "great."

4. **Slow to evolve and lacking a forward-looking focus** Many leadership models have been in place for years. As a result, they no longer reflect the company's priorities, new business model, new strategies for success and desired operating style. It seems as if the companies are afraid to "rip out" their leader expectations much in the same way they would cringe at the difficulty in changing their IT system. Yet if the executives viewed their leadership model as the expectations they are setting for their people, they would realize they are often asking their leaders to lead in an old way, which often is at odds with what the company needs in order to evolve and secure the next phase of growth.

For decades, leadership gurus and research firms have brought their research and leadership framework to companies, trying to prove their model is better than the last and better than the firm's current leader expectations and tools. While we agree that there are lessons to be learned from leadership research, we believe one secret to increasing a leader's ability to perform—and for companies to achieve great execution—requires a new way of thinking about setting expectations.

Defining "Great" Leadership: The Approach for the Future

At some point, a person achieves "greatness" or high performance in their career. The next challenge is to help others get to that place faster. Helping executives define great for their leaders and critical roles in their organization is the first, crucial step to move the mean and transform a higher percentage of talent to be "great."

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What follows are the critical elements to consider when setting leader expectations—an important first step on the path to great execution:

5. **Honor the pockets of greatness in your company** We believe in defining what "great" leadership looks like for your company. In every key role, you have leaders who think, act and engage with employees, customers and stakeholders better than anyone else. These leaders can scale. They see around corners and often are the early adopters.

Sometimes they are new leaders you have brought into the company to lead new business initiatives and drive significant change. These leaders have a vision for the future and inspire others to join. We codify what they do differently and build your model of "great" for the pivotal roles in your company. And we do it in the

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context of your current or new business model, strategy, and culture, because context counts. They have pioneered your unique leadership model, and now you must capture, codify and democratize their capabilities, actions and mindset across the organization.

6. **Get external input**—**especially from your customers** We do not discount external perspectives if they are relevant to you. For example, one company interviewed customers to better understand what their "great" executive leaders did differently from other vendors. Customers were able to provide a unique perspective on their "secret sauce," giving the company new insight they didn't have internally. Over and over, customers gave examples of critical situations (challenges) and then explained how the "great" handled them (choices). They also told stories of what the "not so great" vendors and even other leaders from the same company did, pointing out that these produced sub-par results and a broken relationship. The customers focused a lot on the leader's mindset and values, proving that the way they did things was just as important as what they did.

7. **Target critical roles and levels in your organization** Serving your leaders with great expectations means making it relevant to them. Take the time to define what behaviors (often the values) apply to all leaders and which specific behaviors are most important to each role. For example, the challenges and daily moments a sales leader experiences throughout a quarter are different from the challenges an engineering manager faces with his team during a product release. Given the challenges and team differences, the behaviors will also be different.

8. **Be practical** Rather than set expectations by a competency or content area, organize them by the daily and pivotal moments your leaders face during the year. Codify a "Great Playbook" that first defines the daily and pivotal challenges your leaders face on the job. Then, for each challenge, capture how your best leaders think and what choices they make in those moments. Contrast that to your average or "not so great" leaders, so that your novice leaders have clarity on their path to becoming great, and your great leaders have a reminder of what great leadership looks like at their company, given the culture, history, business model and strategy. Imagine how different the challenges are for an engineering scrum master (software product leaders) during a six-week, agile release cycle versus a senior project leader for a multi-billion dollar, multi-year nuclear facility build out. Not only are many of the challenges unique, but given the teams, cultures and business pressures, what "great" looks like varies by company.

9. **Assume dynamic and adaptive expectations** In today's world, the rate of change is faster than ever before, new and emerging technologies impact every business no matter what industry, and the economy is global and inter-connected in ways that can change the business landscape overnight. Just as business priorities evolve and shift, so should the most critical leader behaviors and mindsets. For example, take a company that has operated with three very independent products for some time. The expectations of their leaders would most likely be about them running the three products as separate businesses, with dedicated teams, full P&L responsibility and maximum autonomy and accountability for their unique product success.

   Let's say that same company has come to realize that there are synergies in bringing their customers a more integrated product suite. Now, those three discrete businesses have to quickly find ways to integrate at the right moments and operate as a team. This shift would necessitate some key changes in the behavior of the three leadership teams running those three businesses. If they continued to run businesses the old siloed way, the company would

lose market share. If they are able to operate more as a cohesive team, with shared resources and metrics, and a mindset of "company first, my product line second," there is a much better chance that the company's new strategy will yield growth.

10. **Move from bell curve to "great" at scale** Employees want and seek great leaders and a high performance culture, so don't let a model of scarcity force you into a bell curve. Perhaps that's why the "Netflix Culture" presentation went viral with millions of downloads and sharing. People resonated with their high performance values and conviction that a "great workplace is stunning colleagues." We believe all leaders can and should be "great," creating extraordinary value for their employees, colleagues, customers, partners and key stakeholders. With a goal of employing all high performers, why waste time defining good or average? Set "great" as the performance objective. Since we know all companies are unique and leadership is contextual, take the time to show leaders what "great" looks like at your firm. It's a measure of respect to the leader to have clear expectations. With clear, high performance expectations, the average leaders will get to "great" more quickly than the generation before.

Southwest Airlines is an example of a company that focuses on "great" leadership. They set "high expectations for all employees, higher expectations for leaders and even higher expectations for senior leaders." These leadership requirements are summarized by "Warrior Spirit, Servant's Heart and Fun-LUVing Attitude," all with very clearly defined behaviors. Those close to Southwest know these powerful beliefs and actions come from the Founder Herb Kelleher, and are deeply engrained in the business and the culture.[5]

Define "Great": Generic Leadership Competency Models vs. Defining Great Leadership at Your Company

The president of an Asian business unit at a leading Oil and Gas company defined what leadership capabilities would be required for their top 100 leaders to meet the business objectives laid out in their five-to-ten year strategy.

The company has operated in one of its countries for more than a century, but leases for many of the large producing fields are expiring in the next decade. Meanwhile, the national oil company was eager to assume the leases and take over production. Operating in the country had distinct challenges—the government had no tolerance for harmful incidents and demanded that 80 percent of employees and management be native to the country.

It's tempting to see these challenges requiring effective "communication" and "stakeholder management" skills. But this competency based approach hardly gets close to the complexity and nuances of what was actually demanded from these Oil and Gas leaders in this market. The successful renewal of the leases required:

- Anticipating and responding to changes in power in the local or federal government

- Building relationships with government officials, parliament members, and local and existing community leaders in power both today and in the future

- Adapting to changes in regulations and policies

Yes, there are core skills required, like communicating your value proposition to stakeholders and engaging with stakeholders to find win-win solutions. However, these would never sufficiently position the company's leaders for success. The leadership capabilities needed for success are significantly more complicated and contextual to the challenge and the market. To learn more, read the full piece here.

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Define "Great": Global Software as a Service Company: Engineering Product Managers ("Scrum Masters")

Recognizing that the company's core strategy was most influenced by their scrum masters' (the software release leaders) ability to lead successful product releases, and realizing that they had not done a thorough job of setting the right expectations with these leaders, this company set out to capture how their best scrum masters lead and what was most important to the culture they wanted to protect and drive.

Rather than license a competency model, or write leadership expectations that could apply to everybody in the company, they knew that engineers with PhDs in computer science not only were very bright, they also often knew it. They also knew that engineers tend to have white cell-(antibody) like reaction to leadership and leadership development. They knew the expectations they set had to be very practical and in their language.

We worked closely with their top performing managers: those who consistently had the best features released and whose team (software team and direct reports) were very happy and loyal. The result was a leadership playbook organized by the daily and pivotal challenges these managers faced during their operational rhythm of a six-week release cycle. The challenges ranged from their daily stand-up meetings, to the sprint planning meeting, to aligning their team to the company strategy, to a one-on-one with a hotshot developer, to a one-on-one with a new team members, to protecting the team from cross-function requests. For each challenge, we captured how their best think and act in those moments. We also captured what their average or "not-so-great" do in those challenges, and now the engineering managers have a handy guide (an app) that reminds them what great leadership looks like in the moments they face on the job.

Assessing "Great" Leaders

Stop guessing and start pinpointing leadership development needs

How often are leadership development needs and subsequent training programs to address those needs predicated on a group-think process focused on a generic competency model comparable to guesswork? Or on the latest book or article on leadership attributes? When high performance for critical roles is behaviorally defined via a "great" profile, your organization has the basis for a highly objective, quantifiable gap analysis that will pinpoint your top priority leadership needs.

Companies can assess "great" leadership in their organization by building on the solid foundation of a "define great" process.

We believe in putting people in the kinds of situations they are likely to face today and in the future at their company, and assessing their thinking, behaviors and skills.

This is a better predictor of success than personality tests and the standard approach to assessment. The appropriate combination of assessment instruments will identify the organizational and individual leadership gaps required to enable your leaders to successfully execute your company strategy.

None of the preceding examples included instruments that measure psychological constructs, which are often key components of competency models. Developing psychological constructs is difficult at best and their relevance to "moving the mean" of high performance leadership behavior is questionable. Using the above tools—tailored to your organization and to your target leadership audience—will provide you with a pinpoint focus on what your subsequent leadership program(s) must address, and will provide a strong perspective on how to address those needs programmatically.

Identify Leaders Objectively, Not Subjectively

A highly predictive, valid assessment of leaders is fundamental to highly effective leadership development programs. It only makes sense that the greater the capability and capacity of participants entering a leadership development program, the more significant its impact will be on their ability to grasp, leverage and apply the behavior changes engendered in the program's learning objectives.

When identification of leaders is dependent upon generic competency models as the criteria, and the process is limited to leaders advocating for their direct reports based on those criteria, the result is a significant number of false positives. Assessment instruments comparable to those above provide for the validation of the "high potential" leaders that results from less-than-objective talent identification processes.

Not only are those instruments highly predictive in identifying leaders, but they provide a diagnosis that is the basis for highly actionable, focused, individual development planning. Why? Because the diagnosis is predicated on what high performance in your organization requires in an objective, behavioral context that is easy to understand and is relevant to leaders executing your company strategy.

Focus on Behavior Change and Application of Learning

How a participant feels about the effectiveness of a leadership development program drives his/her motivation to apply the concepts delivered in the program. However, the significance of quantifying behavior change, application of learning, and impact on business results is much greater and more relevant to our contribution to the organization's success via leadership development.

Assessment instruments, such as situation judgment tests or comparable scenario-based simulation tasks, are relatively easy to develop when based on the high performance behavior in a "great" profile; plus, they are readily deliverable via a variety of technology platforms. These and comparable instruments accurately document pre- versus post-program behavioral change. Retention of learning can be measured by simulation-based instruments.

Application and business results can be measured by self-report instruments and observation-based manager instruments. Assessment during the delivery of a program can also be very powerful for measuring the program's effectiveness and providing individual feedback during or at the end of the program. Simulation-based initiatives are most amenable to this type of measurement.

Think Big Data when Thinking Leadership Development

To get ahead of the curve, it is critical to identify the metrics and methods by which you will measure the effectiveness of your leadership program. This should be done during the development of the program, not once delivery has begun. The same is true for individual leadership identification resulting from your talent identification process. The need to identify both short-term and long-term measures of your talent review process is critical.

Assessment center results correlated to manager evaluations of potential as well as yearly business results, time to promotion, employee engagement, turnover in the leader's unit, effective development of direct reports and other measures will help create the human capital big data that will serve you well.

Assessing "Great" Leadership:

A large financial services organization wanted to be able to attract more financial advisors and, at the same time, to reduce turnover and decrease the time required to become fully productive. The organization decided to incorporate into their already rigorous selection process a custom assessment center that would measure the critical sales-specific behaviors required for success. The simulation-based assessment process was customized to be role-specific and behavioral. Starting in 2011, it has been administered virtually to candidates all over the country by assessors who were trained on the client's sales process and critical behaviors. Between 4,000 and 4,500 candidates participate in the assessment each year.

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Analysis of the relationship of the assessment to job performance indicates a number of important results. Success on the assessment is a significant predictor of retention, demonstrating an overall reduction in turnover of 18.5%. Results also indicate that the assessment successfully identifies candidates who will generate greater financial growth; strong candidates have had over 33% more assets under care than those candidates that were identified as "Not Ready."

Experience "Great"

From guru-centric development to practicing great leadership at your company

A CEO leading a massive business transformation realizes that her leaders will make or break the company's success. She engages her CLO to build the leadership training program to support the transformation and requests: "Please promise me that this will not be another soft, squishy class. This program must further our vision and help our leaders lead in both the core business and the new business." A marketing leader goes to a five-day external program at a prestigious university. She comes back to work and reflects that "out of the five days, I got about a day and half of great speakers, new insights and some good ideas to try out." When you check in with her a month later, she is manically multi-tasking on her day-to day challenges and admits she hasn't been able to apply any of her learning to what matters in her job. Elsewhere, a sales manager goes to management training and returns to tell his manager, "I learned how to read a P&L statement, but I have no clue how that knowledge alone will help my team hit our monthly numbers."

Sound familiar?

We have observed three core issues that have caused most leadership development initiatives to fall short, failing to deliver business results:

1. **Sage on stage** While there is no doubt that leadership thought leaders (Warren Bennis, Peter Drucker, Jim Collins, to name a few) have had a tremendous impact on the business world and their work has pushed leaders and companies to think differently, the industry is flooded by books, frameworks, tools and points of view. The easiest way for the gurus (or any training firm) to scale their business is by writing a book; curate the content into a classroom experience, then license the content and tools (aggregating "butts in seats"). The result? Most training firms are biased due to their own business model to preach "leadership is universal." It bolsters their profitability while forcing the leader to apply their content as appropriate.

2. **Content-Centric vs Business-Centric** Howard Schultz, Founder and CEO of Starbucks, states in his book Onward, "Every organization has a memory, a history of achievements, mistakes, even unintended consequences that contribute to an ongoing dialogue—a tapestry of interpretations that infers and often directs the organization's future."[6] Leadership development programs often fail to address each company's unique history, culture, market position, business model, strategies and culture, and they do not include your current reality and pressing challenges.

3. **Failure to appreciate mindset** Most companies and leaders will concede that becoming a more effective leader often requires changing behavior. A recent McKinsey Company article notes, "Identifying some of the 'below the surface' thoughts, feelings, assumptions, and beliefs is usually a precondition of behavior change" – a precondition that company's need to get right.[7] Many leadership training programs fail to address the underlying mindsets driving behavior – the deep-seated, root causes of why leaders do what they do.

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> Howard Schultz, Starbucks Founder & CEO

An approach for the future: Have your leaders experience "great"

There are three core beliefs at the core of designing leadership development experiences that truly move the mean:

1. Leadership is contextual: experience "great" leadership at your company

At the core of "Experience Great" is a belief that Leadership is relentlessly contextual. How an engineering manager should lead a 12-to-18 month "waterfall" product development process is different from how an engineering manager should lead a six-week "agile" product release. The C-suite of a major oil company about to lose its license to operate in an emerging market has different critical requirements than the C-suite of a retail company shifting from wholesale distribution to a flagship retail strategy. Moving from an on-premise software world to software as a service requires new knowledge, skills and experience.

We know that people need to see, experience, and try out new ideas, skills, and mindsets before they believe in and master them. However, these powerful experiences aren't whitewater rafting or jumping a ropes course. They are a close approximation of real-life—an experience that allows leaders to perform in their role or a different, bigger role in their company. By using our Execution Challenges and choices™ methodology, we capture, codify and democratize the capabilities, actions

and mindset of your "great" leaders, scaling "great" across the organization.

Much the way a pilot learns how to perform a complex landing on water first in a flight simulator, a high potential executive can learn how to effectively enter an emerging Asian market by practicing first in a business simulation. In the simulation, the risk associated with trial and error is removed. Like the pilot, the business leader can crash in her first few attempts without having any real-life adverse impact.

Another advantage of the business leadership simulator is the condensed timeframe; we can close the time gap between action and consequence. In real life, it may take months or years to see the impact of your decisions. In the simulator, the consequence of decisions is immediate and, as a result, we can accelerate time to insight and capability. Highly customized to the company's business, simulations have the potential to condense and accelerate years of business experience and speed time to high performance.

Experience "Great": A Leading Cloud Company Engineering Product Managers ("Scrum Masters") Execution Challenges and Choices™ Methodology

For a leading Software-as-a-Service Company, the launch of a new software release is mission critical to the company's performance, and software product managers play a key role shaping the success of each release and the engagement of engineering teams. Not only are they leading teams through the ongoing six-week agile release process, product managers also coordinate with other groups to ensure the right interoperability, security and functionality.

The company recognized that they had a bell curve of product managers—some were true high performers and others were below average. At the same time, they were growing fast, hiring engineering managers from other technology firms, and quickly realized that these managers were joining the company with "old" or "differing" beliefs—and many were at odds with the culture.

To align the new managers to the company culture and allow them to experience what "great" looks like for a product manager leading a team, the company designed a leadership development simulation experience reflecting a six-week agile sprint release. The core leadership development experience included:

1. A high-fidelity business simulation experience that mirrored the most common and pivotal challenges faced during their six-week software release cycle—daily stand-ups, sprint planning meetings, one-on-ones, balancing features and security, recognition and celebration—and helped leaders recognize when they are in an important leadership moment.

2. Experiencing what "great" and "average" looks like in those leadership moments—how do the best product managers think and how do they act in each challenge?

3. Deep practice in the most critical challenges and the "great" leadership responses, all within the context of the company, business goals and culture.

The experience set "great" as the expectations for product managers, demonstrated "great" vs "average" leadership in action, and provided a safe practice ground to make mistakes and form new beliefs.

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2. Designed practice builds skills more effectively

By now, "practice makes perfect" is a widely embraced and cited adage—Malcolm Gladwell's "10,000 hours of practice to achieve mastery" echoes across business.[8] Geoff Colvin in his book Talent Is Overrated cites the importance of "deliberate practice," which is not just about a lot of practice, but about expert practice that is consistent and deliberate. As Air Force General (retired) Lance W. Lord contends, "Perfect practice makes perfect." How often in your leadership development programs do you require "deliberate practice" that comes with expert feedback, course correction, more assessment and more targeted practice? It's intense and iterative. And it's mostly missing from leadership development designs as people search for the best guest speaker on a topic.

Exceptional leadership development programs—like perfect practice—must replicate real-world experience and design a practice that will lead to mastery. Leadership development programs must move beyond high-level, abstract discussions and engage leaders in the actual capabilities and behaviors most needed to be successful in their career.

Peter Bregman, business advisor and author, writes, "You can't just learn about communication, you have to do it, in the heat of the moment, when the pressure is on, and your emotions are high." [9] While it seems obvious, ask yourself, "How many of our leadership development programs include multiple cycles of performance and the individual feedback and the expert coaching required to achieve "great"? We still see too many of our clients in the "spray and pray" mode, hoping exposure to new models and new insights will lead to improvement back on the job.

"You can't just learn about communication, you have to do it, in the heat of the moment, when the pressure is on, and your emotions are high."

Peter Bregman, Business Advisor & Author

Experience "Great": Leading Engineering and Construction Company Global Middle Managers and Project Managers Program

Translating "great" principles into action, a leading Engineering and Construction Company recognized that the difference between a high performing project manager and an average project manager led to a profitable multi-billion dollar project or a non-profitable project.

Instead of sending their project managers to an executive education program at a university or teaching them one siloed subject after the other—whether financial acumen, coaching or customer-centricity—the company captured what their best project managers and mid-level managers do during the most pivotal and daily moments in a multi-year, multi-billion dollar capital project. Then they applied that playbook and designed an immersive simulation experience.

Engaged in a customized simulation, project managers practiced leading a project and are confronted by the most pivotal and common real-world challenges: setting shared objectives with their team; managing customer, supplier and safety incidents; leading team performance during a crisis; raw material commodity price increases; project overrun; designing stretch assignments, performance coaching; and onboarding new team members.

The results included alignment to new "great" expectations, clarity on what high performance meant in the most common and pivotal challenges faced on the job, and project managers achieving "great" faster than the generation before.

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3. Mindset Rules

We have seen the power of mindset, and we believe that it drives the actions and results in every company. At no other time is the power of past experiences and formed beliefs more powerful than when the most senior leaders of a company are faced with a new future state that will require them and the entire company to make major changes. For a smaller company, it could be the pivot from one core customer segment to a new one, or it could be the shift from one core product to a second one. For a larger company, it's often the realization that the core business is slowing down and new revenue streams—whether a new market, new business or new product—will be required for long-term growth ambitions. In this point of a company's evolution, the senior leaders and the employees they lead are forced to do two things in parallel: run the core business while also making the new one successful. Doing both well is hard, often demanding different business models, assumptions about how to win in the market, different speeds of execution and different metrics for success. Over-rotating toward the new business too quickly can be damaging to the culture and the company; not rotating enough will slow the new business' success. At the root of the difficulties is mindset. Senior leaders' beliefs were formed by what made them successful to date, and it's many of those same beliefs that will stop them from being able to embrace the new and lead both businesses successfully.

In order for leaders to change, they have to have new experiences that start to shift their mindset and build confidence around the beliefs and behaviors that will drive future success. What we know works is to create an experience, or series of experiences, where leaders can practice running the company from today into the future, and confront market, business model, strategy and metric shifts. During this leadership development experience, new insights happen, wide perspectives build, empathy for all functions form, and new beliefs are shaped around what is changing in the market and how they need to lead differently. This mindset shift and alignment is what's needed to do the nearly impossible task of changing deeply rooted beliefs formed from past success.

To ignore mindset is to fail at leadership development. In the McKinsey article "Why Leadership Development Fails," they warn,

"Becoming a more effective leader often requires changing behavior. But although most companies recognize that this also means adjusting underlying mindsets, too often these organizations are reluctant to address the root cause of why leaders act the way they do."

Experience "Great": A Leading Technology Company Top 500 Leaders

Enterprise Simulation Methodology

A leading technology company found themselves at a critical juncture. They had made it to $2B in revenue through a very successful innovation with coupled services, and realized that they had years of growth ahead by running "business as usual." However, at some point, perhaps five-to-seven years into the future, if they didn't diversify and provide their customers with a broader suite of technology and services, they would reach market saturation and growth would stall.

A new CEO was appointed, acquisitions were made, and the company crafted a broader vision. Products now had to evolve from point solutions to suites of offerings, go-to-market strategies had to evolve, and sales conversations with customers needed to change.

During the path to $2B, the senior leaders and members of the executive team operated very successfully in siloed businesses and functions, pushing decision-making low into the organization. Clear metrics for success and healthy competition between silos propelled the company forward. Moving forward, in order to broaden customers' understanding of the company (from a technology partner to a trusted advisor) and grow from $2B to $6B, a lot needed to change.

For the CEO and Head of Talent, the immediate challenge became, "What is the most efficient way to equip the executive team and the top 500 leaders to pivot the company and lead the next phase of growth?" They considered all-company memos, global roadshows with the executive team, offsite working sessions with the C-suite, new metrics and accountability. Ultimately, they did all, but even still, they needed to ignite understanding and passion among senior leaders to bring the energy critical to lead the change, resist the temptation of fear, and build the cross-company relationships key to success.

Creating a two-day simulation experience, the C-suite engaged all 500 leaders, enabled them to assume the role of the CEO, and allowed them to practice running the entire company for three years into the future. Inundated with customer, technology, and competitive trends, the leaders felt shareholder value creation pressures as well as employee engagement and culture realities. As the teams wrestled with the tensions and tradeoffs in evolving the company and running the core and new businesses at the same time, the leaders matured—they matured in their understanding of why the company had to change and what it meant for them.

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And by strengthening their command of both business models, they were better positioned to lead teams with authenticity, passion and empathy, while finding the right speed and timing of their team's evolution to best support the company's goals.

The Impact?

Six months later, the question on the all-company employee survey, "I understand and believe in the company's vision and my role in making it happen," moved from the lowest scoring metric to one of the highest. At the time, the COO said,

"When I was told a simulation would be the key alignment vehicle for our top 500 leaders I was skeptical. The custom business simulation accurately modeled our business challenges and anticipated our future evolution. The experience allowed our top 500 leaders to not just see the new strategy, but to practice making our strategy and vision a reality. The experience got leaders from different organizations with disparate points of view to work together and understand the real trade-offs and friction points, and provided the 'big picture' view we needed."

The company later achieved its growth target with the mix of "old" and "new" revenue it was looking to balance.

Execute "Great"

How to move from leadership program to "great" on the job performance.

The leadership, training and consulting industry has driven little innovation to support a leader truly becoming great on the job. At best, leaders might walk away from a training program with a participant binder or even a reference app with the content they were taught in the classroom to make it more easily accessible. It is also rare that what is taught is also what is assessed in a 360, required for performance management and succession, and compensated with rewards and recognition. Often the expectations set by managers are different than what is addressed in the leadership development program. These inconsistencies cause noise and a lack of focus on what the company needs most.

How can organizations ensure that what starts in a leadership development initiative continues on the job? How do businesses ensure that leaders get consistent messages on "great" expectations, examples of what "great" looks like, the right tools, feedback loops and the coaching in the moment?

Our collaborations with clients have shown that we can create high impact support for execution of "great" leadership on the job through the following:

- **Expectations, learning and practice embedded in work tools** Think about the tools leaders use every day—email, calendaring, budgeting, performance management, customer relationship management—and design ways to embed practice of "great" into these tools. Imagine a "smart" calendar that sent you reminders of "what great looks like" when it recognized that you were having a one-on-one with a direct report, or holding an important offsite meeting. What about a "setting great goals" learning tool that is available when you have to enter your goals into the goal system. It teaches you how to write effective goals and evaluates your goals.

- **Practice as a service** Imagine an on-demand coach whose job is to help you practice deliberately for an upcoming event (ex. one-on-one meeting, strategy setting, budget review, collaboration with another function, high performer who is considering leaving the firm, daily meetings, project kick-offs, customer escalation, etc.). This expert observes you in action, gives you helpful feedback and maybe even drills you on specific
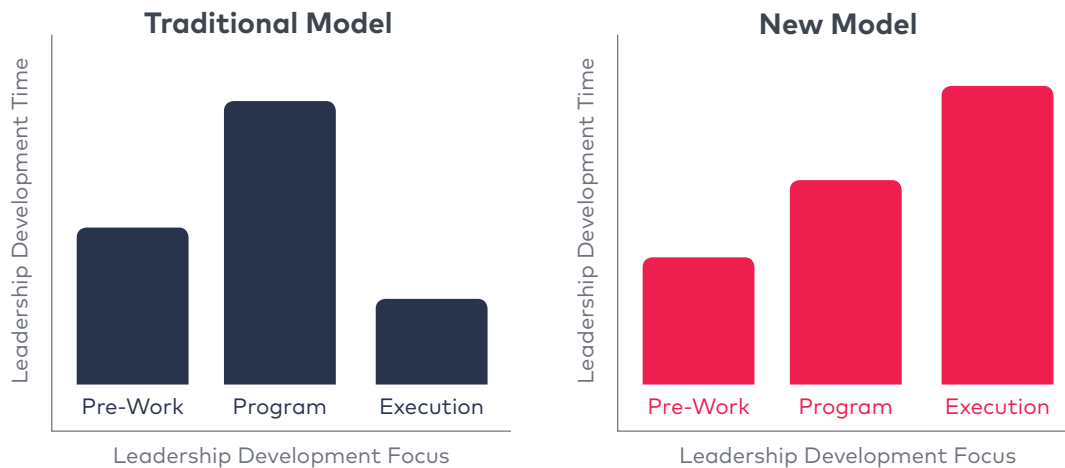
skills the way a tennis coach would as you master your backhand. More than likely, this coach is a peer, an executive in your company or a retiree who is passionate and a true expert at the event you are preparing for. This kind of targeted coaching is less expensive, can easily be implemented virtually and comes at a lower price tag than the normal executive coaching engagement.

- **"Great" playbooks for key meetings** Since leaders around the world do most of their leadership in meetings, why not organize reminder content and helpful tools around the key meetings they are going to lead. Imagine a "great playbook" for a strategy-setting meeting, a problem-solving meeting, an alignment meeting, a negotiating meeting, a decision-making meeting, a quarterly business review meeting—the list is unique to your rhythm of the business.

- **Collaborative and fun gaming** Imagine a strategy execution drill that has teams all over the company playing to see who can execute the company strategy and achieve the highest performance on the scorecard: financial, customer, employee

and shareholder performance metrics. Imagine a "Creating the Future" game where leaders compete to create viable new business ideas to grow the firm. All can be part of an ongoing leadership development experience that continues to practice, scale and model great business and people leadership.

- **A "great" dashboard** In a real case, store managers learned this new dashboard in a leadership development experience and then were given the tools to operate this dashboard back on the job, including for the first time fast access to data that gave them insights into the drivers of their store metrics.

There should be much more focus on "executing great leadership" than we have seen to date. Most companies still focus on the leadership development program, rather than the on the job execution of the new behaviors, mindsets and actions they need to use on the job. The following graphic shows how focus is shifting away from programmatic experiences to on the job execution:

Traditional Model

Leadership Development Time

Pre-Work   Program   Execution

Leadership Development Focus

New Model

Leadership Development Time

Pre-Work   Program   Execution

Leadership Development Focus

When leaders achieve "great," they do the best work of their careers. They are also better equipped to role model and expect "great" from others – both of which increase value for their company and their colleagues.

At Southwest Airlines, where every leader "puts employees first and customers second, they instill leadership in every nook and cranny of their organization," and this culture of "great" leadership creates great results.

People: From HR to Business Leader Ownership

There is an interesting dance that has evolved between central talent organizations and line executives, and it's an accountability dance that is common across companies and industries.

A few examples below:

1. The CLO of a multi-billion dollar software company is frustrated that leaders believe the central recruiting organization is responsible for attracting and selecting the best candidate pool, instead of seeing it as their job to be talent magnets, constantly leveraging their networks to reach out to the best and the brightest.

2. The SVP of Talent for a large construction and engineering company has line leaders who expect the HR team to run the succession process, identifying the high potential people for the firm.

3. HR business partners write the performance evaluations for their executive leadership team because they are too busy.

4. The C-suite launches a multi-million dollar leadership development initiative, yet none of the business leaders can consistently show up to guide the development and execution of this effort.

How did we get to a place where the C-suite delegates key selection, assessment, development and performance management decisions to someone else? How can this most critical driver of shareholder value be outsourced or delegated?

In 1987, Dave Packard addressed a group of Human Resource professionals and reminded them that when he and Bill Hewlett started HP, they did not have what was then called a Personnel department. He explained why. He and Bill believed it was the job of business leaders to hire, develop, reward and grow their people. He thought having a Personnel department would potentially confuse or diffuse that clear accountability. He said, "Engaging and developing our people is the number one job of managers. Their legacy is the strength of their people, which results in the strength of our business."

Southwest Airlines' co-founder and CEO from 1981 to 2008 Herb Kelleher obviously had astounding business sense. Brave enough to not be bothered or dissuaded by the tactics and "best practices" of other airlines, he went his own way, charting a new path of low-cost airfare. The results speak for themselves. When you read *Nuts!* or any of the many white papers or case studies on the company, it is apparent that Kelleher captured the hearts and minds of Southwest's people. Yes, he created a wicked sense of purpose— connect people to what's important in their lives through reliable, friendly and low-cost airfare—to galvanize all employees, but the real key to the company's success lies in his deep belief that running Southwest was solely about people. The results have been tremendous.

In Conclusion

In the U.S. alone, companies spend over $14B annually on leadership development.[10] Yet leadership development continues to be identified as a high priority need and a key gap every year in the Conference Board's CEO research and in Bersin's Human Capital reports. We believe it's time for business leaders to take back the investment and development of their leaders – arguably the most valuable asset of their business. And we know that when you "Define Great, Assess Great, Experience Great and Execute Great," you can move the mean on leadership performance and execution in your company. After all, it's leaders at every level that develop and execute your strategies for success.

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About BTS

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