DEVELOPING A LEADERSHIP PIPELINE

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CHALLENGES ORGANIZATIONS FACE..................................................... 1
LEADERSHIP DEVELOPMENT FOR HIGH POTENTIALS.............................. 2
BEST PRACTICES FOR DEVELOPING A LEADERSHIP PIPELINE..................... 3
PARTNERSHIPS FOR SUCCESS.................................................................. 12
PUTTING IT ALL TOGETHER...................................................................... 13
CONCLUSION.............................................................................................. 14

REFERENCES & RESOURCES ................................................................... 15

JOB AIDS

Organizational Development Planning Tool........................................... 16
The Individual Development Plan................................................................. 17
DACUM Competency Model..................................................................... 19

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Vince Lombardi is often quoted as saying, “Leaders are made, they are not born. They are made by hard effort, which is the price all of us must pay to achieve any goal that is worthwhile.” In a time of rapid change and growth in business, it is important to put in that hard effort to develop bench strength in organizations. Unfortunately, many organizations are unprepared to develop new leaders for the transition into a new environment.

The demand for new leaders is rapidly outgrowing the supply that has been created. This problem is getting larger and will cause a seismic shift in how companies operate. It will change how they recruit, and, most important, it will require them to take a hard look at their talent development practices. The companies that see this problem and begin proactively addressing it by developing a leadership pipeline will be in the best position to succeed.

In this issue of TD at Work, we will provide guidance on how companies can create a talent pipeline so they’re prepared for the workplace of tomorrow. We’ll discuss:

• challenges organizations face
• ways to differentiate high potentials from high performers
• an action plan for developing high-potential employees

CHALLENGES ORGANIZATIONS FACE

Over the next 10 years, a large number of Baby Boomers will be leaving the workforce, primarily through retirement. These employees have been the leaders and knowledge experts in their organizations for years. As they retire, younger and often less experienced workers will be called on to take their place.

According the U.S. Bureau of Labor Statistics, the annual net change in the labor force is expected to decline. Over the past several decades, we have seen an annual net change in the workforce of about 12 percent drop to around 6 percent. As the growth in the labor force slows, the workforce will continue aging, with workers over age 55 making up almost 25 percent of the labor force by 2024.

Because of the continued aging of the workforce, coupled with the slower overall growth, organizations must begin now to address how they will replace retiring workers and develop a plan to make the best use of their available talent now and in the future. In many cases, companies will be competing for talent like never before. Companies that can recruit and retain top-quality talent will have the best chance of surviving.

According to Development Dimensions International (DDI), few organizations report that they have sufficient leadership to meet their needs. As a result, less experienced workers from lower levels in the organization are asked to make upward leaps into unfamiliar territory, without the appropriate training. DDI also found that:

• Few leaders report making transitions effectively, though executives report feeling more effective than lower-level leaders.
• As leaders make transitions, the biggest shifts in effort are in the areas of communicating, planning, and team building.
• Few leaders feel that organizations are doing the right things to prepare their future leaders.
• The most important people to help leaders through transitions are their boss and their colleagues or peers.
• The skills that leaders said would help them most included coaching, building strong teams, influencing, and dealing with complexity or ambiguity.

Further, Associations Now reports that the Conference Board CEO Challenge of 2016 survey found a shift “from a belief that talent is readily available on the marketplace toward internal development and engagement.”

Despite this concern, few organizations are effectively identifying and developing their high potentials. Many studies cite the importance of establishing a process that targets the high-potential individuals, specifically future leaders in the organization.
THE COMPANIES THAT SEE THIS PROBLEM AND BEGIN PROACTIVELY ADDRESSING IT BY DEVELOPING A LEADERSHIP PIPELINE WILL BE IN THE BEST POSITION TO SUCCEED.

LEADERSHIP DEVELOPMENT FOR HIGH POTENTIALS

According to Michael Campbell and Roland Smith in their Center for Creative Leadership report, High Potential Talent: A View From Inside the Leadership Pipeline, “Broadly speaking, high potentials are the pool of future organizational leaders.” But companies aren’t always grooming the right employees to be future leaders. The time is now to begin identifying the right talent.

According to Jack Zenger and Joseph Folkman’s 2017 Harvard Business Review article, participants in high-potential development programs didn’t necessarily have high potential; in fact, 12 percent were in the organization’s bottom quartile of leadership effectiveness. Employees were chosen for such programs based on technical and professional expertise, being self-motivated and productive, getting the job done, and fitting in with the organization’s culture.

The true focus of high-potential programs should be employees who have leadership potential, rather than those who have just expertise and productivity. The right individuals need to be developed through training, mentoring or coaching, stretch assignments, projects, job rotation in organizations, and shadowing.

This type of process allows organizations to prepare their leadership talent by developing the organization-specific skill set required for the next level of responsibility, thereby ensuring leadership consistency and sustainability. This informs the employees that the organization

CONFESSIONS FROM HUMAN RESOURCES

The hypothetical conversation below shows how HR leaders may not be prepared to deal with the impending shortage of adequately prepared high potentials to take the reins when leaders retire.

During a meeting with an HR manager of a medium-sized employer—a local affiliate of a multinational corporation—a consultant asked a simple set of questions about the company’s plan to train its employees. The first question was simple: “How many employees do you have working at this location?”

The manager, without hesitation, responded, “947.” She went on to note that the company was proud of the fact that it had employees who stayed with the organization for 30 and, in some cases, 40 or 50 years.

“What positions do these long-tenured employees generally fill?” the consultant inquired.

“They are mostly supervisors, managers, engineers, and, in a few cases, executives.”

“Great,” the consultant said, “How many of your 947 employees have been with the company for 30 to 50 years?”

After pulling up a file on her computer, she responded, “about 400.”

Then came the most important question of all: “What will happen to those 400 employees in the next 10 years?”

“Most of them will be retiring,” the HR manager answered. And that’s when the consultant saw a light go off in her head.

It had truly sunk in that, in the next 10 years, this organization was going to lose nearly half of its current workforce.

Then the work began, as the manager and consultant started to develop an aggressive plan to make sure those positions would remain filled with skilled and talented individuals. The plan would include developing people who were already in the organization so they could move up, but also recruiting and retaining new employees to fill other positions.

It was a catch 22. The company had so many talented people waiting in the wings to fill these soon-to-be-vacant positions, but as they moved up, other positions then became vacant. It was an exciting time to be in HR, but also very scary.
is visionary, has a strategic plan for leadership sustainability, and cares about the development of employees. Having a strong leadership development program enhances retention and ensures that your organization has a pool of trained high-potential employees ready for management challenges in the future.

BEST PRACTICES FOR DEVELOPING A LEADERSHIP PIPELINE

As valued leaders exit our organizations, we need to have people prepared to step into the vacancies. If individuals are not prepared for this challenge, they are set up to fail in their new position.

Replacing leaders generally happens in one of two ways: You can recruit and hire from outside, or you can build a leadership pipeline from within.

Many organizations hire new talent from other companies in the same field or even from outside the field. These individuals often bring new ideas or perspectives to the organization. Although this can be a good thing, it often causes strife from people who have been at the company for a while. And sometimes there are not enough people from outside the organization to fill these empty positions.

A better solution may be to build talent from the bench of existing people in your organization and then foster and nurture that talent. This is called building a talent pipeline.

Developing a pipeline of internal talent makes great sense for a variety of reasons, especially because people already in your organization—often referred to as high potentials—are known by their peers. They understand the company vision and generally share the same goals as the organization. You are aware of and understand their strengths and what they bring to the organization.

A leadership pipeline is not about merely promoting from within or assigning someone to fill a spot when another person retires. Building a leadership pipeline requires systematically matching up strengths and career aspirations of high potentials with the requirements of the leadership position and then developing training to teach these employees new skills and competencies. Finally, you match them up with mentors: people in the organization currently identified as organizational leaders who encourage, train, and assist the high potentials.

A successful strategy for developing high-potential employees relies on organizations developing a visionary culture and mindset. Organizations must value learning, be willing to invest in the future, and link this learning and investment to the organization’s values, vision, and mission.

The mission and vision of organizations will dictate the focus of their programs for high potentials. For example, General Electric and IBM have their high potentials do rotations around the world to further their development. Rotations are a way to get a different perspective on functional and geographic areas, according to a whitepaper by Kip Kelly.

Whatever the program eventually looks like, once the program is sanctioned, approved, and supported by leadership, steps need to be taken to ensure the candidates chosen as participants have the qualifications needed to increase their probability of success.

Choosing the Candidates

There are a variety of methods to identify high potentials. Organizations have to choose which methods will work best for them; however, we suggest that organizations use more than one method. For example, performance reviews, personal development plans, career plans, and talent reviews can be used together to accurately identify high potentials.

To get a better understanding of this process, let’s examine career plans as a method to identify high potentials. Career planning and development