



Book Feeding Your Leadership Pipeline

How to Develop the Next Generation of Leaders in Small to Mid-Sized Companies

Daniel R. Tobin
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Recommendation

Developing leaders means finding people with the skills, knowledge and personality to steer your company. Dan Tobin’s straightforward, if sometimes plodding, guide spells out the basics of creating and managing “leadership development programs” (LDPs). These employee-training efforts are not difficult to implement, and they offer organizations huge benefits. Discovering future leaders in-house means you can nurture and train your own best people to understand your goals, values, and vision. *BooksInShort* found Tobin’s use of checklists and forms practical and useful, and recommends this guidebook to HR professionals at small and medium-sized firms and to all those who want to best leverage their employees’ talents to serve their organization’s future.

Take-Aways

- As the workforce ages, firms must develop new leaders to replace retiring managers.
- “Leadership development programs” (LDPs) use education, “action learning,” individual development, mentoring, coaching and reinforcement to train new executives.
- Company priorities, values and likely future strategies form the core of LDP training.
- Self-knowledge – that is, emotional intelligence, self-confidence, critical thinking and creativity – is a prerequisite for valued team contributors.
- Experiential and action learning help participants become more self-aware.
- Mentors and coaches reinforce what LDP participants learn.
- Action learning converts information into workplace methods or new products.
- Future leaders should adhere to “learning contracts” that link program performance to specific goals.
- Outsourcing educational sessions costs 200% to 300% more than hiring consultants.
- The cost of LDPs is low compared to the cost of losing experienced executives.

Summary

“Leadership Development Programs”

As Americans get older and retire, the nation faces a shortage of skilled, experienced workers. Over the next two decades, 78 million baby boomers will become older than 65. In 2005, workers aged 55 and older made up 16% of the US workforce. By 2020, this should rise to almost 25%.

“The question is not ‘Should the company invest in an LDP?’ but rather, ‘Can the company afford not to invest in developing its next generation of

leaders?”

Many companies send young leadership candidates to external development programs. Larger firms sometimes pursue another alternative: in-house leadership development programs (LDPs). Internal programs can be just as expensive as external setups, which may be one reason that small firms (fewer than 5,000 employees) rarely design and operate their own, tailored LDPs. Yet, like big corporations, small and mid-sized companies also need to identify, teach, and coach a base of future leaders who know their industries – and their values – and commit to sustain them.

“The reason that companies invest in leadership development is to ensure that the company will have the talent it needs to do business and grow both today and tomorrow.”

Since most small to mid-sized firms lack structured LDPs, they rely on their human resources (HR) departments to create leadership development and succession plans. HR must understand each unit’s various leadership requirements and identify employees who have appropriate talents.

Core Competencies

Leadership core competencies fall into three areas: “knowing and managing yourself,” leading others, and understanding the business. To make a valuable contribution, team members must develop individual self-knowledge. This includes emotional intelligence, self-confidence, trustworthiness, creativity and critical thinking, among other aptitudes. To lead others, you need to communicate well, and to be good at motivating people and forming relationships. Crucial business skills include problem-solving and decision-making capabilities, as well as know-how in customer service, strategic planning and time management. A company needs visionary leaders who share its values. Firms also need people who can handle less tangible leadership competencies, such as being likable or even inspiring, that don’t appear on checklists.

“Building a successful leadership program for your company involves many organizational players with specific roles and responsibilities.”

Executives trying to spot people with potential should consider what skills leaders will need in the business environment of the future. Their candidates should include current employees who have shown an interest in all components of the business, served as team members and leaders, acted as independent problem solvers, earned positive feedback from other members of cross-functional teams, or helped make operations faster, less expensive, or more efficient.

“Adult learners want and need the opportunity to use what they have learned, and that is the goal of action-learning projects.”

Once current leaders identify candidates, HR should examine their résumés, review recent job evaluations, check progress from job to job and gather anecdotal information from co-workers. HR reps and group leaders should meet to decide which applicants belong in the “high-potential pool.” These discussions can affect an employee’s promotion, dismissal, reassignment or transfer within the company, so they should remain confidential.

Elements of Leadership Development Programs

The goal of an LDP is to form leaders who understand your business and its processes, think strategically, foster creativity, understand marketing, know the role leaders must play, and exemplify your company’s values.

“Just learning about various topics isn’t enough.”

Encourage your employees to acquire the appropriate knowledge and skills. Many leaders ascend the company ladder by advancing in their areas of specialization – for example, engineering, marketing or finance – but lack working knowledge of the organization’s other essential disciplines. Leaders need to learn cross-functional processes to avoid career myopia. To that end, your “leadership development program model” needs to cover the “four stages of learning”:

1. **“Data”** – This includes anything “relevant and purposeful” processed by the senses. Some of this is helpful and utilitarian, and some of it is clutter. People must learn “how to separate the useful from the vast majority of data for which they have no use.”
2. **“Information”** – Data with “relevance and purpose” is information, and that is what you want to offer in your LDP: the facts future executives need to build their “core leadership competencies” and “leader priorities.” Some skills, such as public speaking, call for specific training such as coaching, forums, books, webcasts and demonstrations that build presentation skills. Teach your firm’s future leaders various other capabilities depending on the company’s priorities and their own needs.
3. **“Knowledge”** – The program should translate information to make it directly applicable and useful at work. Have current leaders share their experiences of developing leadership qualities by talking about how they helped to build the company’s values and culture. Their goal and yours is “to get participants to immediately apply what they have learned to help them turn the information from education sessions into personal knowledge.”
4. **“Wisdom”** – Since no one can teach someone how to be wise, new leaders must extract and amass wisdom by thinking through their experiences in as well as out of the classroom.

“Wisdom cannot be taught, but it can be developed through dialogue, demonstration and reflection on experience.”

The LDP model covers those stages of learning across “four levels”:

1. “Education Sessions”

Use formal classroom sessions to broaden your employees’ horizons. Choose topics based on your company’s priorities. Hold LDP teaching sessions at least once every three months. Each session should last between 2.5 and 3.5 days. The faculty can consist of experts from business schools, authors, vendors or consultants. The presence of HR representatives and company executives reminds participants of top management’s interest in the LDP. Conclude each segment with a dinner where the speaker is an executive from the firm who tells the group about his or her leadership and career path, and then answers questions. Leadership candidates should know that their leaders are present to observe and encourage them, not to critique them.

“Everyone is inundated by data – every email and website...every conversation, everything they see and hear is data, and people are drowning in it.”

Some organizations contract with local business schools to manage and conduct their LDPs. An advantage of this approach is that participants get to study with educators from a professional faculty. The school also facilitates planning, administration and logistics.

One disadvantage is that these programs can be so intense that the workload might overwhelm your people. Another drawback is that most colleges do not offer follow-up programs to reinforce the key goals of company-specific LDPs. Representatives from an outside school aren't on hand to encourage your team members to meet again or to establish ongoing meetings. To fill this gap, your organization must develop networks and team efforts. Use ongoing sessions – whether in classrooms or by videoconferencing – to reinforce learning.

“Ensure that...the LDP provides...information, rather than data.”

Using an outside business school will cost two or three times more than hiring in-house faculty and consultants. Special guest speakers might command \$20,000 to \$50,000 for a single presentation, while faculty members from business schools or consultancy-based executive development programs cost \$2,000 to \$5,000 per day.

“The role of the mentor is to provide education and career guidance to the mentoring client.”

Negotiate with presenters, training vendors and academics to reduce fees. Save by licensing a training class for your in-house staff. In one example, using a licensed training program to instruct a class of 200 cost \$34,000. If a local university had held the same class, company costs would have run up to \$159,000.

2. “Experiential and Action Learning”

Experiential and action learning emerges from team projects or specific individual assignments in which LDP participants convert information into personal knowledge. They apply information gleaned in the classroom to the workplace. Participants become more self-aware, so they reflect on what they learned, how they applied it and how they might utilize their newly acquired knowledge to cope with difficult work situations.

“Action-learning projects enable participants to work with people from different business units, functional areas and geographies and to learn from them about their work methods, their area of expertise and the challenges they are facing.”

Experiential learning includes changes in job assignments that help participants develop greater skills and knowledge. Examples might include filling in at another department, working on an overseas assignment, leading a task force or training with a mentor. LDP managers must ensure that participants follow through on what they learned and apply it.

“If you want to develop your organization’s next generation of leaders, enable your employees to gain the required knowledge and skills to become leaders.”

After the first LDP session, participants often say the meeting itself created new relationships and streamlined operations by opening fresh communications channels within the organization. They particularly prize new contacts that enable cross-business and cross-functional interactions among different management and staff levels. To test the effectiveness of these relationships and to use lessons from action-learning sessions, LDP participants should undertake new work to evaluate their team-building abilities, creative thinking and process re-engineering skills. Managers should suggest challenging projects within realistic parameters.

3. “Individual Development Plans and Guidance”

Leadership development programs must recognize each individual’s unique attributes, accomplishments and backgrounds. LDPs need to address individual development agendas. One way a manager can guide a leadership trainee is to conduct a 360-degree assessment after his or her second or third formal LDP educational session.

“Very often, at the conclusion of an LDP education session, participants will comment that ‘my manager could really use this,’ or ‘all of the company’s executives should learn this’.”

This survey evaluates how well people manage themselves and others, and assesses their business acumen. A 360-degree survey is not a performance evaluation, but it does identify an individual’s strengths and weaknesses. Outside vendors sell these assessment tools as standard instruments or in customized versions. The benefit of a standard assessment is that the vendor offers statistically validated results, comparing your employee’s answers against a database and interpreting them from a historical perspective. However, the vendor’s results may be complex and not easy to apply. If your HR department can take responsibility for 360-degree testing, all the better.

“What does it cost the company to promote someone to a senior position who fails in that position?”

When the results are available, the vendor, or an HR employee or senior staff member, presents the findings to the employee and his or her manager or mentor. Employees are sometimes unaware of the strengths or weaknesses the survey might illuminate. View the results in the context of the employee’s past performance reviews, vision statement and managers’ personal assessments. Supplement survey results with other HR tools, such as the Myers-Briggs Type Indicator or DiSC assessments, to formulate an individual development plan (IDP).

One effective way to implement an IDP is by creating a “learning contract” that links an individual’s education to a specific company goal. Specify what the person will learn and how he or she will apply this new knowledge. The IDP should spell out what business changes managers expect. Sign the contract before the person begins the LDP – that is, before any new studying commences. Participants can reinforce this process by keeping a “personal learning journal” to track what they learn, as well as their insights and observations from the 360-degree assessment.

4. “Mentoring, Coaching and Reinforcement”

Both mentors and coaches strengthen and clarify what LDP participants learn on their own. Mentors should be well-regarded managers who work in a different department from, and who hold positions at least two levels above, the participant. Mentors should provide career and educational guidance, and should have sufficient access and political clout to advance the career of the participant. Coaches function as tutors who provide personalized skills and knowledge. They can offer critical assessments, and help participants build confidence and rethink their ideas. Coaches also address participants’ individual learning styles.

While an LDP incurs significant costs and management responsibilities, the cost of doing nothing is far greater. Consider how many of your company’s top executives will retire within the next five to 10 years. Think about the issues and expenses involved in replacing them without incurring business delays, continuity disruptions or executive recruiting costs. And then, plan your LDP.

About the Author

Daniel R. Tobin founded the Digital Equipment Corporation’s Network University and Wang/Getronics Virtual University; he devoted more than 15 years to creating and honing the “leadership development program model.”
