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Dear Reader,

Finally OD and HR are being invited into Executive Team meetings and are asked not only for input and guidance into making strategic decisions, but are also requested to design and implement actions to help carry out the corporation's strategic goals.

It has been a long journey, but now that the focus on people is being represented, the response has to exceed any expectation in terms of value added.

So this is the time to be creative, and to come up with ideas that break through the old paradigms of training as an uncertain, long term investment. Because development can have a very tangible, concrete return. In illustration, we are featuring this month an article about how to combine leadership development with business impact – and all this when preparing your high performers for the next challenge.

Enjoy the reading!

Isabel Rimanoczy
Editor

Quote of the Month

"Make your life spectacular"

Jack, played by Robin Williams, in the movie "Jack" (1996)

LIM NEWS



We develop your leaders while they develop your business

Issue 46

The LIM Newsletter

June 2004

Developing Leaders for the Next Step

by Isabel Rimanoczy

In many corporations the HR Department has radically expanded the complexity of its function into a number of separate divisions and roles: OD, Training, Knowledge Management Learning & Development, Competencies, Performance Management, Succession Planning, Talent Management, Organizational Effectiveness, Life-Work Program, HR Strategic Planning, Executive Development, Leadership and Team Development, Professional Development, Coaching, HR Business Partners... These expanded roles and responsibilities are a direct result of the organizations' awareness that to remain competitive in today's business environment they must plan for the professional development of those managers who will be successors to the current leadership.

Interestingly, as stated by Jay A. Conger and Robert M. Fulmer (1) "**an alarming number of newly minted leaders fail spectacularly**, ill prepared to do the jobs for which they supposedly have been groomed". Citing the examples of Coca-Cola's M. Douglas Ivester, Robert Goizueta's second-in-command, who became CEO after Goizueta's death and was forced to resign two and a half years later, and Mattel's Jill Barad, a marketing champion whose experience lacked the financial and strategic insight to run a large corporation, Conger and Fulmer explain the failure partly "because although each was accomplished in at least one area of management, neither had mastered more general competencies such as public relations, designing and managing acquisitions, building consensus, and supporting multiple constituencies."

Understandably, the people who are selected to follow in the footsteps of highly successful and charismatic leaders feel daunted by the prospect. However, it's not the extraordinary performance of one person that inhibits any successor – **it's the way successors are prepared and developed to fit into the role that causes the failure.**

Fortunately **there is a growing number of corporations that have started to combine the strategic HR and succession planning with their leadership development plans**, and the results are amazing. As Conger & Fulmer's research reports (op.cit), "by marrying succession planning and leadership development, you get the best of both: attention to the skills required for senior management positions along with an educational system that can help managers develop those skills."

Among the most popular options to achieve high quality leadership development are seminars at business schools, intensive sessions imparted by leadership gurus and management experts, inspirational conferences or "know thyself" – type of programs, using instruments and coaching support to increase self awareness. Research conducted by the **Center for Creative Leadership** in North Carolina, US, has shown "that participants often return to the office from such events energized and enthusiastic only to be stifled by the reality of corporate life. It's far more effective to pair classroom training with real-life exposure to a variety of jobs and bosses – using techniques like job rotation, special assignments such as establishing a regional office in a new country, and "action learning," which pulls together a group of high-potential employees to study and make recommendations on a pressing topic, such as whether to enter a new geographical area or experiment with a new business model." (1)

The Early Adventurers: Volvo Corporation

Beginning in the 1980s, Volvo signed up as a member company of the **MiL Institute**, a Swedish organization founded by 100 individuals from large companies, Lund University, and consulting firms, who were not satisfied with the way management and leadership was taught and developed: "Too much teaching and too little learning" (2). Their offer was to **develop leaders by designing learning scenarios where cross functional teams worked together on strategic projects, with the "just-in-time" input of team coaches.**

"In 1989, Volvo Truck Corporation (VTC) had about 25,000 employees working in more than 70 countries and could be described as an international company with a Swedish base. The truck industry was beginning to consolidate through mergers, acquisitions and alliances, [...] the world was quickly "going global" and VTC was facing increasing pressures to become a global player and compete outside its home market". This meant that the company had to develop their leaders to perform on the next level (Ernie Turner and Eva Arnell) (3)

As Turner & Arnell, co-designers of the first program, point out, VTC had to:

- Develop global leaders who understand and can work in cross-culturally, cross-functionally and cross-regionally high performing teams
- Develop leaders with self-knowledge, who thrive on the challenge of change in an uncertain environment and question the status quo
Solve current strategic business challenges
- Become more familiar with the organization and build a network of change leaders, globally, regionally and functionally
- Apply and transfer lessons from the program back to the organization
- Change behavior, ensure that learning lasts

To achieve these objectives, the organization **formulated a strategy for succession planning, and identified the target group for leadership development:** senior managers who were two levels below the top executive management team. The participants represented all the major regions where VTC had operations.

The resulting leadership program took place over a period of several months, involved participants solving organizational challenges in cross-functional and cross-cultural teams, consisted of 4-5 off-site meetings where half of the time was allocated to project work and the other half to other developmental outcomes. These included professional development, business knowledge, organizational change, diversity challenges, globalization, environmental and community responsibilities.

The contents of the program were **tailored to the competencies required by the individuals, by the business and by the organization.** For example, as developing a global mindset was considered a key outcome, each session was strategically held in a different region where Volvo operated. Moreover, the projects were carefully selected by the executive management team and the program staff, to ensure maximum results and exposure to complex challenges.

Over the years, VTC run 8 programs to develop their leaders with this approach. Other companies of the Volvo Group also used the **Action Reflection Learning** approach to develop their teams and leaders.

Some of the most significant results of the recommendations by the project teams were:

- **An innovative parts and distribution system saved \$7 million in one year**, reduced delivery time by 3 weeks and beat the #1 competitor in Poland.
- **Dutch truck dealer who had cancelled all his orders was convinced to reverse his decision** – saving good will and millions in lost sales.
- **A new customer service system was developed**, modifying the logistics and freight costs, which resulted in savings over \$ 1.5 million annually
- The VP of Engineering transformed his team into a high performing team reducing development time by almost one year for a new truck that later received the **Truck of the Year Award**
- **70% of the graduates of one leadership development program were given international**

assignments within one year after graduation

- Research on 24 leaders out of a pool of 98 from 7 different cultures and 5 leadership programs, indicated that **22 out of the 24 experienced *transformational learning***. They became more reflective, more inclusive, more self confident, more appreciative of differences, better listeners and better learners (S. Lamm) (4)

Action Learning and Succession Planning in the US

Eli Lilly, the US-based pharmaceutical company, has a biannual action-learning program that brings together potential leaders, selected by line managers and the human resources department, to focus on a strategic business issue chosen by the CEO. (1) "Eighteen employees identified as having at least executive-director potential, representing a mix of functions and regions, participate in a six-week session in which they meet with subject matter experts, best-practice organizations, customers, and thought leaders, and then analyze what they've learned.

In 2000, one such team was charged with developing an e-business strategy as a new avenue of growth – an issue that was a pressing concern at the time. The group interviewed more than 150 people over five weeks and in the final week developed a set of recommendations to present to senior managers – who took their ideas quite seriously. For example, the group recommended naming an e-executive and providing a certain level of funding to the initiative. Without hesitation, the CEO responded, "We will appoint an e-executive within two weeks, and he or she will report to me... appropriate funding will be made available." And he followed through on those promises. (1)

Conger & Fulmer suggest that collapsing the two functions (development and succession planning) into a single system allows companies "to take a long-term view of the process of preparing middle managers, even those below the director level, to become general managers."

Using Action-learning, programs such as Volvo's and Lilly's for development of leaders have a multiple level impact:

- **They confront the participants with the need to analyze a problem from many different angles.** Because of their professional background, managers are typically comfortable looking at problems always from their own perspective. By having to solve complex problems, the participants acquire the "**CEO's perspective**", that has to include the financial, the HR, the operational, the legal, the environmental, and the technological point of view.
- Since they are not able to be an expert in all the areas that have to be considered when working on a complex challenge, the **participants develop consulting skills:** how to approach experts inside the own organization to get their opinion and advice
- **Exposure to diversity:** By working in cross-functional, cross-cultural teams the participants gain a deepened awareness of their own culture and mental patterns, and learn to value the contributions of diversity
- **Increased self awareness:** Development programs like Volvo's include elements that help participants deepen their awareness of their learning styles and leadership styles, and, aided by individual coaching support, participants become clearer on their professional goals and develop actions to reach them
- **Develop a network:** The exposure to different areas of the organization in programs like those mentioned generates a level of trust among the participants, which builds a strong base for their future relationship

More than expected

Connecting real business challenges with the development needs of the leaders, in preparing them for the next level of responsibility seems to be a combination that makes business sense. **It may make even more than business sense.**

When Krystyna Weinstein put together her book Action Learning (5) she interviewed participants from the entire work spectrum: managing directors, chief executives, senior functional managers, engineers, IT specialists, marketing and sales personnel, retailers and bankers, lecturers and teachers and those responsible for training and development. On concluding her interviews she wrote: "I was left with the insight [...] that the majority felt that they had learnt a great deal more than either they or the organizers of the programs had anticipated"

Or as a participant interviewed by S. Lamm put it: *"The program helped me take control of my life... your private life, your professional life... they all work together"*. This seems to be a pretty powerful – and unanticipated – additional benefit for companies involved in planning for the succession of their leadership.

Sources:

- (1) Jay A. Conger and Robert M. Fulmer, Developing your Leadership Pipeline, HBR Dec 2003
- (2) Lennart Rohlin, The Story of MIL, Earning while Learning in Global Leadership, MiL Publishers AB, Vasbyholm 2002
- (3) Ernie Turner and Eva Arnell, Challenges We Faced and Lessons We Learned, Earning while Learning in Global Leadership, op cit.
- (4) Sharon Lamm, Transforming Leaders to Succeed in the 21st Century, Earning while Learning in Global Leadership, op cit.
- (5) Krystina Weinstein, Action Learning – A Practical Guide, Gower Publishing, Hampshire 1999

To learn more about these programs, contact info@LIMglobal.net



LEADERSHIP IN INTERNATIONAL MANAGEMENT

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