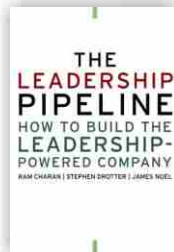# The Leadership Pipeline

How to Build the Leadership-Powered Company

Author: Ram Charan, Stephen Drotter, and James Noel
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■ About the Author

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Ram Charan is an adviser, author, and teacher who has worked behind the scenes at some of the world's most successful companies, including GE, Verizon, Novartis, KLM, and Home Depot. His expertise in corporate governance stems from firsthand experiences helping boards with strategy sessions, succession, self-evaluation, and CEO compensation. He is author of numerous best-selling books, including "Confronting Reality" and "Execution" (both coauthored with Larry Bossidy). His newest book is "Boards That Deliver: Advancing Corporate Governance from Compliance to Competitive Advantage."

■ The Big Idea

There is a growing need to develop leaders within many corporations. The demand for leaders greatly outpaces the supply. With this reality comes an even greater challenge-- to bring in a "new blood" for fresh ideas or to just maximize the expertise of the "home grown" talents.

This book sheds light into this concern by introducing the leadership pipeline model the series of levels leaders go through in every organization. Understanding its nature and unclogging these particular pipelines greatly help organizations find and develop people inside the company to become the future leaders of the corporation.

▪ The Leadership Pipeline Model

The Leadership Pipeline model provides a framework upon which organizations can be built and the old ones can be reconfigured. This entails a series of passages that come with very specific values, compulsory skills, and necessary time requirements. There are six important passages in the leadership model that need to be recognized. Failure to recognize the leadership passages in the company will result to a clog in the leadership pipeline.

Managing Self to Managing Others

The first passage is from managing Self to managing Others. This passage occurs when a person gets promoted to First line manager. The skills required in this position often include planning work, assigning jobs, motivating, coaching, and measuring the jobs of others. Though these skills are all easily learned, first-line managers often encounter difficulties in the change of values required to effectively manage others.

To be a good First line manager, one must be able think about the importance of quality and quantity. A good first-line manager knows the value of having a sufficient work output without compromising the quality of work   He should also be able to define and delegate the work to others--this helps him maximize his workforce and tap other talents for a more effective and efficient job. Lastly, he should be able to build the necessary social contracts to be good at his position.

To develop the person into becoming an effective first-line manager, three important things must be considered:

• First, the manager should be prepared for the position. It is important to train him and to communicate well what is expected of him.

• Second, it is important to monitor the manager. Determine where he is having difficulties in his role by observing where the gaps on his performance are.

• Third, coaching and providing regular feedback to the manager is necessary. Peer learning and partnering is one effective method for feedback. Also, assign new work that will develop the first-line manager's much needed skills.

Managing Others to Managing Managers

The second passage is from managing Others to managing Managers. This passage in the leadership pipeline is often ignored due to the assumption that managing others and managing other managers are quite similar. It is important to note that the two are entirely different tasks. Managing managers is a more crucial task and requires the key ability to identify who has the potential to be good leaders. Failure to do so can lead to holding first-line managers for technical work instead of managerial work. This then creates a clog in the leadership pipeline and eventually affects the performance of the organization.

In order to see if the person is a misplaced Manager of Managers, try to watch out for the following signs: difficulty with delegating, poor performance management, failure

to build a strong team, single-minded focus on getting the work done, and choosing clones over contribution.

To unclog this passage, managers should address four important areas:
- First, the manager must select and train first-line managers well.
- Second, managers should hold them accountable for managerial work instead of technical work.
- Third, managers should deploy and continue to re-deploy resources among units.
- Lastly, managers should set and manage the boundaries for first-line managers.

To ensure success in this particular leadership passage, managers must be very keen to observe and implement the following:
- amount of improvement in efficiency,
- degree of importance in quality
- frequency and impact of coaching sessions
- number of first-line managers promoted
- success rate of new first-line managers
- teamwork within the assigned area
- teamwork with other areas

Managing Managers to Functional Managers

The third passage is from managing Managers to Functional managers. This passage is a much tougher transition because it requires an increase in managerial maturity. This means he has to learn to let go of previous management work, and instead focus on the functions of the business. The manager also needs to take on a more holistic approach and strategic mindset. This is required for creating functional strategies for the company and managing the whole function of the business.

Before addressing what is needed in this passage, it is important to observe the following dysfunctional signs of a misplaced manager:
- there is a failure to demonstrate knowledge of how the business operates, and there is lack of long-term thinking
- there is an inability to manage and value work that is unfamiliar or of little interest
- the manager is immature and believes that he must control everything

Remember that a strategic functional mindset requires following five steps:
1. Managers should produce a long-range strategy for at least three years.
2. Managers should have a state-of-the-art awareness. In an internet society, Functional managers should be abreast of what is technically and operationally possible for the company.
3. A complete understanding of the business model in detail and long-term strategic direction and goals is necessary. Mature leaders recognize the need to grasp the bigger picture.
4. Managers should factor-in all aspects of the function into strategic thinking.

They should spend more time learning about all functional areas-- including the areas that they are not responsible for.

5. Managers should know how to make trade-offs within the function that support business strategies, profitability, and competitive advantage.

In order to address these steps, Functional managers should be trained. One of the best ways to train them is through hands-on learning activities. After these, they should be evaluated and be given feedback. There must also be a regular review of their calendar to assess where they apply most of their time. Finally, managers should let go of their old behaviors to become mature leaders.

Functional Managers to Business Managers

The fourth passage is from Functional managers to Business managers. This passage is the most fulfilling and the most satisfying among all the passages because it gives the manager more control and say about the company operations and strategies.

Though truly enjoyable, this position also requires a major shift in skills, time applications, and work values. Neglecting these qualities ultimately results to problems such as not valuing and using staff functions, failure to direct and energize finance, and other challenges that may negatively affect the business.

Unclogging this pipeline is easier if you can identify the following warning signs of a misplaced leader:

- the manager's communication is uninspired.
- he is unable to assemble a strong team.
- he fails to grasp how the business can earn profits.
- he is having difficulty with time management.
- he neglects soft issues such as people concerns.

In order to address these signs, there is a need to develop a monumental change in thinking. The manager simply has to follow these five things: think differently, manage complexity, value all functions, and be highly visible. These five steps allow the manager to develop the right kind of leader for this position.

Business Managers to Group Managers

The fifth passage is from Business managers to Group managers. This particular passage places value in the success of other people's businesses. This focuses on group of businesses, not just one. Therefore, a Group manager is required to become more proficient at evaluating strategies, developing and coaching business managers, creating a portfolio strategy, and correctly assessing the right core capabilities to succeed. The point is to see the company issues in the broadest terms possible. Failure to acquire these skills ultimately results to failure in supporting the business managers.

Try to watch out for the following signs of a misplaced leader in this particular passage:

- First, the manager acts like business general managers rather than group executives.
- Second, he maintains an adversarial relationship with the corporation.
- Third, he ignores what has been uncovered.
- Fourth, he passes up development opportunities for the business managers.

Group Managers to Enterprise Managers

The sixth and final passage is from Group managers to Enterprise managers. These are the CEOs and presidents of the companies. This passage focuses more on values and skills because this position requires a visionary leader. Enterprise Managers would have to let go of the individual products and customers, and see the whole picture. Usually, they are required to set three or four priority goals, and focus on implementing the strategies for these goals. The biggest problem in this passage is that Enterprise managers often fail to change their values and mindset. Hence, it is very difficult to develop a CEO for this transition.

In addition, challenges beset this particular passage which make it hard to properly transition a CEO. Some of these challenges are:

- delivering consistent top and bottom line results
- maintaining an edge in executing the strategies
- shaping the soft side of the corporation such as people issues
- setting the direction and vision for the company,
- managing the company or enterprise in a more global context

Unclogging this pipeline would be easier if the following warning signs are identified:

- the CEO is ignorant of how the company runs its business
- building external relationships takes up majority of the CEO's time
- the CEO fails to devote sufficient time addressing the soft side issues of the business

Special Functional Leadership Passage

Some corporations now have different kinds of set-ups or structures. The leadership pipeline model recognizes this offshoot or direction of leadership through the passage that encompasses the roles of a Group Functional manager and an Enterprise Functional manager.

For the Group Functional manager, the requirements are more broad and complex. Thus, it is important to watch out for several signs of poor performance by the Group Functional manager. These are:

- the manager acts more like a politician who is more concerned with external Appearances and issues.
- excessive dabbling in the functional manager's work.
- the manager's work becomes more in line with the group executive work.

Meanwhile, an Enterprise Functional manager has more distinctive skill requirements and work values. In order to see if these skills and values are not present in an Enterprise Functional manager, look out for the following signs:

- the manager's work is more in line with the CEO work
- the manager becomes more of an ambassador
- the manager prefers to preserve the status quo

To address the problems in these two passages, the manager should obtain an early expert assessment of the position's function. Also, the manager should validate his or her game plan and goals with the CEO. Making time on one's calendar is necessary, and knowing the difference between what is important from urgent are crucial steps.

Small Business Model

For those who have a smaller company set-up, the leadership pipeline model is still applicable. This time there are only three major passages:

1. managing Self to managing Others.
2. managing Others to Functional manager.
3. Functional manager to Business manager.

It is still important to study these three passages, because understanding them offers several benefits:

- it reduces the emotional stress of the transition and added responsibilities
- it helps people move through the leadership passages at the right speed
- it reduces the usual time frame necessary to prepare the person for the leadership position.

Remember that regardless of the size of a company, there will always be leadership passages that a company need to understand. The key is to tailor-fit the leadership pipeline model into the company's structure.

▪ Pipeline Performance Diagnosis

The leadership pipeline model provides a specific diagnostic test that helps pinpoint the precise level and certain passage where the leadership problems occur. This is important for three reasons:

- First, problems are common to first-line managers who are at the first level of leadership.
- Second, the business managers end up doing more functional work.
- Third, group executives focus more on the business manager work rather than the group of businesses.

The key to evaluating the leadership pipeline lies on the following:

- leadership skills-- the abilities of the person to assume the management position
- time application -- what they focus on and work on majority of their time

- values-- attitude towards managing the people they work with

Clarifying the roles of each leadership position is very important. This magnifies the gaps and overlaps in the job description, thus helping the manager better see if the people's performance is effective and on the right track.

Inevitably, performance gap will always emerge once someone is promoted to a new leadership level. Thus, development must be continuous. It should go on until the person has reached his full potential.   Moreover, it is important to remember that reward is commensurate of performance. Full performers should be tested for excess capacity and promoted if they deserve it.

To achieve full performance, every manager must:
- start with the boss and not the subordinate.
- search for evidence of an appropriate change of values.
- use action learning as a primary vehicle for development.
- immediately address inappropriate performance.

■ Pipeline Succession Planning

Succession planning is crucial in developing the leaders within a company. This perpetuates the enterprise by filling the pipeline with high performing people in order to ensure that every level has a steady supply of leaders to draw from.

Succession planning involves certain rules that a company must observe:
- performance should be the focus
- there must be a continuous flow in the leadership pipeline
- the pipeline turns and transitions should be fully understood
- short-term and long-term plans must be simultaneously considered
- it is important to transform the negative potential of the people to a more positive one

Here are the following steps to planning the leadership succession:
1.   Tailor-fit the leadership pipeline to your organization's set-up in order to meet succession needs.
2.   Convert the standards of performance and potential into your own organizational language.
3.   Document and communicate these standards throughout the organization.
4.   Use a performance matrix to evaluate succession candidates through a combined potential.
5.   Frequently review and monitor the plans and progress of the entire pipeline.

Try to watch out for possible causes of failure such as: selecting the wrong person; allowing the poor performers to stay in the job too long; refusal to seek or heed feedbacks; and, defining the jobs poorly.

To prevent these from happening, it is important to keep in mind the following: create a framework for leadership, establish a common language for discussing problems, and set standards for judging the performance.

▪ Pipeline Coaching

It is not enough to just diagnose each leadership level and measure its performance. In order to effectively address the leadership pipeline clogs, coaching is necessary.

The process of coaching is done in different ways. But from a leader's perspective, coaching is simply helping people achieve their full potential. It is the process of providing a truthful assessment of the manager's performance, and effectively communicating the benefits to both the individual and the organization.

In coaching, a clear, complete, and compelling feedback process should be established. The feedback should clarify the expectations in each leadership passage. It should be simple but comprehensive enough. Most importantly, feedback must focus on a few developmental items needed by the manager.

▪ Pipeline Benefits

Addressing the leadership pipeline problems offers several benefits. First, it helps establish a common language inside the organization and builds a framework for self-management. Second, it provides the board with insights and information regarding the lack of job specification especially for the CEO or Enterprise manager position. Also, it provides information regarding the neglect of the organization's systems.

Specifically, the following is how understanding the pipeline benefits a specific passage in the leadership pipeline:

- **CEOs or Enterprise managers.** Following the leadership pipeline model serves as a risk management tool. It provides leadership strength and develops functional excellence.

- **Group managers.** The leadership pipeline model clarifies their roles and clearly defines what their contribution should be. It also facilitates a proper succession planning by giving clear requirements for who the manager should be.

- **Business managers.** The leadership pipeline model can prevent or reduce the number of people who are working at the wrong level.

- **Functional managers.** They are provided with the knowledge of what is required and what the development targets should be. The ability to make

important career decisions are also developed which will help them make a more informed decision.

• **Manager of managers.** The leadership pipeline model makes it clear that managers at this level should value teaching and coaching.

• **First-line managers.** They are forced towards clarity that allows them to adopt certain values, develop certain skills, and adjust their schedules in order to focus on the right work. The leadership pipeline model also allows them to measure their performance and lets them know what kind of training and development they need to pursue to be a good first-line manager.

■ Pipeline Conclusion

The name of the game has changed over the years. Today's businesses compete more on the strength of their intellectual capital rather than financial capital. This intellectual capital resides in the employees and needs to be harnessed in order to develop leadership with great potential to further the growth of the company.

The new economy, globalization, and various new organizational perspectives have all generated a new set of leadership problems. In order to address these problems, companies need to tap leaders who are capable of meeting organization's demands. Remember that the key to tapping these kinds of leaders is to follow three areas in every leadership passage: skills requirements, time applications, and work values.

The leadership pipeline model provides a framework for these three areas. With this pipeline model in mind, companies can develop their leadership capacity to achieve the organization's goals.