

Achieving Business Impact with Your Leadership Model

Five Research Based Best Practice Differentiators

Dana Davidson and Steve Doerflein

Do you have a leadership competency model that drives change in the business?

- **Are your leaders held accountable for demonstrating the desired leadership behaviors?**
- **Is the model regularly updated as business challenges change?**
- **Can leaders readily apply the model in their day-to-day work?**
- **Is behavior change measured and linked directly to business goals?**
- **Are the desired behaviors rewarded?**

Agenda

- **Introduction**
- **Overview: Best Practice Survey**
- **How** healthy is your leadership model?
- **Where** can you revitalize/anchor your leadership model?
- **Q & A**

Session Take Aways

- **How to evaluate the “Health” of your leadership competency model using a quick assessment**
- **How to apply Best Practices to your organization’s leadership competency model**

Clarifying Expectations of Senior Leaders

“The Leadership Principles give guidance on how we should conduct our business and how we should work together. They describe my expectations of leadership behavior at Bayer.”

***Werner Wenning
Chairman of the Board of Manager Bayer AG***

GE Growth Traits

- *Create an external focus that defines success in market terms.*
- *Be clear thinkers who can simplify strategy into specific actions, make decisions and communicate priorities.*
- *Have imagination and courage to take risks on people and ideas.*
- *Energize teams through inclusiveness and connection with people, building both loyalty and commitment.*
- *Develop expertise in a function or domain, using depth as a source of confidence to drive change.*

The Business Case

- ✓ 75% of survey respondents said their company is chronically short of leadership talent.¹
- ✓ Companies scoring in the top quintile of talent-management practices outperform their industry's mean return to shareholders by a remarkable 22 percentage points.²
- ✓ One in five senior executives in the Fortune 500 are eligible to retire.³
- ✓ By 2010 – 64 million workers – 40% of the public and private workforce will have reached retirement age.⁴

1 & 2. The War for Talent – update McKinsey 2001

3. *The Aging Workforce – The Corporate Leadership Council 2005*

4. The Conference Board – research study 2006

Why Develop Internal Talent?

✓ “In 1,700 years of combined history of 18 visionary companies, including Marriott, American Express, Pfizer, and IBM, the role of chief executive was assumed by an outsider *only four times.*”¹

✓ “Hiring outsiders is negatively correlated with dramatic improvements in performance”²

✓ “Failure rates are high when executive talent is hired from outside....”³

1. *Stocking Your Talent Pool with Knowledge Capital*. [Human Capital Management](#).

2. *Business: Challenging a Corporate Addiction to Outsiders*. Gabor, NYT, Andrea.

[Money and Business/Financial Desk](#). November 17, 2002.

3. *Linkage & DDI*. Exec. Succession Management 2001

A Sense of Urgency

✓ “Only 37 percent of organizations reported being effective at identifying future leaders.”¹

✓ “Only 31% of HR professionals have determined their organizations future retirement rates”²

✓ “More than 77% of firms surveyed say they have insufficient talent on board to succeed current senior executives”³

1. *Developing Business Leaders for 2010; The Conference Board – Survey of 157 organizations 2002*

2. *The New Agenda for an Older Workforce – Manpower White Paper October 2006*

3. *Right Management Survey – 168 firms 2006*

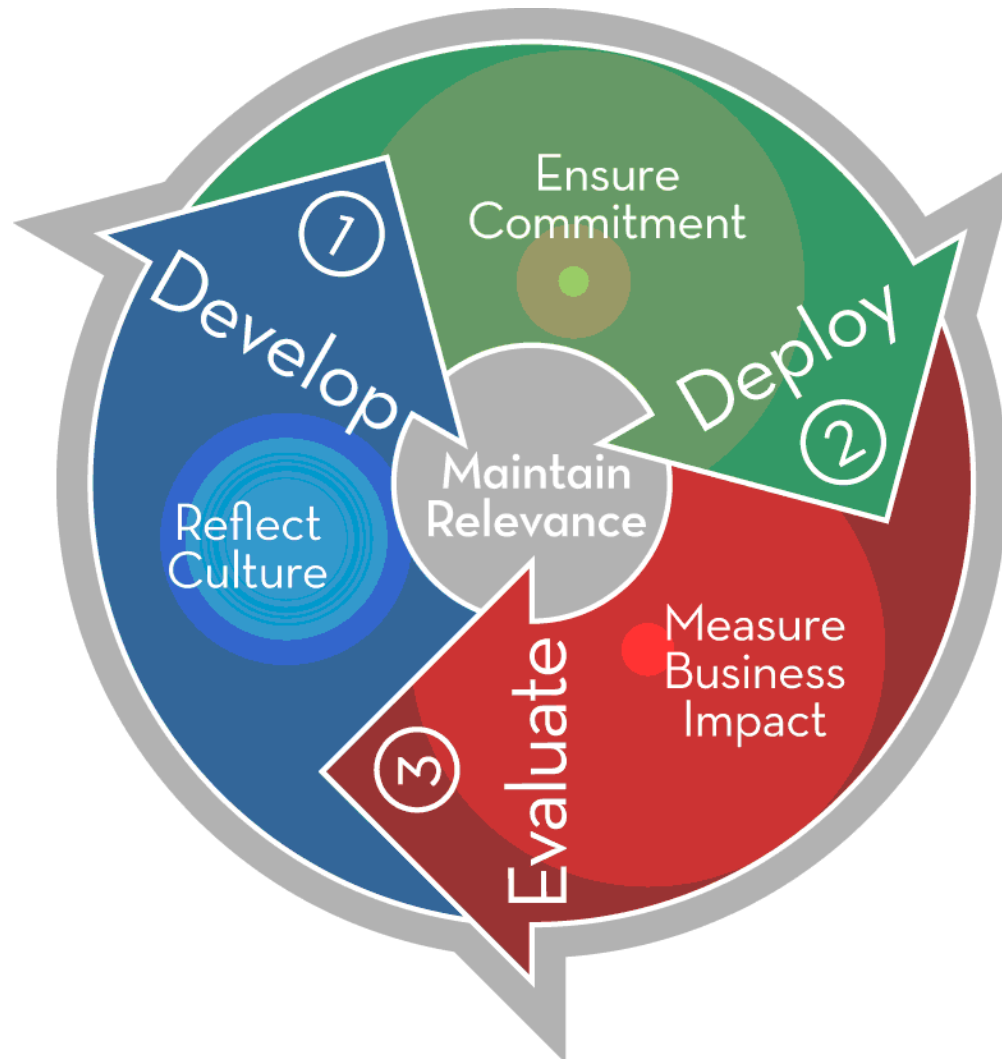
Leadership Competency Modeling Best Practice Survey

Summer 2007

(Participating Organizations = 467 (554))

2008 Continuing Conversations
46 Organizations

Best Practice Approach to Leadership Competency Modeling



Best Practice Survey on Leadership Competency Modeling

- Six (6) demographic questions
- Eight (8) design/development questions
- Seven (7) deployment questions
- Seven (7) evaluation questions
- 545 responding
- 467 useable
- 46 identified self as Best Practice
- 42 identified as Best Practice using business impact criteria

Leadership Competency Modeling Best Practice Differentiators

- 1. The leadership competency model reflects the organizations unique culture**
- 2. Specific steps are taken to actively manage talent**
- 3. Managers are committed to demonstrating the stated behaviors**
- 4. The relevance of the leadership competency model is maintained**
- 5. The business impact of the leadership competency model is measured**

Other “Important” Practices

- 1. There is clear Senior Leadership support for the model**
- 2. The leadership competency model is linked to two or more HR Systems**
- 3. There is a clearly designated target group**
- 4. The leadership competency model is easy to understand and implement**

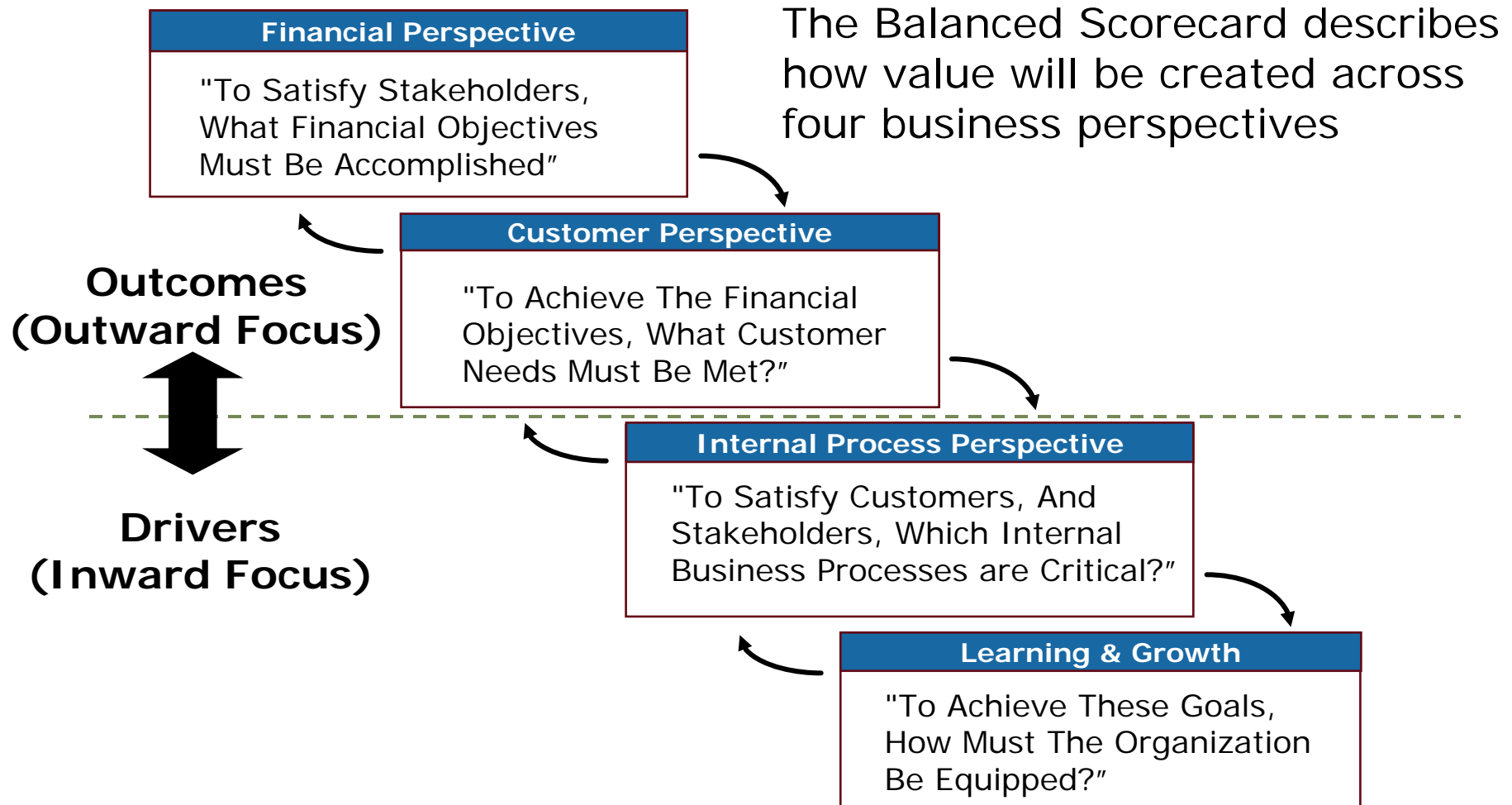
Best Practice Criteria

First Filter

The organization's ability to measure the impact of the leadership competency model on the business is very good or good.

153 ~ a third of sample

Balanced Scorecard Perspectives



Best Practice Criteria

- **Financial Perspective**
 - Revenue Growth
 - Profitability
 - Market Share Growth
- **Customer Perspective**
 - Customer/client satisfaction
- **Internal Process**
 - Quality of product/services
 - Development of new products/services
- **Learning and Growth Perspective**
 - Ability to recruit essential employees
 - Ability to retain essential employees
 - Manager – employee relations
 - General employee relations

Second Filter

Very great or great extent in each Balanced Scorecard Perspective

42 organizations

Health Check Up

How healthy is your leadership model?

Health Check Up

- 1. Our model reflects our unique culture**
- 2. We use competency evaluations to move talent across the organization**
- 3. We ensure managers are committed to demonstrating the desired behaviors**
- 4. We take steps to maintain the relevance of our model**
- 5. We can measure the business impact of our model**
- 6. Our model clearly defines what effective leadership looks like in our organization**

Exercise: Health Check Up

What is the “health” of you leadership competency model?

Using the six questions provided give your model a score of 1 to 5:

- 1 = Strongly Disagree
- 2 = Disagree
- 3 = Neither Agree nor Disagree
- 4 = Agree
- 5 = Strongly Agree

Health Check Up

	Best Practice	All Other
1. Our model reflects our unique culture	98%	61%
2. We use competency evaluations to move talent across the organization	81%	51%
3. We ensure that managers are committed to demonstrating the desired behaviors	98%	55%
4. We take steps to maintain the relevance of our model (at least two or more methods)	81%	33%
5. We can measure the business impact of our model	100%	26%
6. Our model clearly defines what effective leadership looks like in our org	93%	87%

Revitalizing or Building Your Leadership Model

Where can you take specific steps to revitalize your leadership model?

What should you do to build a leadership model that impacts the business?

Leadership Competency Model Reflect the Organization's Unique Culture

-
-
-
-

Specific Steps are Taken to Actively Manage Talent

-
-
-
-

Managers are Committed to Demonstrating the Stated Behaviors

-
-
-
-

The Relevance of the Leadership Competency Model is Maintained

-
-
-
-

The Business Impact of the Leadership Competency Model is Measured

-
-
-
-

Revitalizing/Anchoring Your Model

- 1. Customize your model to reflect your unique culture**
- 2. Take steps to actively manage talent using your model**
- 3. Ensure managers are committed to demonstrating the stated behaviors**
- 4. Take steps to maintain the relevance of your model**
- 5. Measure the business impact of your model**

Revitalizing/Anchoring Your Model

- 6. Tie your model directly to a business challenge**
- 7. Focus application of your model on a specific target group to increase commitment**
- 8. Take steps to simplify and make your model easier to use**
- 9. Tie two or more HR applications to your model**
- 10. Increase the involvement of managers in updating your model**

What type of leadership model is needed?

What: Change in Content

1. Why is the leadership model needed? (specific business reason/challenge)
2. What are unique aspects of the organization's culture? *
3. Who is your target audience?
4. What is the overall focus? (Development, Performance, Selection, Combination?)

How: Change in Implementation

1. How can you ensure the commitment of managers to demonstrating desired behaviors? *
2. Is the relevance of the model being maintained? *
3. Is the model being used to actively manage talent? *
4. Is the business impact of the model being measured? *

* Best Practice Differentiators

For Additional Information

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