



The Next Generation

*Grooming leaders of the future
is becoming a high stakes gambit
for companies that want to
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Corporate University Xchange

Leaders are made, not born. It's a truism that's trotted out every time a corporate executive talks about leadership development, but there's mounting evidence that the talk is finally being translated into action. Maybe it's the reality of globalization; maybe it's that the aging of the baby-boom generation is creating gaps in corporate organization charts. Whatever the motivation, the growing number of leadership development programs now being rethought and reorganized makes it clear that U.S. business is concerned about its future management needs.

More than 40% of the major international companies recently surveyed by Corporate University Xchange, a research and consulting organization based in Harrisburg, PA, say they have just significantly changed or totally revamped the internal programs they rely on to produce their next generation of leaders. One reason: A mere 3% of those surveyed say they believe they have the ability to find the leadership talent they require.

"There's a big problem here," says Sue Todd, president and CEO of CorpU. "We've been saying it and saying it and saying it, and it is still not working."

As Todd sees it, businesspeople have long talked about the need for leadership development, but many have failed to make it a priority. Too often, she says, organizations succumb to pressure to meet quarterly earnings expectations and other short-term needs, behavior that can deprive them of important management resources when they are most needed. Todd points to recent succession problems in the financial sector, where major banks and

brokerage firms have been forced to scurry when they needed to put a new CEO in place.

Concern over the quality of future leaders has been steadily growing as businesses have expanded globally and technologically. At the same time, retiring baby-boomers are creating a significant talent drain. Still, the number of businesses CorpU will be honoring this month with awards for excellence in corporate education suggests that many are stepping up to the challenge. The best are providing the funding and flexibility to create and implement companywide



professional development plans. They are embracing concepts like action learning, where leaders gain on-the-job experience by solving real business problems as they happen. At the very best, increasing numbers of senior management—starting with the CEO—are taking an active role by supporting and participating in the programs.

Overseeing a Far-Flung Empire

A perfect example is Staples, which has had a successful leadership development program targeted at midlevel management for nearly a decade. It is now also focusing on the

development of top-level executives. The change wasn't prompted by a single event or moment in time, but rather by a growing appreciation of the value of such programs in an increasingly complex business world.

"More and more, we are becoming a global company," says Nancy Persson, vice president of organization development, training, and internal communications. Staples now does business in 22 countries, compared with six a few years ago. "When you look at the rapid growth of markets and economies like India and China," she says, "you realize

you have to prepare for where the world is going." Borrowing a metaphor from Wayne Gretzky, Persson adds that Staples needs to "skate to where the puck is going to be," not toward where it is at the moment. To do that, the company developed a competency model for the leadership skills its executives will need; it includes inspiring people, driving results, integrating operations around the globe, and

an uncompromising commitment to creating an ethical environment.

Message From the Top

In building a successful leadership development program, buy-in from the top echelon is critical. Such hands-on C-suite involvement sends a clear message that leadership development is more than important; it's critical.

UBS makes the point by using management in creative ways. It doesn't hire outside teachers for its corporate university. Instead, it taps its own top executives, including its CEO and CFO, to teach courses.

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To be presented at the *Training* 2008 conference on Feb. 5.

learning, UBS also developed its popular Business Challenge program, through which small teams of “emerging talent” five to seven years into their careers work directly with a top leader on a strategic business opportunity. One team recently tackled ways of improving employee mobility within the company; another developed a Middle East equity strategy. “These are not case studies. They are real-life issues,” says Barbara Cona Amon, head of global talent at UBS Investment Bank, noting that some 60% of all challenge team recommendations have been implemented.

The impetus for change can come from diverse directions. At MasterCard, senior leadership seized on a momentous change—its May 2006



initial public offering—as an opportunity to ramp up its talent development program. There was “a deep desire to make sure that the company, as it transformed itself, also transformed its leadership team across the board,” says Rebecca Ray, who joined MasterCard as head of global talent management and development shortly before the public offering.

Under Ray’s direction, a series of leadership assessments and targeted development actions, starting with the top corporate officers, soon worked its way down to the next 200 senior leaders “at the top of the house.” That momentum led to a broader talent development initiative designed to create “leaders at all levels,” says Ray, who is convinced that managers must take an active role in making their employees successful.

To prepare for the IPO, which was championed by then-CFO Chris McWilton, three “maps” were created that pointed the way to coming changes. One outlined MasterCard’s competitive landscape, another showed how the company made its money, and the third took a look at MasterCard’s strategies. Specially trained business-line leaders and

HR professionals then explained these maps to small groups of employees to make sure everyone was ready to “step off the curb smartly” once MasterCard became a publicly traded company.

The critical skills that will be needed by future leaders continue to evolve as global markets and the importance of utilizing sophisticated technology increase. “The world is changing fast,” says Rick McAnally, John Deere’s director of global talent management. To keep pace, Deere is actively managing the progress of those who are tapped. “We don’t want to waste time in their careers,” McAnally says.

Deere, a leading producer of tractors and construction equipment, works hard to make sure that talented employees get the help they need to grow. That might translate into on-the-job experience to develop skills in areas ranging from logistics to finance, or it might be focused educational offerings like classroom learning and high-level coaching. “We are doing this purposefully,” McAnally says, “so that when we need people to be ready, they are ready.”

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Only 3% of companies surveyed by Corporate University Xchange feel they have the ability to find the leadership talent they need.

The Virtual Learning Curve

At most companies, technology has become an important part of the leadership development process. "About four years ago, everyone was going crazy about e-learning," says CorpU's Todd. This initial enthusiasm had to be redirected, she says, when basic online modules didn't turn out to be "cheaper, faster, or better." Today's cutting-edge software—which makes use of wikis, blogs, and 3-D simulations—is moving toward new kinds of learning environments where potential leaders interact, test skills, and build knowledge together.

At Bellevue University in Nebraska, online courses are designed to be group learning experiences rather than isolated individual ones. "The class stays together through the entire undergraduate degree completion program," says Michael E. Echols, vice president of strategic initiatives. The teacher is responsible for building a cohesive community by encouraging dialogue, developing group values, and accommodating diverse learning styles.

In a world where business meetings commonly take place by computer and videoconference, this group approach also models the skills

needed to motivate behavior and build relationships in an increasingly cyber business environment. In addition, it teaches future leaders the importance of good communication. "Communication means something other than just knowing which key to press," Echols says. "It means engaging in dialogue and debate. It means the synthesis of complex ideas. Leaders today need to have that ability."

Echols understands the effectiveness of group cyber learning efforts because he's measured the impact. Bellevue, which offers corporations custom-designed development programs in a variety of formats, recently opened its brand-new Human Capital Lab, where Echols and others precisely evaluate the business impact of learning programs, whether they are used to develop new store managers or to mentor senior executives.

This type of analysis is critical because companies too often spend money without having any idea of whether they are getting a return on their learning and development investment. Businesses with the most effective leadership development programs, says Echols, recognize the need to invest time as well as money in the process. "You can't create leaders in one quarter."

To be successful, programs must also be closely aligned with corporate objectives and have enough built-in flexibility to react to change. "Our development objectives change from year to year," says Staples' Persson, noting that all leadership programs need tweaking over time. But when the programs are properly aligned with overall business goals, changes usually consist of minor recalibrations. "If we've got it right," she says, "it's a matter of a two- or three-degree adjustment, not a 45-degree one." —Lynn Asinof

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