A White Paper

Developing a Leadership Strategy

A Critical Ingredient for Organizational Success
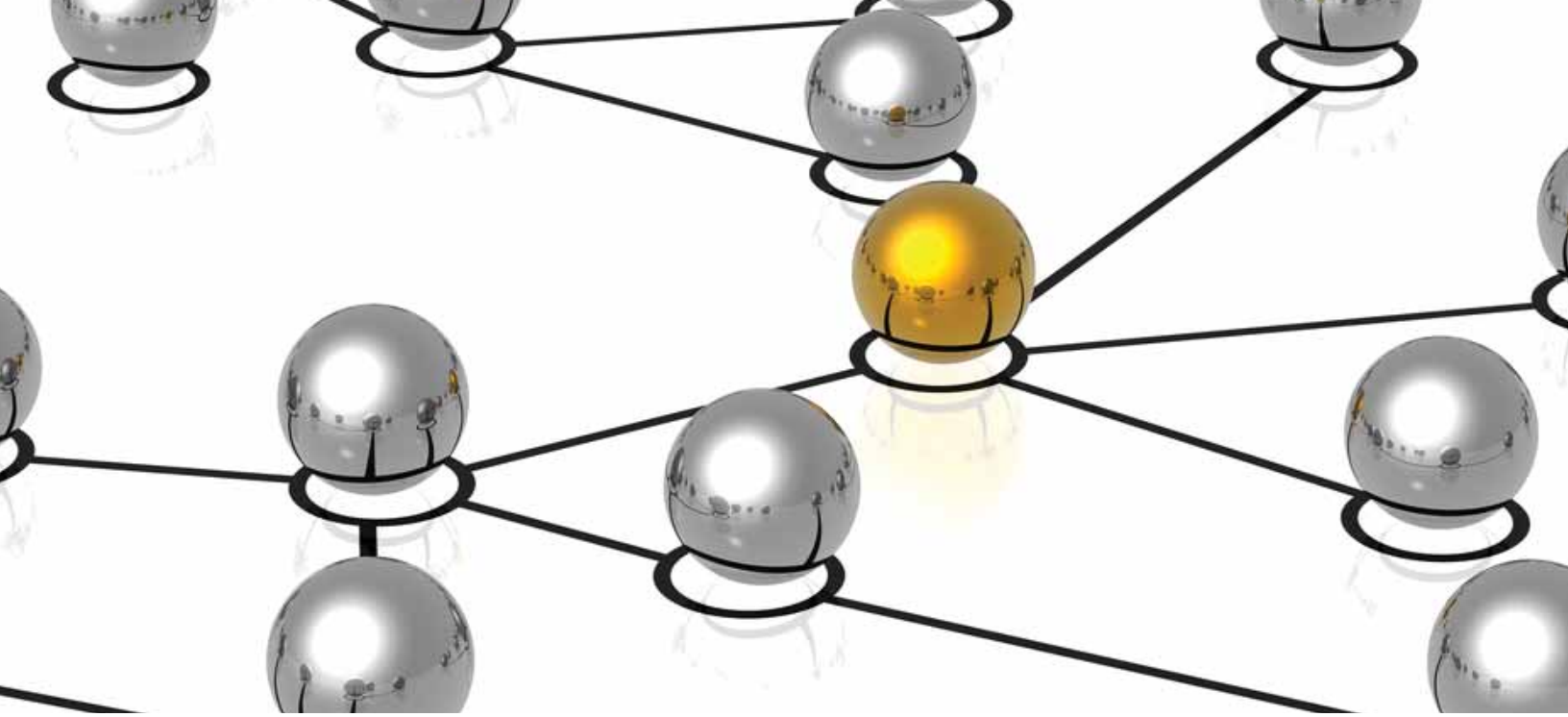
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Introduction

Organizations depend upon capable leadership to guide them through unprecedented changes. Yet, there is ample evidence in the news and in recent research reports that even some of the best and most venerable organizations are failing to adapt to change, implement their strategic plans successfully or prepare for a more uncertain future. We believe the turmoil we are currently observing has something to do with leadership, and that if we don't change our current approach to leadership development, we will see even more of the same.

As well-known companies disappear or are taken over (think of Lucent, Chrysler, Lehman Brothers, Northern Rock, Merrill Lynch) and new forces like the economies of China and India rise, surveys of CEOs show that they believe the one factor that will determine their fate is the quality of their leadership talent. Yet many top executives bemoan the lack of leadership bench strength in their companies and wonder what will happen once the baby-boomer generation of leaders finally steps aside. Can we count on the next generation of leaders to step up once they are in position? Or are we seeing evidence of a talent gap that cannot be closed and will result in even greater numbers of high-profile failures? What can your organization do to avoid the risks associated with inadequate leadership and better prepare its current and future leaders for changes that are yet unforeseen?

Every leader is aware of the value of a well-defined business strategy. Few, however, give thought to the leadership that will be required to implement strategies that call for changes in the direction or capabilities of the organization. Without proper leadership, even the best and boldest strategies die on the vine, their potential never realized. This paper defines what a leadership strategy is and how to go about creating one for your organization that will forever change the way you develop leaders and create new leadership capabilities.

What is a Leadership Strategy?

In order to understand what a leadership strategy is, we first have to be clear about what we mean by leadership. The Center for Creative Leadership has been studying leaders and leadership for nearly 40 years and has recently come to an important conclusion: leadership begins with individuals in leadership positions, but it doesn't end there[1]. The ability of an organization to accomplish its goals does not depend solely on the force of will of a single great leader, or even upon the effectiveness of the organization's chain of command. These things are important, but don't in and of themselves help us understand why some organizations succeed where others fail.

Instead, research has shown, we must understand leadership culture, as defined by the collective actions of formal and informal leaders acting together to influence organizational success. It is not simply the number or quality of individual leaders that determines organizational success, but the ability of formal and informal leaders to pull together in the support of organizational goals that ultimately makes the difference. Thus, when we speak about leadership here, it is both the leaders themselves and the relationships among them to which we refer. At various times, the idea that leadership is greater than the individual leader has been referred to as interdependent, boundaryless, collective or connected leadership.

In more robust definitions, leadership includes both formal and informal leaders. Observations of actual organizations in action are rarely as neat and tidy as their organization charts would suggest. Communication, influence and collaboration are occurring up, down and across the organization, almost as if the organization chart didn't exist, as revealed by the work of various people on mapping informal networks within organizations[2]. To ignore this reality in any discussion of leadership is to miss the point of what is really going on and what must be understood and managed if strategies are to be implemented successfully.

Thus, when we describe the leadership of an organization, at a minimum we should consider:

A. The quantity of leaders needed, as indicated by current and projected formal leadership positions depicted on an organization chart (number, level, location, function, business unit, reporting relationships, etc.)

B. The qualities desired in selection (demographics, diversity, background, experience level)

C. The skills and behavior that are needed to implement the business strategy and create the desired culture (skills, competencies, knowledge base)

D. The collective leadership capabilities of leaders acting together in groups and across boundaries to implement strategies, solve problems, respond to threats, adapt to change, support innovation, etc.

E. The desired leadership culture, including the leadership practices in use, such as collaboration across boundaries, engagement of employees, accepting responsibility for outcomes, creating opportunities for others to lead, developing other leaders, learning how to learn, etc.

In much of the work on talent and leadership bench strength, the focus has been on only the first two of these ways of describing an organization's leadership. By leaving out connected leadership and leadership culture, we have overlooked what makes leadership come alive in organizations and the factors that often determine whether strategies and plans will actually be achieved.

A good leadership strategy takes all of these factors into account. Simply having all of the leadership positions on the organization chart filled will not produce the leadership that is required to implement strategies, adapt to change, support innovation or other important organizational agendas. It is not just having the right number of bodies, it is what those bodies do and how they relate to one another that matters. A leadership strategy makes explicit how many leaders we need, of what kind, where, with what skills, and behaving in what fashion individually and collectively to achieve the total success we seek. Very few organizations have an explicit leadership strategy. Is it any wonder that without one, CEOs find that they don't have the leadership talent they require?

Like business strategies, leadership strategies are based on a thorough analysis of the current situation and an informed view of the future. The strategy then provides a series of recommendations to close the gap between the current situation and desired future. Once the leadership strategy is known, a leadership development

strategy can be formulated to produce the desired future state, and implications for talent management processes can be identified. When the strategy is implemented, business results will provide feedback on how well the leadership strategy is working and help shape what new business strategies can be considered with the leadership talent that has been developed.

The leadership strategy should be driven by the business strategy and specify:

A. Quantity: How many leaders will be needed over the next 5-10 years, taking into account growth needs and projected turnover
1. When
2. Where
3. At what level

B. Qualities: The characteristics individual leaders and leaders overall should possess when selected or retained, such as:
1. Demographics
    a. Age
    b. Gender
    c. Race
    d. Culture of origin
    e. Education
    f. Experience
2. Internal promotions versus external hires
3. Diversity, targeted diversity
    a. Level
    b. Location

C. Skills/Behaviors: The specific skills, behaviors, knowledge, competencies or abilities leaders need by function, level, location or unit to implement the business strategy

1. Generic behavioral competencies that apply to all leaders in the organization
2. Specific behavioral competencies by level or function
3. Generic skills and knowledge required by all leaders in the organization
4. Skills or knowledge required by level or function
5. Skills, knowledge or capabilities by location
6. Language capabilities

D. Collective Capabilities: The capabilities that are required of leaders when acting together, such as:

1. Providing direction, demonstrating alignment and generating commitment as a collective leadership team
2. Solving problems or making improvements efficiently and effectively that require collaboration across internal or external boundaries
3. Engaging employees in decision making and to gain their active support in implementing planned cross-functional actions
4. Jointly formulating strategies and executing them in a coordinated fashion
5. Implementing successful innovation requiring cross-functional collaboration
6. Adapting to change in a cohesive and coherent manner
7. Working together to grow the business in new markets
8. Ensuring compliance/transparency requiring a consistent set of values, beliefs and actions across the enterprise
9. Being responsive to customers in ways that demand cross-unit coordination
10. Developing talent on behalf of the enterprise, rather than for individual units

E. Leadership Culture: The key attributes of the culture created by leaders through the way in which they lead

1. Degree of dependence, independence or interdependence among leaders
2. Key values that are reinforced through the collective behavior and actions of leaders
3. The leadership style exhibited by the majority of leaders (control-oriented, laissez faire, participative)
4. The leadership practices that are both important and shared across the enterprise (engaging employees, accepting responsibility, embracing opportunities to make improvements, being customer focused and so forth)

Once the leadership strategy is formulated, a leadership development strategy can be drafted. It clarifies how the leadership strategy will be accomplished, explores the implications for talent management systems and processes, and outlines an approach to leadership development.

Creating the Leadership Strategy

The first step in formulating the leadership strategy is to review the business strategy for implications for new leadership requirements. This analysis usually requires a team of experts composed of some people who know the business intimately and others who are familiar with processes for acquiring, retaining and developing leadership talent. Beginning with the business strategy, the first step is to identify the drivers of the strategy. Drivers are the key choices that leaders make about how to position the organization to take advantage of its strengths, weaknesses, opportunities and threats in the marketplace. They are the things that make a strategy unique to one organization as compared to another and dictate where tradeoffs will be made between alternative investments of resources, time and energy. Drivers are few in number and help us understand what it is absolutely essential for leaders and the collective leadership of the organization to accomplish.

The reason why identifying key drivers is important in constructing the leadership strategy is because difficult choices will ultimately need to be made about where to invest money in leaders and their development. Particularly as budgets for leadership headcount and development tighten, it is more critical than ever to demonstrate a clear line of sight between investments in leadership and desired organizational outcomes, such as growth, profitability, talent retention and other metrics that are of key importance to top-level decision makers who control leadership development spending.

Key drivers of the business are:

- The relatively few (e.g., 3-5) determinants of sustainable competitive advantage for a particular organization in a particular industry.
- Also known as "key success factors," "key value propositions," critical success factors, etc.
- Present- and future-oriented. As customers and competitors change, are the key strategic drivers still relevant?

Note that key drivers are not in themselves detailed strategies; instead, they are the key decisions leaders are making about what the organization must do. For example, in some markets, like the restaurant industry, making certain that customers are satisfied may be chosen as a key driver of success. In other industries, like utilities, customer satisfaction may not be a key driver. A key driver in the utility industry might be finding long-term sources of competitively priced raw materials to turn into electric power. Customer satisfaction and low-priced raw materials are not complete business strategies; instead, they drive the formulation of detailed business strategies. The restaurant owner must develop strategies for producing high levels of customer satisfaction, and the utility company must develop strategies for securing low-cost raw materials.

Key drivers can be identified by asking a few fundamental questions:

- Is this an organizational capability that is absolutely vital? Could something else be more essential in causing the vision/mission to happen?
- Defined relatively, what is most important to competitive success and mission completion?
- Is this something that the organization is positioned to do better than its competitors?
- Will doing this well translate directly into continued or future success?
- Would not doing this well cause the organization to fail?

KEY DRIVER	LEADERSHIP STRATEGY IMPLICATIONS
Becoming More Global	• Requirement for greater cultural sensitivity among leaders • Enhanced representation of different geographies at top levels • Enhanced language skills in key leadership roles to enable cross-cultural relationship building • Enhanced importance of foreign assignments for future leaders • Greater understanding of local laws and business arrangements in strategy making
Becoming More Innovative	• Greater interdependence among leaders to create more effective collaboration across functions in bringing new products to market • Need to increase leadership involvement across functions in gathering consumer insights and translating these into profitable ideas for new products • Must anticipate capital, space, talent implications of rapidly expanding product portfolio • Need cultural change to create a spirit of innovation versus a culture of risk aversion at top levels of the organization
Becoming More Customer-Focused	• Need to develop and implement new processes for understanding customer experiences and translating them into improved business practices • Must create solid linkages across the organization at all customer touch points, so that the customer experiences a seamless relationship • Need to understand the needs of different customer segments and move beyond "one size fits all" approach • Must instill a culture of customer primacy and customer care
Investing in High-Growth Opportunities	• Rapid growth requires attention to talent development; must accelerate the acquisition and development of talent for key roles to avoid talent becoming the constraint to continued growth • Must grow number of leaders at every level by 10% per year over next three years
Improving Operating Efficiency	• Must introduce Six-Sigma, lean manufacturing and other methods to bring costs into line with key competitors; these must be led from the top and supported by leaders at every level • Must create a culture of continuous improvement that is led authentically by those in leadership positions

In reality, the leadership strategy implications would be much more specific, reflecting the actual opportunities and issues surrounding the key drivers. The key drivers and their associated business strategies should have clear implications for what leaders must do well in order for the organization to succeed. Ultimately, leadership development activities should be designed to ensure that individual leaders and the collective leadership of the organization are prepared to implement the most important strategies related to the key drivers.

After the high-level implications for the leadership strategy have been identified, the next step in developing the leadership strategy is to assess the current leadership situation and compare it to the desired future. This is the step that requires the most "heavy lifting" in terms of assessment and data collection, covering a wide range of variables that will affect decisions regarding both the leadership strategy and the leadership development strategy to follow.

A sampling of the methods that may be used to collect the current-state information needed in each category is listed in the table on page 12.

DIMENSION	METHODOLOGIES FOR DATA COLLECTION
Quantity	• Workforce planning • HRIS data • Scenario building
Qualities	• Assessment centers • Leadership style assessment/personality profiles • Talent management forms/review sessions • HRIS data
Skill/Behaviors	• Career profiles • Ability testing • HRIS data • Surveys/interviews • Competency identification and assessment
Collective Capabilities	• Focus groups • Observation • Interviews • Document analysis
Leadership Culture	• Culture assessment surveys • Employee surveys • Observation • Focus groups Interviews • Document analysis

The data from these analyses are used to identify gaps between the current and future states of leadership in the organization, which provides focus for the priorities to be addressed in the leadership strategy. A simplified example of the gap analysis that should be performed is shown below.
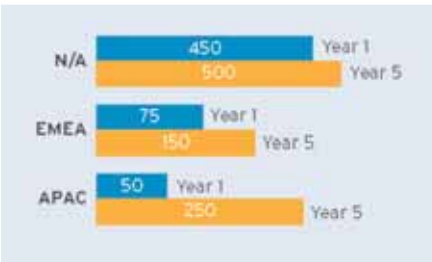
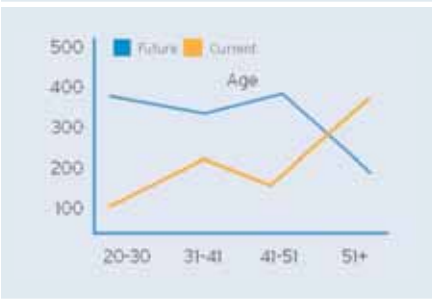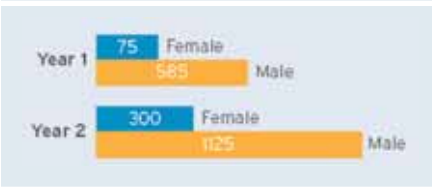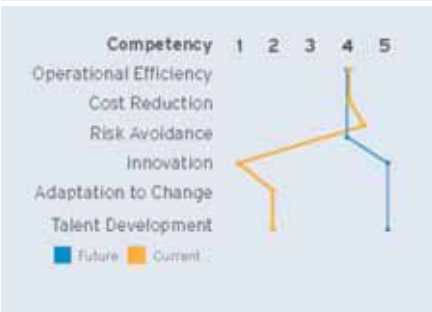| LEADERSHIP DIMENSION	ANALYSIS	IMPLICATIONS OF GAP FOR LEADERSHIP STRATEGY
Quantity of Leaders by Level	**Level 1:** 10 (Year 1), 15 (Year 5) **Level 2:** 75 (Year 1), 125 (Year 5) **Level 3:** 450 (Year 1), 750 (Year 5)	Significant increases at levels 2 & 3 will require accelerated internal development, as well as external recruitment or acquisitions.
Location of Leaders	**N/A:** 450 (Year 1), 500 (Year 5) **EMEA:** 75 (Year 1), 150 (Year 5) **APAC:** 50 (Year 1), 250 (Year 5)	NA growth will slow, although promotions will continue due to turnover. Significant increases in EMEA and especially APAC.
Qualities of Leaders	Age chart — Future vs Current; axis 100–500; age groups 20-30, 31-41, 41-51, 51+	Retirement of boomers will create need to accelerate development of their replacements from a much younger pool; new hires will be younger as well.
Location of Leaders	**Year 1:** Female 75, Male 585 **Year 2:** Female 300, Male 1125	Must make aggressive effort to hire, develop and retain women to reach 20%+ goal.
Skills/Behaviors of Leaders: Key Competencies Required by Strategy	Competency 1 2 3 4 5 — Operational Efficiency, Cost Reduction, Risk Avoidance, Innovation, Adaptation to Change, Talent Development; Future vs Current	Need for dramatic change; some may not make the shift; need to be prepared for this.

LEADERSHIP DIMENSION	ANALYSIS		IMPLICATIONS OF GAP FOR LEADERSHIP STRATEGY
Skills/Behaviors Required by Leaders in Asia, Africa and Latin America	Current	• Mostly ex-pats • Few with languages or cultural backgrounds required to create business relationships	Change mix of leaders in region through hiring and accelerated internal development; make certain their voice is heard at HQ as well.
	Future	• Local knowledge and relationships • Language skills • Knowledge of local regulations • Intimate knowledge of local customers	
Collective Capabilities Required by Strategy	Current	• Meet planning deadlines • Uphold company policies • Maintain product quality	Behaviors are new and will require attention to issues that arise as people learn to work together differently.
	Future	• Successful innovations to market quickly • Better/faster coordinated response to global customers • Talent development across functions	
Leadership Culture	Current	• Mix of dependent and independent cultures • Difficulty in coordinating product introductions or policy implementation across functions and regions	Senior leaders must engage others in changing leadership culture through work on strategic initiatives.
	Future	• Much more interdependent culture across functions and regions to enable more effective global operations, support more rapid innovation and support customer responsiveness	

Again, this is a highly simplified example of the implications for leadership that should be extracted from the business strategy when future leadership capabilities are compared to what exists today. Once these implications are extracted and confirmed through presentation and discussion with the executive team, the right-hand column of the gap analysis table needs to be addressed. The leadership strategy summarizes actions that must be taken to close the gaps. The leadership development strategy will then follow with specific recommendations regarding approaches to be taken to develop current and future leaders, as well as the collective capabilities of the organization's leadership, in line with the leadership strategy. The gap analysis also produces clear implications for recruiting, selection and other talent management systems, policies and processes.

An example of a leadership strategy is provided below. (Actual strategies would be much more detailed and specific regarding each leadership dimension.) The strategy may also include specific target dates for each action, who is responsible, barriers to success, costs and implications for leadership development or talent management processes.

How much will it cost to implement your company's leadership strategy?

While a precise formula does not exist for translating the leadership strategy into the budget and time required to accomplish each objective, the leadership strategy does provide a compelling basis for justifying such investments because of its clear link to the business strategy. Even though comparisons across organizations, industries and geographies are difficult, studies by ASTD[2] and Training Magazine[3] in the U.S. market showed a consistent average expenditure of around $1200 per employee, or between two and three percent of payroll for all training and development activities. Expenditures on executive development are typically higher, as are expenditures in industries or companies facing highly competitive or rapidly changing business environments, and in companies that receive awards for their development practices.

Developing the strategy is usually an iterative process involving a team assembled for that purpose that reports regularly to an executive team or to a steering committee providing oversight. Just as with talent reviews, the process of creating a leadership strategy produces useful conversations that may have never taken place before. Those conversations themselves may act as interventions that begin shifting beliefs and values concerning executive talent issues in the organization.

The creation of the strategy is a mix of logic and art, involving both left brain and right brain work. While determining the number of leaders required is often a straightforward extrapolation of growth targets using workforce planning methods, defining the desired leadership culture is a much more non-linear process. There are

a variety of methods that can help. One way, called the "future perfect" method, involves "projecting" oneself into the future and imagining what the leadership culture would be like if the organization were fully implementing its business strategy and operating as effectively as possible. What behaviors among leaders would one observe? What shared beliefs would be held by all leaders that support and reinforce those behaviors? What things would employees, customers or other stakeholders be saying about leadership in general? What behaviors would be visible and reinforce the kind of culture that is desired? What behaviors would be called out as indicative of "good leadership" and rewarded accordingly? Whatever methods are used to define the desired culture, the definition will require that leadership strategists "get comfortable" with the emotional side of leadership. Many books have been written about emotional intelligence as an important element in effective leadership, and CCL has long been an advocate of using feedback, simulations and other experiential methods to help leaders understand the impact of their behaviors on others. In creating a leadership strategy, failing to be as detailed as possible in describing the leadership culture that is required to implement the business strategy will lead to oversights later in the process that erode strategy implementation and interfere with effective performance. For example, if collaboration across boundaries is not called out clearly as a requirement in the new leadership culture, strategies that depend upon inter-unit or cross-functional collaboration are likely to run into stiff resistance from leaders who place more emphasis on optimizing the results in their own area than on helping the enterprise to succeed. Once again, it's not how many leaders are in place; it's what they actually do that determines whether the organization succeeds or fails.

LEADERSHIP DIMENSION	KEY STRATEGIES	ACTIONS TO CREATE REQUIRED LEADERSHIP	OTHER IMPLICATIONS
Quantities	• Increase number of leaders from under 600 today to 900+ • Double EMEA leaders from 75 today to 150 • Grow APAC leaders by 5X, from 50 to 250	• 60% of growth from internal promotion • 40% of growth through external hiring • APAC growth will require an acquisition since local market for leaders is extremely competitive 60% of growth from internal promotion market for leaders is extremely competitive	• Need accelerated development in EMEA and APAC • Need effective on boarding processes in each region • Need effective M&A integration process
Qualities	• Increase proportion of leaders under age 50 in top three levels • Increase percentage of female leaders to 20+ at all levels	• A combination of hiring and rapid advancement to replace retiring top-level executives • Aggressive recruiting identification of internal talent	• Must address issues that cause females and Generation X workers to decline leadership opportunities • New talent ID and recruiting processes
Skills/Behaviors	• Increase abilities to innovate, adapt to change, develop talent, take reasonable risks, while not sacrificing operational efficiency or the focus on cost reduction opportunities • Develop regional business acumen	• Incorporate behavioral assessments of desired qualities into promotion criteria • Create focused and effective development experiences to enhance desired competencies • Assess progress and invest as required • Invest in development of local leaders in APAC, Africa and Latin America	• Need robust measures based on observable behaviors • Must move people out of key positions who are unable to make the shift within 1-2 years • Need succession planning for mission-critical positions • Diversify leadership development staff to reflect global mission

LEADERSHIP DIMENSION	KEY STRATEGIES	ACTIONS TO CREATE REQUIRED LEADERSHIP	OTHER IMPLICATIONS
Collective Capabilities	• Key areas for improvement include faster innovation to market, more responsiveness to customers and enhanced talent development	• Identify senior executives to lead each of these three initiatives • Use three initiatives "action development" to develop collective leadership capabilities while addressing strategic requirements	• Staff to allow time on action development projects
Leadership Culture	• Must move from a dependent/independent to more of an interdependent leadership culture to support strategy that calls for coordinated action across functions and regions	• Senior leaders need to understand what is required of them at a personal and organizational level to make this happen. "Visible leadership" of this transformation is critical. • Use action development initiatives to engage employees at all levels in leading required changes	• Promotions to the senior team over the next five years must be considered in light of this imperative

Creating the Leadership Development Strategy

The Leadership Development Strategy must be formulated to support the leadership strategy. The leadership development strategy should specify the actions that must be taken to retain, develop or acquire the leaders and the leadership skills required by the business strategy and will cover the topics listed below.

- **On-boarding processes:** New leaders must be socialized into the company and leadership culture and must be made aware of the expectations and developmental requirements that come with each promotion.

- **Individual and organizational assessments:** Assessments are used to help individuals gain self-awareness, but also to provide information that allows the organization to identify talent that is a good fit with available positions. On the organizational level, assessments determine how the organization and its leaders are performing, or the impact of development activities on business results.

- **Individual development plans:** These are plans that leaders make for their development over a period of time. The best plans are comprehensive, covering work as well as program activities, and are discussed by the individual leader with their HR representative and manager.

- **Required/core learning experiences:** Certain learning experiences are required to hold a position or accept a leadership role at a particular level in the organization.

- **Elective learning opportunities:** These are internal or external courses or experiences that are made available to leaders on a voluntary basis. Tuition reimbursement for courses is often provided by organizations to encourage leaders to take advantage of elective learning opportunities.

- **Work assignments:** Work assignments are often overlooked as an opportunity to help leaders develop specific competencies or practice key behaviors. To enhance the focus on learning from work assignments, it's important to have specific goals, opportunities to receive feedback on progress and a coach or mentor with whom to discuss learning strategies.

- **Special assignments/initiatives:** There are multiple advantages to tying learning to project assignments. If the project assignments involve important work, learning from the project takes on relevance that may not exist as strongly in other learning environments. Team members can provide helpful feedback, and the relationships that are developed in projects with team members can facilitate future collaborative work. Managers who oversee projects get an expanded view of people who work on them as they tackle novelty and teamwork and perform under pressure. Support for learning during projects can also improve the quality of the work that is performed, which may be critical on key initiatives. When executives take an active role in projects related to strategic initiatives, there is an even more powerful opportunity to support learning and development from the top to the bottom of the organization. We call these efforts "action development" because they hold the potential to develop leaders and the organization's capabilities at the same time. Facilitated correctly, action development projects hold the key to 1) creating leadership cultures that enable organizational adaptability and 2) the leadership readiness needed to address ongoing issues and unforeseen challenges.

- **Coaching/mentoring/feedback:** While the value of coaching and mentoring is widely appreciated, it is seldom realized in practice because those doing the coaching or mentoring are not adequately skilled or dedicated. Superficial coaching or mentoring is frustrating and may even damage relationships that are critical to career success. While coaching and mentoring are powerful tools, it's important to invest fully in them before they are employed.

- **Team-based, cross-functional learning and relationship building:** Many organizations cite the inability of their executives to work together on teams and across boundaries as a major obstacle to success. It stands to reason that the way to learn these things is by doing them, but not without the supports that make learning powerful: learning objectives, content inputs, assessment, observation and feedback.

- **Leadership meetings and events:** Leadership meetings and events are sometimes overlooked as opportunities for people to learn, as well as to receive information. Given the high costs of assembling people these days, every effort should be made to leverage these meetings and events for multiple purposes, including learning.

- **Executive engagement in talent development:** Many of the benefits desired from executive development will not occur unless senior executives buy into the process, support the investments being made and model the behaviors that are desired. The creation of a different leadership culture starts with those at the top stepping up and stepping forward to demonstrate their personal engagement and support for change.

- **Employee engagement activities:** Once leaders are on board, it's possible to engage employees in a meaningful way. Many employees are informal leaders, whose help is indispensable in achieving organizational objectives. Engaging them also helps leaders continue to develop, as they receive feedback on what does or doesn't work as they attempt to create direction, alignment and commitment.

- **Leadership by level, function and location:** The leadership development strategy should take into account differences in requirements by level, function and location. The notion of a leadership pipeline with identifiable turning points that call for higher and higher levels of leadership ability is widely accepted[5]. The pipeline notion needs to be complemented with attention to the specific needs of learners in various functions and locations. Lawyers, accountants and marketing professionals need special attention, just as leaders in China need different inputs than those in India or Brazil.

- **Development over time:** Rather than the one-year outlook driven by budget cycles that is typical in most leadership development curricula, we suggest that the leadership development strategy should look out three to five years, from the perspectives of both the organization and individual executive. By matching the organizational changes that accompany strategy execution with what will happen to an executive during the same period of time, development strategies take on a more holistic perspective that includes work activities, action development projects, conferences, leadership meetings and events, community service, work assignments, board memberships, mentoring relationships and other learning opportunities in addition to programs. With this more holistic perspective, time, energy and resources for development can begin to shift to where the greatest potential for relevant learning and critical application lie – namely to supporting learning through work, through the implementation of strategies and through efforts to adapt to unplanned change.

This figure shows how the leadership development strategy is related to and driven by the business strategy and is tied to business results. It also makes clear that developing leaders should be thought of systemically, not simply as a curriculum composed of programs.

Moreover, the leadership development strategy should reflect the challenges and content included in the leadership strategy. "Off the shelf" programs or experiences may be fine for starters, but they won't be sufficient to achieve the leadership strategy, which means that the business strategy won't be implemented. Because the link between business strategy, leadership strategy and leadership development strategy has so often been missed, many organizations don't have either a defined leadership strategy or leadership development strategy at all.

A cursory examination of these organizations will reveal that leadership development consists of an assortment of programs that are roughly tied to the level of participants, rather than to a careful assessment of business needs. Competency models, when they have been customized to fit the business, are often generic, backward looking or only loosely tied to the learning activities that take place. Different units or locations in the organization may have their own approaches to development, utilizing different activities, programs and vendors. The end result is a horrendous waste of time and money, as well as missed opportunities to make important contributions to organizational success.

Participants in non-strategic development programs may sense that they are being "put through the mill" and that what's important is "checking the box" rather than applying what they are learning to key organizational objectives. Even if they are able to derive personal insights that they want to put into practice, they will often find that there is no support for them to do so.

A well thought-through leadership development strategy will return benefits at the individual, team and organizational level that simply can't be achieved by assembling off-the-shelf programmatic components, no matter how good their content. While shortcuts may appear to save time and money, in the long run they are a poor investment because they don't produce individual or organizational transformation. To achieve lasting and substantial benefits, learning must be applied to real organizational issues. Moreover, learning must take place in the collective, not just on the part of individuals. It's how formal and informal leaders work together that determines whether or not organizations succeed in implementing strategies and adapting to change, not individual leaders acting alone. Leadership development activities must change the context within which leading takes place, not simply the mindsets or capabilities of individual leaders. While capable individuals are the foundation for success, organizations require coordinated action to improve effectiveness or shift directions. Individual development and coaching will only get the organization so far; breakthroughs require attention to leadership cultures and collective leadership capabilities.

Implications for Talent Acquisition, Talent Sustainability, and Leadership Practice

The leadership development strategy will in turn have implications for talent management processes and leadership practices that affect individual leaders, as well as the leadership culture. Unless these systems, processes and policies are aligned with the leadership strategy, they will at best fail to reinforce the intended message and at worst become barriers to success.

- Executive commitment and engagement: As discussed previously, talent management has become a priority for senior executives. However, there can be vast differences in the level of support that is actually demonstrated and the level to which executives become personally engaged in talent management activities. The occasional talk at a leadership program isn't sufficient to shape the leadership culture, attract and retain the best talent and plan a leadership strategy that makes a bold new business strategy possible. The responsibility for talent management can no longer be delegated to the Human Resources department. It must remain at the highest levels of the company, held by the CEO and members of the executive team as a shared commitment to the future of the organization. Executives must be assessed in terms of their engagement in talent management activities and actions taken to support or deal strongly with those who fail to act.

- Learning and development: The leadership development strategy specifies how learning and development should occur for executives.

- Career planning: Work assignments and career moves are important vehicles for development. Too often, opportunities to make the most of these assignments are missed. People spend time in a new location, but fail to learn the language or interact with those who could help them understand the local culture. A cross-functional assignment may be carried out by learning the minimum possible to do the work, rather than immersing oneself in the content of the job to take full advantage of the expertise of others. A career move is a precious thing to waste.

- Reward and recognition: Everyone knows the power of rewards to reinforce certain behaviors and not others. When rewards are not tied to the content of the learning development strategy, the strategy takes a back seat to work or other priorities that are perceived to be more important to one's pay or future. Failure to align rewards and recognition with learning objectives is perhaps the most common and easily corrected mistake in executive development efforts.

- **Knowledge management:** Knowledge management systems can greatly simplify learning and also capture important information that might otherwise disappear as talented individuals retire or move on to other assignments.

- **Performance management:** Rewards and recognition are blunt instruments for changing behavior. Performance management should be more continuous, more targeted and more individualized.

- **Competency development and deployment:** Competencies provide helpful directional guidance to executives who are looking for signposts that explain what they are expected to do. However, in many organizations, too much emphasis has been placed on competencies relative to other elements in leadership development strategies. Even if one receives a thorough 360 assessment and advice on what to do about gaps between current and desired behavior, at best the information can help one be in the learning journey, not end it. Moreover, competencies are static and individually oriented, making them less useful in dynamic environments where collective actions are required to adapt to change. In most organizations, more emphasis should be placed on team and organizational learning to complement the individual focus that accompanies the use of competency models.

- **Sourcing and recruiting:** It makes sense, when possible, to begin leadership development with people who are already inclined to do what the organization needs them to do. Some organizations, like Goldman Sachs and McKinsey & Company, believe that their highly selective sourcing strategies are the key to their continued success. If there are leadership positions in your organization that don't require the best talent available, those positions are probably candidates for outsourcing. As organizations adopt new business models, expand into new territories or adopt bold new strategies, they often try to get there with the leadership they already have, instead of getting the leadership they need. That's why innovative new firms are able to run by their entrenched competition and why some firms that need to change never do.

- **Leadership practices:** Leadership practices are the observable, shared behaviors that shape and ultimately define the leadership culture. According to Ed Schein, a preeminent author on the topic of organizational culture, culture can be discerned by listening to the stories that people tell one another about the organization. The same is probably true for the leadership culture. The leadership culture can be discerned by listening to what people say about leaders in the organization. The stories people tell will be based on behaviors they observe, especially during unusual times that "test" the true nature of the leadership culture. When results aren't achieved, what happens? Do leaders start looking for scapegoats, or do they engage people in problem solving? When strategies are not implemented, do leaders finger point, or do they pull together across units and levels to figure out what's happening and try something new? What's interesting and important for leaders to note is that speeches do not determine how people view the leadership culture. People listen to speeches, but then they watch closely to see what really happens. That's why defining the leadership practices that are essential to implementing the leadership strategy is so important.

With the right leadership strategy in place, the right leadership development process designed and the appropriate talent acquisition, talent sustainability and leadership practices in place, there's a much better chance that your organization will achieve success in implementing its business strategy. If business results don't follow, it's time to go into a learning mode once again. Was the strategy incorrect in the first place? If so, what can be done to experiment rapidly with alternative strategies to see if they hold more promise? Or, was the leadership strategy incorrect? Or, was the leadership development strategy ineffective in producing the leadership and leadership culture desired? Figuring out what's working and not working will be much easier if you know what you intended to accomplish and have identified intermediate and summary metrics that provide feedback each step of the way. Having gone through the process outlined here will make it much more likely that you will understand what is really happening, or at least have a good guess about where you need to look for answers.

If you are successful in achieving desired business results, there is a final bonus that is indicated by the arrow above from strategic execution back to business strategy. That is, the new leadership capabilities you have developed may allow the organization to consider even more aggressive strategies to meet the competition or respond to change. Making continuous improvement a key driver of business results requires a leadership strategy that calls for continuous improvement in leadership as well.

Conclusion

A leadership strategy supports the effective implementation of an organization's business strategy. Without the right leadership, organizational strategies will remain as ink on paper. Getting the right leadership to implement business strategies takes careful planning and dedicated effort, and often substantial investment. Like the sports coach whose mediocre team never wins a championship, even with a new book of plays every year, the CEO can't hope to achieve bold new strategies without giving thought to his leadership team and leadership culture. Too many organizations have become complacent with their existing leadership programs, instead of making certain that they are linking their leadership strategies and development investments with their business strategies and taking full advantage of the learning opportunities that accompany strategic change.

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William Pasmore joined the Center for Creative Leadership in January 2008 as Senior Vice President and Organizational Practice Leader. An international authority in organizational leadership, he leads CCL's efforts to help clients develop the larger organizational leadership systems that increase their overall performance and enable their individual leaders to thrive. Pasmore previously served as partner in the Corporate Learning & Organizational Development Practice of consulting firm Oliver Wyman Delta, where he headed the global research practice and worked personally with top executives of Fortune 500 companies on organizational architecture, succession planning, talent management and strategic planning. He holds a B.S. in Aeronautical Engineering/Industrial Management and a Ph.D. in Administrative Sciences, both from Purdue University. E-mail: pasmoreb@ccl.org

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About the Center for Creative Leadership

The Center for Creative Leadership (CCL®) is a top-ranked, global provider of executive education that accelerates strategy and business results by unlocking the leadership potential of individuals and organizations. Founded in 1970 as a nonprofit educational institution focused exclusively on leadership education and research, CCL helps clients worldwide cultivate creative leadership — the capacity to achieve more than imagined by thinking and acting beyond boundaries — through an array of programs, products and other services. Ranked among the world's Top 10 providers of executive education by *Bloomberg BusinessWeek* and the *Financial Times*, CCL is headquartered in Greensboro, NC, USA with campuses in Colorado Springs, CO; San Diego, CA; Brussels; Moscow; Singapore; Pune, India and Addis Ababa, Ethiopia. Its work is supported by 500 faculty members and staff.

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