

# Yet, Another Hat: The CEO as the Chief Talent Officer

*-- A very personal, often delegated, frequently misunderstood, bungled accountability*

*By Patrick R. Dailey, Ph.D., and Charles H. Bishop, Ph.D.*

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## Yet, Another Hat: The CEO as the Chief Talent Officer.

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A company's leadership pipeline is expected to deliver its "next generation" of ready-now leadership. The payoff is a supply of leadership talent that simultaneously achieves targets, bolsters and protects the ethical reputation, and navigates transformational change in pursuit of a bright competitive future.

Unfortunately, some Boards and CEO's neglect their talent management accountability---consequently, their pipelines run dry. When this occurs, the downward spiral of competitive capability becomes discernable, the edge is lost, and the "magic" disappears. The competition begins to outwit, outflank and out perform these companies. The future of the company becomes uncertain along with that of the CEO. Boards are quick to step in when company leadership fails its stakeholders as the recent ousters at Bear Sterns, Lehman Brothers, Freddie Mac and Fannie May, Washington Mutual and others have demonstrated.

Yet company leaders continue to search for those "magical" solutions that ensure their pipelines deliver a supply of "ready now," best-in-class leadership talent. Interestingly, Douglas Ready and Jay Conger in the Wall Street Journal article [2], report that the vast majority (97%) of surveyed companies do have a formalized succession management process. Yet, only 3% of these surveyed companies report satisfaction with their leadership pipeline—the quality and readiness of leadership talent is not adequate.

Not much "magic" is happening.

This article is *not* about new, magical elixirs. Rather, we focus on the discipline required from the most senior levels of an organization to insure the leadership pipeline flows with talent that can step up and step in to deliver results and successfully transform a company toward a more certain and competitive future.

We offer seven challenges—these are fundamental questions that tap CEOs' discipline and resolve in managing the company's leadership asset. The good news is that even if the answers aren't what Board and CEOs initially want, the dialogue puts the senior team well on the way to remedying the problem.

### **1. Can your leaders differentiate "great" talent from "good enough?"**

Each day, leaders throughout your organization make judgments, or "calls," to select talent for more challenging and pivotal jobs. When these decision-makers fail to make accurate talent assessments and predictions, a little bit of your company's future is chipped away.

When inept assessments from individual managers are combined across an organization into an overall picture of your organization's talent strength and readiness, this composite view too often catches senior executives off guard as they scrutinize or "scrub" promotability slates to select key leaders for critical assignments. That full and flowing pipeline is just not there.

Senior management is typically disappointed with these newly found talent deficiencies, but chalk up this problem as a natural aspect of talent management.

Meanwhile, the ability of your organization to rapidly muster great talent for strategic moves in the marketplace is compromised by both quality and timeliness factors. When the talent assessment process ultimately generates only "good enough" talent and teams, what is the outcome to your organization when those great competitors in your sector take aim at your markets and your customers? The stakes are high. Boards and Wall Street do not often have the patience for the uncertain adventure of evolving good teams into great ones when the individual talent does not measure up to winning. Better to start with "great" in building high-performance organizations.

*Assessment is a critical executive competency and is demonstrated when:*

- Hiring managers can explain the difference between "great" vs. "good enough,"
- More-skilled managers can accurately spot emerging leadership early in the career of the emerging leader,
- Hiring managers differentiate candidates' past performance from their future potential when formulating promotional decisions.

## **2. Are you willing to settle for "good enough" talent in pivotal positions?**

Organizations can lose their performance edge when not challenged to attain market share or functional excellence. In the early stages of decline, signs of "organizational dry rot" [3] can be detected in the middle-managerial appointments. In those cases, "good enough" leaders are appointed to key roles and steer their operating units toward incremental improvements and even deliver strong results. These organizations work harder and manage to win—for a period of time. Often, they have chosen to keep score using internal measures of success and performance—year-to-year metrics, for example, as opposed to external metrics that score against best-in-class performance comparisons. Soon these organizations are in over their heads—overworked and out of gas. Their reputations slip, and great talent becomes difficult to attract and retain. Predictably, the competition begins to outmaneuver them.

*You may detect "only good enough" leadership practices when:*

- "Compromise" candidates are appointed into pivotal roles,
- "One-horse" races are all too common in filling pivotal senior roles,
- An operating unit is repeatedly unable to step up to talent requirements in dealing with competitive challenges, threats, and change management initiatives.

## **3. Are you personally willing to break down the silos of protectionism that impede the development of your pipeline?**

Protectionism exists when organizational walls and cultural norms limit the movement or development of emerging leaders across organizational boundaries. This narrows your degrees of freedom regarding development for emerging leaders and ultimately limits choices in appointing "ready now" leaders, compromising the quality and readiness of your leadership pipeline.

Protecting emerging leaders is noble and necessary. Yet, overprotecting emerging leaders often stifles their professional development. Equally harmful is allowing underperforming "favored sons" and slow-learning leaders to be shielded in safe harbors erected within "silos" throughout your organization. This practice is a sure signal to the organization of a tolerance for mediocrity. Silos naturally operate as an outgrowth of complex organizations reaching for functional focus or

specialization. They are not necessarily destructive. The leadership challenge is to bridge silos with management process when it is essential for the broad organization. Succession management should be one of these processes.

*Protectionism may be alive and operating when"*

- Your "best emerging leaders" get lost, forgotten, derailed in or flee an operating unit,
- Senior leaders are not willing or successful exporters of talent into other units,
- Talented outsiders have difficulty breaking into the culture and "finding-their-way" in a unit.

## **4. Where does your Board place accountability for the quality and readiness of your leadership pipeline?**

One of the most unforgivable sins a senior executive can commit is underestimating the future leadership needs for the business—either in terms of quantity or quality. These oversights traditionally go unmentioned in annual reports and during analyst meetings. Yet these oversights compromise your organization's competitive future. Many senior leaders show up at annual succession planning meetings but have not been fully engaged throughout the year in the process. No leader would ever think about going through the motions with the company's strategic planning process.

Yet sustaining the organization's leadership pipeline is the one of the most strategic activities leaders face in dealing with the future of their organizations.

*Accountability for succession and pipeline management is demonstrated when:*

- Metrics are tracked from year to year for judging the effectiveness of the pipeline,
- The organization deals with leaders who have a pattern of failed selection and appointment decisions,
- Most talent needs are sourced from internal appointments.
- The organization loses talent to the competition and must install retention tools.

## **5. Are you willing to take short-term risks with business results as emerging leaders learn the lessons of experience?**

Developing leaders with the keen instincts and well-honed skills to lead organizations into their futures does not come without risk. This risk involves placing talent into real and challenging situations where they must perform *and* learn from their experience. It is a truism

that the greater the challenge, the greater the learning opportunity—and, unfortunately, the greater the risk of failure to the individual and the organization. So-called 100-percent “safe-fills” provide little growth opportunity for the individual. They may introduce stale skills, low motivation, or overconfidence into the leadership team. The ideal situation is a job that demands performance and provides a challenge for the individual

*Symptoms of playing it too safe in developing your leadership include when:*

- High potentials don't get the most “developmentally-valuable” slots and assignments,
- Promotions are too frequently delayed resulting in emerging talent that becomes “over ripe” and disillusioned,
- Your organization fails to deal with derailed talent.

### **6. Are you borrowing or buying a succession-management process, then force fitting it into your culture?**

Many of our best known brands—IBM, Dell, Nike, FedEx— have their own “secret sauce,” something that makes them distinctive. If you probe into the genesis of what makes such great brands, one of the key factors is their approach to talent—their selection, development, and retention. Often, the founder or a pivotal leader has put their personal touch on crafting a style or direction in leadership development. Noteworthy developers of leadership include GE, Bank of America, PepsiCo, and FedEx [4].

Elsewhere, we often see “herd mentality.” Leaders borrow what is going on at a GE, or PepsiCo, read an article or two, bring a new process into their organizations—and fail. Jacques Nasser’s adoption of GE’s “forced ranking of people” in many ways led to his sudden departure from his CEO role at Ford. What worked in one culture may not be a good fit in another. Bob Nardelli, the former CEO of Home Depot “imported” much of what he had done at GE into Home Depot. The overall approach created cultural misunderstandings, a lack of ownership and is cited as one of the factors that ultimately led to his exit. When leaders try to imitate the success of others by importing their methods, the organization many times loses its focus and commitment to any process.

*The value and credibility of your leadership pipeline process can be gauged by:*

- The relative stature of your succession planning process vis-à-vis other key processes, i.e., strategy process; annual budget process,
- Compensation is put ‘at risk’ for senior management in fulfilling their accountability for talent management,
- Enhanced market valuation by Wall Street attributed to the company’s leadership depth and strength.

### **7. Is your succession planning process an annual “event” that goes nowhere except to a shelf on your office credenza?**

“Credenza-ware” is the unrealized output of talent review meetings. This output finds its way to the shelves, disk drives, and credenzas of senior executives and presenters. Nice work that goes nowhere. We believe the culprit is the once-per-year process of conducting talent and leadership review meetings in which forms and formal presentations overwhelm the process of candidly assessing your organization’s leadership strengths and deficiencies and setting plans in motion to close gaps.

When your talent and succession planning meetings are characterized by “all talk” and feel more like reviews than talent to-do sessions, be on guard that the time and effort of many executives may have be squandered. Your future is in jeopardy.

*Credenza-ware is derailing your pipeline when:*

- Talent and leadership review meetings are NOT characterized by challenging and constructive dialogue [5]; candor is not present; a conspiracy of politeness permeates meetings; promotability “calls” too often are found to be inaccurate,
- Leadership development plans and commitments are neither funded nor implemented,
- Those assessed as “promotable” are infrequently appointed to forecasted positions.

## **SUMMING UP**

Leadership is often about delegation. Effective talent management is not. We have discussed the serious and purely personal work that the senior leader and other members of the senior team must perform in order to send signals to your organization about the value of building a deep and ready bench and the standards by which the process must be executed.

Leadership-rich organizations never believe their talent management process and activities are discretionary

duties. They understand the process as an essential core competency that cannot be duplicated, that largely cannot be delegated, and must not be neglected. There is nothing altruistic about these values. It is about building the capacity to perform and win. Great leadership is the foundation for sustained performance through both evolutionary and revolutionary phases of any company's life span. Without a leader putting a personal stamp on this process and investing personal time to know one's pipeline, the process is doomed for credenza-land.

At the end of the day, the pivotal competitive question every CEO must ask about his/her team is "Do I have the leadership team and bench to successfully implement our strategy?"

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- [1] In a series of studies conducted by the University of Michigan, David Ulrich, Wayne Brockbank, Arthur Yueng, and Dale Lake concluded that leadership and change capacity were the key differentiators in performance. "Top Books on Change," in *Human Resources Management Journal*, volume 40, No. 3, Pp 275-286 2001 John Wiley and Sons, Inc.
- [2] Douglas A Ready and Jay A. Conger; Leadership How To Fill the Talent Gap. The Wall Street Journal. Saturday/Sunday, p. R4 September 15-16, 2007.
- [3] John W. Gardner, "How to Prevent Organizational Dry Rot," in *Management and Organizational Behavior Classics*, ed. Michael T. Matteson and John M. Ivancevich, (Homewood, IL: Irwin Press, 1993) p. 140.
- [4] Fred Smith, Chairman of Federal Express, devoted time to in-depth personal involvement in leadership development. He was personally involved and, by any measure, met our description of "inventing the wheel." His personal involvement provided the

impetus and a model essential to make progress in this critical area.

- [5] Larry Bossidy and Ram Charan, *Execution* (New York, NY: Crown Publishing Group, 2002), p.172. In which the authors discuss the need for candid, robust dialogue.
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