



www.hbr.org

Developing Your Leadership Pipeline

by Jay A. Conger and Robert M. Fulmer

Included with this full-text *Harvard Business Review* article:

- 1 [Article Summary](#)
The Idea in Brief—*the core idea*
The Idea in Practice—*putting the idea to work*
- 2 [Developing Your Leadership Pipeline](#)
- 10 [Further Reading](#)
A list of related materials, with annotations to guide further exploration of the article's ideas and applications

Developing Your Leadership Pipeline

The Idea in Brief

What could be more crucial to your organization's performance than the choice and cultivation of its future leaders? Why, then, do traditional succession plans so often fail? Because great leadership at the top of your organization actually begins in the middle, where your high-potential managers acquire the broad range of skills they need to succeed in more senior roles. You build the strongest leadership bench when you practice **succession management**—combining succession planning and leadership development in a comprehensive process for finding and grooming future leaders at all levels of your organization.

Effective succession management comes when you adopt a **talent mind-set**:

- You make time for in-depth talent assessment.
- You differentiate between strong and weak performers.
- You give challenging assignments to inexperienced but high-potential managers.

Developing your leadership pipeline is labor-intensive. The reward for your efforts? The right skills at the top—and everywhere else in your organization.

The Idea in Practice

Consider the following guidelines for building your leadership pipeline:

FOCUS ON DEVELOPMENT

Integrate succession planning with leadership development to ensure that you know *what* skills future leaders need as well as *how* they can learn them. Pair classroom training with all-important work experiences that solve real organizational problems while enhancing budding leaders' general management expertise.

► Example:

Bob, a high-potential marketing manager at Eli Lilly, needed more operational experience to qualify for an executive position. His managers assigned him to a key sales job in Europe, but they didn't let him "sink or swim." They surrounded him with strong contributors who would ensure that he succeeded.

IDENTIFY LINCHPIN POSITIONS

Determine which middle to senior management positions, such as regional manager, are essential to your organization's long-term health. Keep a full pipeline for those linchpin jobs by regularly identifying high-potential candidates. Then increase their leadership skills by giving them linchpin assignments coupled with team support, training, and/or mentoring. Also, regularly evaluate performance of linchpin incumbents to determine their potential for even more challenging assignments.

► Example:

At Sunoco Products, plant manager is a linchpin position, so division VPs and HR heads assess all plant managers' performance and promotion potential at all-day offsite meetings. Sunoco then designs challenging assignments for its best plant managers. It offered one manager who had risen through the ranks at a very successful

plant the opportunity to turn around a struggling plant.

MAKE IT TRANSPARENT

You create a stronger leadership bench when you openly tell managers where they stand on the performance and potential ladder, and what they need to do to advance. To make your succession management process more transparent, consider Web-based succession management tools that allow easy and secure access to information for developing leaders and their managers.

MEASURE PROGRESS REGULARLY

Development is a long-term process, so it's important to know whether the right people are moving at the right pace into the right jobs at the right time. Measurement helps you see where the pool of candidates is too shallow and when the number of attractive jobs is too limited to retain your highest-potential managers.

To expose holes in your leadership pipeline, use metrics such as:

- how many important positions have been filled with internal candidates,
- how many succession plans have two or more "ready now" candidates, and
- how many of the same employees are "ready now" candidates on more than three different succession plans.

Succession planning and leadership development ought to be two sides of the same coin. So why do many companies manage them as if they had nothing to do with each other?

Developing Your Leadership Pipeline

by Jay A. Conger and Robert M. Fulmer

What could be more vital to a company's long-term health than the choice and cultivation of its future leaders? And yet, while companies maintain meticulous lists of candidates who could at a moment's notice step into the shoes of a key executive, an alarming number of newly minted leaders fail spectacularly, ill prepared to do the jobs for which they supposedly have been groomed. Look at Coca-Cola's M. Douglas Ivester, longtime CFO and Robert Goizueta's second in command, who became CEO after Goizueta's death. Ivester was forced to resign in two and a half years, thanks to a serious slide in the company's share price, some bad public-relations moves, and the poor handling of a product contamination scare in Europe. Or consider Mattel's Jill Barad, whose winning track record in marketing catapulted her into the top job—but didn't give her insight into the financial and strategic aspects of running a large corporation.

Ivester and Barad failed, in part, because although each was accomplished in at least one area of management, neither had mastered

more general competencies such as public relations, designing and managing acquisitions, building consensus, and supporting multiple constituencies. They're not alone. The problem is not just that the shoes of the departed are too big; it's that succession planning, as traditionally conceived and executed, is too narrow and hidebound to uncover and correct skill gaps that can derail even the most promising young executives.

However, in our research into the factors that contribute to a leader's success or failure, we've found that certain companies do succeed in developing deep and enduring bench strength by approaching succession planning as more than the mechanical process of updating a list. Indeed, they've combined two practices—succession planning and leadership development—to create a long-term process for managing the talent roster across their organizations. In most companies, the two practices reside in separate functional silos, but they are natural allies because they share a vital and fundamental goal: getting the right skills in the

right place.

In this article, we'll look at a handful of far-sighted companies—including Eli Lilly, Bank of America, and Dow Chemical—that have broken down the functional silos to develop a process that we call *succession management*. Drawing on their experiences, we'll outline five rules for setting up a succession management system that will build a steady, reliable pipeline of leadership talent.

Rule One Focus on Development

The fundamental rule—the one on which the other four rest—is that succession management must be a flexible system oriented toward developmental activities, not a rigid list of high-potential employees and the slots they might fill. By marrying succession planning and leadership development, you get the best of both: attention to the skills required for senior management positions along with an educational system that can help managers develop those skills. It's a lesson that might have helped Coca-Cola and Mattel. Coke's Ivester was given the top job largely as a reward for his financial savvy and years of loyalty to Goizueta and the company; but not enough attention was paid to how his particular skills might apply to the broader role. And as for Barad, she had grown Mattel's Barbie brand nearly tenfold in less than a decade, yet her controlling management style and lack of experience in finance, strategy, and the handling of Wall Street—essential capabilities for any CEO—proved to be her downfall. Early intervention might have exposed her limitations and provided an opportunity to develop these skills—and perhaps would have kept her career on track. And indeed, Robert Eckert, who became CEO at Mattel after Barad, links succession directly to development efforts.

It's not just about training. Leadership development, as traditionally practiced, focuses on one-off educational events, but research at the Center for Creative Leadership in Greensboro, North Carolina, has shown that participants often return to the office from such events energized and enthusiastic only to be stifled by the reality of corporate life. It's far more effective to pair classroom training with real-life exposure to a variety of jobs and bosses—using techniques like job rotation, special assignments such as establishing a re-

gional office in a new country, and “action learning,” which pulls together a group of high-potential employees to study and make recommendations on a pressing topic, such as whether to enter a new geographical area or experiment with a new business model.

Eli Lilly, for example, has a biannual action-learning program that brings together potential leaders, selected by line managers and the human resources department, to focus on a strategic business issue chosen by the CEO. Eighteen employees identified as having at least executive-director potential, representing a mix of functions and regions, participate in a six-week session in which they meet with subject matter experts, best-practice organizations, customers, and thought leaders, and then analyze what they've learned. In 2000, one such team was charged with developing an e-business strategy as a new avenue of growth—an issue that was a pressing concern at the time. The group interviewed more than 150 people over five weeks and in the final week developed a set of recommendations to present to senior managers—who took their ideas quite seriously. For example, the group recommended naming an e-executive and providing a certain level of funding to the initiative. Without hesitation, the CEO responded, “We will appoint an e-executive within two weeks, and he or she will report to me...appropriate funding will be made available.” And he followed through on those promises.

Action-learning programs such as Lilly's serve a dual purpose: They provide developmental experiences for employees—who are forced to look beyond functional silos to solve major strategic problems and thus learn something of what it takes to be a general manager—and they result in a useful work product for the company. Such programs have increased in importance because many companies, in downsizing and creating economies of scale, have eliminated a number of the roles that used to be prime training grounds for top management.

Look at Dow Chemical. Under its old organizational structure, some 60 countries had country managers—who were, in essence, country presidents—to whom all the business units and functions reported. These roles served as excellent opportunities for developing general management skills. In 1995, the company consolidated into 30 global business

Jay A. Conger is a professor of organizational behavior at the London Business School and a senior research scientist at the University of Southern California's Center for Effective Organizations in Los Angeles. He has written 11 books on leadership and leadership development. **Robert M. Fulmer** is the academic director at Duke Corporate Education in Durham, North Carolina, and a distinguished visiting professor at Pepperdine University in Malibu, California. He is the author or coauthor of more than a dozen books. Conger and Fulmer are the authors of *Growing Your Company's Leaders*, to be published by Amacom Books.

Succession planning and leadership development are natural allies because they share a vital and fundamental goal: getting the right skills in the right place.

units built around business and functional specialties like the manufacture of a specific set of chemicals. Under this structure, all functions report to the global business-unit leaders, and the country manager is essentially an integrator. The new structure allows Dow to enjoy the economies of scale now permitted by the relaxing of trade barriers, but it reduces the number of developmental opportunities by half. In addition, about ten years ago an employee might have been a country manager in his or her late thirties to mid-forties. Today the average age of those heading the global lines of business is mid-forties to early fifties, which means that people wait longer to step into the role.

One way to provide general management experience in this environment is to launch small joint ventures or internal enterprises. Managers can also make lateral moves across functions and business units. For example, one of Dow's global business-unit heads served for a time as president of operations in the Asia-Pacific region to gain a cross-functional perspective. And a future leader in the research organization was named vice president for purchasing, to broaden her expertise.

Opportunities like these should be incorporated into individuals' development plans, with mechanisms to trigger associated developmental activities as needed. Lilly's group development review (GDR) is mandatory for the approximately 500 employees who are identified through the company's talent assessment process as having executive potential. The GDR is a periodic, in-depth review of a single person, involving input from both past and present supervisors (the employee is not present for the meeting). In a facilitated 90-minute discussion, the group identifies the next steps the employee should take, gathering input from others in the organization if necessary. The immediate supervisor then shares a summary of the results with the employee, who, with the supervisor, is responsible for incorporating the feedback into his or her development plan.

A marketing manager we'll call Bob was the subject of a recent GDR session. During the review his current and previous supervisors concluded that he was overly dependent on his strategic-thinking skills and needed more operational experience before he could be promoted to the executive level. Bob's supervisor

shared this information with his peers during the marketing function's next succession management meeting, and the team agreed to help Bob round out his skills by placing him in a key sales role in Europe. When an employee goes through a significant transition such as Bob's—taking on an important role without the experience usually required—Lilly generally mitigates the risk by placing the person with employees who are already strong contributors. Company leaders also make periodic progress checks and may send the employee to a training program or appoint a mentor (not the employee's boss) to give hands-on guidance.

Rule Two Identify Linchpin Positions

Whereas succession planning generally focuses on a few positions at the very top, leadership development usually begins in middle management. Collapsing the two functions into a single system allows companies to take a long-term view of the process of preparing middle managers, even those below the director level, to become general managers.

Succession management systems should focus intensively on linchpin positions—jobs that are essential to the long-term health of the organization. They're typically difficult to fill, they are rarely individual-contributor positions, and they usually reside in established areas of the business and those critical for the future. In a professional services firm, for example, the partners managing industry sectors such as chemicals and automotive would be in linchpin positions, as would partners managing emerging sectors such as biotech. By monitoring the pipeline for these jobs, companies can focus development programs on ensuring an adequate supply of appropriate talent.

At Sonoco Products, one of the world's largest manufacturers of packaging products, the succession process begins with lower-level employees who are seen as having the potential to move up in the organization. But the company considers the plant manager role to be a linchpin position because it is the first opportunity for managers to be responsible for multiple functions as well as labor and community relations. Division vice presidents and their functional-area managers meet off-site for a full day with the division's HR head to assess plant managers' performance and potential

for promotion to area management. The purpose is not to name specific successors but to identify experience or performance issues that could affect a manager's promotion. The result is a pool of potential successors rather than a few leading contenders.

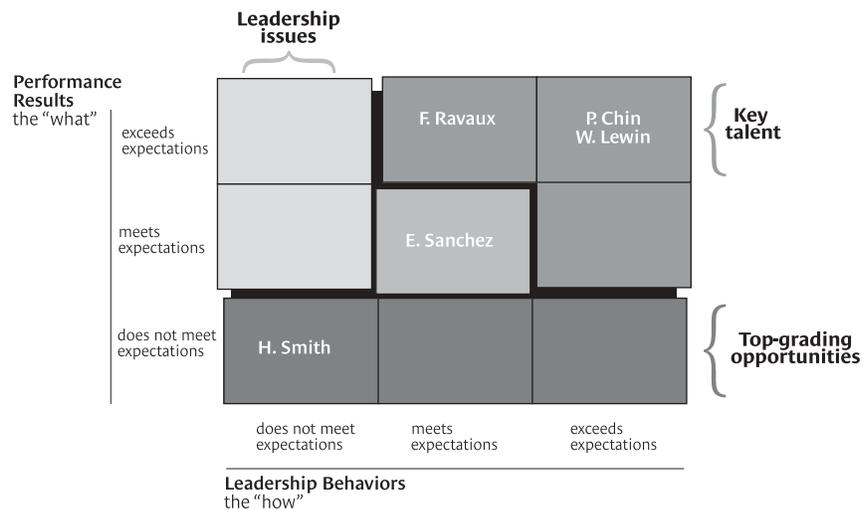
In the process, every plant manager is scrutinized for strengths and weakness. For example, there might be a plant manager who has potential for promotion but has lived all his life in a small Southern community. A promotion would require relocating, and he's reluctant to move. Having identified him as someone with high potential, Sonoco can design a particularly tempting assignment, one that would be difficult for him to pass up. A manager who's risen through the ranks at one of the division's most successful plants would require a different sort of challenge, such as a turnaround assignment, to develop her potential for higher management. Many companies use a matrix to look at the individual strengths and weaknesses of employees in linchpin positions and to assess the strength of an entire group. (The exhibit "Identifying Star Potential

at Bank of America" shows a sample matrix used to evaluate employees' performance and leadership behaviors.)

One major national retailer, which was having difficulty finding talented people to fill a broad range of management roles from the officer level all the way down to the regional managers, decided to deal with this situation by treating all those roles as linchpin positions. The company began conducting talent review sessions for these positions, during which HR managers and the executives responsible for the roles discussed the people currently in the positions and their likely replacements (which were few). In the process, they learned that these positions were generally filled through serendipity—when a job opened up, it went to whoever was on the radar screen. Today the company has a systematic approach to building the pipeline, which allows it to gauge bench strength more accurately, and it now uses the regional manager role as a way to give promising store managers developmental experiences that will groom them for more senior roles.

Identifying Star Potential at Bank of America

The matrix shown here is an example of a tool used by Bank of America to review its talent pool (the names have been changed). This type of matrix is typical of the tools we found in the best-practice organizations we studied. The vertical axis tracks performance results. Bank of America calls this the "what": the delivery of work product and performance against written goals and financial targets. The horizontal axis measures the "how": leadership behaviors such as collaboration and coaching as well as, for top management, the behaviors identified in the companywide competency model. The three boxes in the upper right represent "key talent" (employees receiving accelerated and high-priority development attention); employees in this group exceed expectations on at least one of the dimensions of the matrix. Leaders who are not meeting performance expectations, whom Bank of America calls "top-grading opportunities," are immediately placed on 60- to 90-day action plans. And those who meet or exceed



performance expectations but don't exhibit the leadership behaviors required for success—labeled "leadership issues"—are given immediate coaching and improvement plans. If their leadership behaviors don't improve, they're put in the top-grading opportunities group. The bank evaluates

managers' positions on the matrix frequently, so those who have exceeded expectations must work to retain their positions, and those who are struggling have opportunities to improve their rankings.

Copyright © 2003 Harvard Business School Publishing Corporation. All rights reserved.

Rule Three Make It Transparent

Succession planning systems have traditionally been shrouded in secrecy in an attempt to avoid sapping the motivation of those who aren't on the fast track. The idea is that if you don't know where you stand (and you stand on a low rung), you will continue to strive to climb the ladder. This thinking worked well in an older, paternalistic age, and secrecy does have its advantages, from the CEO's perspective. It allows for last-minute changes of heart without the need to deal with dashed expectations or angry reactions. But given that the employee contract is now based on performance—rather than loyalty or seniority—people will contribute more if they know what rung they're on.

A transparent succession management system is not just about being honest. Employees are often the best source of information about themselves and their skills and experiences. And if they know what they need to do to reach a particular rung on the ladder, they can take steps to do just that. In fact, an increasing number of companies are making employees themselves responsible for keeping the data in their personnel files up-to-date. At Lilly, each employee is responsible for updating his or her personal information and development plans, including a résumé outlining career history, educational background, skills and strengths, and possible career scenarios. (To curb the urge to exaggerate experience, supervisors review the plans.) Data accuracy has improved significantly since Lilly gave employees responsibility for their own information, since nobody cares more about an accurate résumé than the employee.

A few companies even allow people to know exactly where they stand in the succession system. In one company we studied, the succession management system as initially designed didn't show rankings. Employees, who were accustomed to candor and transparency, found the system overly authoritarian, so they refused to participate. In the end, the company gave employees unrestricted access to their own information. This level of transparency isn't for every company, and in some cases it can put a damper on team spirit: An employee who discovers he or she is relatively low on the roster may stop trying to excel. Most companies elect to limit transparency in some way.

At Lilly, for example, people know if they are regarded as having additional potential, but they don't know exactly how high that potential is, nor do they know about every role for which they may be considered.

To achieve transparency, companies need systems that are simple and easy to use, with immediate but secure access for participants. Technology—and in particular the Internet—is a powerful enabler. The succession management group at Lilly has a simple expression to describe how the succession tools on users' computer desktops should operate: "Be like Amazon." Just as the Internet retailer puts customized information right in front of consumers—its 1-Click model wiping out many of the practical and psychological barriers to online shopping—Lilly's Web-based succession tool is available through an icon on employees' computer desktops. A click on the icon takes the employee to a portal on the company's intranet, with personal information and job opportunities customized for each employee. With the information directly in front of employees, succession management becomes less another planning event and more an ongoing activity. In fact, the information has multiple uses, ranging from the company's position-posting system to its Web-based internal phone book.

Lilly's HR managers and the succession management team can use the company's succession management Web site to assess an employee's current level, potential level, experience, and development plans. They also use it as a general querying and reporting tool. For example, HR managers can download a report showing what marketing positions are available in Europe, which candidates are being groomed for such positions anywhere in the world, and any skill gaps that might make it difficult to fill the jobs. The names on the report are linked to individuals' online résumés, development plans, and skill sets they will need before they can advance. The system also lets managers download statistics on the talent pipelines, such as the ratio of potentials to incumbents, specific data related to gender and ethnicity, and the percentage of employees with international and cross-functional experience. With the ability to search for multiple criteria, HR managers can view any segment of the organization with one query—from functional views like marketing to geographical regions like Latin America.

Our Research

We conducted the research for this article in collaboration with the American Productivity and Quality Center (APQC) and 16 sponsoring companies. We identified six organizations that had achieved a high degree of success in succession management—Dell, Dow Chemical, Eli Lilly, PanCanadian Petroleum, Sonoco Products, and Bank of America—and compared their best-practice approaches with those of the sponsoring companies. We used two principal methods to gather information across the two samples: detailed questionnaires to collect quantitative data and site visits that included in-depth interviews. Our objective was to understand how the best-practice companies differed in their approaches to succession management and to learn more broadly about trends and challenges in the field.

Like Lilly, most of the best-practice companies we studied now rely on Web-based succession management tools to promote greater transparency and ease of use. At Dow Chemical, employees nominate themselves for positions online, and if a hiring manager has a preferred candidate, he or she must state this along with the posting. Dow's Web tool also includes career opportunity maps that detail the sequence of jobs one can expect in a function or line of business. Some companies even show compensation ranges by level and position.

Rule Four
Measure Progress Regularly

When you meld leadership development and succession planning—and thus move away from the “replacement” mind-set of the past—measuring success becomes a long-term matter. No longer is it sufficient to know who could replace the CEO; instead, you must know whether the right people are moving at the right pace into the right jobs at the right time. The ultimate goal is to ensure a solid slate of candidates for the top job. You also need to know who is where and which jobs they are being groomed for to avoid stretching the candidate pool too thin—what Sonoco calls the “Roger Jones phenomenon.” According to company folklore, divisional executives who were having trouble developing their own candidates would simply identify one of the company's superstar performers as a potential successor. But when succession plans were consolidated at the corporate level, a single employee, Roger Jones, was found to be the potential successor for most of the key jobs at the company. (Sonoco now requires each division to generate most of its own successors from within.) At the same time, you must make sure that high-potential employees have enough options that they don't grow restless—royal heirs can be expected to show patience in waiting for the throne, but corporate heirs have many other opportunities. Frequent checks throughout the year can reveal potential problems before they flare up.

One telling test of a succession management system is the extent to which an organization can fill important positions with internal candidates. At Dow, for example, an internal hire rate of 75% to 80% is considered a sign of success (the assumption is that the com-

pany needs some external hires to maintain a fresh perspective and fill unanticipated roles). An outside hire for a role that is critical at either the functional or corporate level is considered a failure in the internal development process. Dow also measures the attrition rate of its “future leaders”—employees who are precocious in their development, perform at a competency level well above that of their colleagues, and are believed to have the potential to fill jobs at much higher levels—against the attrition rate of its global employee population. In 2000, the future leaders' rate of attrition was 1.5%, compared with 5% globally—a signal to Dow's management that the company's future leaders are getting the developmental opportunities they want and need. It's worth noting that Dow's top 14 executives have all had cross-functional developmental opportunities that prepared them for the demands of top management.

At Lilly, managers track several succession management metrics, including the overall quantity of talent in the managerial pipelines and the number of succession plans where there are two or more “ready now” candidates. For positions at the director level and above, the system shows the employee who currently holds the position as well as three potential successors. HR management can also access real-time data on a number of prescribed measurement areas, such as the ratio of employees with potential to reach a certain level to incumbents at that level. There are goal ratios for each level of management (for example, 3:1 for the director level). Additionally, employees with potential and incumbents are segmented to track diversity on the assumption that diversity in the pipeline is an indicator of the diversity of the company's overall employee population.

The succession plan metrics also help the company identify gaps more broadly. With the click of a button, managers can learn how many ready-now candidates the company has for its top 500 positions. Where there are none, that information triggers a search for internal development opportunities as well as executive recruitment activities. Lilly can also uncover hidden vulnerabilities by determining how many employees are on more than three succession plans as ready-now candidates. Using a quarterly scorecard, the company tracks progress on goals and positional and

With the click of a button, managers at Eli Lilly can learn how many “ready now” candidates the company has for its top 500 positions.

pipeline data, diversity elements (gender, race, ethnicity), job rotations, and turnover rates. HR reviews the scorecard and then shares it with the executive team.

At Bank of America, CEO Ken Lewis meets every summer with his top 24 executives to review the organizational health of their businesses, including the talent pipeline. In two- to three-hour sessions with each executive, he probes the financial, operational, and people issues that will drive growth over the next two years, with the majority of time spent discussing the organizational structure, key players, and critical roles necessary for achieving the company's growth targets. The meetings are personal in nature, with no presentation decks or thick books outlining HR procedures. But they are rigorous. Business leaders come to the sessions with concise documents (three pages or fewer, to ensure simplicity) describing the strengths and weaknesses of the unit's talent pipeline. During these conversations, they

make specific commitments regarding current or potential leaders—identifying the next assignment, special projects, promotions, and the like. Lewis follows up with the executives in his quarterly business reviews to ensure that they've fulfilled their commitments. In a talent review session last year, for example, one executive made a pitch to grow his business unit at a double-digit clip. This required some shifts among top talent and a significant investment in building the sales and distribution workforce. Lewis agreed, and at this year's talent review meeting, he requested progress reports relating to the change, checking that people had been put into the right roles and that the sales management ranks had been filled out.

Rule Five **Keep It Flexible**

Old-fashioned succession planning is fairly rigid—people don't move on and off the list fluidly. By contrast, the best-practice organi-

It's Not Just HR's Job

In most companies, human resources is the primary owner of both succession planning and leadership development, but that's an enormous mistake. Both processes need multiple owners—not just HR but the CEO and employees at all levels—if an organization is to develop a healthy and sustainable pipeline of leaders.

It's become a cliché to say that the CEO must be involved in any strategic process, but we are not talking here about gratuitous support. Without active commitment at the very top—as well as from the executive team—managers will sense that succession management is a tangential activity and may not commit to the program. In fact, division executives may hide and hoard talented employees by manipulating their assessments.

Bank of America's Ken Lewis exemplifies CEO commitment. When he took over as chairman and CEO, he immediately set out to make the bank one of the world's most admired companies, and he knew that to succeed he'd have to signal to his direct reports and key leaders the importance of recruiting, developing, and retaining top talent. He owns the talent management

process and holds business unit heads personally responsible for meeting development objectives within their units, with the expectation that the bar will constantly be raised.

But it is not realistic or desirable for CEOs and their executive teams to have sole responsibility for the development of talent and leadership. They don't have the time or the expertise. Both corporate HR and functional or regional HR heads need to be involved. Corporate HR provides standards, tools, and processes, and functional or regional HR people make sure that local units abide by the rules and customize them as appropriate. For Bank of America's organizationwide talent management database, the corporate HR team defines the process and provides standardized sets of templates and tools. Certain elements of the system are not negotiable, such as the look and feel of reports and information, the timing of roll-up reports, replacement charts, and the rating system. The corporate HR function is also responsible for Lewis's leadership competency model organizationwide (the model lists behaviors and skills leaders are expected to have, values they are expected to

model, and "derailing" behaviors such as betraying trust or resisting change). Then, the HR people within each line of business, working with the leaders of those organizations, may add a few technical or functional competencies to the list. Local HR also helps prepare the unit heads for the talent review meeting and manages the process at a local level.

Board members should also be involved. This is most relevant when it comes to choosing the CEO's successor. But in this process, board members are often exposed to candidates only through formal presentations, and those candidates are usually handpicked by the CEO. That leaves the succession decision up to one person—and his or her judgment may be seriously impaired by the wish to leave a positive legacy or the refusal to accept impending retirement. Companies should find a way to allow board members to assess internal candidates in a critical light, perhaps by holding succession meetings without the CEO, hosting visits to candidates' operating units, or arranging social or recreational outings where informal assessments can occur.

zations we studied follow the Japanese notion of *kaizen*, or continuous improvement in both processes and content. They refine and adjust their systems on the basis of feedback from line executives and participants, monitor developments in technology, and learn from other leading organizations. Indeed, despite their success, none of the best-practice companies in our study expects its succession management system to operate without modification for more than a year. Most had tweaked their systems recently to make them easier to use. Sonoco integrated four software systems to improve the speed and consistency of the data, while Dell actually cut back on the use of technology in its push for speed and simplicity. And at Lilly, it's not unusual for people to move on and off the list of high-potential employees.

Succession management systems are effective only when they respond to users' needs and when the tools and processes are easy to use and provide reliable and current information. Particularly in the early years of a new system, both the people managing the process and the people using it are likely to find any number of shortcomings, so HR officers and staff must be open to continual improvements—to make the system simpler and easier to use, and to add functions as needed.

• • •

At the foundation of a shift toward succession management is a belief that leadership talent directly affects organizational performance. This belief sets up a mandate for the organization: attracting and retaining talented leaders.

Jim Shanley, who oversees staffing, learning, and leadership development at Bank of America, explains: "You need a strong leadership development and succession process, but it is not the process that really makes the difference. Executives need to have a talent mindset that allows them to feel comfortable talking about their A players as well as their low performers. Our CEO, Ken Lewis, has institutionalized a performance-based meritocracy. We reward top performers with stretch assignments, and we take action on low-performing leaders." Shanley's focus on the bottom performers isn't based just on the traditional measures of performance such as productivity. Subpar leaders may block key developmental positions. What's more, they may hamper the overall succession management process if their failure to develop subordinates drives away high-potential people. Top performers want good bosses and great challenges.

Perhaps the underlying lesson is that good succession management is possible only in an organizational culture that encourages candor and risk taking at the executive level. It depends on a willingness to differentiate individual performance and a corporate culture in which the truth is valued more than politeness. 

Reprint [R0312F](#); *Harvard Business Review* OnPoint [5542](#)

To order, see the next page
or call 800-988-0886 or 617-783-7500
or go to www.hbr.org

Developing Your Leadership Pipeline

Further Reading

ARTICLES

[No Ordinary Boot Camp](#)

by Noel M. Tichy

Harvard Business Review

April 2001

Product no. R0104C

Fast-growing software company Trilogy designed a powerful version of the developmental approach Conger and Fulmer advocate in "Developing Your Leadership Pipeline." In this article, leadership development expert Noel Tichy gives a detailed tour of Trilogy University, an intensive, three-month employee orientation program that combines training, action learning, and cultural immersion to produce not only well-prepared employees but also innovative ideas that fuel Trilogy's R&D engine. The output of each session is considered so fundamental to Trilogy's success that its CEO and top corporate executives spend six months a year personally running the program. They hone their own strategic thinking while teaching new recruits, and their close interactions with participants allow executives to immediately identify the next generation of technical stars. By pulling the best and the brightest into mentoring roles, they jump-start the development of Trilogy's next generation of top leaders.

[Personalize Your Management Development](#)

by Natalie Shope Griffin

Harvard Business Review

March 2003

Product no. R0303H

Griffin echoes Conger and Fulmer's perspective on the limitations of a "sink-or-swim" approach to growing leaders and provides a best-practice example of a leadership development program that accommodates differences in personal styles and attitudes of program participants. Griffin, a consultant in executive and organizational development at Nationwide Financial, describes four kinds of managers-in-training, each embodying unique challenges and opportunities: reluctant leaders, arrogant leaders, unknown leaders, and workaholics. The author outlines specific training approaches tailored to each type of prospective leader. By focusing on the unique circumstances of individual managers, investing in them early in their careers, offering effective coaching, and providing real-life management experiences, Nationwide's leadership-development program has produced hundreds of successful leaders.

To Order

For reprints, *Harvard Business Review* OnPoint orders, and subscriptions to *Harvard Business Review*:
Call 800-988-0886 or 617-783-7500.
Go to www.hbr.org

For customized and quantity orders of reprints and *Harvard Business Review* OnPoint products:
Call Frank Tamoshunas at 617-783-7626,
or e-mail him at ftamoshunas@hbsp.harvard.edu