Are Leaders Born or Made?

More organisations are growing their future leaders by identifying and cultivating their existing talent.

Nature Versus Nurture:

The classic debate has raged for years. What skills and attributes are individuals born with? What skills and attributes can be developed over time?

This debate is at the heart of how an organisation acquires its leadership talent. Should companies let born leaders rise to the top? Or is it better to attempt to develop promising individuals into leaders – to treat leadership as a discipline that can be developed through knowledge and skill acquisition and the application of that knowledge and those skills? Organisations fall on both sides of this issue. While there are good reasons to support each, both approaches have drawbacks.

The Natural Selection Model

Many organisations adopt a Darwinian “natural selection” strategy for filling their leadership ranks, assuming that the fittest successfully move upward. These organisations need only have systems to identify the best individuals and then apply appropriate compensation and other strategies to retain them. Often, part of this approach is an inherent reliance on hiring individuals from the outside if not enough people “bubble up” from within the organisation.

This method is defined by a mindset that dictates: “Let’s not try to change people. Let’s find the best horse and ride it.” The approach presents obvious difficulties. In the short term, it can be unfair to employees, because chance plays a significant role in determining who gets developmental assignments and higher levels of responsibility earlier in their careers. Frequently, individuals who have considerable innate skills get trapped in organisational silos or by managers who don’t want to lose key contributors. As a result, they end up with a narrow scope of organisational knowledge and experience, and a short list of achievements. Meanwhile, less skilled individuals may benefit from receiving much broader assignments with greater visibility, providing opportunities to build a better résumé that will tip the scale in their favor when promotional opportunities arise. Also, talented individuals often are overlooked because top management doesn’t know them. They might be in low-visibility overseas jobs, or dutifully carrying out special assignments in small divisions of their companies. In some cases, they simply don’t have bosses who will promote their abilities.

Furthermore, the difficulty in having the best people “bubble up” is exacerbated by fewer rungs in today’s organisational ladders, which provide fewer opportunities for people to showcase their skills. Against this prevailing reality, people have to sparkle early or they may not get another chance if they fail. The corollary to the Darwinian approach – the reliance on outside hires – also presents several potential drawbacks.
Plant a Seed – Watch It Grow

Some organisations invest in “making” their future leaders, rather than taking the relatively hands-off Darwinian approach. They identify people with leadership potential and attempt to nurture their skills and other attributes – an approach that is akin to operating a “farm club” for a professional baseball team. These organisations attempt to find people with potential and, with coaching and training, gradually move them up into increasingly important and varied leadership positions until they reach the top executive ranks.

Despite the good intentions and sound reasoning supporting this model, it poses the following difficulties:

- Developing leaders is expensive. Providing adequate development opportunities, such as university executive programs and in-house action learning experiences where teams of high potentials tackle various organisational challenges, demands a substantial amount of organisational resources. Making sure high-potential employees get the job experience they need, along with the necessary coaching, requires the significant commitment of one of an organisation’s most expensive resources – executive time.
- Turnover can wipe out development. If an organisation is unsuccessful in retaining its star performers, a lot of time and money invested in developing high-potential employees is wasted.
- Selecting the right people to develop can be tricky. An effective leadership development system needs to have a good built-in selection system to identify high-potential employees who can realize the greatest benefits from development.
- Development needs need to be accurately diagnosed. An organisation needs to find a way of assessing the development needs of its high-potential employees so that the effectiveness of development actions can be maximized. Many organisations have given up on the developmental approach because they haven’t seen anticipated on-the-job behavior changes. In many instances, the absence of behavior changes stems from misdiagnosed development needs or an organisation’s “one-size-fits-all” approach to development.
- Too often, development doesn’t happen. High-potential employees and organisational leaders may have good intentions, but too often the intentions do not result in meaningful developmental changes because development plans aren’t followed; conflicting short-term job priorities and reinforcements divert attention from the plans; and there are no opportunities for individuals to apply new skills and knowledge once they are learned.
- Absence of new ideas and fresh perspectives. An over-reliance on internal talent can make an organisation insular and prevent it from benefiting from new ideas and technology and, most of all, new perspectives and strategies that outside hires can offer.

A Better Mousetrap

A Development Dimensions International (DDI) study of more than 1,000 executives and HR professionals worldwide shows that most organisations would like to fill 70 to 80 percent of their leadership vacancies with internal people and the remainder with talent from the outside. However, to draw 70 to 80 percent of its leaders from within its own ranks, an organisation needs an effective system for developing a steady stream of internal leadership talent.

A study by McKinsey & Company found that three-quarters of executives at 77 companies studied said that their company either didn’t have enough leadership talent at times or was “chronically short of talent.” The study also revealed that many HR executives are dissatisfied with their organisation’s approach to leader development and that, while the majority of organisations are having difficulty finding qualified leadership candidates, the
percentage of organisations with formal succession plans has actually dropped over the past decade.

**A Blended Approach**

The Acceleration Pool method is a new way of helping organisations fill the desired 70 to 80 percent of leadership vacancies with high-quality internal candidates. Acceleration Pools differ from traditional replacement planning systems where individuals are designated to fill specific positions as they become vacant. The traditional approach, based upon numerous outdated assumptions – steeply hierarchical organisational structure, stable jobs and strategy, etc. – is inefficient and requires an exorbitant amount of executive time. The system’s excesses were exemplified by one major U.S. company, which discovered that its executives were spending upwards of 250,000 hours each year discussing and filling out forms.

The greatest flaw of traditional systems is that they generally don’t work. Organisations that have conducted research on their replacement planning systems have found that the designated back-ups fill less than 30 percent of the jobs for which they are slotted – an alarming figure considering the investment in the systems. In the Acceleration Pool system, high-potential individuals are identified and targeted to organisational levels, such as general management, as opposed to specific jobs (although specific individuals should be slotted to fill the highest positions). The individuals are developed to be “all-around athletes,” who might merit consideration for a variety of jobs within the organisation.

**What Benchmark Organisations Do Differently**

Effective succession management programs have the following elements:

- More accurate identification of high-potential employees. Selecting the right individuals for the Acceleration Pool is easier through improved criteria of what is needed now and in the future, and by a more organized system of processing candidate information.
- Diagnosis of development needs. The strengths and development needs of pool participants are diagnosed through the application of multiple assessment tools, including interviews, pencil-and-paper-tests, 360° multirater surveys and an Acceleration Center, which is an updated version of an assessment center. Some organisations that use Acceleration Centers include Steelcase, Dow Chemical and the United States Postal Service.

Candidates are assessed against the following executive descriptors selected by the organisation’s senior leadership for the target level of the pool. The four sets of descriptors are:

- Organisational knowledge (what one knows). This refers to the level of understanding that those advancing to senior management should have about the company, including organisational functions, processes, systems, products and services.

**Drawbacks to Outside Hires**

Hiring from the outside is expensive.

It’s almost always more expensive to go outside of the organisation to hire talent. When organisations pay more for outsiders, it creates a higher salary standard that ripples throughout the organisation.

Employee morale and retention can suffer. Morale is negatively impacted when the organisation hires people from the outside, rather than filling slots with internal candidates. Employees see fewer opportunities for promotion and start looking for jobs elsewhere. The organisation can slow down. A company often is destabilized while the individual hired from the outside learns his or her job, determines new strategy and meets people within the organisation.
Outside hires often fail. A 1997 research study by the Corporate Leadership Council indicated that 40 to 50 percent of outside hires fail within the first three years of being hired.

- **Behaviorally defined competencies (what one is capable of doing).** Competencies are clusters of behavior, knowledge, technical skills and motivations related to success in senior management, including developing strategic relationships, global acumen, operational decision-making and communicating effectively.

- **Executive derailers and other personal attributes (who one is).** These are predisposed dysfunctional behaviors, including arrogance, risk avoidance, approval dependence and obsessive perfectionism.

- **Job challenges/preparatory experiences (what one has done).** Individuals who are advancing into senior leadership positions need to have a variety of experiences to prepare them; such as, experience in implementing a companywide change, negotiating agreements with labor unions or other outside organisations, and working at “Web speed.” Once this assessment has been completed, the individual meets with an HR professional to learn the results and to assemble a development priority list. In helping the individual compile this list, the HR professional also seeks to determine any extraneous issues, perhaps related to the individual’s personal life that might have an impact on the development process or his or her retention.

- Organisational systems that encourage development. In all of the benchmark organisations, a senior leadership committee, which includes the CEO and/or COO, takes responsibility for succession management. This committee takes responsibility for placing pool participants in situations where they can gain organisational knowledge, develop target competencies, experience key job challenges and work to overcome their executive derailers. The HR department in these benchmark organisations supports and facilitates the process, but does not “own it.” In most organisations, the committee meets twice a year with business unit leaders and other key executives to discuss business needs and gauge the development progress of leadership talent in the Acceleration Pool. During this meeting, the committee will make new assignments based upon business needs and the diagnosed development needs of pool participants. Pool members are assigned mentors to help them achieve their development goals. They meet with their mentor and their current manager to discuss the specific objectives of their job assignment and how their development targets will support success in the job assignment. Measurable development objectives are specified that align with the successful completion of the job assignment. Thus, pool members are motivated to achieve their development goals because they see a tangible impact on job performance. Their managers are motivated to encourage and reinforce development activities because they want to help the pool members succeed in their jobs. Bristol-Myers Squibb uses “development guides” (internal professional coaches) in its development planning process, in addition to a mentor and a manager. Managers, mentors and the individuals themselves know their roles and responsibilities in the discussions and use forms that facilitate the development process.

### A System that Works for Today’s Organisations

No matter on which side of the nature-nurture debate an organisation is, the reality is that it needs to effectively develop future leaders from its existing talent pool. The Acceleration Pool is an excellent method for developing leaders, by systematically and effectively selecting people, diagnosing development needs and creating an environment where individuals are encouraged to grow.

Annual replacement planning forms are no longer filled out. The system takes less time for middle managers and no additional time for senior managers. The entire process is devised to retain the best people by providing them with meaningful job challenges and growth of their knowledge and skills. Throughout the process, their personal and retention needs are considered in decision making.

The Acceleration Pool’s greatest benefit is ensuring that an organisation has the necessary leadership talent to guide it into a bright and successful future.

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