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The LEADERSHIP MACHINE

Architecture to Develop Leaders for Any Future



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The Leadership Machine

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About the Authors □○○

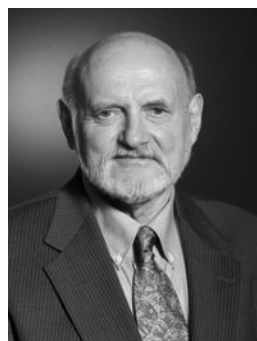
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Mike Lombardo has over 30 years experience in executive and management research and in executive coaching. He is one of the founders of Lominger Limited, Inc., publishers of the Leadership Architect® Suite of management, executive, and organizational development tools. With Bob Eichinger, Mike has authored 40 products for the suite, including FYI™ *For Your Improvement*, the *Career Architect® Development Planner*, Choices Architect® learning agility suite, and VOICES® 360° feedback assessment. During his 15 years at the Center for Creative Leadership, Mike was a co-author of *The Lessons of Experience*, which detailed which learnings from experience can teach the competencies needed to be successful. He also co-authored the research on executive derailment revealing how personal flaws and overdone strengths caused otherwise effective executives to get into career trouble, Benchmarks®, a 360° feedback instrument, and the Looking Glass® simulation. Mike has won five national awards for research on managerial and executive development.



Robert W. Eichinger

Bob Eichinger has been working with managers and executives on leadership development for over 50 years. He is one of the founders and the former CEO of Lominger Limited, Inc. and co-creator of the Leadership Architect® Suite of management, executive, and organizational development tools. During his career, he has served as Vice Chairman of the Korn/Ferry Institute, worked inside companies such as PepsiCo and Pillsbury, and as a consultant in Fortune 500 companies in the United States, Europe, Japan, Canada, and Australia. Dr. Eichinger lectures extensively on the topic of executive and management development and has served on the Board of the Human Resource Planning Society. He has worked as a coach with more than 1,000 managers and executives. Some of his books include *100 Things You Need to Know: Best People Practices for Managers & HR*, written with Mike Lombardo and Dave Ulrich, and *FYI™ for Strategic Effectiveness*, written with Kim Ruyle and Dave Ulrich.



The Change Vaccine: Developing Leaders for Any Future

No one knows what specific challenges we will face in 2020, but we have a strong idea of what the leaders who can meet those challenges will look like and how they will get to be that way.

Only monks and hermits hiding in caves have not read about or, more likely, not experienced the rapid, chaotic change the world has undergone and is undergoing. The fastest conveyance for our great-grandparents was the same as for Hannibal two millennia before. Most kids today have never seen a 33 1/3 record, much less a 78. But unlike many adults, kids can change settings on their mobile devices and are comfortable with computers and many adults can't and aren't. An eight-year-old said to his dad the other day on the golf course, "How can I hand you a wood? These are all titanium clubs."

The past 100 years have produced more change than what occurred in all the eons before. Although change is a constant, the rate, pace, and extent of change that we face is a break from the past. The nature of change is indeed changing.

The premise of this book is that the best way to deal with accelerating change is with fundamentals that don't change much, if at all.

To develop the men and women who can lead us going forward, we need to rely on what stays fairly constant. Life is always lived forward, and each leader has to make the next jump to deal with whatever change occurs in his or her career or lifetime. The issue is what predictably

happens when change occurs and what are the most effective strategies to cope with it. And the nature of that issue hasn't changed.

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Much is known about how to develop people who can contribute superior performance and leadership to organizations. There is a set of research-based practices that can be used to develop people aggressively and support them with a system that works—what we call “The Leadership Machine.”

Performance can be improved, leaders can be better equipped, and all of us can learn to deal with changing demands better. In this book, we will detail practices to help accomplish all these goals.

Note: To make reading smoother, we are going to relegate footnotes and all secondary support for our arguments to the Notes section at the end of the book. Each chapter has a Notes section for the critical and the curious.

The Leadership Supply Problem

During the last decade, one-third of the CEOs in the Fortune 500 lasted less than three years. Top executive failure rates are variously estimated as high as 75 percent and rarely lower than one-third. A McKinsey study found that the pipeline for future executives is broken as well. Responding to the statement “We develop people well,” only 3 percent said yes.

The demand for those who can deal with change and ambiguity and fragmentation is increasing, but the supply of people who can do those things is pretty much what it has always been. (And according to McKinsey, that supply will shrink over the next 15 years.) In AT&T's assessments of high-potential managers, only 12 percent could cope effectively with the ambiguity and fragmentation of rapidly changing conditions. So the need for leaders is greater than ever, but there is a problem on the supply side.

As an illustration, few changes are as difficult to pull off as a successful merger. A 1997 study found 71 percent were negative 12 months after the deal. A.T. Kearney's study found that 58 percent of mergers fail to reach the goals they set out to achieve, and an additional 14 percent added no value to the company. Cost reduction and short-term revenue growth strategies actually destroyed value, both in stock prices and profits. In contrast, focusing on a clear growth vision and rapid integration increased shareholder return by 25 percent. One of the study's major conclusions: handle leadership as the central issue before closing the deal.

According to all major studies of mergers we have seen, failures have much more to do with lacking the soft skills—leadership and change management. Rarely do failures result because hard business skills are lacking.

The penalty for less-than-able leadership is huge, as is the payoff when leadership is present. The difference between so-so performers and high performers is vast. As early as 1991, research indicated that a high-performing executive was 15 percent better than an average one, or worth \$25 million after taxes for a Fortune 500 company. Dan Goleman reported that top performers exceeded revenue targets by 15 to 20 percent. In another large study, top performers had 19 to 48 percent higher output than average performers. For sales jobs, it can be far greater than this, and many claim that top performers routinely outperform the lowest performers by 100 percent. Depending on the job, the performance differences reported can be staggering. Among computer programmers, superb performers were 1,272 percent better than average performers; superior account managers produced 600 percent more revenue than average account managers.

The bottom line? Companies scoring in the top quintile of talent management practices outperform their industry's mean return to shareholders by 22 percentage points.

Our argument assumes not only that such stellar performers can be developed, but also that the people to whom these fundamental principles would be applied have not changed greatly from the managers and executives of 20 years ago. With all the talk about Generation Xers growing up in the “postmodern era,” are they really the same as the last demographic surge—the Baby Boomers?

According to the 1997 National Study of the Changing Workforce, Gen Xers are better educated, more racially diverse, work longer hours, and find their jobs more demanding than young workers (Boomers) of 20 years earlier. They are just as loyal as older workers and are not job-hoppers. They are hardly a bunch of slackers.

Additionally, exactly the same things that workers in general respond to now are the same things that motivated workers 20 years ago:

- Work quality – job autonomy, challenges to learn on the job, and the meaning that people find in their work.
- A supportive workplace – family friendly, supportive supervisors, relationships with coworkers.

These indicators are not only the same, Gen Xers report higher job quality and job support than did Boomers 20 years earlier. The study concludes that job and workplace characteristics are far more important predictors of productivity than pay and benefits.

The findings from 20 years ago were the same—pay was 12th, benefits 16th. At the top of the list were accomplishing something worthwhile, autonomy, and chances to learn new things.

Gen Xers respond to the same forces that their mothers and fathers did and still do.

What Doesn't Change Much: The Four Fundamentals of Management and Leadership Development

In the world of management and leadership development, four fundamentals (constants) have changed little, if at all, over time. They also are not likely to change much going forward. The fundamentals are:

1. The competencies/skills that matter for leading in new and different situations.
2. How these skills are learned and developed.
3. Who is equipped to learn these skills.
4. What it takes to make skill development work.

Bold statements, but true. In this case, knowledge of history informs the future. The history of the development of managers and leaders who could make whatever next jumps they faced in the past tells us what we face going forward.

1. The Competencies/Skills That Matter (Have and Always Will Matter) for Leading in New and Different Situations

We are going to use the words “skill” and “competency” interchangeably, although we recognize they have somewhat different meanings. A competency is a measurable characteristic of a person that is related to success at work. It may be a behavioral skill, a technical skill, an attribute (such as intelligence), or an attitude (such as optimism). As all competencies are measurable, they are often called skills, even though this is not entirely accurate.

What if 85 percent of the common skills that lead to effective management and leadership were known? *They are.*

What if there was a way to quickly determine the remaining 15 percent?
There is.

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Throughout the history of layered and organized work, there have always been start-ups, turnarounds, shutdowns, acquisitions, divestitures, expansions, new technologies, contractions, conflict, and consolidations. Each of these situations—although across a wide range of time, content, settings, and contexts—requires about the same set of skills. Hannibal taking the elephants over the Alps was a start-up requiring the same skills (and maybe more) as any modern start-up. Elephants had never crossed mountains before, just as more recently, books had never been electronic before.

Thousands of studies have attacked the question of common versus unique competencies from every angle—looking at executives, managers, supervisors, scientists, flight crews, reporters, government officials, military officers, sales, marketing, etc., across industries, countries, and economic models. Each of these types of jobs may have unique aspects, but they are mostly unique technical job knowledge in nature. The behavioral and attitudinal skills it takes to do a job are known, have been known for quite some time, and are mostly consistent across situations. *We have seen no evidence anywhere, anytime that more rapid change has somehow required the creation of any new skills or competencies to deal with that change.* CEOs of e-companies may deal with more change more rapidly than Hannibal or George Washington did, but the essence of dealing with change is the same—tolerance for ambiguity, incremental experiments, and quick learning.

All research-based skill models come from the same source—the study of human behavior. All are easily translatable into each other. They are virtually identical in underlying meaning, just not in wording or categorization. In the Hay-McBer competency studies across 286 situations, entrepreneurs, technical, professional, sales, human service, and managerial jobs were studied in industry, government, military, health care, education, and religious institutions. The same set of 21 competencies was used to describe superior performance.

The unique competencies (which might be technical or something related to the values of the organization) ranged from 2 to 20 percent of the jobs. Development Dimensions International's (DDI) taxonomy of competencies—in development for over 30 years—uses the same 70 competencies worldwide to describe all jobs.

Both science, as in the Hay-McBer or DDI studies, and practice indicate that competencies are roughly 85 percent the same across different job situations. In one internal company study, models were collected from roughly 100 organizations. The competencies listed were 85 percent the same across models, and even the remaining 15 percent were sometimes there and sometimes not. Everyone had essentially the same skills, but some models included more than others did.

So the same type of job (executive, marketing manager) in one company is much more similar to like jobs in other companies than to a different job position within the same firm. The same findings hold for salespeople, human services, manufacturing, military officers, etc.

What differs is not what the skills are, but how much they matter in a particular job, a level, a function, or an organization at this time. A common skill may or may not matter, and the examples may be slightly different, but the skill or competency is the same everywhere. Strategic thinking is “strategic thinking,” perseverance means “never giving up” everywhere, and listening means “listening.”

There are a number of research-based lists of competencies from respected institutions like the Center for Creative Leadership, Saville Holdsworth Limited (SHL), Development Dimensions International, Hay-McBer, and PDI-Ninth House, and respected instruments from researchers like Bernard Bass and Clark Wilson, as well as the list we will use in this book, the Leadership Architect® competencies.

We strongly contend that there is little difference in any of these models. Some are oriented higher and some lower, they are all worded differently, and they use somewhat different indicators (such as

planning). But, and this is our core point, they end up measuring the same underlying competencies.

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If many respected worldwide firms have looked at the research from a number of different angles and derived roughly the same library of personal, managerial, and leadership competencies, what does that say?

If all rigorous, study-based organization success profiles that are customized and tailored specifically to that firm can be mapped into any of those research models, what more do you need to know?

Since 85 percent of the common competencies are known, and most commercial models that measure those competencies are fundamentally the same, this leads us to a strongly held recommendation: don't reinvent the wheel.

Pick a research-based model, any model. Select the one with the words that fit your culture best and the firm you like to work with and be done with it.

Said another way, making up your own model is a waste of time and shareholders' money. You are paying to rediscover and rename the periodic table of the elements—in this case the elements of management and leadership. If you are determined to tailor, buy a license and start with one of the research-based models. Why would anyone want to conduct a study to discover that you too have a competency called "Listening" or "Planning"?

Yet one study said that 60 percent of companies giving 360° feedback to their employees were developing custom models. The reasons given for this aren't very sound:

- *We are unique.* What you do may be; what competencies it takes to do it are not.

- *We have to get buy-in via participation in creating the model.* This argument has always struck us as weak leadership from HR and line management. No one gets buy-in on the periodic table of the elements or the FASB rules. Buy-in, in fact, ruins some well-developed models. People tinker with the wording, try to shorten the model for ease of use, and reduce even good models to mush. Two years later, the firm is looking for another magic bullet. We've seen it countless times. Getting buy-in would be much easier if the process were more efficient.
- *The model must be valid.* Studying your firm through interviewing, or whatever method, has little to do with validity beyond your organization. Unless you are number one or a strong number two in your market, why would you want to study yourself for the keys to success? (In fairness, responsible consulting firms do compare internal models with their work in other companies, but why bother? If your competencies can be easily compared or benchmarked with those of other successful companies, what exactly are you paying for?)

What actually seems to happen is that the “not invented here” syndrome is alive and well. Firms spend massive amounts of money to rediscover listening skills just so they can have wording that feels right to them. They could get exactly the same thing with an 85 percent solution—starting with a research-based model, then tailoring and wording it to fit their culture. Less time. Fewer resources. More professional.

There is further illogic to such approaches. If we are dealing with rapid change, why would we want to study current incumbents who are having trouble with change? Will the standards change? Then we would want a broader model that includes all known competencies related to the history of dealing with change.

What do we do with the model once we have it? Can we just select people who have the skills we need? Fifty years of research would answer a strong “No” to that question. We'll deal with this topic in Chapter 2.

If we can't just select perfect people, does the model have strong ties to developing these missing competencies? If the model were truly unique, it could not have strong ties to development plans that work. Each organization would have to be studied separately. But, in all cases we've ever seen, the models are then mapped to existing developmental materials. You'd think that would tip off organizations to the fact that there was nothing unique to begin with. We have mapped more than 200 built-from-scratch models into the Leadership Architect® competencies and it's very, very rare to find anything unusual.

Creating their own model also allows organizations to follow another poor practice: measurement has to be brief. The same survey we mentioned above found that most firms are after 10 or fewer core competencies. The rationale is that we're very busy people. We have to focus. The organization can't handle more than 10. Behavior is as complex as it is—you can't describe people with 10 categories any more than you can describe the universe that way. If success could be fully or usefully described with less than 10 competencies, Plato would have known about it.

We will deal in depth with this issue in Part I of this book where we discuss competencies and how to make them more useful. To pique your interest, we'll also hint at what else we have to say in this section:

- The wrong competencies are often used to measure people.
- Even with the right competencies, it doesn't usually matter because hardly anyone is developed to perform well at them past hire.
- Simplistic views of talent and how people develop often lead to the failure of countless able people.
- Competency models can also lead to a vain search for people who rarely exist.

2. How Skills Are Developed

What if it were known which types of developmental experiences lead to the development of the skills in the library of competencies? *It is known (enough to make a difference).*

The world would be an easier place if organizations could just measure and select for the skills they need, making development unnecessary. Indeed, many organizations act as if that were the case. They select a person for a certain job and if he or she is successful, they throw the person into a tougher job without much thought about what skills, if any, the person needs or if the person has them. This, in turn, leads to many failures.

There are, undoubtedly, some competencies that should be selected for, including intelligence, character, technical skill, and basic interpersonal orientation. But beyond these, there is no choice but to develop people, and much is known about how and where competencies develop.

In Part II, we'll discuss the critical experiences that can teach—how job challenges, other people, and even failures help people hone and grow skills that they weren't born with and can't be selected for. No one, regardless of how talented, waltzes into an organization at age 25 knowing how to be strategic or how to turn around a failed unit. Many, many things must be learned as we go.

3. Who Is Best Equipped to Learn These Skills

What if it were fairly predictable who has the best chance of building the key skills necessary for any future situation? *It is.*

Also in Part II, we will discuss how some people learn far better from experience than others, and we will detail what those people look like. Although you can select for “learners,” there aren't many to go around. Fortunately, learning agility can be developed as well.

Another hint to keep you reading: the best learners probably aren't who you think they are.

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4. What It Takes to Make Development Work

What if there were a set of best practices and a system that would lead to the most effective use of resources to produce current and future managers and leaders? *There are and there is (with slight adjustments for specific situations).*

At this point you might be asking yourself, "If the developmental situation is so bad, why did we somehow manage to post record earnings the last eight quarters?" Our straightforward answer is that you have enough individuals with enough skills to get the job done currently. People compensate for weaknesses by developing proficiencies according to personal tastes, or because they have had a developmental boss, or they attended a course at the right moment in time.

Many people will rise to the occasion, but this almost-random process isn't a good way to keep an organization vibrant. A Secretariat will come along and run you into the dust, just as more than one-third of the Fortune 500 firms from 1970 don't exist as independent entities anymore. Right now you may be running neck and neck, but to beat the next Secretariat, you will need to raise the developmental bar. Leadership performance across time doesn't just happen.

You might also be asking yourself, "If all of this is known, why is it that our organization doesn't do most of these practices?" To this question, we have three answers: time lag, false prophets, and courage.

Reasons Why Organizations Avoid Development Practices

1. Time Lag

The cure for scurvy was known 150 years before it was implemented in the British navy. Similarly, what caused common ulcers was discovered long before it became common knowledge. (It's actually *Helicobacter pylori* bacteria—not prolonged stress.) The major research on management and leadership development, however, is still a young, evolving set of findings, and the systems around it haven't been mature enough to necessarily work in a practical manner. While it's nice to say this is known, it's another thing to convince everyone, and far more difficult to make it happen when companies also have to fight competitors, meet payroll, and have time left over to sleep.

2. False Prophets

Organizations also have to contend with false (but possibly with fine intentions) prophets. There is no shortage of books, speeches, and consulting practices pushing theories and systems of management and leadership. Among the customers for this message and material are all of the current and aspiring managers and leaders around the world. Many times, they are easily swayed with the new, the simple, the catchy, and the loud. It's hard sometimes to separate the wheat from the chaff and the bread from the cheese.

A corollary to this is that many managers and leaders think they are experts on people because they have been around people all their lives. This has led to a lot of homegrown models which, unfortunately, don't get the job done and can lead to quick adoption of another model, and another, and another.

3. Courage

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As the research findings and the systems that support them become better known and accepted, the issue becomes the courage to act on what we know to be true. That's when the trouble really starts: Who gets the job? Do we take a chance or use a safe fill? Are the jobs that develop people the same as our most critical jobs? Can we develop people faster? What do you mean you're sending Sally on a foreign assignment? I need her here. Should I tell Sally she is a high potential?

People hoard talent, make irrational arguments about whom to promote, won't make tough calls on stagnant performers, and do all the things we do to protect ourselves. It's called human nature.

What it takes to deal with natural reluctance is, first, knowledge of what works and, second, the establishment of systems and practices that mirror the patterns of real people. As we will argue, real people can only be developed through systems that mirror how human beings grow. And that hasn't changed either.

We'll deal with all of these questions and many others in the final three sections of the book. In Part III, we'll cover personal development. Because the findings are so bleak on how well organizations develop people, we'll explain how to develop yourself so you're not done-in by the poor practices of your organization. In Part IV, we'll cover the five basic systems organizations need to have in place to make development work. They are:

1. Setting success targets so you know who and what you're measuring.
2. Preventing the derailment of your people.
3. Constructing feedback.
4. Coaching processes that work.
5. And, most essential, how to think about and design work as both a learning and a performance challenge.

The five basic systems help master the present by developing a more competent workforce.

To drive against future demands, one more system is needed. In Part V, we'll explain what drives The Leadership Machine—how to use succession planning to develop people to meet future demands and how to make the calls on who gets the jobs. Ensuring the future through development also requires individual leadership and courage. Someone has to change the systems that prevent us from responding to the change swirling around us.

Just because change swirls doesn't mean that people are developed to effectively deal with it. As we'll see in Chapter 2, few people handle change well, and just as few are being developed to deal with it going forward.

- “*The Leadership Machine* is a staple on my bookshelf. It was groundbreaking and intuitive at the time of its release and now, a decade later, stands validated by research and application around the globe.”

Marshall Goldsmith, author of the New York Times best sellers MOJO and What Got You Here Won't Get You There

- “*The Leadership Machine* is essential to understanding leadership and talent development. It cleverly and timelessly captures the best way to align competencies to organizational objectives and create a talent system that produces effective results.”

Roger Pearman, author of I'm Not Crazy, I'm Just Not You and Hardwired Leadership



○ □ □ How can we prepare leaders for the future when even top experts and analysts grapple with predicting what the future holds? Accepting ambiguity and change as constants, the authors of *The Leadership Machine* outline an approach to building leaders that has stood the test of changing times. Grounded in years of experience, wisdom, and science, *The Leadership Machine* continues to be a forward-thinking, fundamental touchstone for both leaders and those responsible for building leadership bench strength.

- “Bob and Mike’s 80 years of collective wisdom and insight have shaped the discipline and practice of talent. *The Leadership Machine* is a must-read for anyone wanting to upgrade talent in their organization.”

Dave Ulrich, author of the best-selling Human Resource Champions, Results-Based Leadership and The HR Scorecard

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