

harvard



A Newsletter from Harvard Business School Publishing

management update

ARTICLE REPRINT NO. U0704A

When the Boomers Leave, Will Your Company Have the Leaders It Needs?

by Anne Field

For a complete list of Harvard Business
School Publishing newsletters:
<http://newsletters.harvardbusinessonline.org>

For reprint and subscription information
for *Harvard Management Update*:
Call 800-988-0866 or 617-783-7500
<http://hmu.harvardbusinessonline.org>

For customized and quantity orders of reprints:
Call 617-783-7626 Fax 617-783-7658
For permission to copy or republish:
Call 617-783-7587

When the Boomers Leave, Will Your Company Have the Leaders It Needs?

by Anne Field

A MAJOR DEMOGRAPHIC CHANGE is on the horizon, and it portends a leadership crisis for many organizations. As highly trained and highly placed baby boomers start retiring in droves, they will leave behind a yawning leadership gap. According to Wood Dale, Ill.-based RHR International, a human resources consulting firm, at least 50% of executives in the United States will be eligible to retire in just the next five years.

Japan, Australia, and parts of Europe will be even harder hit, says Tamara Erickson, coauthor of *Workforce Crisis: How to Beat the Coming Shortage of Skills and Talent* (Harvard Business School Press, 2006).

This massive departure would not pose a problem *if* there were adequate numbers of younger managers prepared to step into the departing executives' shoes when the time comes. But in most companies, there won't be.

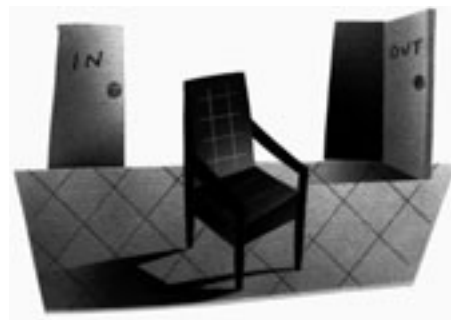
"The baby boom generation is so large that boomers

hold not only most of the senior leadership roles in companies today but also many of the positions two, three, four levels down," says Erickson, president of Watertown, Mass.-based research and education group The Concours Institute. What's more, declining birthrates in industrialized countries mean that succeeding generations will be much smaller. All this adds up to a serious deficit of seasoned managerial talent in the years ahead.

"The attention this issue is getting today in the senior ranks is huge," says Lars Dalgaard, founder and CEO of the talent-management software firm SuccessFactors (San Mateo, Calif.). "Companies have realized they have to take action now to avoid a future where half the desks in the executive suite go empty."

So what should companies do? "Accelerate their leadership development efforts, and fast," says Erickson. "Companies need to condense and speed up what traditionally

has been a fairly lengthy trial-by-fire process." In this article, experts share their advice for providing training that is both highly effective *and* efficient. Whether you're a senior leader on the lookout for ways to bring your most promising subordinates forward or an HR professional charged with developing a deep talent pipeline, taking the following steps will help you ensure that your company has the leadership talent it needs in the years ahead.



WHAT DEFINES A HIGH POTENTIAL?

The profile of a high potential will vary depending on the organization and the industry, but one quality that all people deemed high potential should share is the ability to learn quickly, says Cynthia McCauley, senior fellow at the Center for Creative Leadership. Cara Capretta Raymond, vice president of strategy and intellectual property at executive recruiting company Korn/Ferry International, agrees. She points out that people who are able to learn quickly are strong problem solvers, are skilled at working with diverse groups of people, and handle change well—all invaluable traits in a senior leader. What's more, they're the most likely to get the most out of developmental assignments.

Tell them they're high potentials

Should high potentials know they're being eyed as executive material? Absolutely.

For one thing, it will help them see the value in a lateral move designed to develop a particular competency. "In many cases," says Cara Capretta Raymond, vice president of strategy and intellectual property at executive recruiting company Korn/Ferry International (Los Angeles), "good developmental assignments will be horizontal and 'zigzag' moves, rather than traditional vertical promotions."

For another, if you don't say anything, you stand a greater chance of losing them to a competitor willing to be more forthright.

Accelerating High Potentials' Development *(continued)*

At the same time, caution them against taking their status for granted. "Just because they're high potential today doesn't mean they'll be so tomorrow," says Scott Cohen, principal in the Boston office of Capital H Group (Chicago), a human capital consulting firm. "They should know this isn't a guarantee." The goal is to make them feel confident as they tackle new challenges, not cocky.

Stretch them in multiple directions

While sending talented young managers through executive MBA programs or giving them three- to five-year assignments in other countries can provide a wealth of learning, it's learning that comes at a significant time cost. A quicker, more targeted approach is to give them a series of shorter stretch assignments that round out their skills.

Raymond cites a manager in a financial services company who did well with direct reports but was less effective working with peers. She was given a one-year staff position where, says Raymond, "she had to learn to influence and negotiate with her peers across boundaries in the company."

The stretch assignment need not be a completely new role; instead, it could be a new assignment that complements the high potential's regular duties. For instance, a talented manager who has mostly operations experience might be given duties that require more client contact, thus strengthening his external perspective on the organization.

Multiple-year assignments abroad have long been a requisite part of many companies' executive development programs. But much shorter foreign assignments can provide substantial benefits. A large insurance company Erickson worked with sends its high potentials on three-month assignments to help set up new offices outside the United States and train the local team in the company's operating processes and business culture. Once they're back in the States, participants in the program continue to be involved in the foreign office's operations and remain in close contact with local staff through e-mail and regular tele- and videoconferences. Participants get the benefit of deep and ongoing immersion in a local business without having to uproot their families. And the company is able to create well-managed local offices without incurring the risk and cost that come with sending managers and their families abroad for lengthy assignments.

Charge them with tackling problems as a group

Giving a group of high potentials a challenging problem to solve is an effective way to speed their learning. It allows them to strengthen cross-organizational relationships and engage in the sort of analysis, persuasion, and negotiation essential to their success in the senior ranks.

Ronan Knox, executive vice president of the Boston-

based management development consultancy The Forum Corp., points to an organization that used a knotty business issue as an opportunity to develop a group of its high potentials. The company had been considering reorganizing around economic similarities rather than geographic location. For instance, instead of having the Brazil country manager report to the South America division head, that person would now report to the division head responsible for other developing markets, such as China.

The company used this emerging strategy as the context for its senior leaders' development program. Groups of high potentials were brought together from across the globe and a key part of the process assigned them to test the implications of the reorganization idea. They were tasked with applying the new leadership thinking from the program to the new strategy and with putting together rec-

IF YOU'RE A HI-PO YOURSELF

You're a rising star. In the not-too-distant future, you're going to be in demand, as older executives reach retirement age and start to leave the company. To help make yourself ready when you're called:

- **Discuss your future with your boss.** Ask your manager what she thinks your next steps should be. What skills do you need to develop? What preparations should you be making for the next assignment likely to come your way? Susan Battley, CEO of Stony Brook, N.Y.-based Battley Performance Consulting, worked with a thirty-something vice president in a consumer products company who did just that at his annual performance review. His boss let him know that the next assignment would be a make-or-break move and would likely require relocation to the Middle East. The executive asked to enroll in workshops on cross-cultural issues and started preparing his family for the possibility that they'd move. When he was assigned to a post in the Middle East a year later, he and his family were ready.
- **Deepen your understanding of your strengths and weaknesses.** Put together a personal board of directors, a group of trusted colleagues and former bosses willing to provide you with frank feedback. Review your evaluations over the past 10 years or so to see if any patterns emerge. And ask to have a 360-degree performance evaluation done, if you haven't received one lately.

ommendations on aspects such as which countries to group together, how to reorganize management, implications for marketing, and how to reconfigure R&D and production facilities globally. The assignment strengthened their leadership, research, and analytical skills; honed their ability to synthesize complex information; and gave them valuable experience in weighing trade-offs and coming to agreement. What's more, it provided the high potentials with positive exposure to the senior management team, which took many of their recommendations to heart.

FIDELITY INVESTMENTS' INTEGRATED APPROACH TO LEADERSHIP DEVELOPMENT

Fidelity Investments' Accelerated Leadership Development Process combines three types of targeted training to accelerate the development of high potentials:

- 1. Executive coaching.** Participants work with an executive coach for a year. During this time, each high potential completes a detailed self-evaluation and undergoes two 360-degree performance reviews. The results are used to assess individual strengths and development opportunities and give focus to the year-long development process.
- 2. Peer-group work.** High potentials participate in group development sessions with other high-potential leaders from related business units with whom they haven't worked before. These peer groups participate in explicit training in driving innovation, managing conflict, and other key leadership skills, culminating in a computer-based business simulation in which participants play senior leadership roles and actually run a hypothetical business.
- 3. Action-learning project teams.** Individuals also serve on action-learning project teams, in which they tackle an actual business question or problem of strategic importance to the organization. On these projects, people are exposed to new areas of the business. Better yet, they have a chance to learn from a successful company leader who sponsors the project work. "This is where the program and the enterprise meet," explains Jennifer Harnden, Fidelity Investments' director of leadership and organization development. "We want to connect the learning and development experience with what's actually going on in the business."

Encourage them to learn from the experts down the hall

Creating mixed teams of high potentials and experienced senior managers is an efficient way to transfer knowledge from one generation to the next and develop high potentials' skills at the same time.

In his former role as managing director of the New England offices of HR consultancy Lee Hecht Harrison, Thomas Tomai created a team combining high-performing newer managers with much more experienced managers to revise processes for new client engagement. The newer managers urged the immediate adoption of a radically new model, whereas their senior colleagues advocated making incremental changes over several months. Both sides held firm to their positions during initial discussions, but, eventually, the less experienced colleagues were persuaded that phasing in a new process made sense. What convinced them? It was when one executive said to them: "If no one follows you, it doesn't matter how quickly you move."

"This experience made the high potentials more aware of their own limits," says Tomai, now an independent management consultant. "It gave them an appreciation for what they didn't know. And working with people they normally wouldn't have much exposure to gave them a broader perspective on the organization."

Formal mentoring programs also can be valuable, as long as mentors and protégés are carefully matched. For instance, at Johnson & Johnson (New Brunswick, N.J.), training managers place a big emphasis on making matches that maximize learning for the protégés. According to Janet Matts, J&J's former director of management education and development, a high potential who recently came from an outside company might be matched with an experienced J&J executive who also once worked at that other company to help the younger manager understand the cultural differences between the two firms and adapt better to J&J's culture.

When looking for possible mentors, don't overlook baby boomers on their way out. "If you've got this whole bulge of folks who are retiring, they may be interested in a different kind of work," says Ellen Kumata, a partner at Boston-based Cambria Consulting. Some might opt to continue working part time, and some might be interested in formally retiring and then coming back as an external consultant.

Make learning objectives explicit

To make the most of every moment devoted to leadership development, companies need to be explicit about the desired outcome of each assignment. What specific skill should it strengthen? What gap is it meant to fill? Keeping the learning goal front and center can be a challenge in so-

Accelerating High Potentials' Development *(continued)*

called action-learning work, where individuals are being held accountable for the outcomes of their work even as they're approaching the work as a learning experience.

Fidelity Investments encountered this problem, says Jennifer Harnden, director of leadership and organization development. "Sometimes when we chartered action-learning work, we noticed that the 'action' component overshadowed the 'learning' component." Some participants, for instance, chose action-learning roles that would draw on their strengths so that their performance would be stellar. The problem, of course, is that they didn't learn as much from the development experience, shortchanging both themselves and the company.

So now participants are regularly challenged to look at the kinds of roles they assumed on their action-learning teams. "We want them to ask themselves, 'What am I getting out of this? Am I stretching myself out of my comfort zone? Am I tackling topics because I already know a lot about them and can hit them out of the park? Or am I choosing topics that require me to explore areas that are very new to me?'"

With all assignments, whatever their type, "make sure

you reward development, not just performance," says Cynthia McCauley, senior fellow at the Center for Creative Leadership (Greensboro, N.C.).

Preparing high potentials, even exceptionally talented ones, for senior leadership positions can't happen overnight. But targeted, well-designed development opportunities can accelerate their journey to the executive suite and ensure they gain the experience and skills necessary to be successful there.

And when the boomers in your senior ranks retire, their leave-taking will be an occasion to wish them well rather than regret their loss, for your company will have a cadre of experienced leaders ready to step to the fore and keep the organization strong, profitable, and growing in the years ahead. ♦

*Anne Field is a Pelham, N.Y.-based business writer.
Cynthia M. Phoel, a Boston-based communications
consultant, also contributed to this article.
They can be reached at MUOpinion@hbsp.harvard.edu.*