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The Leadership Pipeline

How to Build the Leadership-Powered Company

Ram Charan, Stephen Drotter, and James Noel

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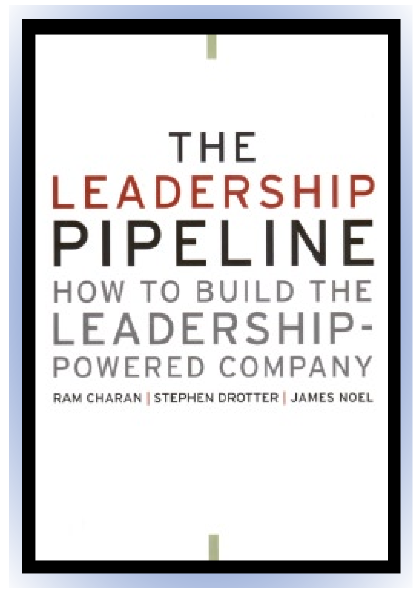

Reviewed by Lydia Morris Brown

Chapter One: Six Leadership Passages—an Overview

More than ever before, increasing numbers of leaders are needed at more levels of the organization, and they need to be developed from within the company rather than be bought or brought from the outside. Given this reality, the critical question is: Can today's average salesperson become tomorrow's "right-for-the-job" sales leader? The answer is yes. Although the work is different, potential is not fixed. People can and do reinvent themselves by accumulating skills and experience, learning new skills, and tackling bigger and more complex assignments. In order to capitalize on this potential, however, organizations must discern the true work requirements at key leadership levels and also what's needed to make the successful transition from one level to the next. The Leadership Pipeline model can help achieve these objectives. It allows organizations to start thinking in terms of pipeline requirements rather than job-title responsibilities, which puts them in a much better position to develop effective leaders.

In most large, decentralized organizations, the natural hierarchy of managerial/leadership work takes the form of six career passages or pipeline turns. This pipeline is not straight but is bent in six places, and each of these bends (*passages*) represents a different level and complexity of leadership:

- Passage One—from managing self to managing others
- Passage Two—from managing others to managing managers
- Passage Three—from managing managers to functional manager
- Passage Four—from functional manager to business manager
- Passage Five—from business manager to group manager
- Passage Six—from group manager to enterprise manager (CEO)

Each turn/passage requires a major change in skills; time applications—new time frames that govern how a individual works; and work values—what an individual believes is important and makes the focus of his or her efforts. The challenge is to ensure that people in leadership positions are not working at one level while clinging to the skills, time applications, or values appropriate for another.

"Establishing a leadership pipeline is a key competitive advantage. Companies that can grow their own leadership at all levels and recognize the unique requirements at each level will have a decided edge."

About the Authors

Ram Charan, independent consultant and leadership coach, is considered a top resource for in-house corporate programs. He is coauthor of *Boards at Work** and *Every Business Is a Growth Business**.

Stephen Drotter, CEO of Drotter Human Resources (an executive succession planning company), is one of the early designers of General Electric's succession planning process. He is coauthor of *The Succession Planning Handbook for the CEO*.

James Noel is an executive coach with corporate experience at Phillip Morris Companies, Burlington Northern Railroad, Citibank, and GE's Management Development Center. He is coauthor of *Action Learning: How the World's Top Companies Are Re-Creating Their Leaders and Themselves.*

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Chapter Two: From Managing Self to Managing Others

New entry-level employees usually spend their first few years as individual contributors, whose skill requirements are primarily technical or professional. They contribute by doing the assigned work within the required time frame. The work values they develop include, acceptance of the company culture and the adoption of professional standards. If they hone and broaden their individual skills, they are able to contribute more. And, if they produce good results, especially if they demonstrate the ability to collaborate, they usually receive additional responsibilities and are considered "promotable."

When this promotion occurs, they are at Passage One—a transition that is often not an easy one to make, particularly for high performers. Because they want to keep doing the activities that led to their success, high performers are reluctant to change. Thus, they become managers without making the necessary behavioral or value-based transitions. First-time managers must learn to plan work, fill jobs, assign work, motivate, coach, and measure the work of others (i.e., shift from "doing" the work to getting the work done by others). They must also learn to reallocate their time so that they can help others perform effectively in addition to accomplishing their own tasks, which is particularly difficult because they prefer spending time on their "old" work. Nonetheless, spending more time on managing will increase with each passage, and if people don't learn how to reallocate their time from the beginning, they are likely to become liabilities as they move up. Nonetheless, the most difficult change involves values. New managers must learn to value managerial work rather than just tolerate it—must learn to view other-directed activities as mission-critical to their success.

Chapter Three: From Managing Others to Managing Managers

Perhaps the biggest difference from the previous passage is that in this second transition, managers must divest themselves of individual tasks and only manage. They must select the right people for Passage One, assign managerial and leadership tasks to them, measure their progress as managers and coach them, deploy and redeploy resources among units, and manage the boundaries that separate units. Managers of managers must also begin to think beyond their own functions and concern themselves with strategic issues that support the entire business.

"First-time managers need to practice and perfect their skills first; mastering skills triggers the process by which these managers learn to allocate their time differently and to recognize the importance of shifting their values."

Too often, people are unable to perform these tasks because they have skipped Passage One, or they were promoted to first-line management, but didn't change their skills, time applications, or work values. As a result, they choose high technical achievers for first-line managerial positions rather than true potential leaders—unable to differentiate between those who can do and those who can lead. They hold first-line managers accountable for technical work (what they themselves value) rather than managerial work; thus, they help to maintain and instill the wrong values in their direct reports.

Chapter Four: From Managing Managers to Functional Manager

Although it might seem that there is little distinction between managing managers and functional management, there are a number of significant differences. Communication with the individual contributor now requires going through at least two levels of management, necessitating development of new communication skills. Functional managers must manage some areas that are outside their own experiences. This means they must understand and learn to value "foreign" work, and they must become skilled at taking other functional concerns into consideration. Functional managers must learn to be team players with other functional managers and compete for resources based on business needs. And, they must become proficient strategists, blending their functional strategy with the overall business strategy. Essentially, this leadership passage requires an increase in managerial maturity—an adoption of a broad long-term perspective.

From the standpoint of time-application, functional managers must participate in business team meetings and work with other functional managers, which takes time away from purely functional responsibilities. Thus, it is essential that they delegate responsibility for overseeing many functional tasks to direct reports.

Functions run by managers who haven't made the necessary transitions don't move the business toward strategic goals. However, this failure is often masked by their high competence in a specific subfunction—they look as though they are doing a great job because they are innovative and successful in one sphere. Thus, in order to identify managers having problems with this passage, one must look for symptoms in three specific areas: (1) failure to make the transition from an operational-project orientation to a strategic one—demonstrates a poor sense of how the business runs; (2) inability to manage and value work that is unfamiliar or of little interest; and (3) immaturity as a leader/manager—more interested in being a hands-on manager and performer.

Chapter Five: From Functional Manager to Business Manager

Because business managers have significant autonomy, this leadership passage is often the most satisfying of a manager's career. Business managers are able to see a clear link between their efforts and market results. At the same time, however, they are greatly challenged. This passage represents a sharp turn, requiring a major shift in skills, time applications, and work values. In addition to becoming more strategic and cross-functional in their thinking, they must also take charge of *integrating* functions (whereas before, they merely had to understand and work with other functions). But, the biggest shift is from looking at plans functionally (i.e., assessing whether something can be done technically, professionally, or physically) to looking at them from a perspective of long-term profit.

At the business manager level, more new and unfamiliar responsibilities exist than at other levels. In addition to learning to manage different functions, business managers must become skilled at working with a wider variety of people. And, they must learn to balance future goals and present needs, making trade-offs between the two—a task that perplexes many. Thus, they need to stop *doing* every second and reserve time for reflection and analysis. Another common failure at this level is not valuing and/or effectively utilizing support staff, which leads staffers to deliver half-hearted efforts. And, although e-commerce impacts leaders at every level, business managers bear the brunt of it. Because e-commerce requires them to reassess many of their assumptions and much of their knowledge about the very nature of a business, the shifts in time, work values, and skills they must make are confusing.

Chapter Six: From Business Manager to Group Manager

At first glance, this leadership passage does not seem too difficult; everyone assumes that if managers can run one business successfully, they can do the same with two or more. However, this reasoning is flawed because a business manager values the success of his or her own business, while a group manager values the success of other people's businesses. This is a critical distinction—group managers who don't value the success of others will fail to inspire and support the performance of the business managers who report to them.

The group-manager level also requires a critical shift in four skill areas. First, group managers must become proficient at evaluating strategy for the purposes of capital allocation and deployment. Second, they must develop and coach business managers. Third, they must become skilled portfolio strategists, which is different from being business strategists. Thus, for the first time, they must ask: Do I have the right collection of businesses? What businesses should be added, subtracted, or changed to ensure proper positioning and current and future earnings? Fourth, group managers must become perceptive enough to assess whether they have the right core capabilities to win.

In other words, leadership at this level requires a more holistic view. Managers must become broad-gauged, factoring in the complexities of running multiple businesses and thinking in terms of community, industry, government, and ceremonial activities. They must be prepared to make bigger decisions, undertake greater risks, and consider longer time spans. They must also be cognizant of the expectations of Wall Street.

In some large organizations, the group manager is seen as merely spanning the chasm between business managers and the CEO, reducing the number of people who report directly to the chief executive. Although this role is necessary, it is also demeaning. Thus, companies that truly understand the potential of this level of leadership develop a group strategy, global in scope, that encompasses such issues as unserved and unaddressed markets and customer segments, and likely increases in required capacity. Group executives are also given responsibility for driving critical initiatives down through the organization and for building relationships with the company's stakeholders. When the group executive's responsibilities are broadened in this manner, his or her role includes more than just supervision of business managers but also involves being tested for CEO potential.

"When you see a frenetic business manager who rockets from project to project and never has enough time to spend with any of this key people, you're observing a clear sign of trouble at this leadership level."

Chapter Seven: From Group Manager to Enterprise Manager

The transition from group manager to enterprise manager (CEO) is much more focused on values than skills. CEOs must set three or four mission-critical priorities and focus on them, which requires a shift from strategic to visionary thinking and from an operations to a global perspective. They must let go of the individual pieces of products/customers and focus on the whole, effectively seeking to conceive, develop, produce, and market all products/services to all customers. And, they must inspire the entire employee population through a variety of communication tools. Finally, the CEO must assemble a team of high-achieving and ambitious direct reports (group managers), knowing that some of these managers want his/her job.

Pipeline problems occur as this level because CEOs are often unaware that this passage requires significant changes in values, and because it is difficult to develop a CEO for this particular leadership transition, for it requires a series of diverse experiences over time.

A sharp decline in corporate financial fortune is the most obvious sign that a CEO is struggling. Although a financial crisis may have nothing to do with the new enterprise manager, his or her response (or lack of response) to the crisis may indicate transition problems. However, the signs are often more subtle and can include: ignorance of how the company gets things done, too much time spent on external relationships, not enough time being devoted to the soft side of the business, and the necessity for the board to ask the same questions repeatedly because the CEO does not answer satisfactorily.

Although there are no specific courses or training methods that can adequately groom managers to become CEOs, a diversity of experience, coaching, and feedback all along the way and a willingness to listen and learn are extremely helpful. Thus, to guarantee a CEO's success, an organization simply must ensure that the individual has effectively navigated the most critical passages of the pipeline.

Chapter Eight: Diagnostics—Identifying Pipeline Problems and Possibilities

The Leadership Pipeline model can be used to diagnose and troubleshoot problems that are preventing an organization from building and maintaining a leadership pipeline. Instead of vague determinations that the company lacks a talent pool of young leaders, the Pipeline approach allows a diagnostic specificity that other models lack. It enables a company to pinpoint the precise level where problems are occurring and to assess the precise skills, time applications, and values needed.

"Leading an enterprise requires intelligence, but it isn't a paper-and-pencil exercise. … It's really about ensuring successful execution, choosing the right people, valuing enterprise results, and building relationships inside and out."

Establishing a process by which the Pipeline model is used to assess individuals, not only formalizes what can be a highly undisciplined procedure, it also provides a basis for comparing individuals at the same level. From this comparison, conclusions can be drawn about which individuals are better able to assume leadership positions in the present and future.

The Pipeline diagnostic is also a useful tool for different groups. Business teams can use it to determine whether they are working at the proper level, given their assignments and goals. Human resources can use it to analyze whether a specific group of employees is at the right level and to determine if there's sufficient leadership depth in the group. And, organizations can employ it to examine the entire leadership pipeline to determine whether problems exist at particular levels.

However, one of the most significant contributions the diagnostic makes is "tagging" people who have skipped one or more critical passages—the rising "stars," who have been promoted too quickly. Without this kind of tool, organizations tend to allow people to slip into leadership positions for which they don't have the requisite experience and in which they are likely to fail, causing others to fail with them. The lesson here is that the brightest aren't always the best.

Chapter Nine: Performance Improvement—Clarifying Roles and Creating Performance Standards

Once it has been diagnosed that an individual or a group is working at inappropriate leadership levels, some major pipeline repair work is needed. However, in most companies, role clarity for leadership positions is absent. As a result, individuals who want to improve their leadership performance have difficulty doing so because they aren't clear about what their targets should be. In addition, most organizations fail to create performance standards differentiated by leadership level. Instead, they use financial outputs rather than a complete set of performance requirements.

The Leadership Pipeline provides a fast and effective way of establishing role clarity. It can be used to identify the level at which a particular job is located. It can be used to communicate to managers what this level is and the skills, time applications, and work values it demands. And, it can be employed to make bosses and subordinates at each level aware of the potential gaps and overlaps between "adjacent" positions and allow them to take the appropriate corrective actions.

Standards must cover a complete set of performance requirements that includes operating, customer, leadership and management results; internal and external relationships; social responsibility; and individual technical competence. Performance standards can be categorized in terms of these requirements as full performance, not yet full performance, exceptional performance, and inappropriate performance.

As people are appointed to new leadership passages, an immediate performance gap is created because they cannot possess all the skills, time applications, and values required for success. As a consequence, they are not immediately capable of delivering strong results in the seven aforementioned areas (not yet full performance). To close the gap and achieve full performance, individuals must be coached, trained, and given the appropriate experiences. Once they have reached full performance, they must be assessed to determine if they can handle additional responsibilities and demonstrate excess capacity (exceptional performance). At this point, exceptional performers must be moved to more challenging assignments or to the next level of leadership. However, a move to the next level will result in another performance gap, which will take the individual back to the first step.

In order for this process to work, however, the following underlying premises must be accepted: Performance gaps will always emerge when someone is appointed to a new leadership level. Development must continue until full performance is reached. Full performers must be rewarded for their performance. And, full performers should be tested for excess capacity and promoted if they demonstrate it.

Chapter Ten: Succession Planning

Everyday CEOs leave organizations that lack a properly developed backup capable of full performance at the enterprise leadership level. This is especially true if the CEO leaves abruptly. If new chief executives haven't been assessed within the framework of the Leadership Pipeline model, it's impossible to know whether they're ready for this new challenge. And, if they haven't been developed within the framework, it's unlikely that they can deliver exceptional performance. Simply maintaining a high-potential talent pool (*replacement planning*) is not sufficient. High-potential people don't necessarily translate into high-performance people. However, the Pipeline model provides organizations with a tool for selecting and preparing the right high-performance people to assume leadership positions at all levels.

"Leadership pipelines often clog when top executives leave organizations and their replacements are not prepared to work at a high leadership level."

Unlike replacement planning, succession planning perpetuates the enterprise "by filling the pipeline with high-performing people to assure that every leadership level has an abundance of these performers to draw from, both now and in the future." To this end, the focus must be on performance, there must be a continuous flow through the pipeline, pipeline turns must be understood fully, and short-term and long-term issues must be considered simultaneously. The following five-step succession plan will greatly facilitate follow-through on these criteria: (1) Tailor the model to fit the organization's succession needs. (2) Translate standards for performance and potential into company-specific language. (3) Document and communicate these standards throughout the organization. (4) Evaluate succession candidates through a combined potential-performance matrix. (5) Review the plans and progress of the entire pipeline frequently and thoroughly.

Chapter Eleven: Identifying Potential Pipeline Failures

Leadership pipelines clog for many reasons, but the most common include, selecting the wrong person for the job, leaving poor performers on the job too long, managers who don't listen to seek feedback, and poor job definition.

Selection failure can be avoided by remembering that general requirements for two adjacent levels may be similar, but special skills, time applications, and work values reveal significant differences. In addition, generating results at one level should not be the primary reason to select someone for a higher-level position.

Leaving poor performers in jobs too long can be prevented by assessing whether a manager is relying on skills, time applications, and work values from a previous level. It is also prudent to look at how a manager's direct reports are developing and performing.

Successful leaders are open to feedback and skilled at analyzing whether it has merit. They keep their minds as well as their ears open, and they are aware of what they should listen for.

Finally, to avoid failure due to poor job definition, managers should never rely on assumptions and general job descriptions but should take the initiative to define jobs for themselves and to do so with specificity. Moreover, they should obtain validation for their job descriptions from their bosses.

Chapter Twelve: The Functional Career Passage

At the passage from functional manager to business manager, the leadership pipeline branches out in another direction (group functional manager and enterprise functional manager), allowing most leaders to move upward on a functional leadership path that roughly parallels that of business, group, and enterprise managers. However, there are distinct differences.

Unlike business managers, who run largely self-contained entities, group functional managers must struggle with an enormously complex set of relationships that crosses many boundaries that makes performance accountability and demands on their time. These include: the group executive (their line boss), the corporate functional leader (their functional boss), business managers in their group, the group functional staff (their own functional direct reports), the functional leaders in the business, and other functional managers. Because the group functional manager must balance these six points of contact, and because there is so much potential for disputes, a key skill in this leadership position is anticipating problems and being proactive about dealing with them.

"The functional branch of the pipeline becomes clogged as easily as the business leadership portion, and it's important to use this model to understand requirements and prevent clogs."

Enterprise functional managers include the CFO, the CIO, the general counsel, the corporate human resources officer, and the heads of departments such as R&D, marketing, manufacturing, and operations. Like group executives, enterprise functional managers report to the CEO, COO, or president. And, their primary responsibilities are to connect their functions to the enterprise, to provide staff support to the CEO, and to be aware of emerging developments in their discipline. Like group executives, enterprise functional managers must value setting direction, they must spend considerable time doing it, and they must develop the requisite skills. Also, like group executives, they must value the task of developing key leaders. Thus, moving from the position of group functional manager in which one is enmeshed in an internal web of constituencies, to enterprise functional manager, represents a significant transition.

Chapter Thirteen: Coaching

A crucial challenge of coaching is communicating information in a motivating manner—the Pipeline model greatly facilitates this goal from both a carrot and a stick perspective. In terms of the stick, the model shocks people into realizing they are not operating at the appropriate leadership level, given their skills, time applications, and work values. In terms of the carrot, the model is very specific in delineating the necessary behaviors and attitudes for achieving specific career goals. The Pipeline helps managers locate themselves on the leadership continuum—helps them answer the question: Where am I on this journey? And, it is an excellent vehicle for feedback. Finally, the Pipeline stands as an excellent coaching tool because of its accessibility—people "get it" right away.

Chapter Fourteen: Benefits Up and Down the Line

The Leadership Pipeline model offers both theory and practical tools for helping individuals change their own leadership behaviors and the behaviors of others. The concept of there being six distinct leadership passages that demand mastery of certain skills, time applications, and work values will compel organizations to look at leadership development differently. No matter what one's position is, he or she can use the Pipeline model to think about, discuss, and decide on actions to build a group's talents so that the right people are at the right leadership levels. If the pipeline if full and flowing with the right people, performance throughout the organization is enhanced, which results in a sustainable competitive advantage.

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A subject index is provided.

Remarks

The Leadership Pipeline model was developed from the *crossroads* model created by Walt Mahler. Mahler, a highly acclaimed HR consultant, contributed a great deal to HR and succession planning at a number of well-known companies, including GE. His model suggested that there were specific leadership crossroads in every organization, each with its unique and specific requirements. Over the years, Charan, Drotter, and Noel have refined, added to, and adapted the crossroads model to changing business environments. In the process, it has become a leadership development tool that organizations can use to grow their own leaders, maximize leadership contributions at all levels of the organization, and avoid getting into expensive and ineffective bidding wars for outside talent.

The Leadership Pipeline model is truly innovative and practical. First, is the idea of a leadership *pipeline* rather than a leadership *pool*. Whereas a pool of course denotes something that is standing—perhaps even stagnant, a pipeline is a conveyance or channel for moving something from one point to another. In addition, when something is "in the pipeline," the understanding is that it is undergoing preparation, production, or completion. Thus, the metaphor of the pipeline excellently illustrates the point that developing leaders is an active ongoing *process* that begins at a source (the new employee) and continues through every level of the organization.

Another useful insight is that the pipeline is not a straight line but is characterized by sharp turns—the points at which individuals move from one leadership position to the next. Again, this metaphor is extremely practical for helping organizations understand how easily leadership development plans can become ineffective (i.e., can clog the plumbing, with disastrous results) when people are put into positions for which they are not suited.

Just as important, the model provides detailed pipeline requirements for each turn. These requirements are holistic in nature, not only taking into consideration individuals skills, but also how people in a position spend their time and what they value. Time and value are important factors—ones that companies often overlook when trying to assess why someone is not making a smooth transition. These insights allow organizations to see clearly the gaps between a manager's current level of performance and the desired level. In addition, an individual's readiness for passage to the next leadership level can be clearly identified rather than be inaccurately assumed from past performance. Thus, the model provides organizations with a practical means of "objectifying" selection, as well as a diagnostic tool for dispassionately and effectively identifying mismatches between individual capabilities and each leadership level.

Charan, Drotter, and Noel also demonstrate clearly and simply how the Leadership Pipeline model can reduce emotional stress for individual employees, for it discourages organizations from encouraging people to skip leadership passages and placing them in positions for which they lack the requisite skills and values. They reveal how the model reduces the time frame for preparing individuals for top leadership positions because it clearly defines what's needed at each level so that there's no time wasted on jobs that duplicate skills. And, most significantly, they demonstrate why organizations no longer need to buy expensive outside talent to prime their leadership pumps.

Reading Suggestions

Reading Time: 8 to 10 hours, 224 Pages in Book

The Leadership Pipeline model represents an ongoing holistic process of leadership development that needs to be understood in its entirety in order to be effective. Thus, we recommend that you read the complete work in the order presented and pay close attention to the examples from actual and imaginary enterprises. They provide insight into how the theories and guidelines presented actually relate to real-life situations. And, they illustrate how each passage corresponds to familiar job titles and descriptions.

Other important insights you won't want to miss are how the model can be adapted to small business requirements and how it is well-suited to organizations that don't fit the traditional business model (e.g., e-commerce, healthcare, and megacorporations in telecommunications, the automotive industry, and financial services).

One more suggestion: If you haven't already read *Don't Waste Your Talent* (Volume 18, Number 7—February 26, 2001), you might consider doing so in conjunction with **The Leadership Pipeline**. The criteria the Pipeline establishes for leadership requires organizations to think holistically and to keep in mind the inherent complexity of the human being. The authors emphasize repeatedly the absolute necessity of identifying those who are brilliant in their individual-contributor roles, but who will not derive any job satisfaction from management/leadership positions, simply because they aren't "hardwired" to undertake these kinds of responsibilities.

Don't Waste Your Talent details a proven process that allows individuals to identify and articulate their natural talents and abilities and discover the absolute right career fit. Organizations have also found the process to be an invaluable tool in their leadership development programs in terms of retention, motivation, coaching, and succession planning. Together, the two works seem to have the potential of acting as a one-two punch that organizations can use to obliterate ineffective leadership development initiatives and create maximum, sustainable leadership capacity.

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Decatur, GA 30033

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