SELLING AND IMPLEMENTING LEADERSHIP DEVELOPMENT: CHAPTER, VERSE, AND LESSONS LEARNED FROM CARLSON'S STORY

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This article provides a case study template for creating and "selling" an enterprisewide leadership development initiative in a highly decentralized organization. Using a story-telling approach, the authors delineate, chapter and verse, the five separate but highly interdependent stages used to achieve this. Sandwiched between a "prologue" and "epilogue" are five "chapters," each describing one of the stages and the lessons learned from each: (1) articulate the strategic context, (2) assess the current situation, (3) establish a dialogue about the future, (4) create a winning action plan, and (5) measure and learn

THIS IS A STORY, and a relatively short one at that. Perhaps it has been told before, and the plot is not particularly new for many organizations. Nevertheless, its chapter headings and ending might be instructive for many. It is a story about how one organization identified the importance of talent management to its long-term growth and how an enterprisewide leadership development initiative was sold and implemented as the centerpiece of this initiative. Along the way, a framework was created, and many lessons were learned.

Once upon a time, there was a great big organization that spanned the globe. It had grown up as a private institution and remained so to this day. The portfolio was ever shifting, reflecting the entrepreneurial spirit of its founder. Business units were encouraged to be independent, to seek new products and markets and develop their own paths. This approach was successful: growth was a hallmark, and the company quickly became one of the largest privately held companies in the world, with nearly 200,000 colleagues employed under its brands.

In spite of this success, organizational leaders began to be concerned about the future. They noted significant redundancies in their operations, challenging markets bringing subsequent margin pressures, and a revolving door of leadership talent. External shocks including the terrorist attacks of September 11, 2001, had enormous impact on its markets, and significant retrenching was required. Furthermore, some wondered about the need for core processes aimed at sustaining the success of the entire enterprise over the long run.

A vision to become "the most respected private company on the planet" prompted new questions about priorities and operating style. How do we connect the business units in a new way? How do we leverage common support services and infrastructure? How do we cross-sell and integrate market opportunities? How do we leverage talent, learning, and expertise across the organization?

A new strategy emerged. Develop best-in-class shared services to leverage costs and deliver efficiencies. Share information about markets, customers, and opportunities. Deliver exceptional service through engaged, relationship-oriented colleagues. And, to pull it together, ensure a pipeline of leaders was available to drive long-term success.

This, then, is the story of how Carlson, one of the world's leading hospitality, travel, and relationship marketing organizations, decided to use leadership development as a cornerstone of its future vision.

The problem was simple to articulate: the organization had an inadequate supply of leadership (both quantity and quality) required to support its business objectives. This was not unique. Many other organizations face the

same issue, and demographics and other trends are not helping. Baby boomers are entering retirement, leaving a wide gap behind them. Flattened, cost-sensitive organizations are eliminating entry-level management positions, resulting in fewer "learning" jobs. In many organizations, "sink or swim" is the de facto approach to development.

What follows is Carlson's approach to building a leadership pipeline. We have articulated five chapters that represent separate but highly interdependent stages to effectively selling and implementing a leadership development initiative. Although the final chapters are yet to be written, we have learned things along the way we want to share with those who may be living the same story.

CHAPTER ONE: ARTICULATE THE STRATEGIC CONTEXT

A good story must have a context for its relevance. What is going on in the business that creates the need? What are the driving forces creating the pain points that need to be addressed? The following five key points summarize important context for our business:

- A long history of decentralized operations with independent and entrepreneurial management styles
- A portfolio of service businesses with inherently high employee turnover at all levels,
- Mixed business performance exasperated by economic cycles
- Significant market and technology shifts dramatically affecting business models, competitive landscape, and distribution channels
- A strategic intent to move to an operating company from a holding company

Each of these puts tension in the ropes of our strategy. How does having a leadership pipeline help the organization navigate these waters? What is the business case for investing in leadership development? We set about to clarify ours.

In simple terms, we looked at our history of filling key leadership roles. The data were clear: we filled the majority of our most critical roles from the outside, and at considerable expense. Moreover, the turnover for those hired externally was significantly higher than it was for those who had been promoted from within. We summed up our business case this way. Home-grown leaders are more likely to:

- Fit with your organization's culture and values
- Have a deep knowledge of your markets and operations

- Possess strong relationships with your customers and employees
- Have an inherent loyalty to your organization.

But perhaps most important, a strong leadership development system is crucial to attracting and retaining top talent. Talented people want and need to grow. Organizations that do not, or cannot, provide for that growth will find they are significantly disadvantaged in the never-ending competition for talent.

Lessons Learned
- Be clear on why leadership development is important for your organization.
- Look for ways to engage senior leaders in a dialogue that helps them debate and articulate why this is an important topic.

CHAPTER TWO: ASSESS THE CURRENT SITUATION

What was really going on in the business at the detail level? To assess the current situation a straw model was created as a starting point. This model, shown in Figure 1, represents the key components of a leadership development framework against which the current state could be evaluated. This assessment, in Figure 2, afforded a more telescopic view of what needed to be created, modified, or left alone.

Lesson Learned
- Apply a framework or model to facilitate assessing the as-is state.

CHAPTER THREE: ESTABLISH A DIALOGUE ABOUT THE FUTURE

Few would argue that buy-in by all key stakeholders is a critical success factor for any major transformation initiative. Furthermore, it is well accepted that participating in the discussion around the issues involved goes a long way toward achieving acceptance. One way to obtain buy-in is to create a mechanism for widespread dialogue about what the future might look like.

To do this, several forums were used to collect input from current leaders throughout the enterprise. But first it was necessary to establish a meaningful context from which these leaders could react and provide relevant input. The first step was to start a discussion about the need for developing a leadership model that would serve as the centerpiece for our future talent management system. Four criteria were identified as critical to framing the eventual leadership model. Our desire was to articulate a set of
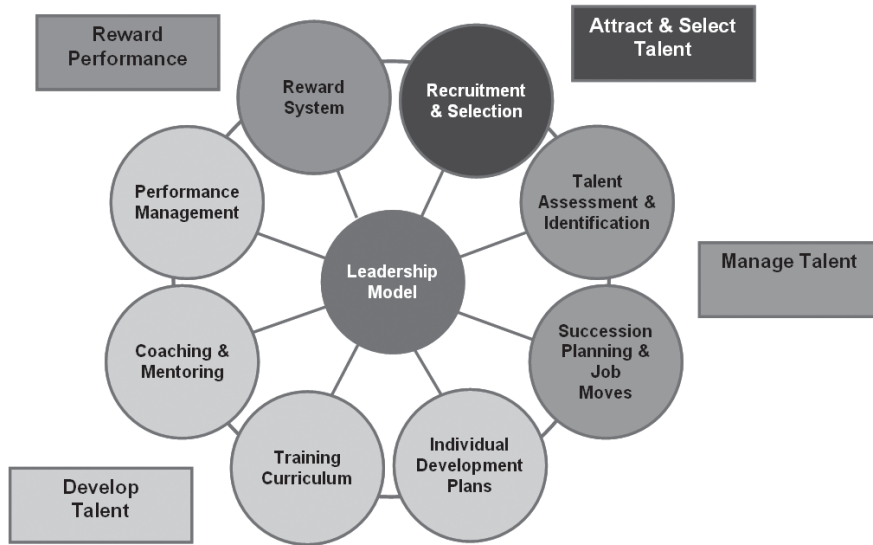
FIGURE 1. A LEADERSHIP DEVELOPMENT FRAMEWORK.

shared expectations for leaders. Ideally, these expectations would be (1) built on and linked to existing Carlson foundation concepts (for example, the Carlson Credo), (2) have a future orientation, that is, what the company was moving toward, (3) emphasize what is different about being a leader at Carlson, and (4) be simple and self-evident.

Figure 3 shows the progression of meetings in 2004 and 2005, during which data were collected about the key attributes required to address the business challenges likely to face the organization in the next several years. It

was important from the start that any model created be both specific and unique to Carlson. In 2004, two questions were asked of approximately 200 senior leaders from all business units across the enterprise:

1. What emerging future forces (internal or external) will have the most impact on Carlson?

2. What are the long-term Carlson value-aligned leadership attributes required to respond to those future forces and fulfill Carlson's vision and mission?

FIGURE 2. INITIAL FINDINGS.
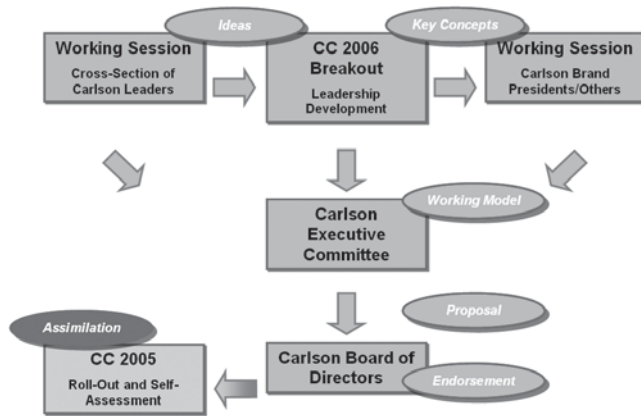
FIGURE 3. DATA INPUT PROCESS FOR DEVELOPING THE FRAMEWORK.

From these data, a straw leadership development model was created. Figure 4 provides an illustration of this model. We ultimately validated it so that it could serve as a foundation for leadership selection and development processes. Based on our belief that all roles require leadership behaviors, we built out the model to fit four levels: individual contributor, supervisor/manager, director/senior director, and executive.

Exhibits 1 and 2, respectively, show the items our leaders chose as the future forces most likely to have the greatest impact on our business and our leaders' views of the three most critical leadership attributes needed to respond to these forces.

EXHIBIT 1	2004 FUTURE FORCES MENU

1. Growth and ascendance of Asia as an economic market and power.
2. Evolving value chains changing traditional relationships among customers, competitors, suppliers, and partners.
3. Competitors are increasingly utilizing process and cycle time improvement methodologies (e.g., Six Sigma) as key approaches to improve performance, contributing to greater and faster-changing competition.
4. Game-changing technologies (e.g., digital) and distribution channels (e.g., Internet) continuing to emerge, providing new opportunities for "mass customization," integration, and connectivity.
5. Continued sourcing of low-cost labor beyond traditional approaches.
6. Increasingly multi-cultural societies and continued emigration to developed countries.
7. Post-World War II baby-boomers entering traditional retirement age, with unprecedented wealth and increasing life expectancy.
8. Generational value shifts with increasing interest in personal health, well-being and security.
9. Continuing regional and/or global conflicts with increasing emphasis on terrorism as a threat or weapon.

EXHIBIT 2	2004 LEADERSHIP ATTRIBUTES MENU

1. **Results Orientation**
   - Consistently delivers business results
   - Drives processes to accomplish objectives
   - Optimizes resource trade-offs to drive long-term success

2. **Relationships**
   - Builds and leverages collaborative relationships inside and outside the enterprise
   - Uses strong interpersonal skills and personal credibility to influence others

3. **Customer Focused**
   - Uses customer intimacy as a basis for competition
   - Quickly responds to customer and market shifts
   - Uses customer perceived value as fundamental business driver

4. **Personal Capability**
   - Behaves with integrity and honesty
   - Lives by a strong set of personal values
   - Relentlessly pursues personal learning and growth

5. **Strategic Management**
   - Articulates a clear and compelling vision; engages others in the vision
   - Effectively leads and manages change
   - Translates broad, strategic issues into action plans

6. **Business/Industry Acumen**
   - Has in-depth knowledge of relevant industries and markets on a global basis
   - Demonstrates financial knowledge; uses solid financial analysis to make decisions
   - Understands and effectively uses technology to compete
   - Exercises good judgment; makes good decisions

7. **People and Teams**
   - Builds strong individuals and teams
   - Develops organizational capability and strength
   - Deploys talent against strategic goals (puts the right people in the right jobs at the right time)

8. **Innovation and Risk Taking**
   - Elicits and manages innovation and creativity
   - Takes appropriate risks to achieve high payoff

FIGURE 4. CARLSON LEADERSHIP DIMENSIONS.

The next step was to collect additional data in 2005 during the company's annual leadership conference. Now the leaders were asked to answer two questions about the capability of both the organization and themselves on these leadership attributes. We called it a readiness assessment:

Question 1: Collectively, how well do our leaders perform on these top/most critical leadership attributes?

Question 2: How well do you think *you* perform on these top/most critical leadership attributes?

We used a voting tabulation tool to collect our leaders' opinions. As you might expect, they felt they personally exhibited these leadership attributes more strongly than their colleagues did. Nonetheless, there was a consistent and highly reliable response regarding which of the attributes were felt to be relative strengths or weaknesses across the business. The value of this approach is that it not only provided a consistent framework across the organization but also highlighted key differences across leadership levels. Furthermore, it gave us insight into the collective leadership profile for our most senior leaders.

Lessons Learned
- Involving stakeholders in developing the solution or approach builds understanding and ownership.
- Having a centerpiece leadership model is very important. But to add real value, it must be special and unique to your organization.

CHAPTER FOUR: CREATE A WINNING ACTION PLAN

With the leadership model now validated and softly introduced to the organization, the next step was to create a specific leadership development strategy and action plan. A critical first step in this plan was to articulate the exact vision for the strategy. What did the company want to move away from, and what did it want to move toward? Table 1 illustrates the "from . . . to" analysis, which put the initiative into perspective and defined the amplitude of the task ahead.

In addition, some guiding principles were created that would assist in making key decisions during the enterprisewide implementation. Among them were these:

- Using a common language and framework for leadership processes (Carlson Great Leader Attributes)
- Promoting from within (targeting a 75:25 internal to external ratio)
- Reinforcing the 70/20/10 guideline (70% of development occurs on the job, 20% through others, 10% in formal classroom settings) by encouraging comprehensive development plans
- Driving deployment and moves for key talent from the top (Carlson "owns" the talent)

TABLE 1	
VISION FOR THE FUTURE: THE FROM . . . TO ANALYSIS	
FROM	TO
Ad hoc	Systematic
"Sink or swim	Development plans
Variety of leadership models Attributes	Carlson Great Leader
Business/brand centric	Enterprisewide
Heavy external hiring	Development and advancement internal
Moves and careers within a business	Moves across businesses

- Creating open and honest communication of performance, strengths, and development needs

The "from . . . to" framework combined with these guiding principles helped in putting together a road map to a winning action plan, as depicted in Figure 5. This plan is based on the initial framework used to assess the current situation of the business. This road map provided the vision of what the future would hold.

A brief description of some of these actions follows.

Talent Management Process

The key goal for the talent management portion of the plan was to create an enterprisewide approach. To facilitate consistency and provide a basis for meaningful discussion, we established standard tools and templates for the units and functions to use. Then we established an annual review process for openly discussing leadership gaps and succession plans and development plans for key talent. This annual process concluded with a discussion at the board of directors' strategic retreat.

In addition to the formalized annual review process, ongoing forums to regularly review key openings, potential moves, and critical leadership talent were incorporated into standing meetings and processes (for example, staff meetings and functional leadership council meetings). We placed a renewed emphasis on candidate slating for key positions.

Leadership Development Programming

An Executive Leadership Program had existed for many years in conjunction with the local university's business school executive development program. However, it needed considerable revision to be aligned with the new leadership expectations, and so the program was redesigned and rebuilt. Only one lecturer/presenter was held over from the original version. The revised program incorporated stronger and more relevant content, improved instructors, and increased participation by the most senior leaders. Most important, the nomination of participants was incorporated into the new annual talent review process.

In addition, two core curricula were developed for first- and second-level managers. The first, Leadership Foundations, focused primarily on performance management skills, tools, and processes. The second, Leadership Connections, addressed more strategic topics around team and organizational performance issues and skills, as well as specific 360-degree feedback on the Carlson Great Leader Attributes. Previously no formal learning experiences were provided for these managers, although the corporate university delivered numerous courses that could be accessed. The difference between these new, integrated learning experiences and the former independent courseware is that the topics selected were based on the needs identified through the new Great Leadership Attributes model, and participants were nominated by their managers. The first-level supervisory core curricu-

FIGURE 5. VISIONARY ROAD MAP.

lum, course 101–Leadership Foundations, has three one-day models that each can be presented separately:

Module 1: Know Yourself

- Carlson Great Attributes
- Leadership Transitions
- Leadership Tools
- Leadership Panel

Module 2: Know Your People

- Performance Management
- Coaching

Module 3: Know Your Organization

- Processes, Tools, and Policies for Leaders at Carlson
- Workshop Summary

The second-level manager core curriculum, course 201–Leadership Foundations, also has three one-day models that each can be presented separately:

Module 1: Lead Yourself

- Role of a Leader
- Authentic Leadership
- Carlson Great Leader Attribute Review
- Carlson Great Attributes 360 Brief

Module 2: Lead Your People

- Manager's Playing Field
- Influence
- Leader as Communicator
- Talent Management
- Team Dynamics

Module 3: Lead Your Organization

- Strategy and Metrics
- Greatwork
- Learning Stations (Decision Making, Competitive Analysis)
- Workshop Summary

Great Destinations and College Recruitment

Another component of the new leadership development strategy was a program to attract early-career top talent through a new recruitment strategy at top-tier business schools in the general region where the corporate headquarters is located. MBA candidates were hired under a rotation, and a leadership acceleration program was developed to fill the leadership pipeline.

My Performance

Part and parcel to creating a sustainable leadership development process is providing the tools to facilitate it. Over the past two years, a commitment has been made to the implementation of an online performance management module within PeopleSoft, branded as myPerformance. This online tool is fully integrated with other PeopleSoft components, including base human resources, employee self-service, manager self-service, and payroll. It provides a streamlined execution of a common performance management process, creates a central repository of data, and allows continuous tracking, reporting, and analytics. Most important, it enables the capability to cascade common goals aligned with balanced scorecard across the enterprise.

The system has three supporting tools. First is a Web-based 360-degree feedback tool, easy to access and administer, and incorporated into 201 and Executive Leadership Programs. It is also available to others for developmental purposes, is built on the Great Leader Attribute framework, and includes a certification program for those responsible for debriefing results. The other two components are interview guides designed to increase effectiveness in interviewing and development suggestions and tips linked to the appraisal and development planning process, with immediate employee access and automatically directed to the right management level.

Lessons Learned

- Having a comprehensive plan is important, but prioritize timing and sequencing with care.
- Statistical analysis and validation of your leadership model buys a lot. It enables you to focus on the vital few and simplifies tool development.
- Balance customization against available resources from external vendors. Consider options such as customized "front-ends" allowing for standard items "behind the curtain."
- Identify champions across the organization; give them a formal role in selling and implementing.
- Spend time to establish a common understanding of terms, tools, and desired implementation.
- Do not underestimate the importance of having a data system and approach.

CHAPTER FIVE: MEASURE AND LEARN

None of the components of any leadership development strategy can rest on their well-designed laurels. Success of each component, as well as the overall results of the initiative, must be measured continually. Most organizations have adequate data available to allow these evaluations. Carlson's, however, was not very well centralized and difficult to access. As a result, four overall measurement criteria were identified against which an assessment of the impact of the leadership development initiatives could be made:

- *Performance/potential map.* The "map" shown in Figure 6 answers the question: How well is the company
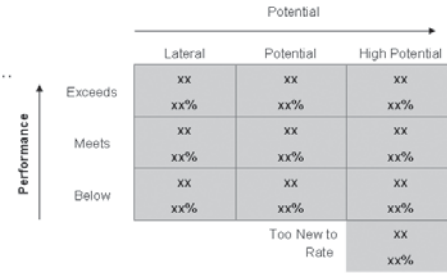
accurately discriminating performance from assessing potential?

- *2005 bench strength analysis.* The analysis in Table 2 provides the data used to determine how well stocked the leadership pipeline is for the company's future needs.
- *Executive hires: Internal versus external.* The information provided in Figure 7 offers an assessment of the quality of internal versus external hires and the relative retention rates. The Corporate Leadership Council estimates an average cost to replace mismatched executives at $750,000, in 2001 dollars. Assuming that only 50% of these departures are the result of mismatches, the cost to any organization can easily be several million dollars.
- *HR balanced scorecard.* Like many other organizations, Carlson uses a balanced scorecard approach to manage its businesses (Figure 8). The corporate scorecard drives the business unit scorecards, which then drive department scorecards. Human resource staff members produced a balanced scorecard road map, which allows them to assess how well they are managing the

N=XX

FIGURE 6. 2005 PERFORMANCE POTENTIAL MAP.

corporation's human assets to meet business objectives, not only around the leadership development initiative but all others as well.

Lesson Learned

- Set up measurement processes and systems early so that you can track progress. Continuous improvement principles and approaches apply.

TABLE 2	BENCH STRENGTH ANALYSIS					
TALENT CATEGORY	NUMBER OF POSITIONS INCLUDED IN SUCCESSION ASSESSMENT	NUMBER OF POSITIONS WITH SUCCESSION	NUMBER OF SUCCESSION CANDIDATES	READINESS DISTRIBUTION		
		PERCENTAGE	AVG/POSITION	READY NOW	12–24 MONTHS OR 1 JOB AWAY	LONGER TERM
EC	X	X XX%	XX X	X	X	X
BU Presidents	X	X XX%	XX X	X	X	X
BU Operating Leadership (excluding funtions)	XX	XX XX%	XX X	XX	XX	XX
Functional Leadership (including BU–HR, IT, Fin, Legal)	XX	XX XX%	XX X	XX	XX	XX
Total	XXX	XXX XX%	XXX X	XX	XX	XX
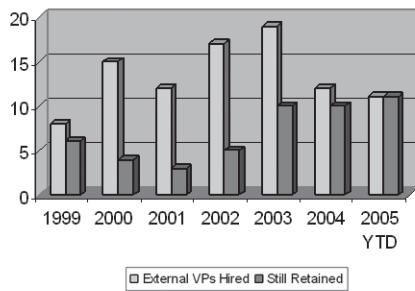
- The Corporate Leadership Council estimates an average cost to replace mismatched executives at $750,000 in 2001 dollars.
- Assuming that xx% of these departures are the result of mismatches, the cost to Carlson exceeds $xx million over past 4 years.

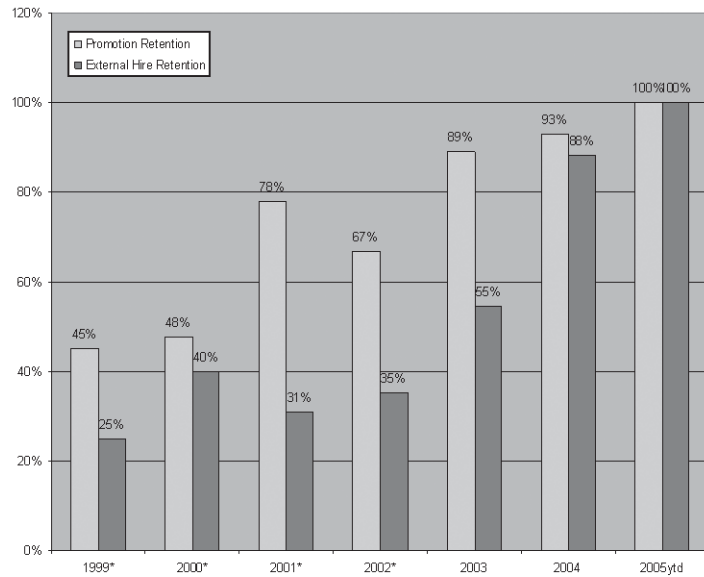*Note: Only example data are presented in these figures.*

FIGURE 7. EXECUTIVE RETENTION RATES.

EPILOGUE

What has become clear through this process is that leadership selection and development is a key value driver for sustainable growth and business success. To this end, high-performing organizations must be committed to building leadership capability. However, having laid the groundwork for this commitment at Carlson, much work remains for continuing to implement the leadership development strategy. Admittedly, the company's leadership bench still lacks adequate depth and quality, we continue to be overly reliant on outside recruitment for executive roles, and the quality of those hired externally into executive roles has varied widely. As such, there are three key priorities, and their respective steps, going forward:

1. Continue to drive the culture of development.

- Institutionalize the talent management process (make ongoing, drive candidate slating).

FIGURE 8. HR BALANCED SCORECARD.

- Further deploy the leadership curriculum (101, 201, ELP, Leadership Forums).
- Use our 2005 Leadership Attributes assessment data to drive priorities for developmental programs.
- Implement supporting tools (myPerformance, 360, coaching cadre, development tips, and others).

2. Increase the emphasis on talent acquisition (quantity and quality).
- Continue the greatDestinations program, and consider expansion options.
- Establish target schools for internships and general college recruitment (setting the bar higher).
- Require external assessments on all those hired externally for executive-grade positions.
- Drive the implementation of interview guides.

3. Improve the ability to identify, assess, and develop potential.
- Explore methods to measure the three components of potential: ability, engagement, and aspiration.
- Implement specific developmental processes for identified high-potential colleagues.
- Develop the Carlson target experience map concept.

The vision, offered in Figure 9, is to create a virtuous cycle of talent management. But this story, unlike most written, has no ending. It is a happy story so far, but its ending will continue to emerge. The five stages for selling

FIGURE 9. CARLSON'S VISION: THE VIRTUOUS CYCLE.

and implementing a leadership development strategy presented in this article are perhaps logical and already adopted by many organizations. The critical component, however, is whether the strategy was proactively thought through and largely based on a long-term strategic fit with the business or put together in a piecemeal reactive fashion to plug gaps as they surface. We are confident that the road to success for any talent management process, of which leadership development is only one element, albeit chosen as the centerpiece of ours, can be vastly accelerated and ultimately become more effective with a thoughtful plan put in place from the outset.

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