

# Developing and Promoting the Right People

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Technological advantage is fleeting. Rapid advancement in communications and technology in the last decade has virtually assured organizations that any technology advantage enjoyed today will be quickly copied (and most likely improved upon) by the competition within the year. As we look to the future it will be the intellectual assets that create the difference. Intellectual assets provide the greatest long-term strategic advantage. Skilled people – especially at senior management levels – provide a competitive edge that is hard to duplicate. Recognizing this, you would think that companies would focus a lot of attention on selection, development and retention of this key asset, particularly those in management positions.

In our experience, companies don't give the focus or attention to this asset they do others deemed important to the daily management of the business. It is not unusual to see a company take months and do extensive analysis researching a new inventory system, then promote someone to run this system simply because he or she has been with the company the longest and has demonstrated technical competency. Little attention is paid to what skills are actually needed in this new role. Managers promoted because of "tenure" are frequently "unskilled" in their new role.

Promotion of unskilled managers can occur in any organization regardless of size, age or stage in the life cycle. Tenure provides the knowledge of "how things are done here." Technical proficiency translates into the ability to address the current crisis quickly, but often without regard for anything other than achieving immediate short-term results. Of course, this technical skill is valued, but may not be optimally effective and might actually be counterproductive (during a merger, for instance) in certain situations.

## What is happening?

Failure to recognize the combination of unique skill sets (by position and by level) can derail a carefully planned reorganization or promising career. Obviously, technical skills are critically important for first level management, but not so important at the top levels of management. People and conceptual skills dominant the needs list at the executive level. Placing unskilled people into new management positions might be all right if the critical competencies and skills were identified and the newly promoted people developed to improve them. Research, however, shows that is not what is happening.

Michael Lombardo and Bob Eichinger surveyed 3000 people in over 130 companies comparing multi-rater feedback on 67 competences of individual contributors, managers and executives. What they found was troubling. The transition moving from individual contributor to manager is considerable. Results, however, showed little change occurs in the actual skills demonstrated on the job. With a few small differences, the multi-rater results of managers looked like the individual contributors (differing on only 8 of the 67 competencies). It appears that those with no people skills or a serious lack of technical skills do get weeded out at the individual contributor level (or at least not promoted), but no new skills are developed. The people who are promoted arrive in the management role prepared to do what they have always done as an individual contributor. Although success in the new role always requires new skills (build effective teams, develop direct reports, deal with conflict), as a group they are no more skilled at doing this than individual contributors.

It gets only slightly better looking at the research on changes from manager to executive. Skills that are absolutely essential at the executive level, such as dealing with ambiguity and paradox, motivating others, managing vision and purpose are in the bottom half of all competencies for managers. They are also in the bottom half of skills ranked for executives.

Even though the skill and competency requirements change rather dramatically with level, few people are developed on much besides technical job skills in most organizations. Managers and executives, who were originally hired to be software engineers, sales people, or financial analysts, get promoted. In this new role they find themselves in situations where they must lead unenthusiastic people through complicated change processes that impact nearly every area of the organization. Many fail because they simply don't have the skill set to achieve success in the new role. It is little wonder that studies estimate executive failure rates at between a third to one half.

## Whose responsibility is it?

Ultimately the responsibility of focusing attention on the selection, development, and retention of key human assets rests on the shoulders of senior management. This is clearly, however, an area of responsibility in which the executives should not work alone. An effective Human Resources function should work alongside senior management to ensure that only the best-qualified people are hired and promoted within the organization. In this role Human Resources acts as a strategic partner with executive management. Too often, however, Human Resources end up playing an administrative vs. strategic role in the process resulting in inappropriate hires, quick fixes, and promotion of managers of tenure but nominal skill for the tasks ahead.

In his book HR Champions, David Ulrich identified four roles typically found in all human resource organizations. Effective Human Resources organizations operate in all four (often simultaneously) but to varying degrees. The four roles are administrative expert, employee champion, change agent and strategic partner. In the first role the administrative expert has the responsibility for hiring paperwork, benefit claims, and other processes needed to ensure the tracking of the employee base. The employee champion ensures that the needs of all employees are heard and met to optimize morale and employee satisfaction. The change agent will in many ways function as an outside consultant to the company by analyzing organizational structure, process, and procedures to affect change. Lastly, the strategic partner works alongside senior management to ensure that all the employees, procedures, processes, and structure are aligned to optimize the effectiveness of the organization to fulfill the corporate vision and mission.

Ulrich's research found that the most effective Human Resource organizations focus significant time in the strategic partner role. It is in this strategic role that they are able to define, create and implement processes that ensure the appropriate selection and development of the key intellectual assets. The least effective organizations spend a great deal time and resources in the administrative role.

## How do you know if this is happening in your company?

One of the most difficult experiences for a senior executive is the sudden realization that there are pockets in the management team comprised of unskilled, long-term employees. Unfortunately, this recognition usually comes only after financial, legal, or other highly visible difficulties. Waiting for failure on the job is waiting too long. There are early warning signs.

One of the most visible signs that a company has established a management team based on tenure / technical proficiency is turnover. Formal exit interviews of every departure, both voluntary and involuntary, provide valuable information. Although departing employees will usually try to be positive --- "I have a better opportunity that pays more." Analysis of exit interviews conducted with specific targeted questions and categorized answers will provide a useful tool to uncover specific issues. The relationship with the boss usually has a lot to do with turnover. Most people want to work for someone who is fair and well respected, creates a productive and team-oriented environment, provides a vision and map for the future and allows them to do their jobs. Poor management plays out in many ways that have a ripple effect in the company.

An effective turnover analysis will cut data in two ways, horizontally and vertically. A horizontal cut of data shows tenure of departures and the reasons for it. A typical analysis divides the data into four categories of employees leaving within: 0-3 months, 3 months to a year, 1 year to 3 years, and 3 years and above. Although poor management skills of the boss provide an umbrella for many of the turnover issues – ineffective communications, poor hiring practices, unprofessional behavior, this analysis by tenure frequently provides insight into specific skills needed in specific managerial positions.

The vertical cut will show the ratio of promotions to departures for the overall company, by management level and by department. The aim of this analysis is to determine whether there are more departures than desired and are the right promotions occurring. It is typical for high growth companies to have 20 – 60 – 20 ratios. Twenty percent of the employees are promoted; twenty percent leave and sixty percent remain in their current position. In more established companies this ratio can fall to 10 – 80 - 10. An analysis comparing these ratios provides insight into where problems might exist.

Each level in the organization has certain unique demands from performing specific technical tasks, to managing people and processes, to forming and motivating others toward a vision and direction. While everyone may do all of these on occasion, the amount of time spent, the emphasis on the skill and the nature of the responsibility change dramatically across levels. The point is that people do not join organizations with all these skills --- no matter how talented they may appear.

## What can you do about it?

Once the problem is recognized, the next difficult step is to develop and implement the hiring, training and retention strategies that address / minimize the issue and move the company forward.

To achieve optimal performance, companies must focus on a common vision, mission, and goals for the organization. Almost all successful companies take the time and effort to define and over time redefine these statements. Often, however, senior management does not recognize the importance that "culture" plays in driving performance. Competencies must be defined and redefined over time, as well. As the company evolves there is an added need to create an atmosphere conducive to meeting the goals. The atmosphere or operating culture can be quite different from the intended culture needed in the vision statement. When a company aligns the vision, and strategic business interests, with the intended culture this assures that everyone in the organization is aligned and productive.

An effective way to accomplish this is through a culture study. A culture study analyzes data obtained through surveys, focus groups, and interviews involving a random sample of everyone in the organization. The intent is to identify the current corporate culture, see how it impacts business performance and then determine if the company is operating within it's intended culture.

There are four basic types of cultures: functional, process, time-based and network. A Functional culture use proven methods to serve existing markets. They maintain rigid policy, clear lines of authority and accountability and attempt to limit downside risks. The Military and airlines are good examples of a functional culture. A process culture can be identified by its strong commitment to customers. These organizations focus on maximizing customer satisfaction and delivering on commitments by continuously striving for improvement. A time-based culture is one in which the organization is focused on decreasing cycle time and developing new products while maintaining a high sense of urgency. Technology related companies often operate in this culture anticipating and adapting quickly to changes in the business environment. A network culture capitalizes on creativity, innovation, and may even build strategic alliances with other organizations while working on a specific project. Consulting and movie production companies frequently operate in this type of culture.

Companies will often operate within a combination of cultures. For instance the manufacturing operation may follow a functional culture while marketing follows more of a process culture. What is important is that the intended culture becomes the actual culture. Conducting a culture study is the first step in aligning the structure, process and people with the business interests. This provides a framework to begin defining competencies and skills needed for success -- both for the company and individuals.

The next step is to search out and define the core competencies and skills that drive business success for key positions at each level in the organization. The knowledge, skills and behaviors identified in the actual culture need to be redefined for the intended culture. This really isn't as hard as it may seem. Do some reading. There is a lot of literature on the subject. Get a panel of 'experts.' This can include senior leadership in the organization, outside consultants, and people currently in the role or a similar role who are successful. Have them come to some agreement on the importance of various skills needed. What does competence look like? Identify those behaviors that separate the people who are simply competent from those who excel.

Once you have identified the requisite competencies and skills needed for success, focus hiring and development processes around them. Competency based programs for selecting; evaluating and promoting individuals should be based on desired behaviors and characteristics (customer service orientation, team player) in addition to skills and knowledge. Once defined, this competency model can then be used throughout the organization in all selection, development, promotion, and retention processes to:

Maximize job requirements and person fit
Align performance with goals of the organization
Identify future leaders and replacement needs
Promote a performance driven organization
Increase the talent pool of promotable employees
Target necessary leadership and training needs

It is important to note, however, that the determination of the actual wording of the competencies is critical to ensure that all employees understand what is expected. At Martha Stewart Living Omnimedia, for example, “passion” was a universally accepted behavior needed for success. Focus groups, however, revealed that there were many interpretations and in some cases misinterpretations of the meaning of “passion” Eventually, however, l5 core competences were developed that specifically defined “passion”. Everyone in the organization agreed to and understood these. They became the backbone of all selection, development, and retention programs.

## Appraisal and Reward Systems

The creation and implementation of a formalized appraisal and reward process to regularly evaluate individuals on the skills and competencies is critical. The appraisal and reward systems are intertwined. The appraisal system identifies both the task and competency requirements of the job. The reward system calculates the rewards and compensation based on the performance. This system should consist of an ongoing cycle of assessment, review, and action with continuous feedback and coaching through out the year. Without regular review and evaluation, employees and the company can lose focus on what is needed for success.

Once in place appropriate employee skills and competencies needed at each job and level in the organization are clearly understood. High potential candidates for future positions can be identified; career development opportunities for specific people surface, gaps in current needs and required skills are identified.

## Developing Skills and Competencies

Most research indicates that, at least, 75 percent of learning takes place on the job. So the question becomes --- what type of job experiences are the people in your organization involved in. Tenured, but unskilled, managers draw on the same skills, tackling roughly the same challenges over time. They hone current skills, but little real development takes place.

Development involves 4 types of skill building experiences:

Jobs that take the person out of the “comfort level”

Jobs that are the least likely to teach and develop are straight upward promotions doing the same type of work at a higher level. Development takes place when people are challenged. To prepare for executive management, for instance, high potential candidates need jobs that require learning totally different skills than used for previous success. Look inside the organization for opportunities to move people into “turnaround” situations, which are usually accompanied by people and morale issues, a start –up where decisions must be quickly and there is no history. Move her to a staff position where she must learn to influence without authority.

At Bloomberg Financial the then CEO and operating Chairman Mike Bloomberg (presently mayor of New York) preferred this method of training for his senior management team. He would have senior managers switch jobs for a predetermined amount of time. The managers were intentionally placed in high-level jobs in which they did not have technical expertise. The idea was to force these people out of their areas of comfort then build on or learn new skills (in such areas as team building and dealing with ambiguity).

Mentors

We all learn from bosses (both good and bad). Mentors add another dimension to learning from others. They are men and women who take younger people and personally help guide their career. Mentors need to check for how the ‘learner’ learns. Some people learn best by having this type of one-on-one coaching from an experienced role model. Others prefer to ‘learn by doing’ and making mistakes.

New challenges in the current job

If there is no developmental job available, then create a new context in the current one. Increase the visibility or the complexity of the current job. Add new products, change the reporting structure, add to the number of people managed, put him or her on a project or task force. Again the key is to select the challenge to broaden the experience and develop new skills, not necessarily to use current skills for successful task completion.

Outside resources

Although most development takes place on the job, don’t overlook the other resources available. Two weeks at Harvard, Wharton, or well-run leadership development course can provide the tools for development back on the job. The key is timing. People learn best when they see how the new tool, information, or learning can be used immediately to perform more effectively back at work.

## Conclusion

No executive ever appoints or promotes a manager into a position to fail. On the surface placing tenured employees into positions of new responsibility can make sense. It rewards people who have worked hard, displayed technical expertise, and know "how things work around here". And the truth of the matter is that some technically competent, tenured mangers will perform masterfully in new responsibilities. Most won't. Tenure alone will not provide the skills and leadership capabilities needed to provide the necessary competitive edge needed in today's environment.

The best organizations will manage and develop intellectual capital with the same --- if not more – care as the physical assets that provided the edge in the l990's. These organizations will consciously create the culture, identify the skills, and develop competencies needed for success. Managers will be skilled.

## About the Author

Bill Hawkins specializes in leadership development, performance management, and organizational change. In association with The Alliance for Strategic Leadership and Innovative Resources Consultant Group he as worked with and conducted leadership training in over twenty Fortune 500 companies in 17 countries. Listed in Who's Who in International Business, Bill was a contributing author in The Peter Drucker Foundation book The Organization of the Future, l997. He also contributed in the book Coaching for Leadership, 2000.