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Growing your own leaders

Leadership can be taught, though more often than not the best leaders naturally and independently seek out their own learning opportunities. The concern is, of course, that they might believe those opportunities are outside their organisation. Senior management must tie in future leaders with a strong employer brand and a properly structured and opportunity-rich staff development strategy.

There are several reasons why a company might want to grow its own leaders rather than simply buy in top talent when the need presents itself. Most of all, organisations need leaders that represent their brand and values. As Paul Daley, Director, HR Consulting and Services, Ochre House, explains, "however a leadership programme is designed, it needs to have elements distinctive to your organisation and culture. The point of difference to your competitors is your culture, and your culture is largely influenced by your leaders." As a result, he says, having a stream of the right kinds of leaders is the key to a successful long term culture.

It is widely preached that the best leaders

will foster growth in their staff, and promoting from within provides real examples of growth for leadership talent in the wings. Homegrown leaders constitute a vital part of an effective talent retention strategy, not only as an example of opportunity, but for the relationships they can carry forward. As Wendy Brooks, Director of Global Learning Solutions, Hemsley Fraser, explains, "if an organisation is seen to promote from within, it sends all sorts of messages about how you value your people and the talent that you have."

At a senior level the failure rate of external hires is considerably higher than internal ones, "more often than not," according to Cindy Mahoney, Chief Executive, CEDAR Talent Management, "because the cultural fit isn't there." Internal appointments have likely been exposed to multiple areas of the business and will know the various sub-cultures, the business' needs and the assets available. As a result, though grown for several years, when that leadership is needed most, the time taken to adapt to the role is greatly reduced.

With the inflated prices for talent on the market, Mahoney says, using internal hires means

that you can provide your business with highly skilled individuals that are not subject to a bidding war. "My challenge to HRDs," she claims, "is however much they are spending on recruitment fees for senior hires, give me half of it to identify and develop internal talent and you won't need to spend the rest."

Perhaps, but not always, says Janey Smith, Director of Group Organisational Effectiveness, The Royal Bank of Scotland. "It is only expensive to recruit people externally if you only judge the cost at that point," she says. "But if you've grown that person 15 years, hired them at an earlier stage, inducted them and run personal development, and average the net cost over that time, what you actually do with an external hire is pay for the fact they come with the investment made by other employers. It is just a different way to acquire the expertise."

Smith notes that internal or external, a new role essentially represents a new environment for a hire, and support must be provided either way. When you grow your leaders you should be aware of the individual strengths and development needs of each member of the leadership pipeline, says

Katherine Thomas, Group Talent & Leadership Director, BT: "BT's talent agenda includes an annual talent pool review and a succession planning review. Both these enable us to be clear about individual strengths and needs."

Clearly, although a balance of external and internal leaders is needed, ignoring the growth of your own leaders can create enormous risks. As Mahoney adds, "the quality of a leader dictates the success or failure of an organisation, but it isn't always immediately obvious. If a CEO fails they get fired and replaced. If your middle managers

are not being developed you may not feel the pain until five years later, when you realise you don't have the capability in your now senior team to plug the gaps in the succession plan."

That said, heavy investment in internal leadership talent is not a guarantee of success. In fact, there are times when internal leadership should be actively avoided. Brooks points to organisations that she has come across: "places where the leadership is very hierarchical, remote, non-consultative and promotes a blame culture. Would you want to grow them?" she asks. A

culture cannot change if the leadership pipeline is full of identical successors. Daley highlights the example of Willie Walsh at BA: "it signals something very strong for the organisation, for the shareholders, for the employees. They were in a situation where they didn't know where they were going and they needed someone to signal a fresh approach." That said, he adds, "his tenure has not necessarily been the easiest."

According to Thomas, even in day-to-day business, "diversity of thinking within a leadership population is critical," and homegrown leadership does need to be supplemented from outside. It is noted frequently that purely using homegrown leaders can stunt innovation, and just as what defines 'talent' can change with business needs, what kind of leader is needed changes with time. As Daley puts it: "there is no point in investing in leaders that have 'X', when in the future the business will need a lot of 'Y'." To maintain an efficient succession strategy a business requires a balance between strong framework and regular review. Ian Livingston, Group CEO, BT, was promoted from Chief Executive of Retail and Group Finance Director before that. RBS has implemented a strategy that provides roughly equal numbers of external and internal appointments – Stephen Hester, Chief Executive, RBS, joined 20 months ago, while Chris Sullivan, Chief Executive of Corporate Bank has served 35 years with the business – "we judge on what you bring to the table, not how you got there," says Smith.

Encouraging your leaders to seek out new challenges obviously brings with it retention concerns. Daley explains, "leadership development is only any good if the talent management strategy or employee value proposition stack up, otherwise you will just become a training ground for your competitors." This is a concern for businesses, but as Thomas explains, "any ambitious individual will always consider their options. Frankly, if they didn't look externally, then we would be worried about the maturity of their approach. We have low talent attrition in BT and believe that by offering the right opportunities at the time we can maintain this." Can you ever stop your future leaders leaving? "The fact of the matter is you can't completely stop it," says Brooks, "if you are known to produce some of the best leaders then your competitors are going to look at you, and in an odd way, that means you are really getting it right." All you can do is to encourage them to continue their education outside your organisation, and bring them back into the business again. "A good leader maybe goes and does something else for a while, then comes back. That is one of the things that would categorise a healthy leadership culture that is growing its own really well."

