

## Executive Insight >> Thought Leaders

### What Keeps CEOs Up At Night?

“Leadership”, answered the President of one of India’s largest business conglomerates recently. “Do we have the right skills and capabilities to pull our strategy off,” reported a Global 500 CEO. “I worry that the current management team will not be able to take us where we need to go to next,” answered a third corporate leader.

Most CEO’s are satisfied with their strategies. Many are less satisfied with their performance, despite the positive-speak that pervades investor conference calls. Leadership is the primary enabler that converts strategic intent into results; indeed as Larry Bossidy once famously said, “at the end of the day we bet on people not strategies”.

Recent research by consultants McKinsey demonstrates a clear correlation between growth in market capitalization and growth in profits per employee. Talent, they suggest, is the ultimate generator of wealth creation in this new digital age, requiring a very different focus for the modern CEO ... maximizing returns on people, not capital.

High performing executives are in great demand and the war for leadership talent is intensifying; so much we know – indeed some 62% of companies currently report leadership capability shortages. What may be less well known is that as Boomers age the top 500 US companies will lose over half their managers to retirement in the next 5 years, and over 10 years the supply of leadership talent will shrink by some 10%. Leadership capability may reach crisis proportions for the ill-prepared; companies will need to have an effective leadership pipeline to thrive and survive in the decades ahead.

**This Executive Insight Thought Leader centers on the imperative of leadership capability development as a business priority.**

Adding leadership capability is never a short-term endeavor; hiring from the outside takes time, and the incidence of new executive derailment in major corporations is frightening (see the Executive Insight Thought Leader, “Why New Executives Fail” in the archive section of our web site). Long-term developmental initiatives are vital but will not close the gap sufficiently to satisfy real-time demand. 54% of CEO’s acknowledge that senior management spends insufficient time on talent management. So what’s he or she to do?

### **It's time to move leadership capability development to center stage.**

To make it as much of a strategic priority as the next major acquisition or product launch; to put passion, emphasis, resources and accountability to the challenge; to solve systemically rather than piece-meal; to attack the problem from multiple dimensions simultaneously rather than slowly and sequentially; to integrate efforts smartly so that a leadership pipeline of consequence emerges and sustains to fuel the competitive future.

To start with:

- Be clear on the capabilities needed both now and into the future; this requires serious strategic attention to skill-set needs over the next two to three strategic time horizons
- Assess current capabilities rigorously and dispassionately; too frequently we try to build the future around today's players and end up short. Include a process to discover talent in the organizational hinterlands
- Know the gaps and mobilize to close expeditiously – combinations of strategic hiring and focused leadership development efforts; build and work a transition plan

Next, it's vital to understand how leaders really develop. Executive MBA's and the like may provide some foundational knowledge, but they don't provide the necessary "lessons of experience" for true capability development. Studies have shown – and we know from our own careers – that real-life business challenge and opportunity is the stuff of true development. So we need to connect those with the talent to lead the business with the opportunities necessary to add the skills they will need to be successful. Companies rarely do this in any systemic way. Effective leaders emerge more through the confluence of raw talent and serendipity than through purposeful intervention and planned experiential opportunity.

Indeed, probably the single most important part of designing a leadership development system is to root it firmly in the business - deriving it directly from the needs of business strategy, involving senior management in its creation, and making it an integral part of running the business. Yet this is rarely the foundational underpinning of corporate executive development activity.

**Effective leadership development** means understanding how experience teaches, what its lessons are, how to use it more effectively, and above all how to link development to a company's business priorities so that the people with the talent to lead the company are learning what they need to know.

Moreover, for individuals – however talented – development is not automatic. As T.S. Eliot once wrote, we can have the experience and miss the meaning.

Successful development depends upon having the ability to learn, access to feedback, the open-mindedness to listen and the willingness to change. It is embedded in experience: leaders learn as they expand their experiences over time; and it is at its most effective when part of an ongoing system woven into the fabric of strategic and operational requirements, and facilitated by interventions that accentuate those experiences in connected and meaningful ways. Finally we should remember that development is a very individualized process; people begin at different points and progress at different rates; development is an ongoing process not a destination.



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