Through the Pipeline:
Solving the Leadership “Shortage” with Leadership Pipelines

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The Leadership Challenge

What many U.S.-based and global businesses are facing right now is really a perfect storm in terms of sourcing top talent to fill leadership positions.

What this means is that there are several events happening all at once, most of which are pointing to what many are citing as a shortage of people to fill organizational leadership roles. These events include:

- Organizations are still feeling residual effects of the Great Recession. For financial reasons many business leaders and executives are delaying retirement. This is leading to younger employees, particularly Millennials, who feel as if they are limited in their opportunities for growth.
- According to the Aberdeen Group, skill shortages remain the primary driving force behind most aspects of talent management. (The Aberdeen Group, 2013)

When employees are considered to be “stars” in their industry, they’re often heavily and competitively recruited by outside organizations, giving them ample opportunities to move from company to company with no real incentive to stay in one organization over the long term.

- If a company does promote employees internally to high-ranking leadership positions, the result can be problematic because of a lack of preparedness or transitional resources and support. Often in today’s environment, transitioning leaders seem to be ill-prepared to handle the challenges of new roles, which leads companies to quickly react and find replacements externally.

With the above events and trends comes the overall feelings of organization leaders with regard to human capital. The Aberdeen Group created a graphic reflecting the state of human capital management issues as reported by respondents in 2013 (The Aberdeen Group, 2013). There were three primary goals listed by the majority of respondents as being imperative to their talent management strategies for the coming years:

- Identifying the gaps between an organization’s current workforce skills and future business requirements.
- Developing the ability to better improve employee engagement throughout all levels of an organization
- To maintain a talent strategy that’s able to continuously adapt to changes in overall business strategy.

The Aberdeen Group went on to say the following when summarizing their 2013 research results:

“It’s not surprising that 39% of respondents in the 2013 HCM Trends study indicate that ensuring continued alignment between business and talent strategy is a key priority. Talent leaders and business leaders must ensure that they continually communicate, define and redefine the talent required to execute business strategy so that top talent can be identified, developed and retained.” (The Aberdeen Group, 2013)

In a separate research report created by The Aberdeen Group, there’s a focus on what’s dubbed the “Looming Leadership Shortage.” (The Aberdeen Group, 2013)
The report introduces this problem saying the following:

“The lack of availability of key skills in the marketplace has been a driver for both talent acquisition and learning and development initiatives for some time. Individuals with the knowledge and experience to take the reins of the next generation of organization leaders remain in short supply across all industries.” (The Aberdeen Group, 2013)

Organizations included in the Leadership Shortage survey reported only having the capability to deliver about two-thirds of the leaders they’ll need in the next three to five years.

The areas those shortages are being most felt?
Mid-level and senior leadership positions.

The research continues on to say it takes organizations a time period of about 29 months, on average, to develop mid-level managers identified as “high-potential” into individuals ready to move into senior leadership positions.

The Aberdeen Group uncovered some shared strategies amongst organizations who reported having above-average readiness to have high-potential employees move into new positions. These strategies include: (The Aberdeen Group, 2013)

● The ability to not only identify the right people, but also to create dedicated programs to develop the potential of those identified.
● Taking on leadership development as a “business imperative.”
● These well-prepared companies tend to have formal development programs integrated with on-the-job training, speeding-up the leadership development process.

It’s not just businesses struggling—employees are also feeling the strain when it comes to moving into leadership roles.

Evan Sinar, Ph.D., created an infographic for DDI, highlighting the many challenges of leadership transitions, from the perspective of employees.

Within this research Sinar found employees tended to face a number of challenges when moving into leadership positions, including difficulty learning and navigating the new environment. Employees who received pre-transition training with coaching and on-the-job applications had a 15% higher post-transition satisfaction rate as compared to individuals receiving no training (Sinar).

40% of survey respondents reported that dealing with uncertainty was the most difficult adjustment they had to make during the transition process.

All of the above information is leading to what could certainly be considered a leadership crisis. When dealing with this crisis, organizations are often looking for outside talent solutions to quickly fill a role, and this type of external leadership recruitment is proving to be even more problematic than the initial issue. Frequently, externally searching for new leaders is seen as a rushed, risky and short-term solution to a long-term problem.

So what’s the solution?
High-performing companies are looking to clearly defined, well-executed leadership pipelines to focus on filling leadership positions from within, through the nurturing and development of high-potential employees.

While leadership pipelines and development programs may be the simply solution, the following graphic, created by Deloitte University Press, provides an image that can give more context as to the current problems of leadership programs as they stand for many businesses:

**Figure 1. Current leadership programs falling short**

<table>
<thead>
<tr>
<th>Problem</th>
<th>Number of respondents</th>
<th>Weak</th>
<th>Adequate</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing executive involvement and ownership of leadership development</td>
<td>1,175</td>
<td>34%</td>
<td>49%</td>
<td>17%</td>
</tr>
<tr>
<td>Providing leadership programs for all levels (new, next generation, senior leaders)</td>
<td>1,162</td>
<td>44%</td>
<td>43%</td>
<td>13%</td>
</tr>
<tr>
<td>Maintaining clear and current succession plans and programs</td>
<td>1,154</td>
<td>51%</td>
<td>39%</td>
<td>10%</td>
</tr>
<tr>
<td>Including global skills and experiences in leadership program</td>
<td>1,034</td>
<td>52%</td>
<td>39%</td>
<td>8%</td>
</tr>
<tr>
<td>Providing experiential, role-based leadership programs</td>
<td>1,142</td>
<td>56%</td>
<td>36%</td>
<td>8%</td>
</tr>
<tr>
<td>Providing focused leadership programs for millennials</td>
<td>1,099</td>
<td>66%</td>
<td>28%</td>
<td>5%</td>
</tr>
</tbody>
</table>

HR executives’ assessment of leadership program capability levels

% of total number of responses

Graphic: Deloitte University Press | DUPress.com

**The Benefits of a Leadership Pipeline**

A leadership pipeline is in many ways a more highly specified form of succession management.

The goal is to create a long-term plan and strategy that will allow organizations to address the need to fill leadership positions, but rather than having to quickly hire an outsider or move an under-prepared internal employee into a position, there are plans in place that allow high-potential employees to be “groomed” to fill these roles, paving the way for a more thoughtful, natural progression.

There is a long-term trajectory created for employees when a leadership pipeline is in place, and it mitigates risks associated with filling leadership positions utilizing other methods.

In Ram Charan’s book entitled “The Leadership Pipeline: How to Build the Leadership Powered Company,” it’s noted that we’re in the midst of an era “in which the demand for leadership greatly exceeds the supply.”

Charan and co-authors Steve Drotter and Jim Noel point out that aggressively trying to recruit outside talent shows that the pipeline for leadership within most organizations is inadequate, at the least. It would appear that in today’s employee marketplace everyone is fighting over a small group of people
seen as “stars” and these people are just jumping from organization to organization as a result. (Charan, Drotter, & Noel, 2012)

The book’s authors emphasize the need to keep leadership pipelines “full and flowing.”

Four primary problems are highlighted by Charan, Drotter, and Noel as being central to why pipelines aren’t full of talent and flowing well.

These problems include:

- Founders and CEOs who are unable to change their patterns and habits as their organization grows
- Very few leaders are being developed internally
- Horizontal leadership is needed
- “Old economy” companies are seeking “new economy talent” (Charan, Drotter, & Noel, 2012)

While the challenges are clearly identified, the next step is to move on to understanding why having a full and flowing pipeline is advantageous and even required for a company to remain competitive.

Some of the many benefits of outlining and implementing a succession pipeline include:

- A reduction in the amount of resources allocated to the external search for new talent.
- High-potential talent, even individuals at the early stages of their career, feel as if they’re being developed and nurtured, leading to a greater level of engagement and employee loyalty.
- Organizations are able to tailor leaders to their needs in a real-world and specific way which is going to mean better competitive results under the future leadership of these individuals, and more overall control over the direction taken by the organization as a whole.
- An organization with a strong leadership pipeline also tends to be one that’s well-prepared for a variety of situations, even emergencies that could completely sideline a less prepared business.
- Clearly defined roles are a pivotal component of a pipeline and this allows individuals to see where they may be lacking in competencies and performance and it can also provide a clearer picture to current leaders as to what’s happening within the workforce and where gaps may need to be addressed.
- Pipelines make it easier for HR to base decisions on facts and data. This also leads to more managerial accountability, because decision-making is based on higher standards and more comprehensive information. This also means it’s easier to quickly identify a person who may not be a good match for a particular position.
- Well-defined and executed pipelines often mean individuals can actually move forward at a faster pace because there’s no repetition of developmental skills and training—everything is concise and there’s no room for wasted time in this particular type of succession planning.

**The Six Passages of a Leadership Pipeline**

In the original pipeline manual from Charan, Drotter, and Joel, entitled “The Leadership Pipeline,” there are six passages outlined and these have become the standard for understanding how to put in place and implement this type of leadership succession planning throughout all industries. (Charan, Drotter, & Noel, The Leadership Pipeline, 2001)
The six passages are important to understanding leadership pipelines in a general sense, and these components can then be utilized and applied more specifically to an organization.

Each represents an important event that’s part of the development of a leader. A brief overview of the passages follows:

**Passage One: Managing Self to Managing Others**

This initial step begins when new and less experienced employees initially enter an organization and they’re responsible first and foremost for managing their own contributions. At this point in a leader’s career lifespan the focus is working on developing and strengthening individual skills and through this development of skills an employee can begin to move toward making a more significant level of contribution to an organization, in the form of managing others.

The focus during passage one is often developing work ethic, learning about corporate culture and following a company’s values.

While this may seem like a basic level of leadership development and the easiest to adhere to, for many would-be leaders it can often be the most challenging because these high-performing individuals tend to have difficulty following the guidelines and standards set by others.

**Passage Two: Managing Others to Managing Managers**

This is really the cornerstone of a strong leadership pipeline, when constructed correctly.

This is the point in the process where people truly do move into what’s traditionally thought of as being a management role, and even more than managing, this is where true leaders begin to emerge.

This point of the process becomes less about rigidly defined job roles and duties, and more about being able to see the “bigger picture,” in strategic terms.

The problem at the passage two level can often become when there’s an issue not with technical duties, but with the values associated with leadership.

**Passage Three: Moving From Management of Managers to Management of a Function**

Passage three is where communication skills become the primary focus, because it becomes necessary to break through multiple layers of employees.

This is also where cross-training and the ability to adapt is imperative, because at this point leaders may be asked to perform duties they weren’t previously familiar with.

**Passage Four: Functional Management to Business Manager**

Passage four focuses on independence and autonomy, which tend to be the most fulfilling part of the leadership journey for many employees.

At this point in the pipeline the focus moves from being able to be cross-functional to how to integrate various functions and see how they all work together.
There’s also a sense of trust that has to be developed here, because leaders have to learn how to trust managers in all departments.

**Passage Five: Business Manager to Group Manager**

Once you’ve successfully mastered the management of a business, the theory is that you’re ready to move to managing several businesses or a group.

In order to navigate this area of the pipeline, leaders must be ready to provide solid support and motivation to the business managers they’re responsible for leading.

Leadership takes on a broad, large-scale approach here, with issues relating to many components, from the local community to the government, taking an important role in the process.

**Passage Six: Group Manager to Enterprise Manager**

When we see a CEO who seems to be floundering in his or her position, this often means one or all of the five other passages of an ideally optimized leadership pipeline have failed or been ignored.

Leadership at this level moves well beyond skills and is instead values-centric. This also requires an individual with a long-term vision who can still remain rooted in the day-to-day operations of an organization.

**Developing a Leadership Pipeline**

Once a basic understanding of what’s meant by the term leadership pipeline is obtained, organizations can begin approaching how to develop and implement this detailed level of succession planning.

Here are tips that can be used to guide the process:

1. **Recognize the importance of actual development**

In the *Harvard Business Review*, writers Jay A. Conger and Robert M. Fulmer outlined their own steps to creating a leadership pipeline, and number one on that list was “Focus on Development.” (Conger & Fulmer, 2003)

According to Conger and Fulmer, a truly effective leadership pipeline is one that’s flexible, versatile, and developmentally focused. Succession planning is a key component of a leadership pipeline, but so are nurturing and developing potential future leaders. It’s not something that’s as simple as identifying high-potential employees and then positioning them within identified roles.
It’s important to look not just at the position that needs to be filled, or that will need to be filled in the future—but instead to also look at how the skills of individual employees can be applicable to what’s needed to be successful in those roles.

By not just identifying high potential employees but also looking at their skills, capabilities, strengths and also shortcomings, it’s possible to provide interventional development opportunities and become proactive within the realm of succession planning.

2. **Don’t let decision-making rest on one person**

One of the biggest mistakes made by organizations in the implementation of a leadership pipeline is the dependence on a single person’s opinions as to who has leadership potential.

This isn’t a task can’t be left up to one person when so much is at stake.

The most successful leadership pipelines include input and evaluations from an entire senior team.

Additionally, the more overall input individuals at all levels are allowed to have in the process, the more robust and “full” the pipeline will be. Involve managers at all levels and even consider allowing employees to nominate themselves and offer feedback and opinions.

3. **Understand not just your business, but the current and future landscape**

Well-defined leadership pipelines and succession planning aren’t just about the present state of your organization. It’s important when developing any talent strategy to look beyond your organization and to the present and future landscape of your industry, your competitors and the overall global environment and marketplace.

Take a comprehensive look at where you are, where you’re going, and how you can align your leadership planning with your overall business strategies and goals.

Consider the challenging elements of the external environment, including what DDI calls “uncertainty, complexity and ambiguity.” (Development Dimensions International, 2013)

4. **Consider transparency**

The transparent workplace is one of the biggest game changers in talent management, and this is moving into the realms of succession planning and leadership pipelines.

In the past leadership development and succession planning were largely a secretive operation, with the thought being that employees would lose motivation if they weren’t identified as moving toward leadership roles.

Now, however, that thinking is being largely rejected because organizations and teams responsible for the creation of leadership pipelines are seeing employees themselves can be a great source of information when planning for leadership. (Conger & Fulmer, 2003)

Just how transparent you are in terms of your succession planning may vary based on your company structure but some transparency can create a stronger pipeline.
5. Create metrics and regularly check in

As with anything in the business world, it’s important to be able to look at how successful (or unsuccessful) a leadership pipeline may be.

That means metrics for measuring success should be put in place during the initial development phase. One of the simplest ways to measure success is by looking at internal versus external hiring rates, but of course there are a number of other ways to measure the success of a leadership pipeline.

Regardless of the metrics, check in on leadership planning and development programs throughout the year and make sure the right people are at the right place and things are functioning as they should be.

If a problem does arise, it’s important to be proactive to keep the pipeline moving along smoothly, efficiently and effectively.

6. Promote a culture of learning

This suggestion goes hand-in-hand with the number one suggestion on this list for developing a leadership pipeline, and it’s an incredibly important part of the process.

When organizations promote and maintain a strong learning culture, employees at all levels are more likely to be engaged and focused on working toward new opportunities.

This also makes employees feel as if they’re being valued and appreciated, which can solve many of the problems and complexities cited at the start of this paper, including top talent moving from job to job and Millennials who don’t feel as if they have expanding opportunities for growth along with new challenges in their workplace.

7. Include diversity efforts within the pipeline

One of the most important aspects of a successful and robust leadership pipeline involves the inclusion of diversity-based efforts.

There are a number of ways to approach the implementation of diversity within a leadership pipeline, ranging from segmenting programs to identify high-potential employees from diverse backgrounds to creating development programs specifically centered around inclusion.

Mentorship and the provision of employee networks are other ways to integrate diversity and inclusion within succession planning and leadership pipelines.

Conclusion

The strongest and most competitive organizations are the ones who are not only clear on where they are at the present moment, but also where they’re going.

By creating leadership pipelines that are an integral part of not only long-term strategies but also day-to-day operations, organizations are better able to prepare for the future while also addressing many of the challenges presently plaguing them including a lack of new and emerging talent and leadership, skill shortages and unhappy, disengaged employees.
References


