

The 5 Elements of a Strong Leadership Pipeline

Investments in traditional leadership development are often misguided and a waste of money according to Josh Bersin founder of Bersin & Associates (now Bersin by Deloitte) in a recent Harvard Business Review article.

As Bersin notes, it's not that development itself isn't important. In a 2016 Deloitte study of 7,000 organizations, 89% of executives rated "strengthening the leadership pipeline" an urgent issue.

But there's little evidence that much of what the development market offers works. Numerous experts have pointed out that the market is filled with fads — slick behavioral models and fun, engaging tools — that don't really move the needle.

For example, the current hot topic is "digital leadership" — driving organizations to be more innovative, iterative, and collaborative as they develop digital strategies to disrupt or transform their current business. According to Bersin, executives are looking for ways to cultivate those competencies and, in the process, feeding the fad-driven leadership development market.

He believes that they should be directing their attention elsewhere. To explain why, he shares some findings from a recent Deloitte study he and his associates conducted that surveyed and interviewed executives from more than 2,000 companies, asking extensive questions about how they develop leaders, how their companies are managed, how they coordinate their work, and what their organizational culture looks like.

Here's what they learned about companies that have strong leadership pipelines and strong financial performance:

- First, they focus intently on culture. They talk about it, and they live by it. People in the company know what it stands for, and this gives them freedom to lead in different but complementary ways.
- Second, these companies believe in matrix management and risk taking — both attributes are highly predictive of long-term revenue per employee and gross profit margin. A matrixed organization forces leaders to collaborate beyond boundaries. To be effective, they must build networks, move from role to role, and build depth of understanding across the business.
- Third, these companies believe in learning through exposure. They develop leaders through interactions and relationships with colleagues, experts in their field, and customers, and through work in new contexts.
- Fourth, these companies believe in knowledge sharing. They have after-action reviews, they talk about bad news, and they exhibit traits of a "learning culture." They are inclusive and create an environment where everyone can speak up, so problems are brought to the surface quickly.
- And fifth, while these companies do have leadership "programs," they are embedded in the business, and HR does not operate alone. Senior HR leaders are embedded in each unit to make sure leadership discussions, programs, and ongoing assignments are relevant to the business and also coordinated with other efforts throughout the company.

Bersin points out that organizations that follow these basic rules bring in 37% more revenue per employee, are 4x more likely to be efficient (measured through profitability), and are 3x more likely to be market leaders and innovative by nature than the low performers studied.