

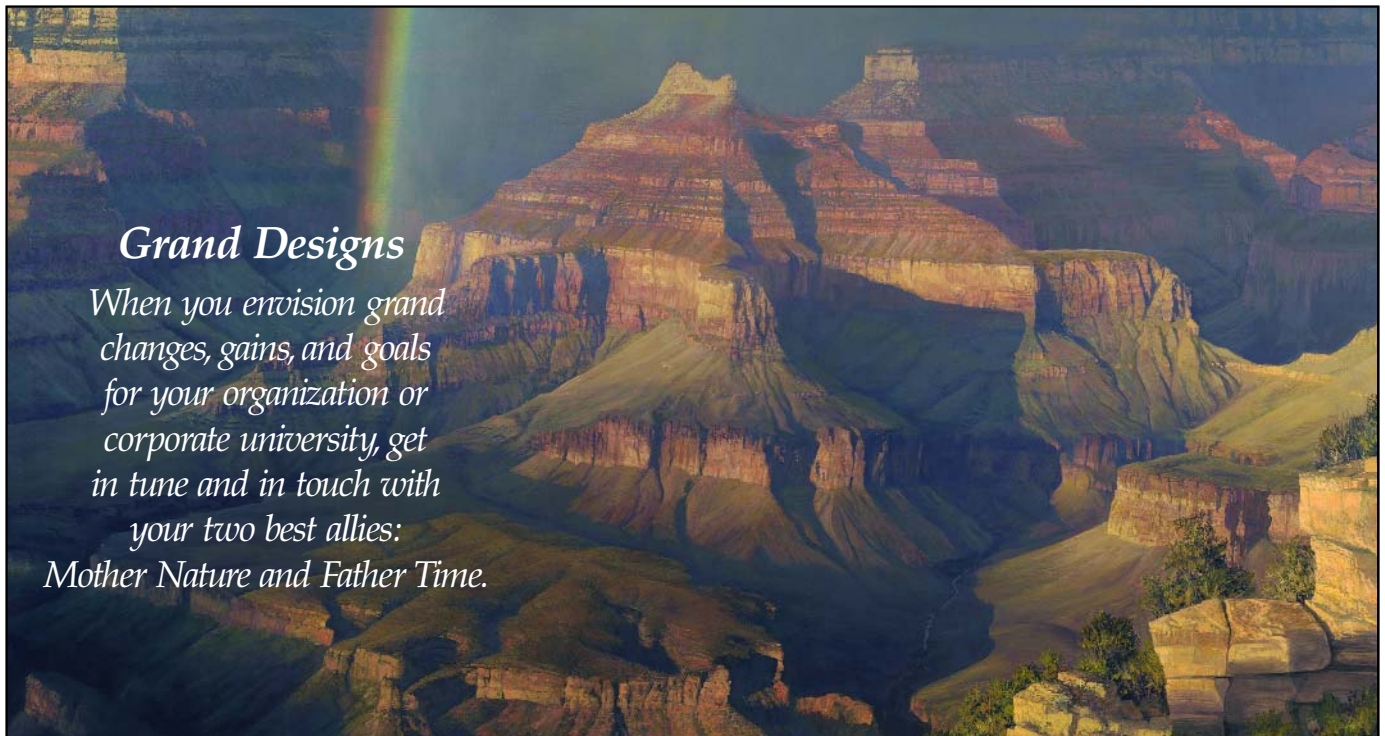
LEADERSHIP Excellence

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Grand Designs

When you envision grand changes, gains, and goals for your organization or corporate university, get in tune and in touch with your two best allies: Mother Nature and Father Time.

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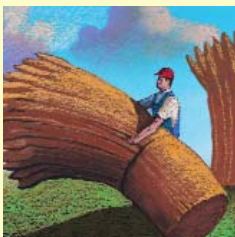
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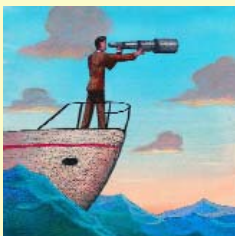
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Leaders as Learners and Teachers

Today, if you know it or do it, you also teach it.



by Ken Shelton

SINCE 1984 WHEN WE launched *Executive Excellence* magazine as a leadership development resource, we not only published the best and latest thinking from top consultants and professors (starting with our original contributing editors Stephen R. Covey, Ken Blanchard, Charles Garfield, Tom Peters, Warren Bennis and Rosabeth Kanter), but we also featured the best of the "practitioners" in positions of influence: CEOs, line managers, CLOs, and those in charge of leadership development.

So, in a sense, we were always into "blended learning." This mix of best thinking from schools of management, independent consultants, and working executives is powerful because it blends precepts and principles with practice and experience.

Performance Meets Learning

When I studied and later worked at a major university, I always lamented the lack of practical application and performance orientation. It seemed that much of "higher education" is just learning for the sake of learning, which isn't all bad. I do believe in the value of a quality general education.

However, once away from the hallowed grounds of a university campus (and, in fairness, even at the best universities), learning is usually directed toward a business purpose—and with good reason. Most organizations, including all business firms, are not chartered primarily to promote continuous learning. Most learning is either job-related or culture-centered and promotes performance and results.

More than the university dean or professor, the business CLO is all about bottom-line ROI. Learning must be good for business. This means that much of that valuable specialized knowledge stored in the heads of knowledge workers (much of it put there on company time and at company expense) must be shared, captured, and put to work. Likewise, the equally valuable professional experience of knowledge workers and managers (much of it financed by the company) must be shared and applied in ways that benefit the company.

This is the principle of "fairness" as it relates to learning and experience. The beneficiaries of the investments that companies

make in workplace learning and training, especially those engaged in big-ticket leadership development programs—whether they are public or in-house events—should feel responsible to generate returns for the company on their investment in them.

And yet I find that this is rarely the case, unless the system mandates and monitors the return. At every leadership conference that I attend, I find some people who depreciate the company investment by turning the learning and training into a mini-vacation with no intent of capturing and applying content, let alone improving their performance. Worse, I encounter others who are spoiled and feel entitled to the time off and even talk disparagingly about their bosses and companies at the events.

Learn from the Best

As you read this special *Corporate University* and *High Performance Forum* issue of *Leadership Excellence*, I hope you will learn from some of the best in the learning business.



WORLD HIGH PERFORMANCE FORUM



Stephen R. Covey



John P. Kotter



Patrick Lencioni

Corporate University Week 2005

Driving Business Strategy through Learning & Training



David Vance



Corinne Miller



John DiBenedetto

Beyond your reading, as always, I encourage you to use the *Excellence in Action Guide** to apply what you learn to enhance your performance, thereby creating an exponential return on your modest investment in excellence.

Ken Shelton

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Executive
Excellence
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True Leadership

They love their people and do their duty.



by H. Norman Schwarzkopf

YOU CAN DIVIDE your work into a calling, like a priest, or a profession, like a doctor. It's either a career, where you go from step to step, moving up a ladder of progression, or just a job, where you walk in every day and punch a ticket. Nobody stays in any position—and makes a success of it—unless they feel called to do so.

The military is someplace between the calling and the profession. It's something you're identified with; you have a title, and everybody calls you that. And yet, you also have to have this inner drive of service. West Point gave me a creed to live by: "Duty, Honor, Country." I have tried to live by that creed. I enjoy the sense of service.

You know that you're serving something beyond yourself. You derive the reward from the fact that you are dedicating your life to serving your country. My experience in Vietnam was one of the most self-fulfilling experiences I've ever had, because there was no gain in it for me at all. I was making a tremendous sacrifice for no personal gain.

The troops made it all worthwhile. We experienced more peaks than valleys, and I came to know people of so many different nationalities, cultures, and ethnic backgrounds. Meeting all of these people was a wonderful education for me. It taught me that there is more than one way to look at a problem—and they all may be right. It gave me a deep appreciation for people—to enjoy them as you find them and not prejudge anybody. I learned to be flexible to get along with people of different nationalities.

Love your troops, the people you lead. Any general who is worth his salt cares very much for his troops and knows that war is not fought by robots but by soldiers, by people. Liberty is bought by the blood of soldiers, and the sacrifices of these people. I don't know any modern U.S. generals who are war mongers. They go to extreme steps to avoid war, because they know how bad it is, having all gone through the Vietnam experience.

Love the duty that you're performing. Duty is a powerful motivator. The sense of duty keeps you going when things get very rough. In war, you have this sense of duty. When you must go to war, you want to bring all of your power to bear to get it over with as quickly as possible. That's the smart way to fight. That's also the way you save lives. If you lead men in battle, they're *your* people. I still grieve for the loss of every person who served under my command—and I show my emotion. If you believe something, you should believe it passionately. To be a good leader, you have to lead passionately. I'm a passionate person.

I did not come into the Army to be a lieutenant, captain, or major. I intended to be a general. If I started pumping gas at a Shell station, I would want to be the CEO of Shell Oil. I aim high and dream big. It leads to heroism. Nobody says on the battlefield, "I think I will be a hero today, and do a heroic act." It's people doing their duty. Somebody else sees it and says, "Wow, isn't that heroic!" But the people who are doing it don't think at the time or afterward that they're being heroes. They say, "I was just doing my duty."

Anybody who says they're not afraid of war is either a liar or crazy. There is nothing wrong with fear. Fear will keep you alive in a war—and in business. Fear causes you to focus and see things in much sharper perspective, as long as you don't allow that fear to turn into panic and paralyze you to the point that you can't perform your duty. True courage is being afraid, and going ahead and doing your job anyhow.

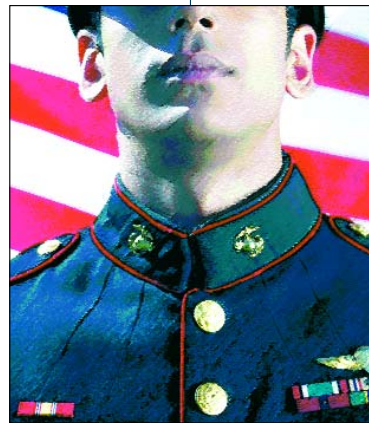
Leadership is not managing an organization. Leadership is all about motivating people. You have to have competence to be a leader, but you also have to have character.

I have two rules of leadership:

Rule 1: When placed in command, take charge. The leader is the person

who takes responsibility. Many other people may want the job, but they don't want to get hung with the loss when it happens. As a leader, when placed in command, you must take charge. Have confidence in yourself and in your training. Work smart so that when you've got to make the tough decision, you can make it. Nothing is more debilitating to an organization than a leader who won't make a decision. The whole organization just stops and waits. If you're not confident in yourself, how can you expect others to have confidence in you?

Rule 2: Once in command, do what's right. All of us know, when placed in those circumstances, what the moral, ethical, or correct thing to do is. We all know it. The true leader does what's right. You've got to believe in what you're doing. If you don't believe in what you're doing, you won't do it well. You



truly have to believe that you're doing what's right. I couldn't go to war if I thought we were doing something wrong. I would get out. You don't have to stay—you have a higher duty to your moral code. You've got to do what's right.

Leadership is an art, not a science. A lot of gut instinct comes into everything you

do. It can't be reduced to a few simple mechanical equations that you apply, out drops the answer, and you just go and do that. Much of leadership is gut feeling and risk-taking.

I never underestimate the strength of an adversary. My job is to have doubts and think of everything that could possibly go wrong, and then try and fix it. I knew that I would be ordering many thousands of men and women into battle, and if I didn't have it right, I could be responsible for the deaths of thousands of people. That's a heavy burden to carry, so if you have any conscience at all, you have doubts, but you work your way through them until you're satisfied that you've done everything you can to achieve a favorable outcome.

I adopted a campaign plan that capitalized on using our strengths against their weaknesses. That's a good strategy for any business. You know your strengths and weaknesses, and then use your strengths against their weaknesses. You don't rush into things without thinking. You learn to work with all constituents to build a coalition

with a common goal so you all know exactly what you want to do. It is then easier to get people to focus on the goal. When things come up that are not part of the goal, you put them aside. You stay focused on the goal.

What makes for a great leader? Character, competence, selfless service, and really caring about people and caring passionately about your cause. You're not doing it for yourself; you're not doing it to stroke your ego; in fact, you're doing it in spite of yourself. When you serve something other than yourself, you get a great sense of satisfaction.

Great leaders are also self-critical. I'm my own strongest critic. I am much tougher on myself, consistently. People who think they are right all the time scare me. None of us are infallible. We all make mistakes. What's important is to learn from those mistakes.

How many of you learned something about how to do your present job by screwing it up the first time? How can you not allow yourself mistakes? You're not giving yourself the freedom to fail, and the latitude to learn. I've learned most things I know how to do well by screwing up the first time.

When I graduated from West Point, I saw things in black and white. I had to do everything right, nothing wrong. But I learned that's not what life is all about. Self-fulfillment is the most important thing—being happy and feeling good about what you do and how you do it. You don't measure your success by what you take out of life; you measure it by what you leave behind.

You can have all the money, power, and prestige in the world, but none of that is important. What's important is what you do with it. Don't do something just because it may bring you fame or fortune. Do it because it will make you happy. Take your God-given talent and use it the way you feel you should use it. I've seen so many people who get all the stuff and then they ask, "What do I do now?" They don't feel satisfied, because they measure their lives in terms of the next promotion, award, or pay raise. But all that is meaningless.

The most fulfilling times I've had were times when I was doing my duty, with no personal gain for myself. I got nothing tangible from it, and yet I got everything from it—that's the point. If I were to write mine my own epitaph, it would say: He loved his family, and he loved his troops, and they loved him—period. **LE**

H. Norman Schwartzkopf is a retired general of the U.S. Armed Forces. This article was adapted from an interview from the Academy of Achievement. www.achievement.org

ACTION: Become a true leader.

leadership traits

Four Traits of Great Leaders

Cultivate these attributes.



by Stephen R. Covey

LEADERS WHO MAKE a difference for good or ill possess three common attributes: vision, discipline, and passion. The difference is conscience. When conscience governs, leadership endures and changes the world for good. *Moral authority makes formal authority work.* When conscience does not govern, leadership does not endure, nor do the institutions created by that leadership. Formal authority without moral authority fails.

Leadership for good lifts and lasts. Gandhi's vision, discipline, and passion were driven by conscience, and he became a servant to the cause and the people. He had only moral authority, no formal authority, and yet he was the founder of the second largest country in the world. When vision, discipline and passion are governed by formal authority void of conscience, it changes things for the worse. Instead of lifting, it destroys; rather than last, it fails.

Let's look at these four attributes:

1. Vision. Seeing a future state with the mind's eye is vision. It's applied imagination. All things are created twice: first, a mental creation; second, a physical creation. Vision starts the process of reinvention. It represents desire, dreams, hopes, goals, and plans. These dreams are not just fantasies—they are reality without physicality, like a construction blueprint.

Most of us don't envision or realize our potential, even though we all have the power, energy, and capacity to reinvent our lives. Memory is past. It is finite. Vision is future. It is infinite.

The most important vision is having a sense of self, a sense of your own destiny, mission, role, purpose and meaning. When testing your own personal vision, first ask: Does the vision tap into my voice, energy, and talent? Does it give me a sense of "calling," a cause worthy

of my commitment? Acquiring such meaning requires profound personal reflection to transcend our autobiography, rise above our memory, and create a magnanimity of spirit toward others.

We need to consider not only the vision of what's possible "out there" but also the vision of what we see in other people, their unseen potential. Vision is about more than just getting things done; it is about discovering and expanding our view of others, affirming them, believing in them, and helping them discover their voice and realize their potential.

Seeing people through the lens of their potential and their best actions, rather than through the lens of their current behavior or weaknesses, generates positive energy. This affirming action is also a key to rebuilding broken relationships. There is great power in viewing people apart from their behavior and affirming their inherent worth. When we acknowledge the potential of others, we hold up a mirror to them, reflecting the best within them. This affirming vision liberates them to become their best and frees us from reacting to bad behavior.

2. Discipline. Discipline represents the second creation. It's executing, making it happen, doing whatever it takes to realize that vision. Discipline is willpower embodied. Peter

Drucker noted that the first

duty of a manager is to define reality. Discipline defines reality, acknowledges things as they are, and gets totally immersed in solutions. Without vision and hope, accepting reality may be discouraging. Happiness results from subordinating or sacrificing immediate pleasure for a greater good.

Most people equate discipline with an absence of freedom, with coercion or duty. In fact, only the disciplined are truly free. The undisciplined are slaves to moods, appetites, and passions. I don't have the freedom to play the piano. I never disciplined myself. What about the freedom to forgive, to ask forgiveness, to love unconditionally, to be a light, not a judge—a model, not a critic? Discipline comes from being "disciplined" to a person or a cause, often subduing an impulse in obedience to a principle or sacrificing present for future good. Successful people may not like doing things that failures don't like to do, but their dislike is subordinated by the strength of their purpose.



3. Passion. Passion comes from the heart and is manifest as optimism, excitement, emotional connection, and determination. It fires unrelenting drive. Enthusiasm is deeply rooted in the power of choice rather than circumstance. Enthusiasts believe that the best way to predict the future is to create it. In fact, enthusiasm becomes a moral imperative, making the person part of the solution rather than part of the problem of feeling hopeless and helpless.

Aristotle said, "Where talents and the needs of the world cross, therein lies your vocation." I say, "Therein lies your passion, your voice, your energy, your drive. It keeps you at it when everything else may say 'quit.'" When life, work, play, and love all revolve around the same thing, you've got passion! The key to creating passion is finding your unique talents and your special role and purpose.

Courage is the essence of passion, and is, as Harold B. Lee once said, "the quality of every virtue and acting at its highest testing point."

Skills are not talents. Talents, however, require skills. People can have skills and knowledge in areas where their talents do not lie. If they have a job that requires their skills but not their talents, they'll never tap into their passion. They'll go through the motions, but need external supervision and motivation.

If you can hire people whose passion intersects with the job, they will manage themselves better than anyone could ever manage them. Their fire comes from within. Their motivation is internal. Think about times when you were passionate about a project. Did you need to be managed? Of course not!

When you can give yourself to work that brings together a need, your talent, passion, and power will be unlocked.

4. Conscience. Conscience, this moral sense, this inner light, is universal and independent of religion, culture, geography, nationality, or race. All major traditions are unified when it comes to basic underlying principles or values.

• *Conscience is the moral law within*—the voice of God to his children. Hence, there is an innate sense of fairness and justice, of right and wrong, of what contributes and what detracts, of what beautifies and what destroys, of what is true and what is false. Culture translates this basic moral sense into different practices and words, but this

translation does not negate the underlying sense of right and wrong.

There is a set of values, a sense of *fairness, honesty, respect* and *contribution* that transcends culture—something that is timeless, which transcends the ages and is also self-evident. Conscience is the still, small voice within. It is quiet and peaceful.

• *Conscience is sacrifice*—the subordinating of one's self or ego to a higher purpose, cause or principle. Sacrifice means giving up something good for something better. Sacrifice can take many forms: making physical and economic sacrifices (the body); cultivating an open, inquisitive mind and purging oneself of prejudices (the mind); showing deep respect and love to others (the heart); and subordinating one's own will to a higher will for the greater good (the spirit).

In business, you know those who are honest with you and who keep their promises and commitments. You also know those who are duplicitous, deceitful, and dishonest.

Even when you reach a legal agreement with those who are dishonest, do you trust they'll come through and keep their word?

• *Conscience tells us the value of both ends and means.* Ego tells us that the end justifies the means, unaware that a worthy end can never be achieved with unworthy means. It may appear that it can be, but

unintended consequences that are not seen or evident at first will eventually destroy the end.

• *Conscience transforms passion into compassion.* It engenders sincere caring—a combination of sympathy and empathy—where one's pain is shared and received.

People who do not live by their conscience will not experience this internal integrity and peace of mind. Their ego will try to control relationships. Even though they might pretend or feign kindness and empathy, they will use subtle forms of manipulation.

The private victory of integrity is the foundation for the public victories of establishing a common vision, discipline and passion. Leadership becomes an interdependent work rather than an immature interplay between strong, independent, ego-driven rulers and compliant, dependent followers. **LE**

Stephen R. Covey is the author of several books, including The 8th Habit. www.franklincovey.com

ACTION: Achieve the private victory.



Leading Change

Learn to do it right.



by John P. Kotter

NO ORGANIZATION IS immune to change.

To cope with new technological, competitive, and demographic forces, leaders often try to alter the way they do business—yet few of these efforts meet the goals. Few companies successfully transform themselves.

Four mistakes cause most failures.

1. Writing a memo instead of lighting a fire. Most leaders bungle the first step—establishing a sense of urgency. Too often leaders launch their initiatives by calling a meeting or circulating a report, then expect people to rally to the cause. It doesn't happen that way. To increase urgency, gather a key group of people for a day. Identify 25 factors that contribute to complacency and then brainstorm ways to counter each factor. Develop an action plan to implement your ideas. Your chances of creating a sense of urgency and building momentum improve immeasurably.

2. Talking too much and saying too little. Most leaders undercommunicate their change vision by a factor of 10. And the efforts they make to convey their message in speeches and memos are not convincing. An effective change vision must include not just new strategies and structures but also new, aligned behaviors. Leading by example means spending more time with customers, cutting wasteful spending at the top, or pulling the plug on a pet project that don't measure up. People watch their bosses closely. It doesn't take much inconsistent behavior to fuel cynicism and frustration.

3. Declaring victory before the war is over. When a project is completed or an initial goal met, it is tempting to congratulate all involved and proclaim the advent of a new era. While it is important to celebrate results, kidding yourself or others about the difficulty and duration of transformation can be catastrophic. Once you see encouraging results in a difficult initiative, you still have a long way to go. Talking about "wrapping this thing up in a few

months" is nonsense. If you settle for too little too soon, you will probably lose it all. Celebrating incremental improvements is a great way to mark progress and sustain commitment—but note how much work is still to come.

4. Looking for villains in all the wrong places. The perception that large organizations are filled with recalcitrant middle managers who resist all change is unfair and untrue. Often it's the middle level that brings issues to the attention of senior executives. In fact, the biggest obstacles to change are often those who work just below the CEO—vice presidents, directors, and general managers, who have the most to lose in a change. You need to build a guiding coalition that represents all employees. People often hear the CEO cheerleading a change and promising exciting new opportunities. Most people want to believe that; too often their managers give them reasons not to.

Three Key Tasks

These common mistakes suggest three key tasks for change leaders:

1. Managing multiple time lines. To create a sense of urgency and avoid declaring premature victory, leaders must make it clear that meaningful change takes years. At the same time, they create shorter-term wins and remind people that the need for change is urgent precisely because it takes so long. The best leaders balance short-term results with long-term vision. They engage their constituents in the excitement of delivering both long- and short-term results.

Results and vision can be plotted on a matrix with four dimensions. Poor results and weak vision spell trouble. Good short-term results with a weak vision satisfy many people—for awhile. A compelling vision that produces few results usually is abandoned. Only good short-term results with an effective, aligned vision offer a high probability of sustained success. Transforming an organization is the ultimate test of leadership.

2. Building coalitions. Today, leaders must win the support of employees, partners, investors, and regulators for many initiatives. Since you are likely to meet resistance from unexpected quarters, building a strong guiding coalition is essential. There are three keys to creating such alliances.

• **Engaging the right talent.** Coalition building means assembling the necessary skills, experience, and chemistry. A coalition of 20 people who are decent managers but ineffective leaders is

unlikely to create meaningful change. The most effective partners have strong position power, broad experience, high credibility, and real leadership skill.

• **Growing the coalition strategically.** An effective guiding coalition needs a diversity of views and voices. Once a core group coalesces, the challenge is to expand the scope and complexity of the coalition. It often means working with people outside. Leaders must not only reach beyond the confines of their enterprise but also know where and how to build support. That may mean giving others credit for success, but accepting blame for failures. It means showing a genuine care for individuals but a toughmindedness about results—getting results being the best way to recruit allies.

• **Working as a team, not just a collection of individuals.** The more you do to support team performance, the healthier will be the guiding coalition and the more it will achieve its goals. During the stress of change, leaders need to draw on reserves of energy, expertise, and trust. Transformation requires a strong team built by doing real work together, shar-



ing a vision and commitment to a goal.

3. Creating a vision. Leading by example is essential to communicating a vision. But how do you build a vision? People assume that vision building should resemble long-term planning: design, organize, implement. Defining a vision of the future does not happen according to a timetable or flowchart. It is more emotional than rational. It demands a tolerance for messiness, ambiguity, and setbacks.

Day-to-day demands pull people in different directions. Conflict is inevitable. Having a shared vision does not eliminate tension, but it does help people make trade-offs. The alternative is to bog down in I-win, you-lose fights. Leaders must convey a vision of the future that is clear, appealing to stakeholders, and ambitious yet attainable. Effective visions are focused enough to

guide decision-making yet flexible enough to accommodate individual initiative and changing circumstances.

Traits of Effective Leaders

Leaders exist at all levels. At the edges of the enterprise, of course, leaders are accountable for less territory. Their vision may sound more basic; the number of people to motivate may be two. *But they perform the same leadership role.* They excel at seeing things through fresh eyes and at challenging the status quo. They are energetic and run through, or around, obstacles. People who provide great leadership are also deeply interested in a cause or discipline related to their arena. Such leaders also tap deep convictions of others and connect those feelings to the purpose; they show the meaning of people's work to that larger purpose.

The most notable trait of great leaders is their quest for learning. They push themselves out of their comfort zones and continue to take risks. And they are open to people and ideas. Often they are driven by goals or ideals that are bigger than what any individual can accomplish, and that gap pushes them to keep learning.

Leaders invest tremendous talent, energy, and caring in their change efforts, yet few see the desired results. There is a good reason. Today's leaders simply don't have much practice at large-scale change. Few organizations were doing radical reinvention 30 years ago, so there is little experience to pass on. The changes undertaken today—producing better products, faster, at lower cost—were unimaginable 30 years ago. Over the next decade, leaders will guide remarkable changes. That is a social and economic necessity.

The single biggest impetus for change tends to be a new manager in a key job. It is often a new division-level manager or a new department head—someone with fresh perspective—who sees that the status quo is unacceptable. Producing change is about 80 percent leadership—establishing direction, aligning, motivating, and inspiring people—and about 20 percent management—planning, budgeting, organizing, and problem solving. Unfortunately, in most change efforts, those percentages are reversed. We continue to produce great managers; we need to develop great leaders. **LE**

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ACTION: Lead change successfully.

Influencing Up

You can make a difference.



by Marshall Goldsmith

KNOWLEDGE WORKERS know more about what they are doing than their managers do; however, few know how to effectively influence upper management. In fact, “Knows how to influence up in a constructive way” scores last on evaluations. I am not surprised. This is the norm, not the exception. Most knowledge workers do not effectively “influence up.”

These 10 guidelines will help you to influence your top management and convert good ideas into meaningful action:

1. When presenting your ideas, realize that it is your responsibility to sell—not their responsibility to buy. Influencing up is similar to selling to customers. They don’t have to buy—you have to sell and take responsibility for results. You can’t blame your customers for not buying your product. And yet most people blame management for not buying their ideas. So upward feedback often turns into “upward buck-passing.” We become “disempowered” when we focus on what others have done to make things wrong and not what we can do to make things right. Develop your ability to present and sell your ideas. And stop blaming management.

2. Focus on contributing to the larger good—not just achieving your objectives. An effective salesperson would never say to a customer, “You need to buy this product, because if you don’t, I won’t achieve my goals!” They relate to the needs of the buyers and to the larger needs of the organization, not just to the needs of their unit or team. Focus on the impact of the decision. Don’t assume that executives can automatically “make the connection” between the benefit to your unit and the benefit to the larger corporation.

3. Strive to win the “big battles”—don’t waste your energy and “psychological capital” on trivial points. Executives’ time is limited. Do an analysis of ideas before “challenging the system.” Don’t waste time on issues that have a negligible impact on results. Be willing to “lose” on small

points and trivial arguments. People become more annoyed with us for having to be “right” on trivia than our need to be right on important points. You are paid to do what makes a difference and to win on important issues.

4. Present a realistic “cost-benefit” analysis of your ideas—don’t just sell benefits. All organizations have limited resources. The acceptance of your idea may well mean the rejection of another idea that someone else believes is wonderful. Be prepared to have a realistic discussion of the costs of your idea. Acknowledge that something else may have to be sacrificed in order to implement your idea. By getting ready to discuss costs, you prepare for objections to your idea. You can acknowledge the



sacrifice that someone else may have to make and show how the benefits of your plan outweigh the costs.

5. Challenge up on issues involving ethics or integrity. Ethics violations can destroy even the most valuable companies. Hopefully, you will never be asked to do anything that represents a violation of corporate ethics. If you are, refuse to do it and let upper management know of your concerns. When challenging up, don’t assume that management has intentionally requested you to do something wrong. Inappropriate requests may be made because of misunderstandings or poor communication. Present your case in a helpful manner.

6. Realize that your upper managers are just as “human” as you are. It is realistic to expect upper managers to be competent; it is unrealistic to expect them to be better than normal humans. There is nothing in history to indicate when people achieve high levels of

status, power and money, they become “wise” and “logical.” How many times have we thought, “I would assume someone at this level...” followed by “should know what is happening,” “wouldn’t make that mistake,” or “would never engage in such behavior”?

Even the best of leaders are human. We all make mistakes. When your managers make mistakes, focus more on helping them than judging them.

7. Treat upper managers with the same courtesy that you would treat partners or customers. Avoid “kissing up,” but also avoid being disrespectful. Many managers spend hours “trashing” the company and its executives or making destructive comments about co-workers. Avoid destructive comments. Before speaking, ask two questions: Will this comment help our company and our customers? Will this comment help the person that I am talking to or about? If the answers are no, don’t say it! There’s a difference between total honesty and dysfunctional disclosure.

8. Support the final decision of the team. Assuming that the final decision of the team is not immoral, illegal or unethical, go out and try to make it work! Managers who say, “They told me to tell you” to co-workers are seen as “messengers” not leaders. By not supporting the final decision, you sabotage the chances for effective execution.

9. Make a positive difference—don’t just try to “win” or “be right.” We can easily become more focused on what others are doing wrong, than how we can make things better. So, remember your goal—make a positive difference. Focus less on winning and more on making a difference. The more other people can “be right” or “win” with your idea, the more likely your idea will be successfully executed.

10. Focus on the future and let go of the past. Avoid “whining” about the past. When you whine, you inhibit any chance to impact the future. Your managers tend to view you as annoying and your direct reports as inept. Nobody wins. Successful people love getting ideas aimed at helping them achieve their goals for the future. They dislike being “proven wrong” because of mistakes in the past. By focusing on what can be achieved tomorrow and increase your odds on effectively influencing up.

By making a small investment in learning to influence up, you can make a large, positive difference! **LE**

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ACTION: Influence up effectively.

New Operating Reality

Move toward creative responsibility.



by Elizabeth Debold

ONE BASIC PRINCIPLE of transformative leadership is “face everything, avoid nothing.” That means knowing, with eyes wide open, what’s really going on and what is possible—the change you want to happen. So, look at the current operating reality.

All of the technological change seen in the 20th Century is like 20 years of change at today’s rate. In the next 20 years, we’ll make five times the progress. And business is the most significant driver. Disney produces and launches a product every five minutes. SONY launches three new products per hour. About 70 percent of Hewlett-Packard’s revenue comes from products that didn’t exist a year ago.

No wonder the average tenure of a CEO has dropped. The revolving door on the executive suite is spinning faster. Boards barely give new CEOs time to try something new before ousting them.

Accelerating change, complexity, interconnectivity, and systemic risk—this is the world in which you are trying to run a business. Traditional business skills just aren’t enough. You have to negotiate this new operating reality. And what do you have to work with?

Do you know that most people in your company don’t like their jobs, but pretend that they do? That’s one reason why it’s so hard to respond quickly.

On all levels, business as usual isn’t working. We need new solutions, not just doing the old faster or better, to handle the changes we face. We’re at a tipping point—a time when small changes can have a huge effect. Either this huge synergistic global system will drive itself into the ground, or enough leaders will wake up and make choices that will create a shift that will take us to the next level of awareness and cooperation.

Nothing less than enlightened, transformative leadership can get us there. Wise business leaders are starting to recognize that these dramatic changes present huge opportunities.

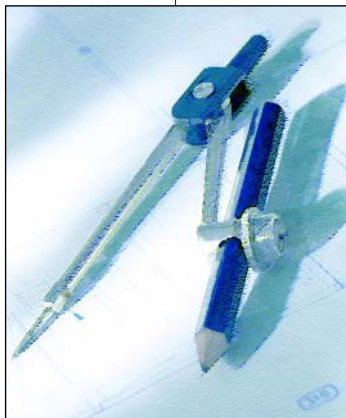
Transformation: From What to What?

Now, what exactly do we intend to transform? It starts with transforming how we think. The systems that we create come from how we think the world works. The economic credo of the clockwork universe is that the system will run perfectly if each person and corporation pursues its own self-interest relentlessly. It’s an “I win, you lose” game. That credo has proven to be flawed. But let’s face it—that’s where most of us are right now. Like cancer cells, we aim to win at all costs—and that means killing healthy cells, which eventually kills the host.

This short-term, win-lose proposition is how business has operated for centuries, acting as if there isn’t a larger whole. This old model of win-lose has got to yield to win-win. We need a new self-interest, an interest where our actions take in the good of the whole—a living systems model.

This is why Peter Drucker says, “The corporation as we know it is unlikely to survive the next 25 years.” Our organizations need to follow the principles of living organisms. Transformative leaders align the whole around shared principles so that when a crisis comes, every part—every person—can respond as a whole. They think in an organic, interconnected way.

When you recognize that we are part of one whole, your idea of sustainability has to change to include what works for the benefit of all. Planetary sustainability means that industry has to leave no footprint. Yes, the basic resources on our planet—air, water, oil—are finite, but human creativity is infinite. That creativity, when combined with the



responsibility for the whole, presents remarkable business opportunity.

Creative responsibility means bringing our capacity to innovate and create in business to a higher level of responsibility. We’re seeing a rebellion among those who design things. It’s the Massive Change movement, started by designer Bruce Mao and others who envision a new period of human possibility, where all economies and ecologies are interconnected in order to achieve the most positive outcome.

We must ask: “Now that we can do anything, what will we do?” Architect Bill McDonough and chemist Michael Braungart take creative responsibility through “cradle-to-cradle” principles based on the creativity of Nature. They designed for Herman Miller, a leader in office furnishing, a chair that is 90 percent recyclable, and contains no substances toxic to humans. It is now one of the company’s top sellers.

Some call this “bio-mimicry.” Nature is abundant, wasteful, extravagant, and creative. Everything that Nature gives birth to, when it dies, becomes nutrients to support the birth of new life. The opportunities born out of this perspective are unlimited.

For example, most heavy textiles like carpets are created with dyes that are so toxic that scraps have to be treated as hazardous waste. Ray Anderson, chairman of the carpet manufacturer Interface Inc., is committed to this new thinking. In the last decade, Interface has saved \$255 million by changing their manufacturing process to eliminate hazardous waste disposal. A new carpet design, based on “bio-mimicry”—imitating how Nature creates the forest floor, has become a bestseller.

You may be surprised how many of your customers care about these issues. When given the option, they will go with what is better for the whole.

Three Levels of Transformation

How do we translate this new thinking into how we run a business? I see three levels of transformation:

1. Free the creativity and passion of the people. When we think of the organization as a living system, we realize that we can’t thrive if parts of the body are not alive and responding creatively.

For example, after five years of downsizing at ANZ Bank in Australia, morale was in the gutter. In desperation, CEO John MacFarlane engaged the employees in solving the problems of the bank—adopting the goal of becoming “the Bank with the Human

Face." Within one year, ANZ was named Australian Bank of the Year and profits jumped almost 20 percent in six months.

Approach your firm as a living system to free creativity and innovation.

2. Recognize that your organization lives within a matrix, a living interactive network. Remember what happened to Nike when word got out about abusive labor practices in the developing world? They were hit hard. But Phil Knight weathered the storm because he insisted on doing the right thing. Today, Darcy Winslow, head of Nike's women's footwear, is bringing cradle-to-cradle thinking into her work.

3. Change the global systems—the ways that business, government, nonprofits work together. Change regulations to create incentives for responsible behavior. Change the sources of capital so that it's possible to do well by doing good. For example, at Unilever, Tex Gunning has an ambitious project to end child malnutrition, as a core business mission.

The Good, True, and Beautiful

There is something mysterious to the process of transformation. When we align with the Good, the True, and the Beautiful, things happen that we wouldn't have imagined possible.

Aligning with the greater good—if you are persistent—opens the way to real change, mysteriously. However, leaders must go first by applying five core principles of transformation identified by Andrew Cohen:

1. Intention: You have to want to change, to bring about the Good, the True, the Beautiful; to reach for something beyond your own self-interest.

2. Total responsibility: You need the courage to choose the right thing, and be totally responsible for all you do.

3. Face everything, avoid nothing. You must look at the effect of what you are doing and go against cynicism, knowing that change is possible.

4. Take the biggest possible perspective. Your life and your organizations are part of a process that requires you to recognize your place in the larger whole and to make the right choices.

5. Do it for the sake of the whole. You can change the way you live and work. It starts with *your* transformation. Changing the way you think. Becoming an authentic, transformative leader is never easy. But so much is at stake. When you face where we really are, you don't really have a choice—it's in your hands. **LE**

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ACTION: Work for the sake of the whole.

Getting Fit

Become a real player.



by Howard M. Guttman

HIERARCHICAL IS OUT; horizontal is in.

There's no room today for the multiple layers, slow decision making, and dependence on leaders. Successful organizations are characterized by consultation, collaboration, and cross-functional problem-solving, decision-making, and planning.

Why are horizontal organizations so much more nimble? Extended product development cycles are replaced by rapid movement from design to market; decision-making bottlenecks are eliminated; leaders empower and delegate; and the focus is on the success of the business, not individual functions.

Horizontal Success

Leaders intent on this transition must take four actions:

1. Look into the mirror. The top team sets the tone. Before expecting others to "go horizontal," senior managers must ask, "What are the decision-making patterns on our team?" "To what extent do we see ourselves as accountable and responsible for one another's success and for the outcomes of our team?" "Do we depersonalize conflict and confront one another honestly and openly?" If the president is still calling the shots; if team members are constantly lobbying for resources; or if internal conflict has brought decision making to a halt—it's time to practice what we preach.

2. Align all your teams—beginning at the top. Raising team performance and reframing team behavior begins with alignment. Ask seven questions to determine whether or not a team is aligned: Does the team have clear goals? Are those goals aligned with the strategy? Do all team members know who is responsible for what and how they will be held accountable? Are protocols or rules of engagement agreed upon so everyone knows how decisions will be made? Are rules in place for how conflict will be managed? Are relationships between and among team members

healthy and transparent? Do people assert their point of view honestly and openly and treat disagreement not as a personal attack but as a business case?

3. Shift from commanding to influencing. In the new paradigm, the one who wins isn't the person with the most clout, but the one who possesses the right strategic instinct, content capability, rapport, and persuasion.

When Susan Fullman was director of distribution for United Airlines, she was a cross-functional player in a hierarchical context. Her success hinged on her ability to influence rather than command: "I had to sell my vision to each director. And I couldn't do that without learning to clearly articulate my ideas, depersonalize the way I made my case, develop my powers of persuasion—and learn to listen to each person and address their concerns."

4. Become a player-centered leader. The horizontal organization calls for a shift in the role of the leader to a new "player-centered" model.

The question becomes: How prepared are the players to handle increased authority and responsibility? As teams proliferate and decision making becomes decentralized, people must step up. Managers must know each person's capabilities and skills and adjust his or her "style" accordingly.

For example, when managing an inexperienced team leader, a senior manager needs to provide a high level of direction, structure, and support; but as team leaders become more competent, the senior manager can adopt a more hands-off style.

The goal should be to inspire and empower, not prescribe or direct. Provide coaching and collaboration as each player requires.

Many leaders talk about decentralization, layering, and empowerment. But decisions continue to be made by the CEO; functional heads are still vying for resources; and further down are vacationers and victims.

Horizontal organizations are more states of mind than states of matter. It's not as much about titles and boxes as it is about every employee showing up, every day, as an energized, strategically focused team member. **LE**

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ACTION: Be lean and agile.



Death By Meetings

Be more creative and capable.



by Patrick Lencioni

THE GREATEST MYTH that exists about meetings is that they are inherently bad, unavoidably painful, unproductive, and necessary evils. Bad meetings are a reflection of bad leaders. Worse, they take a devastating toll on a company's success.

Fortunately, for those leaders who challenge the notion that meetings are unfixable, it is possible to transform what is now tedious and debilitating into something productive, focused, and energizing. The key to improving meetings, however, has nothing to do with better preparation, or agendas.

Better Meetings

The first step in transforming meetings is to understand why they are so bad. There are two basic problems. First, meetings lack drama, meaning they are boring. Second, most meetings lack context and purpose. They are a confusing mix of administrivia, tactics, strategy and review. This creates unfocused, meandering conferences, with little resolution or clarity.

• **Produce drama.** The key to making meetings more engaging (less boring) lies in nurturing the natural conflict. The best place to learn how to do this is Hollywood. Directors and screenwriters know that movies need conflict to be interesting. Viewers need to believe that there are high stakes, and feel the tension the characters feel. They realize if they don't nurture that drama in the first 10 minutes of a movie, audiences will disengage.

Leaders of meetings need to put the right issues (often the most controversial ones) on the table at the beginning. By demanding that their people wrestle with those issues until resolution has been achieved, they can create genuine, compelling drama.

• **Create context and purpose.** Drama won't matter if leaders don't create the right context for their meetings and make it clear to team members why the meeting is occurring and what is expected of them. To create context, leaders must differentiate between different meetings. Too often, however, they throw every possible conversation into one long meeting. This creates confusion and frustration among team members who struggle to shift back and forth between tactical and strategic conversations, with little or no resolution of issues.

But be warned, by creating context, leaders might have *more* meetings. They may spend less time in meetings, but have different *types* of meetings.



Time For Meetings

Teams should ideally be having four distinct meetings regularly:

• **Daily Check-in** is a schedule-oriented, administrative meeting that lasts 10 minutes. The purpose is to keep team members aligned and provide a forum for activity updates and scheduling.

• **Weekly Tactical** is what most people know as staff meetings. These should be about one hour in length, give or take 20 minutes, and should focus on the discussion and resolution of issues that affect near-term objectives. Ironically, these work best if there is no pre-set agenda. Instead, the team should quickly review one another's priorities and the team's scorecard, and then decide on what to discuss. This will help them avoid wasting time on trivial issues, focus on issues that are relevant and critical, and postpone the discussion of more strategic topics.

• **Monthly Strategic** is the most interesting meeting for leaders, and the most important indicator of strategic aptitude. It is the place for big topics that have a long-term impact. These issues require more time and a different setting—one

in which participants can brainstorm, debate, present ideas, and wrestle with one another in pursuit of the optimal long-term solution. Each strategic meeting should include just one or two topics, with two hours for each topic.

• **Quarterly Off-Site Review** is a chance for team members to reassess issues: the interpersonal performance of the team, the strategy, the performance of employees, morale, competitive threats, and industry trends. These can last one or two days each quarter.

The key to making this four-pronged meeting structure work is to overcome the objection: "How am I going to get my work done if I'm spending all of my time in meetings?" There are two ways to answer this. First, these meetings require about 20 percent of a leader's time. Most leaders spend even more time on meetings anyway. Second, leaders need to ask: "What is more important than meetings?" If they say "sales" or "e-mail" or "product design," they should reconsider their roles as leaders. A leader who hates meetings is like a symphony conductor who hates concerts. Meetings are what leaders do. The solution to bad meetings is not to eliminate them, but to transform them into meaningful, engaging, and relevant activities.

Leaders need to cascade communication. Members of an executive team should leave each meeting having agreed on a set of messages that they will communicate to their respective staffs within 24 hours. Then, members of their staffs communicate those same messages to *their* staffs. This forces executives to get clear about what they have agreed upon and what actions they will take. Employees in different departments hear the same messages from their respective leaders. This gives employees confidence and allows them to pursue their work without doubts and distractions. Cascading communication also allows people to implement decisions quickly and promotes action and buy-in.

Because of its personal nature, cascading communication evokes more trust. There is no substitute for personal, interactive communication when it comes to inspiring people to act. So, take 10 minutes at the end of their meetings to get clear about what has been decided and what needs to be communicated to turn decisions into actions. **LE**

Patrick Lencioni is the author of two BusinessWeek Best-Sellers, *Death By Meeting* and *The Five Dysfunctions of a Team*. He is president of The Table Group. www.thetablegroup.com

ACTION: Create more effective meetings.

Cracking the Code

Turn knowledge workers into knowledge warriors.



by Jonathon Levy

LEADERS CAN GAIN competitive leverage by giving every knowledge worker the tools they need to become knowledge warriors. The learner is positioned—and willing—to take charge of the learning process. Leaders can capture inherent knowledge, blend it with vetted knowledge, and make it available a bit at a time, on demand as required.

The technologies are now on hand for the strategic deployment of knowledge assets, but a new way of thinking about learning is required—a real-time system that offers an integrated blend of human and digital content to provide knowledge workers with the required new skills and knowledge daily.

Knowledge workers are victims of greatly increased demand arising from new information sources and channels and beneficiaries because those same technologies promise them extraordinary leverage and performance support.

The enterprise needs to capture its own collective knowledge and enhance its collective awareness. The technology that powers this new model of knowing exists, but we need to use the technology differently. Traditional courses and delivery methods are making way for more robust and performance-related learning strategies: not degrees, but “dynamic competencies,” not just in case, but just in time; not mass product, but personalized, on-the-spot knowledge. The new focus is on the learner.

The difference is profound. The required knowledge solution doesn’t exist until the learner presents himself; and the solution is “tailored” for each individual on the spot. This is the end of eLearning as we know it. Our brief experience with eLearning has propelled us to High Performance Learning. We are positioned to crack the code.

There are three sides to the learning proposition: learner, knowledge, and means or process of gaining knowledge. Clearly the *most* important element is the *learner*—the one for whom the process of learning exists. Until recently, however, all formal education has

focused on *the knowledge* (the subject-matter expert and content), and the *means of gaining knowledge*. But all that is changing. As leaders recognize that many important knowledge assets are stored in their people’s heads, their focus is shifting from the *knowledge* as a commodity to the *learner* as a key resource.

This is already starting to happen. Steven Schuller, VP of Wyndham International, is developing knowledge networks for Web-based, real-time, peer-to-peer mentoring. Jim Mitnick, senior VP of Turner Construction Company, is moving toward virtual collaboration via wireless devices that provide real-time knowledge gap analysis. Joy Hunter, CLO of the U.S. Department of Veterans Affairs, is making learning informal and continuous via a system that anticipates and pushes learning as



required. George Wolfe, dean of global learning for Steelcase University, is capturing the genius within the enterprise to target inherent skills and competencies through social network analysis and knowledge sharing.

Virtual capability is now driving the creation of networks to identify, channel, and integrate a company’s collective knowledge for those who need it.

The new focus centers on human consciousness in a powerful integrated solution that is less focused on content and technology and more on the recipient.

Three Characteristics

Since knowledge rapidly changes we need to leverage it in service of performance in real time. Imagine a knowledge system with these traits:

1. Leverage collective intelligence—identifying, capturing, and transpar-

ently linking the knowledge that people carry in their heads with vetted sources of knowledge, and delivering it in the right context to the right people in the right amount at the right time.

2. Embedding carbon in the silicon—combining potential human coaches/advisors with personalized learning objects within the same platform at the time they are needed.

3. Real-time change management—aligning corporate data with information from the knowledge management system and learning resources from the learning management system; and using the combined data in a dashboard that increases agility and helps management through change in real time.

Cracking the code is not about technology; it is about agility. Upgrading technology without upgrading the *strategy* can be an empty investment.

Five Measures of Quality

Five principles guide the application of technology to learning:

1. Learning is about the learner, not the provider. “Best” generation solutions will always be simple, natural, and life-supporting for the user, addressing the demands of time and context.

2. The solution leverages both the knowledge of the learner and the knowledge of colleagues. Is the knowledge worker driving his own solution? Is the knowledge in the enterprise acquired, encoded, and available on the same platform with other learning objects?

3. The solution is a business solution, not an academic one. A business solution provides people with the knowledge they need for that moment. Expertise is not something that one has, it is something that one uses—the result of a creative interface of individual knowledge and supportive knowledge.

4. The knowledge solution is a critical component of strategy and a powerful tool for achieving the vision. If your corporate “university” is behaving like a traditional university, blow it up. You need expertise and performance.

5. The solution addresses unpredictable circumstances. The quality of such a system is proportional to its flexibility, the degree to which changing requirements can be detected and solutions made available in real time.

In separating what is useful from what is traditional, we will crack the code to discover true quality.

LE

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ACTION: Use knowledge to achieve the vision.

Full Engagement

It takes careful planning.



by Matthew W. Schuyler

ENGAGING PEOPLE with challenging assignments is critical today, as knowledge workers seek stimulating, thought-provoking assignments to grow. Companies need to utilize a defined approach to ensure they have the right size workforce, that the workforce is motivated and focused on the right work, and that they have the right tools to get their work done efficiently and effectively.

The HR department is uniquely positioned to deliver tools and resources to help with “right sizing,” performance management, employee assessments and reviews, and proactive personnel planning.

Right Sizing the Enterprise

When assessing corporate needs, “right sizing” is a model that helps determine how many people to hire and how to allocate them. Each department or work unit prepares its own needs’ assessment based on the work they are planning to complete within three years. Using these financial and business projections, the metrics of how many employees with what types of skill sets can be determined.

The right size module of the workforce planning process looks at how business goals influence the size and considers these three elements:

- **Size.** The number of workforce resources required to meet business needs. Workforce size includes both employees as well as external resources.
- **Staffing mix.** The ratio of internal to external resources. External resources can be further broken down by on-site and off-site contract labor, domestic and offshore or outsourced resources.
- **Skills mix.** Strategy shifts could require different skills and capabilities. By identifying skill gaps and

prioritizing them, leaders can proactively close the gaps through hiring, training, and the use of external resources.

The financial projections establish a time frame for when people will be needed in various roles. HR can then plan for new hires or reallocation of staff through transfers or promotions.

Technology Supports Management

As part of talent management, all managers collect and archive employee data. Using technology tools, HR starts with basic information—name, address, pay rates. This information corresponds to regulatory requirements and forms the basis for pay and benefits calculations. Technology needs to support more than basic collection, calculation, and storage. The data has to be properly identified so that HR can perform as many useful analyses as needed to plan for and manage the workforce.



The more leaders know about their employees, the better their assessment can be. Through computer applications, companies can collect and analyze large and small bits of information. For example, additional data about employees can include business skills, years of experience, education, languages spoken, pre-

vious jobs, company evaluations, salary history, feedback, and more. This data can help identify the potential of each employee and map to future needs.

Employee Assessments and Reviews

Both employees and companies benefit from a formal review program. It is vital for employees to understand the review process. When employers take the time to discuss employees’ roles, the roles of fellow workers and company expectations, everyone benefits.

At Capital One, there is an annual formal performance review that covers the employee’s work history and includes a 360-degree assessment that includes feedback from 10 providers.

Informal reviews provide performance assessment during the year, as needed.

Managing talent today requires many actions to be done in advance of employee dissatisfaction. In this way, issues can be addressed and resolved in a timely manner, and corrections made to workforce staffing. Employees receive continuous updates and information surrounding such sensitive subjects as privacy and diversity.

This process engages the whole organization. It is an essential to having a holistic view of employee performance, which is the only way to gain major improvement in performance effectiveness. Managers can determine the skills each employee needs and further decide the quantity and quality of new or different employees.

When the company has a continual workforce evaluation process in place, individual employees will improve. As individuals improve and are provided with opportunities to advance their skills, the impact is measurable.

Developing a Personnel Plan

With an eye on the future, leaders need a defined personnel plan. Due to rapidly changing roles and responsibilities, however, accurate workforce planning can only look ahead 12 to 24 months. This planning cycle enables HR to make corrections to staffing and skill sets as required, when the company changes its course or the anticipated completion date of projects.

Employees desire a life that balances work, family and personal activities. Leaders need to be proactive in managing their talent through effective use of HR professionals, planning, technology and inter-personal communications.

Planning for the changing workforce has to include participation by a cross-functional team that includes senior executives, operations management, financial management and HR. Each group is responsible for data gathering, future operating initiatives, and analysis. The HR function is to serve as project managers, data managers, analysts, stewards for monitoring personnel plan implementation, and the party for measuring progress of the workforce plan. When focused on proactively serving the business needs, a well-run HR department is worth its weight in gold.

LE

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ACTION: Engage all of your people.

Building Leaders

Build from a strong foundation.



by David L. Vance

DEVELOPING LEADERS is much like building a house. Begin

with the foundation, a common framework on which to base all other work. Develop upwards, using the blueprint to guide future work.

Integrate the common framework through the rest of the project, maintaining links to the foundation. Use master craftsmen to teach apprentices the "best practices" of the profession, and then give all of your workers on-the-job experience, supplemented with a few effective training sessions.

Caterpillar—in partnership with the HayGroup, DDI, and Duke University—has spent years crafting our leadership development program. Through Caterpillar University, we have produced a solid, progressive program, designed to create opportunities for supervisors, managers, and executives to hone their techniques.

Step 1: Start with a strong foundation.

What is "leadership"? What types of leadership will a company need to succeed? What are the characteristics of a good leader? To build a house of leadership that will withstand the ever-changing winds of a global economy, you must have a common language, a framework. When building a house, you start with the foundation.

The HayGroup, an independent leadership consulting firm, began this process by meeting with the CEO and top leadership to get an understanding of Cat's goals and strategies. Then they interviewed our most successful leaders and asked them to describe their best practices and discuss what characteristics make great leaders. From these interviews, the HayGroup helped us develop the "Caterpillar Leadership Framework," which defines leadership for Caterpillar and creates a common language for discussing leadership. The Framework defines leadership as a combination of business context and work requirements, leadership competencies and styles, and work climate.

Great leaders use their competencies and styles to create a highly

engaged environment that fosters high performance. The competencies a leader brings to the job, combined with the business context and requirements of the job, lead to a more effective use of leadership styles.

The ability to appropriately apply a broad set of leadership styles leads to a better work climate. A great work climate drives engagement, which results in improved performance and achievement of goals. A leader's introduction to the Framework comes from "Making Great Leaders", the first in a series of development opportunities. This experience utilizes a 360-degree assessment, combined with classroom training, to give leaders an honest appraisal of their performance. Rolled out in 2004, more than 2,000 leaders worldwide have experienced this to date.



Step 2: Build on your foundation. Once your foundation and framework are established, the next step is to develop the "rooms" of the house. In a house of leadership, you need a room for every level to which your people will rise.

For frontline leaders, the Caterpillar University College of Leadership developed "Succeeding in Supervision," a program that helps new supervisors get the best possible and quickest start as leaders. The program emphasizes that leadership is about getting things done through others, winning the willing discretionary effort of the team and building engagement. With a 90 percent approval rating since this program's inception in April 2005, "Succeeding in Supervision" was rolled out to the United

Kingdom in September 2005 with the rest of the world to follow. With an internal online performance support and learning tool, Caterpillar is using the best material available to ensure quality leadership training.

The Executive Development program is designed with the future in mind. Through global development assignments, Advanced Development Programs, such as those offered by Duke University, and Leadership Quest, Caterpillar builds leaders who understand its unique challenges. Quest takes high-potential Caterpillar employees and further develops them into future departments heads. Quest participants experience expansion of their business knowledge, reinforcement of the Leadership Framework, exposure to executive officers, and a network of other high-potentials. Only two programs with 25 seats are held each year for Quest, which has the added feature of being taught almost exclusively by Cat's top-level leaders.

In the next year, we will develop a Manager and Department Head development curricula. The focus will be on a shared vision of what it means to move from being a supervisor to a manager to a department head and to understand the new responsibilities of each role. New competencies and styles are often needed as leaders progress through their careers.

With a total package of development opportunities, it is now time to integrate the concepts of this foundation throughout the project.

Step 3: Cultivate a consistent style.

Mixing architectural styles in opposition to each other will create confusion in the design. Victorian concepts with modern roofing doesn't produce a functional form. The same holds true for developing leaders. Creating a common language, defining what makes great leaders and training your staff in these areas doesn't produce effective leaders if your core HR processes don't utilize the same language and definitions. Caterpillar has integrated the leadership framework into core HR processes, maintaining a consistent style in the selection, development, and promotion of leaders.

Using the 12 leadership competencies, Cat can identify what kind of leader is needed for a particular role. After selection, leaders receive ongoing feedback from a variety of sources, including the annual Employee Opinion Survey and available reassessment of Making Great Leaders participants.

The performance management process involves SMART Goals (Specific, Measurable, Action-oriented, Realistic, Time and Resource Constrained) and developing competencies used within the Framework. Succession management uses the same competencies to recognize potential leaders and place them into appropriate slots.

Finally, the competencies are integrated into the Career Development process and associated training and materials, making it easier for leaders to learn effective techniques and methods.

Step 4: Leaders as teachers. Master craftsmen make the best instructors. Learning leadership is the same. At Caterpillar, those who can do, teach.

Caterpillar employs successful leaders to provide instruction and guidance to up-and-coming leaders. "Leaders Building Leaders," a forum for officers to share their leadership experiences, is presented to a global audience. Of the 20 instructors at "Leadership Quest," 17 are executive officers. With the roll out of Caterpillar's new Vision 2020, leaders will teach the new strategy to their direct reports.

Step 5: On-the-job training. Learn by doing. This applies to leading any global enterprise. We use the 80 / 20 Rule of Learning—leaders learn 80 percent of their skills from doing, only 20 percent from classroom training.

Our leaders get hands-on experience in various ways. Through cross-functional development, we utilize the broad talents of our people. We also take advantage of our global structure, moving people across continents to broaden their knowledge. Lateral development is also employed to get potential leaders training in areas outside of their immediate expertise.

With these five steps and a lot of hard work and effort, any organization can design the leadership structure that works best for its situation. This process will take time, but it will be worth the effort. Begin with a strong foundation of a common language. Create the blueprint that will allow you to build a lasting structure. Integrate the foundation and framework into all aspects of your project. Use your master craftsmen to teach the necessary skills to your up and coming talents. Finally, supplement on-the-job experience with a few focused training opportunities. We have at Caterpillar Inc., which will help us maintain our position as the leader in our industry. LE

David L. Vance is the President of Caterpillar University, which he started in 2001. www.cat.com

ACTION: Take these five steps.

Leadership Learning

Use a blended model.



by Nick van Dam and Eileen Rogers

THE TWO MOST PRECIOUS ASSETS IN THE professional service firm are the *capabilities of our people* and the *use of their time* to produce results for the client. A delicate balance arises. Leaders require continual skill building, but time to learn is limited.

We discovered opportunities to leverage time in leadership development in a blended-learning solution.

Leaders learn the most on the job. So, target and pursue learning that extends the applications of key leadership capabilities on teams, in projects, and with clients. By employing multiple methods of learning, you can craft a leadership learning strategy that is delivered in a blended solution.

There are five steps to develop a blended model of learning:

1. **Link learning to the core values.** The clients' experience of the firm's core values is their relationship with each professional who represents the brand.

2. **Ensure that the business strategy is driving the learning agenda.** The knowledge of critical client service leadership capabilities and respect for time informs decisions on content and design.

3. **Conduct needs analysis and determine current capability levels.** We conduct analysis on our shared competencies globally in 34 countries to determine where the real-time learning opportunities produce the maximum results.

4. **Select content and design a learning continuum.** Our leadership roles model encompasses the capabilities required for success. This provides a framework for the leadership learning content. We designed a fully blended model to support the learning. The core of the model is *Vision* and the foundation *Eminence* and

Expertise. Business and client *Results* are the target outcomes.

Key roles of leaders and a selection of the primary skills required include:

- **Relationship builder**—emotional intelligence, negotiation, trust and authenticity, consensus building
- **Communicator**—influence, persuasion, listening, presence, storytelling
- **Innovator**—change leader, creativity, custom solutions, risk taker
- **Global citizen**—integrity, responsibility, diversity, global relationship network
- **Mentor/coach**—developing next generation talent, coaching performance
- **Decision-maker**—strategic analysis of options and courage to act, even when information is incomplete

5. **Extend the learning beyond the classroom to the job.** Provide quality learning through on-line learning resources and coaching that is available just-in-time through a technology learning platform that gives access 24/7 to

prime quality learning, when leaders need it and how it best works for them. This platform supports the blended leadership learning that is delivered over time in four main steps.

- **Launch leadership learning with a virtual class.** A virtual class establishes the community of learning and values everyone's time.
- **Push out self-paced online learning.** A rich combination of online leadership assessment and individual leadership style report, e-learning, with readings and resources, are provided with opportunities to interact with coaches.
- **Conduct the classroom program.** This highly valuable time is focused on knowledge exchange, problem-solving, action planning, practice application of new skills, performance coaching, building the culture, and networking.
- **Support on-the-job learning with targeted online learning.** A combination of performance goal setting, dialogue with performance coaches, and availability of targeted online, self-paced learning incorporates learning on-the-job.

A *Leadership Learning Map* (available online) offers just-in-time learning. A click on a button on the map opens doors of targeted learning.

Our experience has proven to us the power of extending leadership learning beyond the classroom. LE

Nick van Dam is the Global CLO for Deloitte and the founder of e-learning for Kids Foundation. Eileen Rogers is Managing Partner for The Professional Learning Forum. www.e-learningforkids.org

ACTION: Create and use a blended model.



Managing Change

Transfer all learning to behavior.



by Donald Kirkpatrick

MANAGING CHANGE effectively starts with determining what

knowledge, skills, and attitudes are needed to achieve the desired behavior and results. Leaders must know the concepts, principles, and techniques required for managing change.

Managing has a two-fold meaning: 1) to *decide* on the changes to be made and 2) to get the *acceptance* of those involved in the change. Training professionals can control the learning content. But, changing behavior is under the control of the line managers whose people are trained. So, these concepts, principles and techniques are important to trainers and managers alike.

Ten Statements

Do you agree or disagree with these 10 "managing change" concepts?

1. Everyone is resistant to change. I agree. Yes, everyone resists or resents change, but not all the time. It gets down to a simple fact: "How will it affect me?" The main reason why people resist or resent a change is because it will affect them in a negative way. For example, when in 1973, Sears' management decided to build the tallest building in the world in Chicago and have all Sears employees in the area move there, not everyone was happy. Some people resisted the change because of the additional cost of travel, parking expenses, commute time, fear of heights, the lack of space, or the separation from friends. However, many welcomed the change because they would be in town for eating and shopping; be in the tallest building; look out over the city; and have better working conditions.

2. People will always accept changes decided on by "experts." I disagree. It makes no difference whether or not "experts" made the decision or the boss made it. Many years ago, industrial engineering consultants (experts) were hired by manufacturing organizations to make decisions on reducing costs. In most cases, some people (10 percent) lost their jobs. The attitudes and feelings

of those who lost their jobs as well as the other employees were so strong that cost reductions rarely occurred because of the negative attitudes and lower productivity of their friends. Seldom will "experts" or "facts" have the desired result because the feelings and attitudes of those affected are so strong.

3. If you want people to accept or welcome a change, give them a feeling of "ownership." I agree. When I taught decision-making, I used statements to describe the four choices a manager has when making a decision: 1) make a decision without any input from subordinates; 2) ask subordinates for suggestions and consider them before you decide; 3) facilitate a problem-solving meeting to reach consensus; and 4) empower your subordinates to make



the decision. In deciding on the best approach for making the decision, consider two factors: quality and acceptance. Regarding quality, which approach will reach the best decision? There is no assurance that one approach will come to a better decision. But the more involvement (ownership), the greater the acceptance.

4. People who don't understand the reason for a change will always resent or resist it. I disagree. For example, my pension benefits at the University of Wisconsin were changed so I could retire at age 62 without losing any benefits. I don't know why the state made the change, but I benefited from it and did not resent it. Any change that will benefit employees will be welcome, whether or not they understand the reasons for it.

5. Empathy is one of the most impor-

tant concepts in managing change. I agree. Empathy is putting yourself in the shoes of others and seeing things from their point of view. Training professionals must determine the needs of the learners so that the program will be practical. Whether using E-learning or classroom approaches, they must communicate so that the learners will understand. And managers must know how to help them apply what they learn.

6. Persons who have no control over the people affected by a change can have little or no effect on their acceptance. I disagree. A training manager once told me, "Don, I have no control over the learners when they leave the classroom, so it is up to their managers to see that change in behavior occurs." This person was right in saying "I have no control" but wrong in saying it is strictly up to the managers. Trainers will have to use "influence" instead of "control" to see that change in behavior occurs.

7. Managers should encourage and accept suggestions from all employees. I agree. What can they lose? And they might gain new practical ideas as well as build relationships with the person suggesting the change. And yet few managers welcome ideas and accept suggestions from other managers because there is little if any difference between a "suggestion" and a "criticism," no matter how tactfully the suggestion is offered. To receivers, a suggestion says: either "you are doing something you should quit doing" or "do something you aren't doing." Someone came up with an interesting and "practical" idea for improvement in performance. Instead of using the typical performance appraisal approach where only the manager appraises the performance and offers suggestions on how to improve, the "360-degree" approach was introduced to include appraisals and improvement suggestion from managers, peers, and subordinates. If managers don't even accept suggestions from peers, imagine how many managers will resent suggestions from subordinates. Organizations that use the 360-degree approach have trouble convincing managers that their people are trying to help them.

8. If changes are going to be resisted, managers should move slowly in order to gain acceptance. I agree. Time can often change resistance to acceptance if the change is introduced gradually. Often people resist change out of fear of failure. You might decide to train the ones who want the new opportunity and terminate or transfer those who do not

want to change. Or, you might decide that you don't have to make the change immediately. Time, patience, and training eventually move most employees from the present state to the desired one. The question is "what is the hurry?" When you introduce change gradually, you increase acceptance, especially when you also encourage and help people adjust to the change.

9. Effective communication is an important requirement for managing change effectively. I agree. This includes upward as well as downward communication. Managers must listen even if they are being criticized, which in many cases was meant to be a helpful suggestion. Instructors must be effective communicators by gaining and keeping the attention of the learner, using vocabulary that the learner understands, and listening to the questions and comments of the learners.

10. Managers and training professionals need to work together for the transfer to take place from "learning" to "behavior." I agree. An important principle has to do with the "climate" that the learner encounters when returning to the job. If the manager is "preventive" and operates on the attitude that "I am the boss and you will do it my way regardless of what you have learned," no change in behavior will take place. Not only will learners be discouraged from changing, they will also be upset by all the wasted time. The ideal climate is where the manager encourages learning and its application on the job. The training professional must influence managers by informing them of the learning objectives and involving them in the training process.

These 10 concepts, principles, and techniques are necessary for managing change effectively. Managers must encourage people to apply what they learn and to transfer learning to behavior. Training professionals must be sure that the curriculum will meet the needs of the learners. The training programs must be effective using competent instructors. They must use empathy to understand the climate established by the managers. Then, they must work with managers to help them establish an *encouraging* climate so that the learning will be transferred to behavior change and results will follow.

The three keys are empathy, communication and participation. LE

Donald Kirkpatrick, author of *Managing Change Effectively* and coauthor with his son Jim Kirkpatrick of *Transferring Learning To Behavior*, is professor emeritus at the University of Wisconsin. www.donaldkirkpatrick.com, 262-695-5851

ACTION: Manage change effectively.

Measure Learning

What works best for you?



by Corinne Miller

WE ARE INUNDATED with many different approaches for measuring learning and development. Many smart people are measuring numerous aspects associated with learning, and it works for their companies. But is it right for you?

Suppose you attend a conference and get excited about one method, then another. They all sound great. You can't contain your passion to fly back to the office to share all of the cool measures. But the organization does not show the same enthusiasm for the new measures—and you're fired.

Let's replay this scenario to get a better ending. Imagine that you have some key questions to help you determine which measures would most impact your company? What might those questions be? Try these:

- What measures are used to make decisions in your operation and culture?
- Why does your Corporate University measure? Is it to improve the learner's experience? Or workforce capability? Is it to improve the University's products? Is it to improve the logistics of electronic or classroom delivery? Is it to determine the strategic direction of the University? Is it to evaluate the performance of your partners, suppliers, vendors? Is it to develop the talent in your University? Is it to guide the financial aspect of your University? Measure ROI? Is it to monitor resource loading, etc., for planning purposes? Is it to justify the University's value? Is it to provide audit evidence for ISO, TL, QS, SEI, or Baldrige? Is it to comply with what someone told you to?
- What is needed in the areas you wish to measure? What problems are

you trying to solve? Most likely you can't measure everything. Use whatever quantitative or qualitative data you have to pick a focus.

- What unit of measure and what source of the data will be meaningful or convincing to your audience? Don't guess. Find out.
- How might the audience interpret the data that results from the measure? What results might be seen as "good" vs "bad"?
- How might the audience use the data? How do you want it to be used? How might you influence its use?
- What data already exists in the company that might be leveraged? Who is using that data today? For what purpose are people using that data today?
- How might the audience wish to see the data presented? When? Where?
- What company initiatives with strong management support might you join in on to provide a relevant learning measure?
- If the measure will require funding (new system, IT upgrade) is there a



senior sponsor who can provide such funding?

- What is the appetite of your audience for measures? You may need to throttle back or forward depending on this.

Every time someone speaks about a measure that works for their University—that is consistent with what is important in their culture and with

their day-to-day decision-making operations, we tend to focus our questions on the mechanics of the measure. You might ask those speaking about measurements, "Why did you select that measure?" You might follow-up with some of the above questions or new ones. Using a question-bank will stimulate you to think of more and better questions!

Understanding the thought process behind the measures selection and implementation will help you to understand whether the measure is right your University and company.

With so many measures and so little time, you need to know: what are the key few measures that will provide the most impact? LE

Corinne Miller is the director of Global Functional Learning at Motorola, Inc. www.motorola.com

ACTION: Use measures that work for you.

Leader On-boarding

Assimilate your new executives.



by John E. DiBenedetto

MOST COMPANIES are poor at developing newly hired or promoted executives. A critical factor in successfully assimilating these people is a leadership on-boarding program. On-boarding steps and timelines vary, but usually occur within the executive's first year tenure and include activities that promote learning.

Failure to develop leadership talent quickly and effectively and to assimilate new leadership into the culture risks costly executive turnover. New leaders must quickly adapt to their new climate by learning about the job, culture, and functions. New leaders wonder whether they will fit into the work team or culture and whether they can perform well. Such unknowns leave them with feelings of uncertainty. When adaptation occurs too quickly, new leaders may not learn everything they need to know and miss key ingredients to success such as the politics and decision-making processes. Leadership on-boarding can mitigate this effect by reducing anxiety and acclimating new executives to their new environment. On-boarding helps pave the way for new associates so their early tenure is fruitful.

Acclimation to New Environment

To help executives acclimate to a new environment, senior leaders need to ensure that their new executives become oriented quickly and effectively. Attempts at hiring external candidates often fail due to poor assimilation.

A prime reason stems from not helping new executives to understand the company's DNA—how the culture evolved, how decisions are made, and what the mission, values, and business drivers are. These executives' styles are often incongruent with those of their direct reports or supervisors, resulting in a clash of personalities.

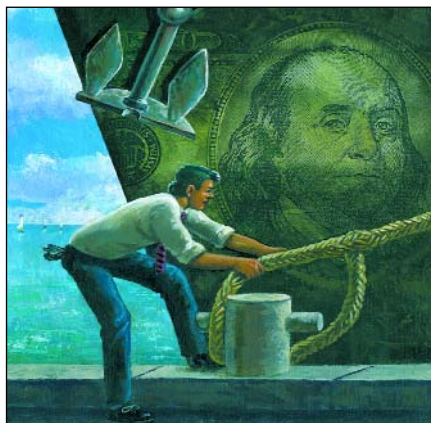
Because the costs of new executive turnover are so high, companies need to ensure the assimilation of their new leaders. The fate of new leaders is decided within their first three months

based on their acclimation to the company and position. If they fail to gain a foothold, it may take 12 months for senior leaders to recognize it.

Identify the leading factors that contribute to executive derailment. Next, develop strategies to prevent turnover. According to consultant Amy Newman Korn, new executives' assimilation may fail for seven reasons:

1. Unrealistic expectations. Companies mistakenly believe that the new executive can solve all of the company's problems. When the new executive fails to deliver in this expectation, the new executive is terminated.

2. Struggle for information. New executives lack internal networks and don't know where to obtain essential data or information to improve performance.



3. Rush to get results. New executives are pressured to get immediate results and forced to act too rapidly or prematurely, which may inflict more harm.

4. Mismatch in culture. A new executive's working style is inconsistent with that of the company.

5. Internal hostility or mistrust of outside individuals. Some colleagues withhold information or are quick to criticize the new executive's style, ideas, or suggestions. This typically occurs if an internal candidate fails to obtain a particular position.

6. Conflicting messages. Different individuals on the executive team may have varying expectations regarding the new executive's role and responsibilities. The new executive must then satisfy contradictory expectations.

7. Acting on messages received during recruitment. New executives may act

on issues or try to fit a role as described in the interview when company reps may have downplayed obstacles or mischaracterized job responsibilities.

Strategies for Indoctrination

We have developed seven leadership on-boarding implementation strategies:

1. Before arrival, provide new executives with as much written or web-accessible information as possible, such as organization charts, operating plans, company strategy, HR policies, and information about current initiatives.

2. Share information about the culture, such as operating principles, values, and community involvement.

3. After arrival, ensure an understanding of report cycles, key meeting dates, meeting cadences, and protocols.

4. Introduce the executive by conducting a neutrally facilitated new leader assimilation that involves the new leaders and employees who report to them.

5. Develop structured orientation plans that are mentor- or coach-driven and consist of readings, research, informational interviews, and check-ins.

6. Allow the executive free time to learn the new job without taking on any major responsibilities.

7. Don't assume that the orientation period ends after 30 or 60 days. Have a plan that spans 12 to 18 months.

On-boarding at Limited Brands

At Limited Brands, new executives have access to a formal assimilation program that contains numerous tools, interventions, and support systems. HR managers use a common on-boarding activity checklist to minimize the guesswork and potential for missteps associated with joining a new company or being promoted to a leadership position.

Key outcomes of leadership on-boarding programs consist of role clarity, job satisfaction, organizational identification, and increased retention. Leadership on-boarding activities are implemented throughout three phases:

1. Pre-hire: Before the candidate is hired, you should clarify the new role, provide a perspective of your headquarters and structures, and develop an on-boarding plan. Outcomes should include: well-defined job specifications and staffing strategy review; leadership assessment and selection; pre-offer review of role expectations and development planning; a realistic job and culture preview; and an on-boarding partnership strategy conference.

2. Hire: While the candidate is being

hired, you should appoint an on-boarding mentor or coach and schedule introductory meetings; schedule an on-boarding coordination and calibration meeting with the manager to assure progress and address open questions or issues; assign a meaningful on-boarding research project; and provide a new leader with a current, written job description. Hire phase outcomes include: understanding vision, values, strategies, brand strategies, and critical initiatives; review of calendar, meeting cadences, and role; exercises for learning the business; developing cross-functional, collaborative partnerships; nurturing boss-peer relationships; team assimilation; relocation; and community-family assimilation.

3. Post-hire: After the candidate is hired, conduct an on-boarding debrief presentation with key executives to discuss research project and associated learnings; compile and consolidate candidate interviewing, referencing, and assessment data into a single professional development plan, and introduce the new leader to the on-boarding tools and processes. Post-hire phase outcomes should include object setting; periodic review of objectives against actual performance; and multi-rater feedback, coaching, training, and other development experiences.

Seven Action Steps

Take these seven actions to help new leaders succeed in their new positions:

1. Develop a written scorecard (activities checklist with dates, times and outcomes). Create this early in the process and articulate realistic goals.

2. Negotiate realistic time frames. Agree on time frames for new leaders to learn and assimilate.

3. Provide access to information. This includes open access to business leaders, stakeholders, and key associates.

4. Build internal networks. Ensure that new leaders meet, mix, and mingle with their new colleagues and direct reports.

5. Provide a culture guide. Assign mentors who can acclimate new leaders.

6. Begin development on new executive's start date. Address professional development early and discuss the skills, knowledge, and behaviors required for the new leader to succeed.

7. Provide early and comprehensive feedback. Appoint a mentor or coach and afford opportunities for the new leader to review key findings with the manager during orientation. **LE**

John E. DiBenedetto is Vice President of learning and development at Walmart Stores, Inc. www.wal-mart.com

ACTION: Set up your new leaders for success.

University Relations

Do you have a partnership?



by Roseanna DeMaria

EXECUTIVE EDUCATION programs are broad and varied. Everything from off-the-shelf programs focused on key business challenges to customized programs. Great faculty—people who can inspire and energize executives—teach these programs. Executives return to their firms with great memories and ideas. They feel valued by their company because the company has invested in them. Bravo!

How can lessons from these experiences can be applied to enhance business results? The answer lies in improving the relationship between the corporation and the university.

The first step is to customize the executive education program with the university. To do this, the firm must have specific goals that the curriculum can address. These goals might target specific business problems or performance. Class composition is important in any customized course designed for impact. Attendees must be accountable for that impact.

The firm will need an executive sponsor who can articulate the goals and contribute to the curriculum architecture. Inherent in this design is the post-program application. Useful goals are measurable. Measure their state of achievement before and after the course to understand impact. When the curriculum is designed around these goals, attendees then can be expected to conclude the program with a plan to apply the lessons. Ideally the executive sponsor should hear those plans and follow their progress.

Curriculum design must incorporate scalable learning. If the lessons learned during the course are to generate operational results, those who attended the course must teach them to those who did not attend. This can be a challenge given time and location constraints. Scalability often requires innovative

solutions such as interactive e-learning sessions where employees anywhere, anytime can participate in online sessions that deliver the key message to implement. Future programs for smaller teams targeting a specific problem can be launched through virtual white-board sessions with faculty. CDs also provide a useful medium to capture and share key sessions. Workbooks can be used to scale the plans.

Our universities include impressive thought leaders who spend their careers studying business challenges, pursuing solutions across industries. This talent can do far more than share their insights. If properly supported, they can channel their classroom work towards corporation-specific goals. This support includes pre-program preparation. Meeting with the faculty and educating them on the firm's business and the goals is vital. Investor relations' presentations and annual reports are useful tools for this meeting. They cannot customize their teaching if they do not understand the business and the issues. Depending on the content required, a non-disclosure agreement may be needed.

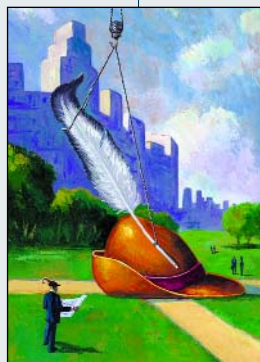
Faculty must also understand the attendees and their roles in the goal achievement. Once the faculty understands who-does-what-where, they can effectively tailor discussions for individual and group needs. Informed faculty can also participate in study group discussions beyond the classroom and

help create solutions. Also, sharing the attendees' biographies or leadership profiles can give the faculty an understanding of their partners in this impact-focused learning journey.

The elements of a working partnership between a corporation and a university are the same ones we use for any partnership. Both parties must have an open working relationship with identified, measurable goals. Clear communication is vital. Both parties must be focused on results and know the talent they have to achieve those results. Scalable solutions are indispensable. We approach business this way every day. Developing our key talent deserves nothing less in commitment or rigor. **LE**

Roseanna DeMaria is the Founder and Principal of The DeMaria Group and was First Vice President of Leadership & Performance at Merrill Lynch where she created Merrill Lynch University. www.demariagroup.com

ACTION: Form a partnership.



Capital for Learning

Get the CFO to believe in it.



by Michael E. Echols

MOST ORGANIZATIONS are under-investing in learning precisely when a talented workforce is the ultimate competitive resource. Global competition is all about the talent of the people and the impact of intangible assets has grown from 32 to over 75 percent of the market value of companies over the last 20 years. People create the lion's share of value!

One sign of under-investment in learning is the accumulation of cash on balance sheets. In recent years, non-financial corporations increased their liquid assets by 20 percent, to a record \$1.3 trillion (10 percent of the economy). Because the value is being created in the intangibles, ideas for investments need to be about intangibles.

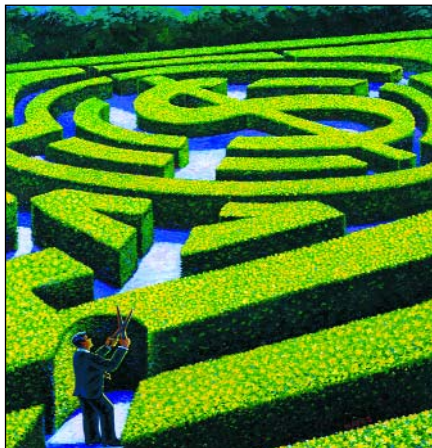
One reason cash is accumulating is because intangible investment alternatives related to people are being subjected to artificially high investment return requirements before even being considered. Those human capital investment requirements are far more stringent than those used for tangible assets. Why are companies under-investing in a resource so critical to the future of the enterprise—the skills of its people? Machines and buildings sit passively while people have free will, making their future action less predictable. People are uncertain.

When the uncertainty goes up, the return required by the market goes up. Such is the case with human capital investment. The fact that the human capital walks out the door every night with no assurance that it will return makes financial officers reluctant to invest, and so executives require high returns on learning investments.

The CFO deals with the uncertainty by requiring exceedingly high returns. Many learning investments are required to have a one-year payback, meaning that the return created by the investment must equal the full cost of the investment within 12 months. This short payback horizon is one way the CFO offsets the uncertainty associated with employee walking out the door.

In contrast, tangible asset investment hurdles are lower. Companies often spend millions on high-risk capital projects with five-year paybacks, yet balk at spending a fraction of that on more and better people. The result is that intangible asset investments, including learning for people, are as much as three times higher than the hurdle for tangible asset investment, even after the human capital investments have been risk-adjusted. Since less than 25 percent of the company's market value is produced by tangible asset investments, the main element of value creation is starved for investment.

So, what is the solution? The first thing is to convert the uncertainty of human capital investments into financial terms that can be described in



terms of measurable risk. By doing so, the investment hurdle requirements for learning will be dramatically lowered, vastly increasing the number of human capital investment alternatives (including learning) that qualify for investment. More learning investment alternatives will warrant resources.

Two sets of data measure the under-investment in intangible assets. The first set deals with the decision to educate every manager that needs to be replaced every year in a model company with annual sales of \$4 billion per year. It is assumed that the company has the average annual turnover rate of 14.4 percent per year. With that turnover, the company is required to recruit or develop 600 new managers every year. Under a strategy where all those managers are replaced through

investing in the tuition required for all of them to receive a bachelor's degree, it is possible to define the investment required—about \$13 million a year.

The second set of data relates to the consideration of an investment in tangible assets vs. human capital investment in the form of learning. Tangible asset investments often are acceptable even when the payback period is three-to-five years. With an average of four-years payback, the individual year return required is roughly 30 percent per year when a 5 percent market interest rate exists. In the case of learning, where the payback period is one year, the annual first-year return is 100 percent. What is required to compare these two investment alternatives is the ROI calculation for each investment.

In the case of the human capital investment, a turnover rate is required to convert the uncertainty of the investment into risk which can be managed. A tangible asset investment with the four-year payback produces a 10-year discounted ROI of 120 percent. Implicitly, this figure represents an ROI investment threshold for a fixed asset investment with a four-year payback horizon.

When this number is compared with the ROI on human capital investment, risk adjusted for the national turnover rate, the one-year payback criterion for the human capital investment requirement has a comparable ROI threshold value of 370 percent.

This means is that all tangible asset investment alternatives with an ROI above 120 but below 370 percent qualify for investment consideration while none of the human capital investment alternatives in that same range qualify. Little wonder we are long on cash, but short on ideas. Many great ideas are not being considered. Executives are passing on several learning investments which, when risk is adjusted for turnover, compete favorably with tangible asset investment alternatives.

Organizations are under-investing in human capital, as a result of the absence of a rigorous ROI model that transforms uncertainty into measurable risk. Once the risk is quantified, the investment hurdle is radically lowered, qualifying many more human capital projects. The need to invest more is real. Learning managers need to show the CFO that good ideas for investment are there, and it is in their financial interest to invest in those to compete. **LE**

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ACTION: *Get the capital you need.*

Leader-Trainers

This is your executive guide.



by Lisa Owens

LEADERSHIP REQUIRES more than making good business decisions. It requires leading people—inspiring, aligning, and training.

Are you trained to be a trainer? Most leaders are not. How do I know? For 12 years, I have worked with executives at Procter & Gamble, helping them create corporate universities and various training events. I hear their concerns and observe, evaluate, and coach many of them to move from a presenter mindset to a trainer mindset.

How can you be a better leader-trainer? First, recognize that training and presenting are different. Presenting is focused on the presenter's knowledge and experience which he or she bestows on the listeners. Training is focused on the participants' ability to understand and apply.

Making the shift from presenter to trainer is difficult, as many have told me:

- When presenting, I'm in control. When training, I feel like I'm losing control.
- I always learned by listening, but when I present, the audience wants an interactive session.
- As a presenter, I succeed when I arrive on time, present my material, and leave on time. As a trainer, I have to present my material, then listen to see if they understand it.

Effective leader-trainers spend more time listening. Learning happens in the participants' heads. When a leader-trainer seeks responses, they look through windows into the mind to help determine if "they get it".

The ultimate success of a trainer depends on what the learner will do after the training. If, as a leader-trainer, you maintain a learner-centered focus, you are more likely to make a difference through your training session.

Top Ten Tips for Terrific Training

Here are 10 tips to help you prepare your next session as a leader-trainer.

1. Know what you want to accomplish within the learners and measure it. Provide an exercise that simulates the behavior or action you are teaching in

the second half of your training session. Now you have a way to judge if the learners understand what you are teaching. If not, you have more time to get your point across as you discuss the results of the exercise. If the learners did get it, you can instill confidence by telling them they got it right! They will feel successful and be more likely to apply their new learning at work. Leader-trainers gain respect among participants just by saying, "Yes! You've got it!"

2. Use PowerPoint slides as a learner-aid, not a trainer-aid. Learners need a few key graphics or words to help them focus. For words, use the 3x3 to 6x6 rule (no more than 3 to 6 words per line; no more than 3 to 6 lines). For graphics, use representations of your words, or use graphs, charts, and



models to organize concepts. Don't stand behind a podium or hold your notes in front of you when present. Nothing should come between you and your learners. Use body language to indicate that you are open to them.

3. Tell them what they can do as a result of your training, not what you will do. Paint the picture of what the learner will accomplish during training and after it. Speak their praises, not your own. Use behavioral, active words for which any observer could see the result. You cannot see if a person "understands," "learns," or "knows." You can see if a person "applies," "improves," "uses," "describes," or "creates".

4. Plan an interaction every 10 minutes. The interaction can be an exercise, or question to the learners with a chance to respond to you, their fellow participants, or on paper. Interactions help

learners process the information. Try asking each person to tell their neighbor one significant thing they heard in the last 10 minutes.

5. Put the learner to work, instead of you, during the training. Give learners opportunities to try out new information and make new connections with carefully designed exercises. Guide them as they practice new skills or ideas. Tell them when they are on the right path, and when they are off. Learners look for both your assurance that they are correct, as well as your guidance if they are off-target.

6. Provide Purpose, Action, and Limit (PAL) for every activity. Tell the learners why they are doing the activity and what they will do. Often, this is a list of steps to complete the assigned activity. And, give them limits—such as a time limit, a limit on resources, or a limit on location, such as in the room or at their table. If your activity is complex, consider trying it out first on a few friends to hone your directions, avoid misunderstandings, and save face-to-face time at the training event.

7. Use the magic numbers—3 and 6—for group work. I find that teams of 3 or 6 people is optimal group size for any activity or exercise. Three people bring diverse thinking to a problem and help each other learn complex tasks or skills. Groups of six provide a critical mass to assure a high level of energy.

8. Know your audience. Learn what they care about and what interests them. Are they energized by stories and examples? By doing it themselves with guidance? By interacting or discussing with others? By having time to reflect? Learn how participants are responding.

9. You are responsible for the energy in the room. You may have a tough group, but you should never have a quiet, non-responsive, low-energy group. If the energy is low, you need to be more energetic. If their energy is too high, you can take your energy level higher still in order to gain control; then bring the energy level back to a good level. Your passion for the subject can boost energy.

10. If you are concerned about the learners' success, they will value you. Your attitude matters. If you sincerely care about the learners and their success, learners respond more positively. People learn more from someone they respect and value. You need to be that someone, so participants will learn and apply their learning.

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ACTION: Make leaders better trainers.