Who are the leaders of the future?

How mission-critical career pathing can close the leadership gaps facing organizations worldwide
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Executive summary

The question of how to turn high-flyers into tomorrow’s top leaders has added urgency today. Ageing Western populations and rapidly growing emerging markets are creating a global talent crunch. And new ways of doing business mean subject-matter expertise is not enough. Tomorrow’s leaders will also need to be great at client relations and comfortable taking a global view.

But preparing high-potential employees for the challenge of leadership – which is the key to sustained success – takes time and focus. As a consequence, many organizations are facing potential leadership gaps as they struggle to find people to fill senior positions.

Business-driven, or ‘mission critical’ career pathing can help close these gaps. Ideally suited to leadership and succession planning, it starts by pinpointing critical ‘destination’ roles, then works backwards to identify the skills and experiences needed to fill them.

For the most important roles, this targeted approach has attractive benefits. Compared to generic leadership programs, it offers better ROI on development expenditure, reduces the risk of program graduates underperforming in critical roles, and makes talent for these roles available more quickly.

It is particularly appropriate today because it helps organizations to identify career ‘accelerants’ – experiences that will help high-potential employees to develop their capabilities rapidly. The leadership model it uses also picks out where the stretch between job moves would create an unacceptable level of risk. This helps high-potentials to make swift and successful progress on their path towards a key role, through a blend of work experience, targeted development and rotational assignments.

Mission-critical career pathing was pioneered in partnership with General Electric, in support of the company’s development program for entry-level high-potential executives.

By preparing people quickly and effectively for key leadership roles, this approach to career planning offers a cost-efficient way to close the leadership gaps that face many organizations today.
Tomorrow’s leaders will also need to be great at client relations and comfortable taking a global view.
Introduction

Who will lead us to success tomorrow? This has never been an easy question for organizations to answer. Even in calm and stable markets, it’s a challenge to make sure people arrive in leadership roles primed with everything they need to do a great job.

It takes time, and carefully chosen experiences, to develop future leaders’ capabilities. It’s expensive too. According to some estimates, leadership development can cost $30,000 per high-potential employee. And planning needs to start early – well in advance of when high-potentials need to be in their leadership posts – to allow enough time for them to get the experience they need.

When markets are changing rapidly, as they are today, it becomes much harder to create a pipeline of top talent that matches your future needs. We believe this is putting organizations at risk by creating serious leadership gaps.

**Talent paradox**

In developed economies, the problem is slowing population growth coupled with sluggish economic performance. In the US, for example, the workforce is retiring fast and labor force participation is forecast to drop significantly between 2010-2020. The result is what’s been dubbed the ‘talent paradox’. Today, 41 percent of employers find it hard to source the right candidates, despite unemployment remaining high at 7.7 percent.

High-growth emerging markets face a different challenge. Here, sustained GDP growth and rapid demographic change are responsible for the scarcity of talent. There’s a strong workforce – but it doesn’t have the right skills. According to a 2012 PwC study, China, India, Brazil and Mexico all face a lack of working age graduates, and variously have gaps in specialist areas like engineering and IT. Talented young leaders in these markets are in a strong bargaining position and will demand career opportunities.

**New skills needed**

The challenge is not just confined to geo-demographics. Seismic changes in the way business is done are also creating a need for a new type of leader. When the focus shifts from regional to global or from product to solution, the skills needed to succeed in the past – like great engineering and technical prowess – won’t cut it in the future. Tomorrow’s leaders need client skills and international exposure. And time is short. Businesses need to be readying these people for action today, giving them the experiences they need to accelerate their skills as fast as possible.

For any organization, anywhere in the world, there is little margin for error. Get your talent plan wrong now, and you are setting yourself up for failure in the future. How can you ensure that high-potentials are primed for the leadership roles that will drive the next phase of success?
Closing the leadership gap

The key is to plan careers so that development efforts build the capabilities your most critical roles demand.

The traditional ‘bottom up’ approach to career planning focuses on filling the talent pipeline. This is ideal in certain situations, for example when an organization needs to give its broader talent pool a clearer picture of their career choices. It is, in essence, a people-driven process. You start by looking at the talent you have, then look from a distance at where they might end up.

However for the challenge of developing top leadership capability with precision and speed, a ‘top down’ approach is more efficient and effective.

A business-driven approach

We call this ‘mission-critical career pathing’. It helps organizations to close their leadership gaps because it starts by identifying the roles that are most critical to success, then works backward to create a clear path of experiences that people need in order to be ready for them.

It’s a business-driven approach, because it looks first at an organization’s future needs, then creates a plan to develop the talent that’s needed to meet them. Mission-critical career pathing works well for succession planning, strategic workforce planning and in particular, for complex, demanding roles that can make or break your organization’s future success.

We believe that the organizations that will win today are the ones that plan leadership and succession this way. They figured out five years ago what roles and talent capabilities they needed to compete right now. They see their future with greater clarity, and, crucially, understand its implications for developing their most high-potential people.

These organizations are in the minority, though. Only 17 percent of US and UK companies have formalized career paths for the majority of their employees. And fewer than 13 percent rate themselves highly on managing future talent. As a consequence, future leaders are often developed in a vacuum, without a clear understanding of either the roles for which they are destined or the experiences they will need before they reach them.

Designed to formalize and focus the development of high-potential people, mission-critical career pathing helps to close this leadership gap.

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How mission-critical career pathing works

1. Identify destination roles and feeder positions. The approach starts by looking at the business need: identifying strategic goals and target markets, and assessing these against the organization’s strengths and the changing environment in which it operates. Most importantly, it makes the link between strategy and roles, identifying the key ‘destination roles’ that are most critical to achieving the organization’s strategy. But knowing the destination role is only half the story. In this step we also work with organizations to identify ‘feeder’ positions, answering the question: where will the organization draw its future talent from?

**Destination roles**
Which jobs will make the difference between success and failure for your organization? Beyond the C-suite, it will depend on your business and your operating model. It could be a key marketing role, an R&D leader or an engineering head. Identifying these key destination roles, and the feeder roles that are the stepping-stones toward them, is the first step in the mission-critical career path process. Put differently, a destination role is the lens through which you need to look in order to identify the right development experiences for high-potential employees.

**Destination roles have five defining characteristics:**

i. Key to your operating model and strategy: These are the jobs where you cannot afford gaps or to have people in ‘development mode’ for a sustained period.

ii. High status: Destination roles are attractive to your best people.

iii. Multi-incumbent: There should be enough opportunity for people to get these jobs.

iv. Relatively stable: These jobs should still exist by the time people are ready for them.

v. Platform for further growth: They should feed other destination roles or be an effective career transition point.

2. Map the critical career experiences. After clearly outlining destination roles and what they will demand, mission critical career pathing then works to identify the experiences – the career paths – that people will need to develop the skills and capabilities to fill them. This way, it ensures people are developed for the right destinations – and that development resources are targeted appropriately for maximum ROI.
The path to a destination role depends on the role itself, and the entry point. It can contain a blend of work experience, targeted development and rotational assignments. In particular, the mission-critical career pathing process identifies ‘accelerants’ – the experiences most likely to rapidly develop capabilities to meet future needs. These are particularly relevant in today’s context, when the time available to get new leaders ready may be short.

The diagram below shows an illustrative career path toward a sales destination role.

This chart also illustrates that destination roles are not the final point, but always have the potential to lead on to further development within the organization.

3. Develop high-potentials. Once you have a clear view of feeder and destination roles, and critical career experiences, the next stage in the mission-critical career pathing process is to determine to what extent your talent is ready to fulfil these roles. Armed with an empirical picture of how the different development requirements of high-potentials match up to the demands of future destination roles, you will be in a position to map out appropriate development plan.

How do an individual’s unique strengths and development needs match destination role requirements? An aspiring engineer, for example, will bring deep technical expertise for a product or process but will need to develop her experience in managing customer relationships and marketing.

Looked at as a whole, an organization may discover it is lacking key capabilities and will either need to develop and/or bring in those skills to meet future role demands.

Mission-critical career pathing provides the tools to accurately assess high-potentials against the specific requirements of future destination roles and manage potential risks in career moves. It offers unparalleled precision and accuracy in determining the capabilities they have and which ones they will need to develop.
Hay Group played a valuable role as we designed our new leadership program at GE, providing structure and clarity around the ‘destination’ roles in the program

Laurie Bevier, GE Global Operations
Mission-critical career pathing in action: General Electric

Hay Group’s mission-critical career pathing process was pioneered with GE, where it helped bring clarity and focus to the company’s corporate-wide high-potential development process.

GE is renowned for its focus on leadership. As CEO Jeff Immelt says: “GE’s success depends on our ability to grow executives across the entire business.” One of the ways in which GE creates its supply of top talent is through the Corporate Leadership Staff (CLS), a development program for entry-level executives with high-potential.

Each year, approximately 40 high-potentials, drawn from different parts of the organization, start this program. The idea is not to create a generic GE executive, but to grow people within individual businesses, using a consistent approach. It was through an introduction to Hay Group that GE identified how it could refine and target the CLS program further.

GE was particularly attracted by the concept of ‘demand-driven succession planning’ – clearly identifying the target roles for which high-potentials are being developed. These roles may not be a final destination, but are deemed to be critical to the future success of the business and serve as a platform for future career growth - then mapping out the steps needed to develop them to fill these positions.

**Agreeing the destination – and the journey**

Working with GE, Hay Group built a set of tools and processes that would help identify these key destination roles and the critical career paths that lead to them.

Five GE businesses participated in process: Healthcare, Energy, Appliances & Lighting, Aviation, and Capital. For each business, Hay Group facilitated a one-day ‘expert panel’ session to agree on destination roles and the critical career experiences people needed to reach them.

**Clear career paths**

Then, we polled incumbents on the key experiences they had needed to develop for their roles. From this, we developed career paths that illustrated the different routes into destination roles. We identified, for example, that to become a successful product manager, an engineer might first need to work in supply chain and pricing, or as a program manager.

**Discipline, clarity and focus**

Hay Group’s approach has already created significant value in supporting the CLS program. Now, GE can focus its decisions around the specific development experiences people need, based on the requirements of the roles they are headed for.

The exercise has also helped GE think more precisely about which mission-critical roles and capabilities are needed to be successful in the future. GE knows which experiences will make the most difference in their growth toward future roles.
Summary: how mission-critical career pathing can help

Our work at GE showed that when career planning is driven by the needs of the business, it can help hone and refine existing development programs.

We believe that this approach is particularly appropriate today. As we’ve seen, a minority of organizations take a structured approach to career planning, yet in both developed and emerging markets, companies face a talent crunch. There’s significant advantage to be gained from understanding precisely what’s needed to turn high-potential executives into tomorrow’s leaders. Indeed there are five key benefits that result from this process:

**Pinpoint critical roles.**
Understanding the key ‘destination’ roles that are essential to delivering strategy is a valuable exercise that helps to prioritize and direct resources.

**Create an effective career roadmap.**
Business-driven career planning gives high-potentials a clear understanding of the experiences they need to arrive at their destinations equipped to succeed.

**Ensure focused, cost-effective development.**
By ensuring that limited resources are spent on developing the right skills needed for an organization’s most critical jobs, this process brings discipline and rigor to leadership development and maximizes ROI.

**Find career ‘accelerants’.**
Mission-critical career pathing identifies experiences most likely to rapidly develop leadership capabilities. It also helps identify and manage the key risks at each transition point.

**Tailor development based on individual needs.**
By identifying feeder roles, organizations are better equipped to customize development based on the unique strengths and development needs each high-potential brings.
There’s significant advantage to be gained from understanding precisely what’s needed to turn high-potential executives into tomorrow’s leaders.
Hay Group is a global management consulting firm that works with leaders to transform strategy into reality. We develop talent, organize people to be more effective and motivate them to perform at their best. Our focus is on making change happen and helping people and organizations realize their potential.

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