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## Emerging Leaders: Build Versus Buy



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## Introduction

Leadership capacity and development has always been a key concern for executives and senior HR professionals. This concern has been heightened recently by increasing globalization and business complexity as well as the impending retirement of vast numbers of seasoned leaders. At a time when organizations need more leaders—and more experienced leaders—organizations are facing the single largest departure of leaders in modern history. This leadership gap has led an increasing number of organizations to place renewed emphasis on the development and acquisition of emerging leaders—particularly members of Generation X and millennials—who show promise as the leaders of tomorrow. Taleo Research<sup>1</sup> and Development Dimensions International (DDI) produced this white paper to help organizations face the challenges of identifying and developing emerging frontline leaders.

One of the most important questions for building the critical talent pipeline of emerging leaders is build versus buy. A necessary first step in making this determination is to really know and understand the talent already on the team by systematically capturing that information in dynamic talent profiles. The talent profiles provide visibility into skills and performance data stored on a talent management technology platform that can then be mined to populate leadership talent pools.

Understanding individual skills, competencies, strengths, and weaknesses can provide invaluable talent intelligence for deciding what percentage will be developed internally through mobility and leadership development programs, and what percentage of future leaders will come from outside the organization through new hires. A solid understanding of existing

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<sup>1</sup> Oracle acquired Taleo in June 2012.

leaders also supports the development of success profiles, defining what an effective leader looks like for a unique organization's culture, geographic distribution, and business objectives.

The process of developing emerging leaders typically starts with a frontline leadership role. This first leadership position is where an individual makes the difficult transition from contributor to leader. Unfortunately, this is a key weakness in many leadership programs. In a Bersin & Associates report, HR leaders rated "their first-line managers as their 'least ready' workgroup, even less capable than their entry-level employees." And the managers themselves lack confidence in their own skills. According to a DDI study, "only 62 percent felt prepared to take on this role." Given that frontline leaders play such a crucial role in the near-term implementation and execution of a business strategy, these challenges are worrisome. When placed in the larger context of developing overall leadership capability more rapidly, these challenges negatively impact long-term growth as well.

Before organizations can rapidly scale and increase the pace of leadership development—particularly of less-experienced employees—a necessary first step is the investment in solid leadership development processes for emerging leaders. This paper presents a blueprint for the development of emerging leaders, including the identification of key competencies and best practices for developing skills and experience captured in a comprehensive talent profile.

While development of emerging leaders is a key challenge, it is equally important to optimize hiring practices for leadership roles. Central to this is the success profile that can be matched to the talent profile of a leadership candidate. Using the talent intelligence gained from assessments and analytics, the process of hiring external leaders can be very similar to promoting internal ones.

Existing leadership talent and external leadership candidates should possess similar skills, competencies, and attributes that align with an organization's objectives and culture. Strong leadership development programs can also help to attract high-quality candidates, delivering ROI on two fronts: development of internal leaders and bolstering workplace brand when competing for new hires.

## The Need for Leadership

Leadership correlates with financial performance. A study by Bloomberg BusinessWeek and Hay Group found that companies ranked in the top 20 for leadership acumen significantly outperformed the S&P 500 in both the short- and long-term. This makes finding, developing, and retaining effective leaders not only a talent management priority but also a business imperative.

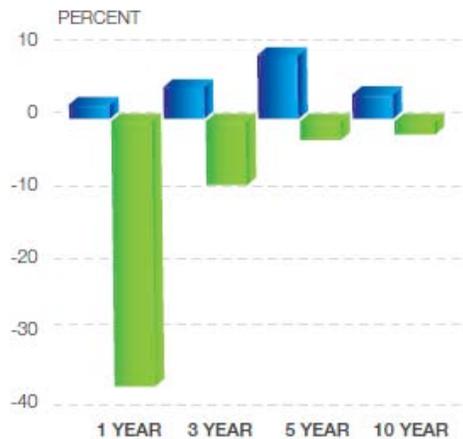


Figure 1. Leadership is linked to financial results. Companies ranked in the top 20 for leadership acumen (blue) significantly outperformed the S&P 500 (green) in both the short- and long-term.<sup>2</sup>

While challenges exist at all levels of leadership, they are often most acute for frontline leaders. Frontline leaders serve as the connection between senior managers and executives who define corporate strategy and those individuals on the line who are responsible for execution. Given the importance of these roles, the lack of a strong frontline leadership pipeline can significantly impact execution. Additionally, not having enough capable leaders at the front line will create challenges with the senior leadership pipeline and leadership culture in future years.

Identifying and developing emerging leaders requires—and is receiving—a focus from organizations to ensure a ready leadership talent pool. Leadership development was the #1 human capital issue in 2010 and 2011, according to one study.<sup>3</sup> Similarly, a European study found the top three priorities on the HR agenda for the period 2010 to 2012 remained stable with an even greater emphasis on core human capital issues, namely: leadership development (46 percent), employee engagement (39 percent), and

<sup>2</sup> Bloomberg BusinessWeek/Hay Group, “Best Companies for Leadership Survey,” 2009.

<sup>3</sup> Institute for Corporate Productivity, “The Critical Human Capital Issues of 2011.”

talent retention (32 percent).<sup>4</sup> IBM's global study of chief human resource officers also listed developing future leaders as the #1 priority.<sup>5</sup>

In the "Talent Edge 2020: Blueprints for the New Normal" study, leadership and emerging leaders were high priorities in terms of both development and retention:

- More than 7 out of 10 (71 percent) executives who participated in the survey expect to increase the focus on developing high-potential employees and emerging leaders.
- Many companies are also engaged in an effort to fast-track the development of new corporate leaders: 64 percent of survey participants plan to increase their focus on accelerated leadership programs.
- More than 6 in 10 (64 percent) have a high (40 percent) or very high (24 percent) fear of losing high-potential talent and leadership.
- More than 8 in 10 (81 percent) of companies with retention plans are increasing their focus on emerging leaders (versus 62 percent without plans) and 78 percent of firms with plans in place are strengthening senior leadership priorities (versus 53 percent).<sup>6</sup>

Building a leadership pipeline and focusing on leadership development is no longer confined to succession planning, nor should it be restricted to C-level executives. Today's flatter, global organizations need effective leaders at each level of the organization.

The need to replace large numbers of retiring baby boomers is also driving focus on frontline leaders and leadership development. A critical mass of frontline leaders and executive leaders are retiring soon, taking significant expertise and experience with them. While retirement is nothing new, there are two related challenges that complicate this generational shift: the size of the retiree population and the lack of natural successors. Simply put, there are too few members of Generation X to fill all the leadership spots that will be vacated by baby boomers. As a result, leadership development of members of Generation Y must be hastened, especially for the frontline leadership pipeline.

Leadership development spans all the key talent management practices including:

- **Recruitment** to source leadership talent
- **Assessments** to evaluate leadership capabilities both internally and externally
- **Performance management** to monitor and make course corrections in developing leaders
- **Internal mobility** to provide development and promotion opportunities

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<sup>4</sup> Hewitt Associates study for European Club for Human Resources, "5th European HR Barometer."

<sup>5</sup> IBM, "Working Beyond Borders," 2010.

<sup>6</sup> Deloitte, "Talent Edge 2020: Blueprints for the New Normal," December 2010.

- **Succession planning** to avoid future leadership gaps
- **Career planning** to allow employees to understand their leadership options and set their own development goals
- **Development** to create in-role mastery and accelerate high-potential leaders

Each of these talent management practices has unique challenges for leadership development including identifying qualified candidates to fill current and future leadership roles, having the right tools and techniques to develop a comprehensive leadership program to develop the leaders of tomorrow, and providing opportunities for growth through talent mobility and on-the-job training.

This paper outlines how to identify emerging leaders—what to look for and how to use assessments and talent management technology to achieve success. It highlights the practices and process required to develop leaders internally by building their capabilities, as well as the best practices required to acquire leadership talent from external hires by buying that capacity.

The build versus buy question challenges organizations to think and act holistically across multiple talent management functions. It further requires that organizations develop deep insight into the talent they have and the talent they need, ideally through a single talent system of record for all employees. This kind of deep talent intelligence is critical to leadership development in general and to frontline leaders in particular.

## Lack of Leadership Preparation

To identify, attract, fill, and retain leaders, talent management programs must focus on hiring strategies, leadership development, and career and succession planning. Central to this effort is the development of frontline leaders. Unfortunately, organizations are not doing this very well today.

Consider these points:

- “HR leaders rate their first-line managers as their ‘least ready’ workgroup, even less capable than their entry-level employees.”<sup>7</sup>
- “Companies say they are finding they don’t have the managers to spearhead new projects or step in for departing executives, a problem as companies try to shift into growth mode.”<sup>8</sup>
- Only 33 percent of HR leaders are highly confident in their frontline leaders’ ability to ensure the future success of their organization.<sup>9</sup>

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<sup>7</sup> Bersin & Associates Report, 2010.

<sup>8</sup> “Leadership Training Gains Urgency amid Stronger Economy,” the *Wall Street Journal*.

<sup>9</sup> DDI, “2011 Global Leadership Forecast” (1,863 HR leaders).

Even the frontline leaders themselves agree. Of the 1,130 frontline leaders in DDI's December 2010 "Finding the First Rung" study:

- Only 42 percent said the transition to a first-time leader was easy
- Only 55 percent said they possessed the leadership skills they needed when they first stepped into a management role
- Only 62 percent felt prepared to take on this role

Weak frontline leaders have a significant impact on business. In most organizations today, frontline leaders are the vanguard of numerous talent management practices, including hiring, employee development, and performance reviews—all central drivers of culture, engagement, motivation, and productivity.

Research has also shown strong correlations between effective leadership and retention. Strong leadership can positively impact retention. Conversely, ineffective or poor leaders are routinely near the top of the list of reasons why individuals choose to leave their organization, as shown in this chart of retention drivers of high-performing finance staff.

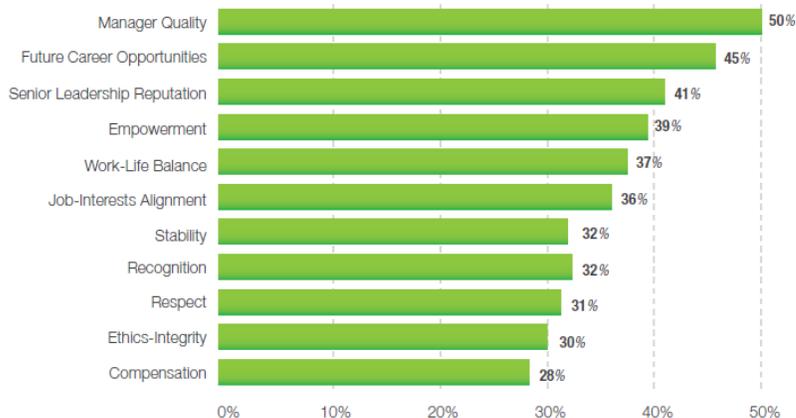


Figure 2. This chart illustrates the average percentage improvement in an employee's intent to stay, when satisfaction with a given attitude rises from the 10th to the 90th percentile of survey participant's responses.<sup>10</sup>

Lack of leadership acumen can take a toll on the leaders themselves. DDI's "First Rung" study found that those frontline leaders who did not feel prepared to become a leader were:

- **Less confident.** Only 28 percent said they were confident in their ability to lead within their first six months as a new leader, compared to 78 percent of those who felt prepared.

<sup>10</sup> Finance Strategy Practice, Corporate Executive Board.

- **More stressed.** Almost half described their first year as “stressful” or “overwhelming” (49 percent versus 18 percent).
- **More regretful.** More than half said that they ultimately regretted taking the promotion (51 percent versus 17 percent).

Pressures abound in leadership roles. Ever-increasing global connections, changing business strategies and priorities, and technology have already made the job description of many frontline leader positions radically different from yesterday. Today’s knowledge and network-based management environment is inherently different from the manufacturing management model that drove business in the past.

While many aspects of management remain unchanged in this new millennium, ongoing changes to the way we work demand new competencies, expertise, and behavior. Networking skills, competencies related to innovation and creativity, and behaviors related to coaching and collaborating are in ever-increasing demand as organizations flatten out and expand globally. Companies that recognize this and hire and develop to these skills today have an opportunity to outperform laggards that are still relying on last-century management models. Central to this competitive opportunity is the development of frontline leaders.

## Leadership Processes in Practice

There are many models for identifying and developing frontline leaders. At their core these models have four central elements: assess, acquire, apply, and support.



Figure 3. The success architecture for developing leaders includes four central elements: assess, acquire, apply, and support.<sup>11</sup>

- **Assess.** Hiring someone externally, promoting from within, or grooming someone as an emerging leader requires a deep understanding of that individual’s readiness: Are they prepared? What are their strengths? What gaps do they need to develop? Are those gaps too great to put the person in the job?
- **Acquire.** Once the gaps are known, the next step is working with the individual to create a specific written development plan for how they will acquire the skills and apply them on the job.

<sup>11</sup> Development Dimensions International, 2011.

- **Apply.** Individuals need to immediately apply the skills they have learned on the job in order to master them.
- **Support.** This entire process is built upon organizational and managerial support.

These four steps are difficult to master. Despite the millions of dollars spent to diagnose and assess leadership performance, less than 10 percent of those leaders make it all the way through these four steps having realized true, effective behavior change.<sup>12</sup>

Where is the breakdown occurring in this process that is leading to the lack of prepared frontline leaders? Typically, organizations are failing themselves and their frontline leaders in five ways:

1. **The Moment of Truth.** Most organizations say they want to promote from within yet at the moment of truth they do otherwise. Notably, very few frontline leaders (11 percent) got their job by being groomed as part of a formal development program. They were far more likely to be an external hire (33 percent) or promoted because of their technical expertise (20 percent). A top performer at developing software code or writing advertising copy does not necessarily correlate with being the best manager. Frontline leaders need more than just technical skills.

TABLE 1. HOW DID YOU BECOME A LEADER?<sup>13</sup>

33%	I was hired into a management position.
20%	I was given a leadership position as a form of reward for my technical expertise.
12%	Others see me as a natural leader.
11%	There was no one else for the job.
11%	I was groomed to be a leader by a development program within my organization.
9%	I asked for it.
4%	I was given a leadership position as a result of my educational background. For example, I had an MBA.

<sup>12</sup> “Factors Affecting the Acceptance and Application of Developmental Feedback from an Executive Assessment Program,” unpublished doctoral dissertation, T.M. Byham, University of Akron, Ohio, 2005.

<sup>13</sup> Development Dimensions International, “Finding the First Rung,” December 2010.

2. **The Funhouse Mirror.** Neither frontline leaders nor their managers have an accurate view of that person's leadership capability. Only 56 percent of frontline leaders feel that their manager has the knowledge to support their development. In other words, they do not know their capabilities well enough. However, this is trivial compared to the distortion frontline managers see when they look in the mirror: 89 percent of them have at least one leadership blind spot—an area where leaders think they are more skilled than they actually are. A leader may have a self-perceived strength at coaching, but the reality is either mere proficiency or even a development need.<sup>14</sup>
3. **The Invisible Plan.** Only one-third of frontline leaders have sat down with their manager to agree upon a formal, written development plan.<sup>15</sup> This is by far the biggest contributor to the lack of success of leadership development initiatives. Without the blueprint for acquiring the skills and actively applying them on the job, it becomes highly unlikely for improvement to occur.
4. **The Training Waltz.** A common complaint of senior management is that their organizations have spent tens of thousands of dollars on leadership training—but do not see the results in the workplace. Most leadership training programs do not teach the most important skills: managing relationships and guiding interactions. Nor do they provide enough opportunity for practice and feedback to build competence and confidence in leaders and encourage them to use the skills on the job.
5. **The Maytag Repairman.** Finally, most managers feel like they are all alone in their development because they are not getting sufficient attention or support from their manager or from their organization. How long would you expect frontline leaders to thrive under the following circumstances?<sup>16</sup>
  - Only 53 percent say that their development assignments are good learning experiences.
  - Only 49 percent say they get sufficient feedback about their performance.
  - Only 46 percent say their manager is committed to their development.
  - Only 40 percent are satisfied with their organization's development offerings.

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<sup>14</sup> Development Dimensions International, "Finding the First Rung," December 2010.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

## Identifying Leaders

An Aberdeen study found that 47 percent of top-performing companies cite identifying high-potential talent early in their career as the most frequent activity used to support succession planning.<sup>17</sup> For many companies, early career succession planning translates into identifying and developing frontline leaders who have the potential to succeed in more-senior positions.

Not as much thought is given to frontline leader succession planning—building the pipeline of ready-now individual contributors who can make the difficult transition into a first-time leader. When organizations lack sufficient pipelines at the frontline leader level, they are often reactive when a position opens. Instead of promoting someone they have been grooming for the position, they frequently reward the individual contributor with the best technical knowledge or skills.

Yet, it takes much more than technical knowledge to be an effective frontline leader. For example, being a software engineer with the best skill at writing code does not prepare someone to have a performance improvement discussion with a direct report.

Leadership success profiles need to be far more comprehensive, touching not only on what people know (knowledge) or what they have done (experience), but also what they can do (competencies) and who they are (personal attributes).

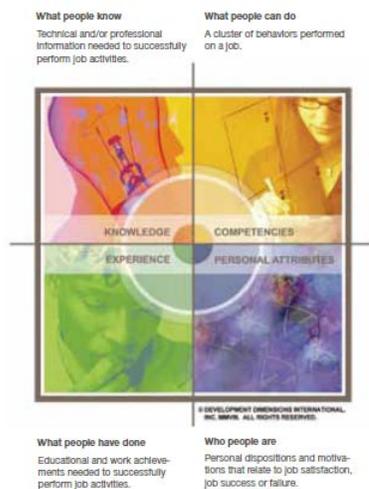


Figure 4. A leadership success profile incorporates knowledge, competencies, experience, and personal attributes.

<sup>17</sup> Lombardi, Mollie, Aberdeen Group, “Succession Management: Sustainable Leadership for the Future,” July 2010.

## Competencies

Competencies are groups of behaviors that people need to be effective at in order to be successful on the job. For example, many effective behaviors—such as listening, building confidence, and offering support—are required to be an effective coach.

Over the past 40 years, DDI has conducted more than 700 job analyses to determine the competencies critical to frontline leadership success. Regardless of country, industry, or job function, job analyses keep coming back to these core behavioral competencies:

- **Managing Relationships.** Understanding and meeting the personal needs of individuals to build trust, encourage two-way communication, and strengthen relationships.
- **Guiding Interactions.** Conducting interactions with others by clarifying their purpose, involving others in the development of ideas, and agreeing on next steps.
- **Coaching for Success.** Preparing teams and individuals to excel in new challenges through proactive support, guidance, and encouragement.
- **Coaching for Improvement.** Addressing performance problems by providing specific factual feedback, encouraging ownership of the solution, and establishing progress measures.
- **Influencing.** Achieving agreement to ideas through effective involvement and influence strategies.
- **Delegation/Empowerment.** Achieving results by assigning task and decision-making responsibilities to individuals or teams.
- **Judgment.** Choosing the best course of action by establishing decision criteria, generating and evaluating alternatives, and making timely decisions.
- **Problem/Opportunity Analysis.** Identifying problems or issues and then drawing conclusions by gathering, analyzing, and interpreting quantitative and qualitative information.
- **Planning and Organizing.** Helping individuals or teams complete work efficiently and on time by setting priorities, establishing timelines, and leveraging resources.

The Partnership for Public Service and Hay Group report, “Leading Innovation in Government,” articulates competencies by concluding that the leaders best equipped to steer our nation possess a set of attributes:

- They are resilient. They aren’t seriously impeded by structural, procedural, cultural, or political barriers. And when they do encounter resistance, they don’t give up.
- They are visionary, self-aware, and constantly broadening their perspective.
- They understand and know how to navigate through and around their organization’s structure, culture, and politics. They also understand and respect the roles, boundaries, and agendas of other government organizations.
- They purposefully leverage networks and relationships, and use complex influencing skills to collaborate across organizational boundaries.
- They build strong, diverse teams through their leadership, creating a sense of purpose, fostering a climate that facilitates innovation, and developing others as an essential part of their job.

## Knowledge and Experience

Unlike competencies, these two components of the success profile can vary greatly depending upon the industry and the job function. This is mostly due to the differences in technical requirements for the job. For example, finance managers do not need to know how to coach someone on debugging software and call-center managers do not need to know how to close up a retail store at the end of the day.

On the knowledge side, frontline leaders need to possess an in-depth knowledge of their organization's products, services, and customers. They need to understand their organization's business processes and how their team fits into the larger organization. They need to possess greater business acumen—such as knowledge of the company strategy, competition, supply chain, and financial metrics.

From an experience perspective, there are critical experiences frontline leaders will need to be able to handle when they step into the role, including:

- Leading cross-functional teams
- Managing the performance of others
- Coaching and developing people
- Providing support and feedback to direct reports

## Personal Attributes

Organizations routinely evaluate individuals against competencies and on their knowledge and experience. But capability is not enough. Individuals must also possess the desire and disposition to become a good leader. Many want to make the transition to a frontline leader to broaden their skills or to make a greater contribution to their company.

Unfortunately, half of frontline managers take the promotion for the wrong reason: more money. The “First Rung” study found that frontline managers who took the job for the money were 57 percent more likely to regret the promotion than those who wanted to make a greater contribution. A telecommunications manager remarked, “I had a lot more work to do and the compensation was good, but not that good.”

TABLE 2. WHY DID YOU TAKE THE PROMOTION?<sup>18</sup>

50%	It offered greater compensation.
39%	I had a desire to broaden my skills or improve myself.
33%	It was the only way to advance my career.
33%	I wanted to make a greater contribution to the company.
23%	I wanted to lead others.
21%	I desired power and influence.

There are fundamental personal attributes that many successful frontline leaders possess, including:

- Engaging and inspiring others
- Sustaining a positive outlook to approach challenges with confidence and optimism
- Possessing a strong achievement orientation and drive for success
- Exhibiting high work and ethical standards
- Demonstrating a continuous learning orientation

## Building a Success Profile

What determines the right composition of a leadership success profile? It starts with identifying and codifying an organization's strategic and cultural priorities.

- What strategies are driving the business?
- Is the organization expanding into new markets requiring managers to have global acumen?
- Is it trying to instill a service culture or a heightened customer focus?
- Is the company in an established industry or a fast-growing one?
- Is the company moving toward increasing numbers of virtual teams and workers, or is there an increasing focus on talent density in a geographic area?

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<sup>18</sup> Development Dimensions International, "Finding the First Rung," December 2010.

Answers to these questions can have a significant impact on the profile of an ideal leader. A McKinsey study showed significant differences between the success profiles of managers in developed versus emerging markets. Successful managers in developed countries were characterized by strong leadership, communication, and management skills. Successful managers in developing economies were notable for the local influence. A lack of awareness of these success criteria can lead to misplaced development dollars or hiring challenges related to cultural fit.

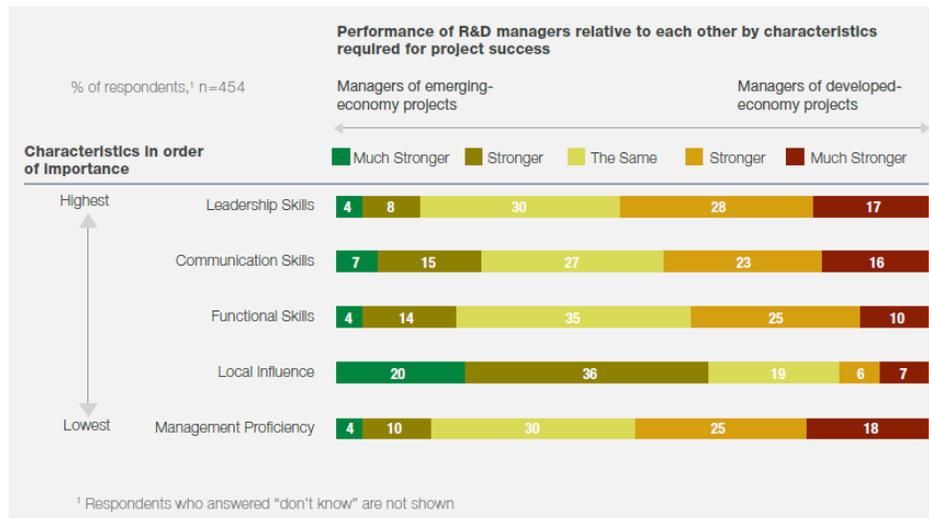


Figure 5. A McKinsey study showed significant differences between the success profiles of managers in developed versus emerging markets.<sup>19</sup>

While the components of a success profile must align with the company's strategic direction, there are two other key considerations:

1. Leadership exemplars from whom to model ideal skills and competencies, career experiences, and training and development activities.
2. Skill and competency evaluations to compare against successful leaders. Armed with knowledge of future company direction, current profiles of exemplary leaders, and competency and skills evaluations, organizations can create clear frontline leadership profiles to guide hiring and development activities.

Of course, success profiles are not a one-and-done proposition. As soon as the business strategy or environment changes, success profiles will require updates. For example, technology advances that enable a more mobile and globally dispersed workforce could mean that frontline managers may need to lead virtually or manage direct reports from different cultures than their own.

<sup>19</sup> "R&D Strategies in Emerging Economies: McKinsey Global Survey Results," *McKinsey Quarterly*, April 2011.

Another scenario many companies face is shorter product development cycles to stay ahead of increasingly global competition. This forces companies to put a greater emphasis on finding leaders at all levels to manage change and drive innovation, while fostering an engaging work environment.

Many organizations confuse performance with potential and potential with readiness. These are three separate things, all of which need to be evaluated in existing or future leaders.

- Performance is the key to admission to the next level. Mediocre individual contributors will not be promoted into manager positions.
- Potential is just that. It means that someday—maybe tomorrow, maybe next year—with some focused development or stretch assignments, this person has the makeup or the ability to become a leader.
- Readiness means the individual is actually prepared to step into the role today.

## Organizational Readiness

Organizations must have solid information on both the requirements for the position (the success profile) —and the knowledge of the existing workforce (talent intelligence) to make an informed decision about available and emerging internal talent. The foundation for this information is the talent profile, which should contain all the elements of skills, experience, and performance maintained on a comprehensive talent management technology platform.

Individual talent profile reports that include structured information on previous job roles, skills, competencies, development plans, and goals are the core tool for identifying and evaluating talent. Effective and efficient internal talent mobility requires access to talent intelligence: information about the skills and aspirations of the employee candidates matched with data on the skills and fit for the open position. The individual talent profile is the basis for the employee information and provides the data set to support leadership evaluation.

Talent profiles maintained in an employee database may also be used for skills gap analysis and targeted learning and development. With that skills inventory database on a robust technology platform, organizations can mine a transparent internal labor pool and profit from a strategic understanding of emerging leader pools.

A commonly overlooked aspect of the talent profile is assessment data from various measurement instruments. While there are many assessment tools in the market, there are a few commonly used instruments:

- Tests or career batteries are effective at looking at someone’s leadership disposition or motivation.
- Career achievement profiles or behavioral interviews can provide additional insight into competencies by asking the person to talk about experiences they have had in which they had to exhibit certain behaviors (such as, “Tell me about a time you had to present to senior management. What did you do and what were the results?”).
- Behavioral assessments that simulate real-life situations (such as coaching a direct report on a new assignment or resolving a conflict) show exactly how a person would behave on the job.
- Finally, 360s are a good tool to help frontline leaders understand how peers, direct reports, customers, and senior management perceive their leadership in action.



Figure 6. Talent profile sources include elements of recruitment, performance, and development.

Many companies look to internal mobility programs as highly effective experiential learning and development vehicles for employees. Well-designed mobility programs create pools of ready-to-perform employees who are better equipped to move into leadership positions.

Findings from the Taleo Research Talent Mobility Survey show talent mobility technology excellence correlates to greater business impact on multiple metrics including quality of leadership pipeline (76 percent), employee engagement rates (76 percent), and ability to drive change and business growth (75 percent). Notably, three-quarters (76 percent) of companies with excellent talent mobility technology report having a culture that supports sharing of talent across the company versus 55 percent of all companies.

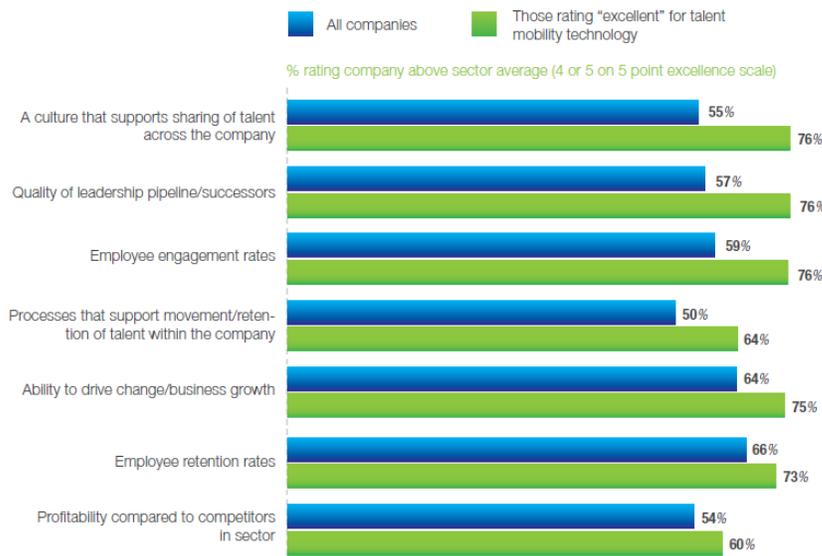


Figure 7. Three-quarters of companies with excellent talent mobility technology report having a culture that supports sharing of talent across the company versus 55 percent of all companies.<sup>20</sup>

<sup>20</sup> Taleo Research, "Taleo Talent Mobility Survey," 2011.

In addition, the survey found one-half (51 percent) of organizations have no individual talent profiles at all and of those that maintain talent profiles, more than one-third (37 percent) have talent profiles that include posthire data only. The lack of comprehensive talent profiles can severely limit emerging leader identification and development initiatives.

Talent intelligence from reporting and analytics about the many dimensions of talent management provides actionable data to calibrate organizational readiness in terms of emerging and needed leaders. The vast majority of respondents to the study, “Talent Intelligence: Key to U.S. Business Success,” acknowledged the importance of reporting and analytics on risk of loss for critical employees, high potentials, and employee development progress.

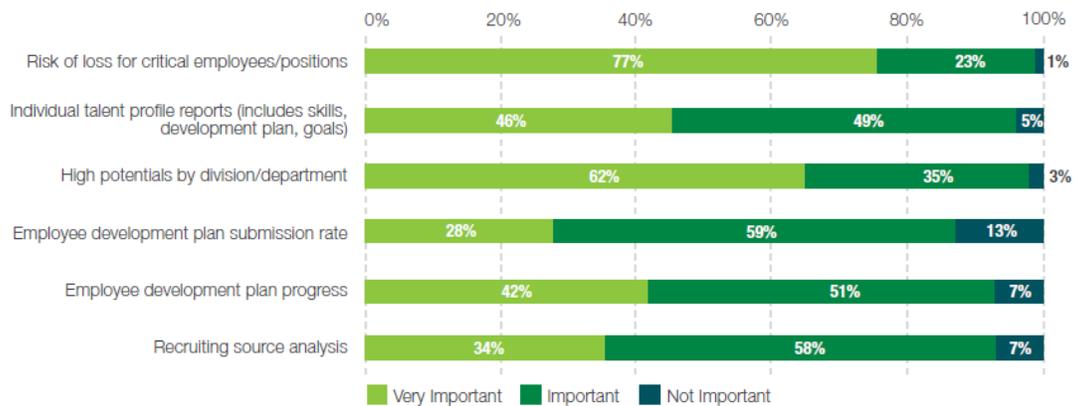


Figure 8. A majority of respondents acknowledged the importance of reporting and analytics on risk of loss for critical employees, high potentials, and employee development progress.<sup>21</sup>

There are significant gaps between the level of importance companies place on talent management data and their access to reliable information. Too often, HR and line-of-business executives are not receiving access to talent management data that is so important to them.

<sup>21</sup> Oracle white paper, “Talent Intelligence: Key to U.S. Business Success,” 2010.

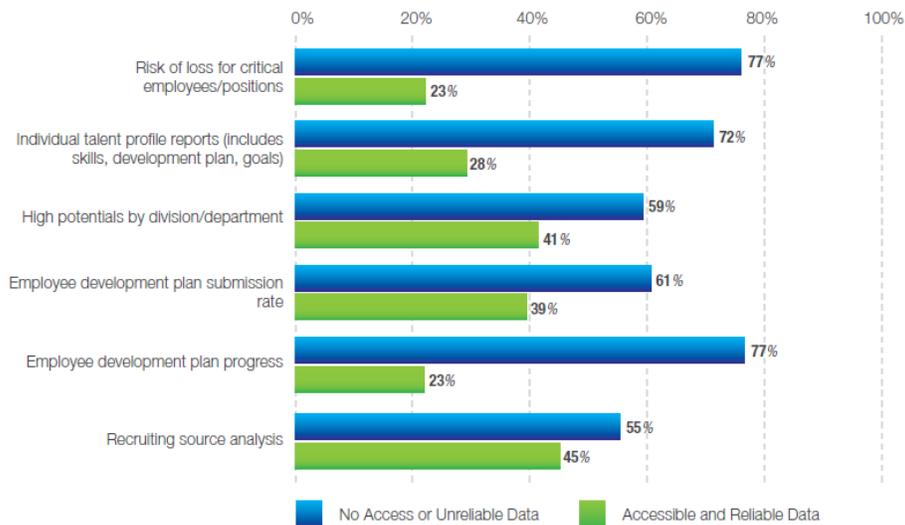


Figure 9. Executives are often not receiving access to talent management data that is critical. <sup>22</sup>

The key to aligning talent intelligence with leadership initiatives starts with access to the most important employee/talent data. For example:

- Employee experience before and during current employment with skills and competencies
- Employee career ambitions to align development plans and identify succession candidates
- Employee performance ratings to ensure high performers are identified and retained
- Succession plans to understand transferable skills and seek out high-potential employees
- Performance information that identifies future leadership potential to fill the leadership pipeline
- Critical skill sets that are at risk or the gaps with skills that are not available

This data cannot be collected as an afterthought or as a separate process. It must be captured as part of the overall talent management process—not as a separate or additional task.

Companies can solve this problem by implementing a single, unified talent management system or data model. This allows users to access and manage talent data as part of the normal process of hiring, onboarding, conducting performance reviews, and creating development plans for their employees. The core leadership questions can then be answered including bench strength analysis, high-potential identification, development plans, and paths to leadership.

<sup>22</sup> Oracle white paper, “Talent Intelligence: Key to U.S. Business Success,” 2010.

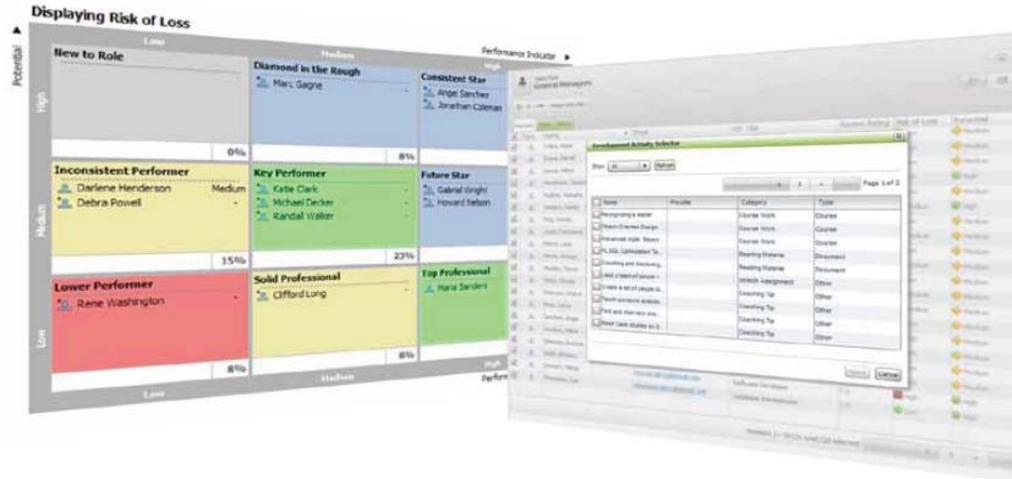


Figure 10. A unified talent management system allows users to access and manage talent data as part of the normal process of hiring, onboarding, conducting performance reviews, and creating development plans for their employees.

## Leadership Talent Audit

Successful organizations always have a pulse on their talent, constantly reviewing the capabilities and development needs at all leadership levels—from frontline managers to senior executives. Who is currently ready to take their place? Who could get there with focused development?

A leadership talent audit provides an instant snapshot of an organization’s current leaders and their bench strength for those positions. When looking down the rows of the talent audit, you can immediately see who is suited to step into the next management position.

Consider the talent audit shown in Figure 11. If this position requires someone strong in influencing, Chen would be a good fit—but not if it is a high-pressure turnaround assignment where many of her would-be direct reports need coaching for improvement.

Look across the columns to see where the holes are in the leadership bench. In this example, 45 percent of the bench needs to develop influencing. An immediate organizational need in influencing may require going outside of the organization. Or if there is time before needing that skill, it may be added to a standard leadership development program.



Figure 11. A leadership talent audit provides an instant snapshot of an organization's current leaders and their bench strength for those positions.<sup>23</sup>

## Emerging Leaders: Build Internal Talent

One of the key advantages of developing leaders internally is that they achieve productivity almost 50 percent faster than external candidates.<sup>24</sup> This is particularly true for organizations in which knowledge of the internal politics and structures are required to get the job done. In addition, leaders promoted from within may enjoy higher esteem from their fellow employees.

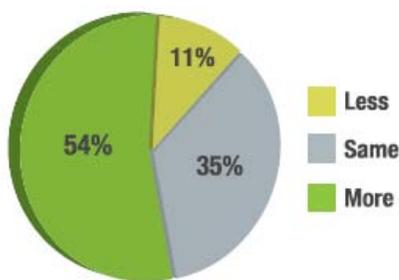


Figure 12. Homegrown leaders command a higher level of respect as compared to imported leaders.<sup>25</sup>

<sup>23</sup> Development Dimensions International, Inc., 2010.

<sup>24</sup> Mellon Financial, "Corporate Learning Curve Research Study."

<sup>25</sup> Taleo Research, "Grow Your Own CEO Study."

Unfortunately most organizations are struggling to identify and develop the right internal candidates who can step into these positions. As described earlier, five common breakdowns in the “Assess, Acquire, Apply, Support” process lead to a lack of ready-now frontline leaders. What steps can an organization take to overcome these breakdowns?

Early in his tenure as CEO of Procter & Gamble, A.G. Lafley asked, “Are we hiring the right people?” By the end of his nearly 10 years at the helm, Procter & Gamble had implemented a comprehensive succession planning program that maintained a list of at least three candidates for each of the company’s top 35 to 40 executive positions. In addition to launching formal leadership development programs for the company’s general managers, Lafley spent considerable time getting personally involved in career planning for 150 potential presidents and function heads.

—*Secrets of Building a Talent Driven Organization*

A.G. Lafley, Chairman of the Board and former CEO, Procter & Gamble

The first two breakdowns in the process—“The Moment of Truth” and “The Funhouse Mirror”—occur because the individual and management do not fully understand, recognize, or accept the individual’s motivations, strengths, and development needs. If individuals are unwilling to listen and accept feedback, they will probably be reluctant to take action to improve.

Interpreting complex assessment results can be challenging for individuals and their managers. Getting individuals to honestly see themselves can be challenging because they may need help in working through emotional reactions to the results, such as anger or defensiveness. To overcome this, organizations need to provide the individual and their manager with the right tools to interpret, draw conclusions, and take actions on the data.

The next two breakdowns—“The Invisible Plan” and “The Training Waltz”—are a result of not having a specific, written development plan. There are four components to effective development plans:

1. Describing what needs to be developed and why it is important to the individual, team, and organization.
2. Detailing how the individual will acquire the behaviors or skills; for example, going through a training course on coaching or perhaps assigning the individual a mentor.
3. Identifying specific application opportunities in which they can use their newly learned skills immediately on the job. Mastery of the skills only occurs with frequent practice.
4. Establishing tangible measures to track performance. This ensures that the individual knows exactly how they are going to be evaluated, which drives accountability.

Finally, addressing “The Maytag Repairman” breakdown requires assuring that the organization provides the individual’s manager with the knowledge and skills to support the individual’s development. This entails clearly defining the role of the manager as a coach and mentor throughout the process and ensuring that the manager has the skills to drive development.

## Emerging Leaders: Buy External Talent

Whether as a result of a determination that there is insufficient internal talent for a leadership pipeline or a desire to benefit from bolstering and diversifying the leadership pool for the future, organizations may choose to recruit externally expressly for leadership candidates. As part of the recruitment process, these external candidates should be assessed on the same competencies used to promote internal managers to higher levels.

Recruiting, however, has typically been viewed as a key—yet distinct—HR activity, responsible only for identifying and acquiring talent for the organization. The availability of performance data on existing top performers and leaders within a given department or role can provide recruiters with a success template for modeling the background and experience of external candidates.

Instead of a hand off once a requisition is filled, strategic recruiting for leadership capabilities can derive significant benefits from unification with performance reviews, succession, and career planning. Value can be realized especially in the areas of proactive sourcing, improved candidate evaluation, and quality of hire.

Recruiters can start their search based upon knowledge of proven performers and a clear understanding of the actual skills and competencies that have been shown as relevant to the job at hand. This closed loop between employee performance and external sourcing may yield the greatest long-term benefit to an organization's talent acquisition strategy.

These integrated processes enable:

- Faster candidate identification
- Higher quality of hire
- Comprehensive talent profiles
- Access to external succession candidates

Onboarding of new frontline leaders should start during the recruiting process, escalate after the offer, and continue through the first review. Providing an opportunity through the onboarding process for formal and informal learning is an additional benefit to making the new-employee experience smooth and efficient. Mentors may be introduced and development plans based on a skills gap analysis can be established and embarked upon.

Aspects of onboarding best practices could apply to internal moves as well as new external hires. The study titled “Stumbling at the Top: The Challenge and Complexity of Internal Leadership Transitions,” found that at the 10-month mark, up to 40 percent are finding the transition a challenge, and 20 percent rate it a downright disappointment.

Onboarding is a key component of a unified talent management strategy, providing a connection between talent acquisition and employee talent lifecycle stages including performance, development, and alignment with business goals.

## Leaders for Tomorrow's Workforce

A tight labor market in positions of leadership and with key professional skills requires a system with the ability to mine the talent database to find the right talent and skills. At best, the process also considers other individuals within the organization with the requisite abilities along with external candidates.

By identifying key competencies and experiences, needed future leaders can be cultivated and nurtured. Subordinate team members can be ranked as to their suitability and preparedness to assume next-level positions. Focusing on succession planning as one of the key pillars to a successful talent management strategy can ensure a steady talent pipeline for executive, management, and other key leadership roles within the organization.

Talent management and HR leaders in all business sectors are chasing the formula for better execution through the competencies of their managerial and executive staff. The “2010 IBM Global CEO Study” highlighted creative leadership as a critical capability for success.



Figure 13. The “2010 IBM Global CEO Study” highlighted creative leadership as a critical capability for success.

While meeting immediate operational needs, organizations should take a long view and consider how leadership is changing and what leadership will look like in the next 10 years. The skills needed for future leaders must evolve with the business landscape. That evolution will further boost the impact of leaders on business results.



Figure 14. To be a leader in 2020 requires an evolving set of management behaviors.

## Conclusion

As organizations determine their leadership needs, pools of emerging leaders may be cultivated from both inside and outside an organization. Matching the needs of the organization with the needed talent will require buying some capability through talent acquisition and building, or developing other leaders from within the workforce. For best results, organizations should implement strategic practices and unified talent management technology with talent intelligence that supports identifying, hiring, and developing leadership talent to drive business success.



Emerging Leaders: Build Versus Buy  
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