

*New Insights on
Leadership Development*

Proceedings of the 2005 Spring Meeting

*by
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*Human Resources Policy Institute
2005 Spring Meeting
Mat 5 & 6, 2005*



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Human Resources Policy Institute 2005 Spring Meeting

Thursday, May 5, 2005

- 11:30 a.m. New Member and Guest Orientation
- 12:00 p.m. *Luncheon Buffet Begins*
- 1:00 p.m. **Welcome & Introductions**
Professor Fred K. Foulkes
Director, Human Resources Policy Institute
- 1:30 p.m. **Membership Roundtable Discussion**
- 2:45 p.m. *Coffee Break*
- 3:15 p.m. **Top Companies for Leaders:
Results from Hewitt Associates' 2005 Survey**

Mr. Marc Effron
Global Practice Leader, Leadership Consulting
Hewitt Associates
Moderator: Professor Fred K. Foulkes
- 5:00 p.m. Adjourn
- 5:30 p.m. *Cocktails*
- 5:30 p.m. **Europe and the United States: A View from Germany**

Mr. Roland Koch
Minister President of the State of Hessen, Germany
- 6:30 p.m. **Recognition and Appreciation Dinner for Three
Retiring HRPI Members**

Remarks by Dean Louis E. Lataif,
Professor Fred K. Foulkes, and Ms. Jean Halloran
- 8:30 p.m. Adjourn



Friday, May 6, 2005

- 7:15 a.m. *Breakfast Buffet Begins*
- 8:30 a.m. **Company Presentations on Leadership Development Initiatives**
- Ms. Kathi Child
Senior Vice President and Director, Human Resources
J.C. Penney Company, Inc.
- Ms. Deborah Masten
Vice President and Director, Human Resources Communications
and Development
J.C. Penney Company, Inc.
- Mr. Daniel Marsili
Vice President, Global Human Resources
Colgate-Palmolive Company
- Moderator: Professor Douglas T. (Tim) Hall*
- 9:45 a.m. *Coffee Break*
- 10:15 a.m. **Company Presentations on Leadership Development Initiatives, continued**
- Mr. Fred Harburg
Senior Vice President, Leadership, Learning, and Performance
Solutions
Fidelity Investments
- Dr. Craig Schneier, Ph.D.
Executive Vice President, Human Resources
Biogen Idec, Inc.
- Moderator: Professor Fred K. Foulkes*
- 11:30 a.m. **Wrap Up**
Professor Fred K. Foulkes
- 12:00 p.m. *Luncheon Buffet Begins*
- 1:00 p.m. Adjourn

Introduction

New Insights on Leadership Development

As noted by Mr. Marc Effron, Global Practice Leader, Leadership Consulting, at Hewitt Associates, great leadership practices lead to outstanding financial performance. During the Human Resources Policy Institute Spring 2005 meeting, HRPI members grappled with leadership development issues and shared exemplary company practices.

“How do we put the right people in the right positions at the right time for the best business results?” This question, posed by Dr. Craig Schneier, Executive Vice President of Human Resources for Biogen Idec, is one faced by all HRPI members. Company presentations on leadership development initiatives included insight into how an organization can foster a culture that values leadership accountability with multiple stakeholder groups, including the CEO and employees; how to build demand for talent that meets an organization’s talent “quota,” and how to integrate talent management with strategic planning.

Given that HRPI members include those in the “Top 20 Companies for Leaders” as identified by Hewitt Associates, as well as other companies that have spent years conceptualizing and implementing sophisticated practices and systems, the spring meeting provided a dynamic forum for discussing *“New Insights on Leadership Development.”*



Membership Roundtable Discussion

The Roundtable discussion addressed several benefits-related topics, including stock options and alternative compensation in light of the Financial Accounting Standards Board's ruling mandating stock option expensing, employee benefits and the aging population, management of 401(k) plans, and health care disease management.

Employee Compensation and Stock Option Expensing

Phantom shares – In addition to compensation benefits such as 401(k) plans, Employee Stock Ownership Plans (ESOPs), and Employee Stock Purchase Plans (ESPPs), the use of *phantom shares* is becoming increasingly popular in member companies' executive compensation structures. One HRPI member explained that allocation of phantom shares is being tied to company performance measures, such as shareholder return and growth relative to peer companies.

Mandatory expensing and compensation alternatives – HRPI members discussed how member organizations deal with mandatory expensing of stock options, as well as the long-term compensation alternatives to consider in lieu of options. The two most popular alternatives, to date, are restricted stock and cash payouts.

Some organizations, such as Microsoft, have eliminated options entirely. Others, however, still consider stock option incentives an employee motivator, as well as a means to align managerial actions with shareholder interests. Several HRPI members noted a trend toward cutting back on stock options. In addition to generally curbing the use of options as incentives, HRPI members discussed limiting eligibility to receive share-based compensation to senior-level employees.

One member explained that his organization continues to grant options, as eliminating them would likely undermine the organization's growth culture. A few other members cited their concern with the issue of dilution and the impact of option overhang. Another member stated his perception of restricted stock as a better retention tool given that employees could consider stock options "pretend money."

The Aging Population and Employee Benefits

As Baby Boomer generation employees approach and enter retirement, companies are keenly aware of the complexities surrounding managing pension plans, retiree medical benefits, and other retiree issues.

One HRPI member explained that many older employees are reluctant to retire and have opted to extend their employment. This positively affects the workforce by reducing the negative impact of departure and allows skills to remain within the company. As one option to ease the impact of retiree exodus, companies are offering phased retirement. Another HRPI member organization is partnering with the AARP in order to aid its retiring employees.

Other HRPI member companies are concerned about the significant payouts on pension plans. Some companies are offering an increased 401(k) match in lieu of retiree medical benefits as a way to aid their aging workforce. One member opined that the automobile industry is likely to "put itself out of business" as a result of retiree healthcare.



401(k) Plans

HRPI member companies vary in terms of their approach toward 401(k) plans and plan management. Some organizations offer their employees the option to purchase company stock as part of the 401(k) plan, while others prefer not to do so, given the risk inherent in an undiversified portfolio.

HRPI member companies also vary with respect to company matching on employee contributions, the number of fund options available to employees, and the degree of involvement in educating employees on financial matters. One member noted that his organization offers fee-based management of 401(k) plans. Another member described his organization's choice to offer cash matches which can be funneled into a plan of the individual's choice.

Despite variations in a number of 401(k) facets, members agreed that the goal is to simplify choices for employees. One member noted that people cannot be expected to be experts in the area of benefits and money management. By providing appropriate tools, human resource professionals can assist employees as they sift through the complexities of managing their investments.

Health Care and Disease Management

In order to fight escalating health care costs, and to ensure a healthy and productive workforce, employers are investing more attention toward health care and disease management programs. As HRPI members described, some organizations are in the process of collecting data about the severity, frequency and consequences of chronic illness. One member commented that

employees may view the collection of such data—which comes from health care claims—as a violation of privacy.

In spite of the risks, ample data on various illnesses and diseases is viewed as a critical factor to lowering costs, understanding prevention, and helping educate the workforce on disease prevention. For example, once individuals understand steps and actions they can take to mitigate or prevent illnesses and diseases, organizations can assess which individuals are following “protocol.” Individuals who do not follow protocol will be deemed higher risk and might incur higher insurance deductibles. Consistent with 401(k) benefit management, employees cannot be expected to be experts on health care. Organizations can support their employees by providing relevant health care information.



Top Companies for Leaders: Results of Hewitt Associates' 2005 Survey

*Mr. Marc Effron
Global Practice Leader, Leadership Consulting
Hewitt Associates*

Based on a survey of 374 companies, in-depth interviews with 75 companies, financial screening, and a judging panel, Hewitt Associates has identified the 20 “Top Companies for Leaders 2005.”

Hewitt’s research shows a clear link between great leadership practices and outstanding financial results. According to Marc Effron, top companies (1) source more CEOs internally than other companies, (2) source more VP-level talent internally, and (3) are consistently able to attract top external talent. What differentiates the top 20 companies from the rest of the field is a commitment to, and execution of, three fundamental leadership truths.

Fundamental Truth #1: CEO and Board Leadership and Inspiration

At the top 20 companies, members of the board and senior management team are active participants in assessing, selecting, and developing leaders. In fact, 100% of CEOs at the top 20 companies are involved in developing talent, relative to 65% at “non-top” companies. Board of Directors’ involvement is similarly high at the top 20 companies; 65% of boards are involved in developing talent compared with 31% at non-top companies. As an example of Board involvement at the top 20 companies, Cisco Systems’ board member, Jerry Tang, requested a half-day private briefing on the latest succession book after he missed a meeting on succession planning.

Fundamental Truth #2: A Maniacal Focus on High-Potentials

In assessing and grooming high potential candidates, the top 20 companies demonstrate a fanatical approach to answering the following questions: *(1) Do you know who your best talent is? Do they know? (2) Does your best talent get the best opportunities across the organization? (3) Do you understand which roles are most developmental in your organization?*

A lower percentage of high potential (HiPo) candidates at the top 20 companies were identified in Hewitt's survey than the percentage considered to be HiPo at non-top companies (11% of all leaders are considered top performers at the top 20, versus 19% at non-top companies). Although this figure might seem counterintuitive, Mr. Effron explained that the top 20 likely scrutinize and discern among employee talent to narrow the pool of people identified as top performers. The top 20 are more likely than non-top companies to tell high potentials of their status (68% versus 53%) and track their turnover (72% versus 60%).

Top companies recognize leadership potential by linking pay to performance. In terms of base pay, for example, the top 20 are more likely than non-top companies to pay high potentials in the 90th to 99th percentile of employees in the industry (33% percent of top companies pay in this bracket, versus 9% at non-top companies). Perhaps even more telling, the top 20 more often target long-term incentive pay in the 90th to 99th percentile than do non-top companies (67% of top companies pay this bracket, versus 9% at non-top companies).



Finally, the top 20 are more likely than non-top companies to develop their high potential candidates using mentoring (58% versus 24%), coaching with an internal provider (58% versus 22%), internal training (90% versus 17%), and developmental assignments (89% versus 43%).

As an example of a top 20 company's unwavering focus, at Colgate-Palmolive, the leadership development group conducts monthly matching to ensure frequent movement through geographies and divisions. Furthermore, high potential candidates start assignments early in their careers. By the age of 30, a candidate should have had multiple developmental assignments. Also, when a high-potential candidate says he or she is resigning, a counteroffer is implemented within 24 hours.

Fundamental Truth #3: The Right Leadership Practices, Done Right

The top 20 companies understand the integral link between leadership development and business strategy. Different leadership capabilities, according to Mr. Effron, are required to “fit” with different environments. The top 20 companies ask where the company is currently, where it will be in three to four years, and whether the current leaders fit with that future environment.

Mr. Effron described four different environments requiring different competencies for success. The “2-by-2” matrix below shows four possible environments that result from the combination of two dimensions: a company's degree of change (transformational or transactional), and a company's strategy (return or growth). The leadership competencies required to drive an organization are dictated by the environment in which the organization resides.

Transformational Change

| | | | |
|-----------------|--|--|-----------------|
| <i>Return</i> | Competencies may include: Vision, Decision-Making, Financial Acumen, Managing Change, Risk Management, Cost Control | Competencies may include: Vision, Speed, Aggressiveness Risk-taking, Innovation, Managing Change, Driving Sales | <i>Growth</i> |
| <i>Strategy</i> | Competencies may include: Risk Management, Process Management, Financial Acumen, Cost Control, Rule Orientation, Task Focus | Competencies may include: Speed, Aggressiveness, Process Management, Risk- taking, Planning, Task Focus | <i>Strategy</i> |

Transactional Change

Because the top 20 companies commit and execute the three fundamental truths, *accountability* is pervasive on different levels. For instance, senior management, organizational development, and human resource professionals are more likely to be considered formally accountable for the *success or failure of leadership development programs* at the top 20 than at non-top companies. Hewitt’s survey showed that 85% of top companies measure and *hold their leaders accountable for their behaviors*, relative to 45% for non-top companies. Similarly, leaders are more likely at top companies to be held accountable—through annual incentives—for *developing their direct reports* (85% relative to 46% at non-top companies).

Avery Dennison and Sonoco Products are two top 20 companies that demonstrate the correct execution of business practices. Avery Dennison formally measures the success of succession planning decisions three years after a placement. Sonoco Products uses a scorecard to rate leaders on six dimensions of talent management and publicly posts the results of all leaders.



What can companies do to become high-performers?

To build more Top Companies for Leaders, Mr. Effron asserted, two groups need to take accountability and action: senior leaders and board members, and human resource leaders and consultants. He explained that the first step to building leaders is to answer the following questions related to each leadership process a company has:

- **Accountability:** Who is accountable and how will they be held accountable?
- **Execution:** Are processes designed to be executed and how will we measure effectiveness?
- **Differentiation:** Are we investing our dollars where we'll get maximum return?

Europe and the United States: A View from Germany

*Mr. Roland Koch
Minister President of Hessen, Germany*

Roland Koch, Minister President of Hessen, Germany, spoke of Germany and United States relations in light of the developing European Union, particularly the Treaty establishing a European Constitution, which at the time of Mr. Koch's remarks was awaiting ratification by member states. He described the State of Germany as having "a long tradition with the United States." Furthermore, Prime Minister Koch stated, "My opinion is that the transatlantic partnership is the most important in the world." The important question remains whether the United States will similarly view and solidify its relationship in the partnership.

Hessen, Germany has been home to nearly 100,000 American troops since the end of World War II. These troops were a key interface between the United States and the German populace. As Mr. Koch explained, "We are paying a peace dividend," in that the United States has been gradually withdrawing troops since the Iron Curtain fell in 1989. By the end of 2010, few troops will be deployed to Hessen.

Since the Iron Curtain fell, Germany has promoted its place as a secure and peaceful state in Europe. Mr. Koch explained that "It was important to have friends around the world." Looking ahead to the potential of the European Union, Mr. Koch added, "Germany will be one of the leading nations inside the EU. Without Germany, it would be tough to have a common, unified EU." At the same time, he explained, the EU and a unified Germany are not possible without the support and friendship of the United States.



Mr. Koch asserted that Germany must “...define our interests, and who we are now.” Prior to the EU, he noted, “individual states in Europe were not able to solve [their] problems, but there is strength in unity.” The EU represents a critical historical opportunity to influence its constituent States and the global order in general.

As the EU evolves over the next decade, “Europe will become more and more aware of the importance of allies.” Will the United States want to be Europe’s key ally? By having “a common answer,” Mr. Koch explained, the European Union and the United States will help to build and guard a peaceful world order.

A lively question and answer session followed Mr. Koch’s presentation.

Company Presentations of Leadership Development Initiatives *J.C. Penney Company, Inc.*

Ms. Kathi Child
Senior Vice President and Director, Human Resources
J.C. Penney Company, Inc.

Ms. Deborah Masten
Vice President and Director, Human Resources Communications and Development
J.C. Penney Company, Inc.

Kathi Child and Deborah Masten explained that JCPenney’s leadership development strategy is to *attract, develop, and retain the best people in retail* by offering clear career paths and opportunities for growth, and by reflecting the diversity of the communities in which the company operates.

Ms. Child and Ms. Masten described two programs—the Chairman’s Leadership Academy and Retail Academy—and a newly created Career Development Planning Tool that the JCPenney Human Resource Department have used to facilitate the company’s turnaround strategy, retain high-potential managers, and strengthen the succession planning process.

JCPenney’s Turnaround – As JCPenney’s stock languished around \$11 per share in 2001, the board hired Allen Questrom as CEO to lead a company turnaround. Immediately, Allen began hiring seasoned veterans from other organizations to infuse JCPenney with new ideas and strategies. Not only was his goal to assimilate these new individuals into JCPenney’s culture, he also hoped to shift the company’s culture from one characterized by “entitlement” to a high performance culture.



Questrom and the senior management team unveiled five turnaround strategies to guide employee behavior toward a new future. The strategies included competitive merchandise, compelling marketing, vibrant store environments, controlled expenses, and the right people in the right jobs.

Chairman’s Leadership Academy and the Retail Academy – In 2003, when the Chairman’s Leadership Academy was formed, the JCPenney leadership development system already had an existing set of effective tools. The Human Resources group had established a Department Career Grid replete with bands and bonus percentages accompanying each band, a user-friendly on-line performance system, an HR newsletter, and job-specific competency sets for key positions (e.g., Buyer, Supply Chain Specialist, Planners) within JCPenney.

The Chairman’s Leadership Academy was developed to facilitate culture change. The Academy would assimilate the strengths of the new Senior Leadership’s behavioral styles with the strengths of JCPenney’s culture and address cultural issues that might hinder turnaround efforts. Officers considered to be high potential candidates gathered for a five-day program which included three parts: Part I focused on the “internal leader” with 360-degree feedback; Part II aimed at learning about culture; and Part III was designed to charge officers with addressing cultural issues.

During the program, five aspects of a customer-oriented culture were identified as desirable turnaround “drivers”: value and develop individual excellence; be the leader in focusing on the customer; practice and expect robust dialogue to conclusion; set clearly defined goals and accountability; and, drive effective and timely execution.

A culture survey was developed based on these five cultural dimensions and administered to 143 members of the Leadership Council. Each member of the council rated his or her respective department on each dimension. As an example of how the cultural dimensions were operationalized in the survey, the dimension, “be the leader in focusing on the customer” included statements related to the degree to which employees please each other or the customer and prioritize based on the status quo or on customer value.

A special session of the Leadership Council was convened to build consensus on the ideal JCPenney culture for each of the survey items and to examine the gap between the ideal and existing company culture. The differences were reported to leaders on the executive committee. Next, the survey was administered to all managers within the company and another special Leadership Council session was held to analyze results and create action plans to drive cultural change. To track progress on change, a follow-up survey is scheduled for fall 2005.

Retail Academy –The President and Chief Merchandising officer sponsored an additional change catalyst, the Retail Academy. Participants included high potential officers from cross-functional areas. The objectives of the Academy included fostering a better understanding of the turnaround strategic initiatives, skill building, and strategic thinking. During the weeklong Academy, executives taught “mini-cases” during the day, and small groups worked on assigned business cases at night. The week culminated in a group report to Chairman Ullman and President Hicks.



Development Tool – In 2004, Human Resources identified the need to integrate all aspects of associate career paths from date of hire to retirement. To start, HR began to map processes associated with integration, created a tool for individual development plans, and examined automation capabilities.

In creating the Development Tool, Human Resources drew on data used in succession planning, senior management review, assessment and coaching cards, the performance appraisal system, department career assessment forms, and associate skill and interest forms. The Development Tool will be generally used to support Career Planning and Development, and also for all high potentials discussed in Senior Management Reviews.

The tool's use for career development involves the following steps performed by "Business Owners" and HR "Business Partners":

1. Identification of a "Projects" future position or level of management;
2. Identification of Associate's most important developmental priorities for the projected role;
3. "Assessment Results" to be provided by Business Partner and/or HR Research;
4. Refer to previous appraisals, Department Career Assessment Form, input from peers, direct reports, and others who have worked with the Associate;
5. Prepare a Career Development Plan to identify specific actions and activities for the associate's development in the projected role;
6. Work with Business Partner and HRD Training Advisor, as needed; and
7. Communicate Plan to Associate and implement and monitor the plan

Taken together, the Leadership Development programs and Development Tool are catalysts to continue the transformation underway at JCPenney.

Company Presentations of Leadership Development Initiatives *Colgate-Palmolive Company*

Mr. Daniel Marsili
Vice President, Global Human Resources
Colgate-Palmolive Company

Colgate Palmolive is an \$11B international company with operations in over 80 countries and an employee base of over 35,000 employees, 75% of whom live outside the United States. Colgate-Palmolive has been on Hewitt Associates' "Top 20 Companies for Leaders" list in three consecutive surveys, and the company's practices epitomize the three fundamental truths Hewitt's Marc Effron described.

As Daniel Marsili, Vice President of Global Human Resources, explained, Colgate's "People Development Strategy" includes *preparing the next generation to lead, and developing all Colgate people to their fullest potential*. The strategy begins with Colgate's values: Caring, Continuous Improvement, and Global Teamwork. Colgate's employees live the company's values, which are integrated into all of Colgate's Human Resources practices by enacting the principles of "Managing with Respect": practicing effective communication, giving and seeking feedback, valuing unique contributions, promoting teamwork, and setting the example.

Colgate's People Development Strategy includes: identifying the best talent early, assigning a sequence of challenging and exciting work, providing constructive feedback and coaching, increasing visibility, creating a sense of belonging, recognizing and rewarding the best performers, and providing continuous learning.



Identifying the Best Talent Early – As Mr. Marsili explained, Colgate identifies its best talent through a centralized succession planning system as well as through processes at the subsidiary, division, and functional levels. It focuses on the next two to three generations of leaders. The process is global in scope, and occurs as part of the “annual people review” conducted by General Managers. A list of high potentials is given to Division and Global functions and is updated once a year to reflect the talent pool and high potential (HiPo) growth and performance. Colgate’s Senior Team reviews the HiPo list monthly.

Assigning Challenging Work – Once the best talent is identified, Colgate promotes individuals early and often. HiPo development plans include two assignments within a five-year time span. By giving individuals a sequence of stretch assignments, Colgate ensures the development of critical competencies relevant to future generations of leaders.

Providing Feedback – Colgate has embedded feedback into several organizational practices. Employees receive feedback during their annual performance reviews. Individual Development Plans (IDPs) provide another basis for assessment of competency development, goal attainment, and performance assessment. 360-degree feedback (called Personal Leadership Surveys), regular coaching sessions, and the external Executive Coaching Global Network are all valuable means to understanding one’s strengths, areas for improvement, and blind spots.

Visibility for Top Talent – Star performers are given multiple avenues for exposure to senior management. Top talent is given opportunities to present during Budget Reviews and Senior Staff meetings, to travel with senior executives, and participate on taskforces and high-impact projects. Further, HiPo’s work with Global Training Instructors and are offered short-term

broadening assignments. These are just some of the vehicles through which top talent gains visibility.

Recognizing and Rewarding the Best Performers – Consistent with Hewitt Associates’ survey on top companies for leaders, Colgate-Palmolive pays its high-potential employees at the top of the industry range. Further, the company targets high-potential candidates for recognition and retention programs, such as participation on “priority teams,” special stock, and deferred cash programs.

Providing Continuous Learning – Finally, best performers receive opportunities for continuous learning. For example, Colgate’s Global Training curriculum includes 150 global programs, over 3,000 certified instructors, and caters to 30,000 participants a year. Geared towards its global needs, many of Colgate’s training programs are available to employees 24 hours a day, 7 days a week. The training entails the sharing of best practices and provides practical work applications. Also, Colgate leaders teach the training curriculum. Given that the most effective way to learn is to teach, Colgate’s high-potential employees maximize their skills and put them into use for the benefit of others.

Colgate’s sophisticated leadership development strategy and accompanying practices exemplify the cutting edge of HR value-added activities and philosophies. Indeed, for Colgate, leadership is the foundation of business success.



Company Presentations of Leadership Development Initiatives *Fidelity Investments*

*Mr. Fred Harburg
Senior Vice President, Leadership, Learning, and Performance Solutions
Fidelity Investments*

As Fidelity Investments approaches two trillion dollars of assets under management, it can be likened to one of the larger national economies in the world. According to Fred Harburg, “The Leadership and Learning team starts the challenge of leadership development at the point where Marc [Effron]’s process ends.”

Fidelity begins with talent measurement. Intense partnerships between business units and human resources generalists facilitate the customization of business human resources development efforts. While most businesses have established general core competencies, Fidelity is finding that leadership success is business based. Mr. Harburg asserted, “After looking at a lot of best practice companies we note that their competencies look very much the same.” It is, therefore, essential for HR and business partners to dialogue and to identify competencies that genuinely distinguish superior, sustainable business performance.

The foregoing discussion begs the question, what is superior business performance? And, secondly, what competencies lead to superior business performance? Mr. Harburg explained that once performance indicators for business units are identified, leadership competencies that lead to outstanding performance must be determined.

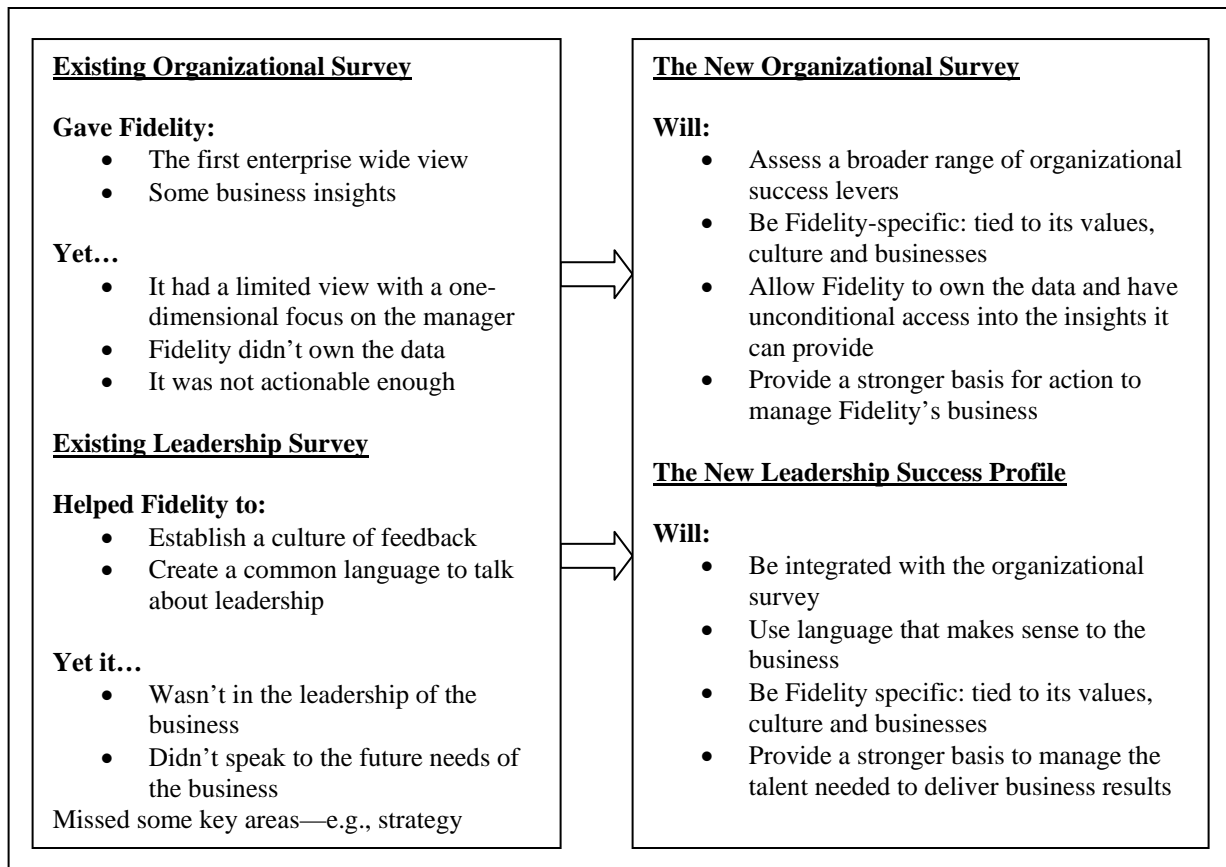
To this end, Mr. Harburg and his team have begun a process of hearing “the voice of Fidelity” to understand business performance and the leadership “indicators” or competencies that bolster performance. Having what Fidelity terms an “Integrated Human Performance System”—a set of Fidelity-specific leadership competencies—will provide a basis for application and action through 360-degree feedback, selection, development alternatives, performance management and talent assessment. This is in effect an “Organizational Success Framework” and it provides the basis of assessment and action on goal alignment, leadership impact on the organization, communication, resource allocation, and the impact of culture and environment.

Initially, Human Resources interviewed 50 Fidelity leaders and held 27 focus groups to define organizational success and exceptional leadership, and to develop items consistent with those definitions. By defining organizational success, HR ensured that they were building competencies relevant to business needs. The next phases of the project include enhancing the survey with external research and refining the survey and profile by testing it with senior leaders.

Fidelity’s new organizational survey builds off of another survey developed five years ago. At the time, 40 “excellent” leaders were interviewed for the purpose of understanding performance success levers. When Fidelity tracked the 40 individuals five years later, however, they discovered that 20 of those leaders had subsequently made voluntary or involuntary exits from the company. This left the question whether what may have been successful leadership behavior in the past would be the type of leadership behavior needed in the future. Mr. Harburg described the evolution of Fidelity’s survey “process,” describing how the existing survey has aided the company, and highlighted how its limitations will be overcome by the newer, more sophisticated survey.



As the chart below shows, the existing organizational and leadership surveys have given Fidelity a “first look” at driving superior business performance through leadership. Although the existing organizational survey was the first to provide an enterprise-wide view of organizational success levers, it was not tied to Fidelity’s unique culture, values, and businesses. The new organizational survey will be Fidelity–specific and will assess a broader range of levers. The existing leadership survey fostered the creation of a culture of feedback at Fidelity, as well as a common language to discuss leadership. However, the leadership competencies were also not integrally linked to Fidelity’s business. The new leadership success profile will be Fidelity-specific, integrated with the organizational survey, and provide a stronger basis to manage the talent required to deliver outstanding results.





The completed leadership profile is scheduled for December 2005, and the survey is scheduled for January 2006. Mr. Harburg said the leadership development tools represent a huge step toward the goal of meeting Fidelity's proposed "Value Proposition" to leverage the relationship between leadership and organizational capability to drive business performance.



Company Presentations of Leadership Development Initiatives *Biogen Idec, Inc.*

*Dr. Craig Schneier, Ph.D.
Executive Vice President, Human Resources
Biogen Idec, Inc.*

“The right people with the right skills in the right positions for the best business results!”

Building demand – In order to build a top-notch leadership development program, “You have to build demand, not supply,” stated Dr. Craig Schneier, Executive Vice President of Human Resources for Biogen Idec, Incorporated. “We have the tools and the systems. We’re building the needs. We’re getting people to want to *use* the tools,” Dr. Schneier explained.

Dr. Schneier and the Leadership Development team are securing buy-in for development so that employees, not managers, are driving the process. For a program to be maximally effective, employees must ask for development; they must ask for feedback. While managers are accountable for development, it is employees’ responsibility to enhance their careers. *How is Biogen Idec’s Leadership Development building support for leadership?*

Biogen Idec’s Leadership Development program is fueled by its *integration* with business planning practices. As Dr. Schneier stated, “There’s a seamless nature between business planning and talent planning.” The business planning and talent review processes are conducted at the same time of the year to ensure that long range plans are consistent with human capital needs. In this way, “leadership supply will be equal to future demand.”

Integrating talent management and strategy – Long range plans and talent review occur concurrently as they are underpinned by the same foundation: Biogen Idec’s strategy. This alignment ensures that overlapping questions and analyses occur, and that functional and unit leaders are similarly accountable parties. To provide an example of this integration in practice, a business unit manager who forecasts a ten percent increase in demand in the upcoming year would be asked questions such as: *what individuals will be in key positions to drive a ten percent increase in revenue? What are the unit’s capabilities and strengths? Does the unit have the right mix of High Potential (HiPo) and High Professional (HiPro) candidates to drive the growth? Do positions need to be altered, eliminated, or added to meet the growth?* Naturally, therefore, leadership development is an outcome of organizational design.

Performance management – Biogen Idec’s meritocracy ensures that the *right people* are identified and rewarded for their skills and effort. The meritocracy is founded on a four-tier ranking system in which individuals are grouped by performance: (1) Group 1 – the top 15% of employees; (2) Group 2 – the next 40%; (3) Group 3 – the next 40%; and (4) Group 4 – the bottom 5%.

The top performers are rewarded with promotional opportunities and above market compensation packages; in contrast, the bottom performers are put on “performance/contribution needs improvement” plans and given three months to demonstrate improvement. Guiding performance enhancement and results are written performance goals, metrics, leadership competencies, and a written Development Plan. The foregoing support an understanding of the system in terms of knowing one’s plan and expectations, obtaining feedback, and learning and growing over time.



Core values and leadership competencies – Ensuring that the right people have the *right skills* requires that a leadership development program be attentive to values and competencies. Values represent one prong of the company’s foundation of leadership development. These values guide employee behavior and include: courageousness, innovation, integrity, teaming as a source of strength, commitment to those Biogen Idec serves, and growth and transformation. The second prong includes leadership competencies such as ignition of creativity and transformation, a drive for results, creation of talent, and acting with integrity. Taken together, the two prongs of Biogen Idec’s foundation foster the development of talent that has, as Dr. Scheiner put it, “the right stuff.”

Leadership development & metrics – Biogen Idec has defined metrics to measure how effectively the company is developing its employee talent. To illustrate, Dr. Schneier elaborated on three overarching metrics that have been developed as yardsticks: *cultural*, *strategic*, and *operational*.

Under the umbrella of cultural metrics are managers’ willingness to “give up” talent to developmental positions, employee commitment to driving their career growth, and a pervasive belief in the importance of a meritocracy. Strategic metrics include a leadership supply that is greater than future demand, and alignment between the organization’s architecture and leaders’ capability profiles. Finally, operational metrics include a percentage of “ready now” successors, and the implementation of a percentage of HiPo development



Biogen Idec's leadership development program aims to place the right people with skills in the right positions for the best business results. It has achieved success by building demand, integrating talent management and strategy, managing performance, fostering leaders who enact core values and relevant competencies, and continually assessing development against established metrics.