

OBJECTIVE

Much is expected of GLCs in terms of high performance, Malaysia's national mission, Vision 2020 aspirations and the Ninth Malaysia Plan require GLCs to be one of the growth engines of the national economy and to create real shareholder returns. GLCs will need to increase the profitability of their domestic operations and successfully drive profitable growth in new geographies and sectors. This requires leaders.

The purpose of the Orange Book is to help CEOs to strengthen leadership development. It offers practical guidance about what they can personally do and what they need to do to institutionalise good leadership development practices.

THE LEADERSHIP GAP

The biggest challenge posed by the goals and pace of the GLC Transformation (GLCT) Programme is the supply of leaders. Current estimates suggest that GLC-wide between 1,500 and 2,000 additional leaders may be required, with particular shortages in the functions of marketing, operations procurement and business development. The Orange Book supports GLCs to meet this challenge.

PRINCIPLES

The practical guidance offered in the Orange Book to close the leadership gap is underpinned by the three underlying principles of the GLCT Programme:

- **National Development.** The GLCT Programme is a subset of the broader national development strategies that include the development of Malaysian talent and the Bumiputera community.
- **Performance Focus.** The underlying rationale for the GLCT Programme is to create economic value through improved performance at GLCs, within the broader national development focus.
- **Governance, shareholder value and stakeholder management.** The GLCT Programme fully observes the rights and governance of shareholders and stakeholders.

NEXT STEPS

To get started, leaders should:

- Conduct a Leadership Development Audit of their company
- Conduct a personal stocktake of leadership development activity using the questions for leaders in this summary.

THE LEADERSHIP DEVELOPMENT STOCKTAKE

Ask yourself:

How do your leadership development practices rate against best practices?

	YES	NO
1. Do you spend 30% of your time developing leaders?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you know what your most significant intervention will be in the next 3 months to fundamentally improve the leadership capability of your organisation?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you know three leaders outside your company who could transform its performance? If so, do you have a personal plan for how and when you could recruit them?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you play a role in every senior leadership development programme for your company?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you spend 1 hour with each of your direct reports every quarter giving them personal feedback and coaching about how they can be more effective leaders?	<input type="checkbox"/>	<input type="checkbox"/>
6. In the last 12 months, have you taken a risk with any high potentials and moved them into challenging leadership roles that prompted people across the organisation to talk positively about it?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you have a clear point of view on what the next role should be for each executive reporting to your direct reports to maximise their development and the performance of the business?	<input type="checkbox"/>	<input type="checkbox"/>
8. Do you know who among your key leaders are most at risk of leaving, what their issues are and what you are going to do to ensure they don't leave?	<input type="checkbox"/>	<input type="checkbox"/>
9. In major strategy sessions, do you always involve the HR head to ensure you will have the leadership with the requisite skills to successfully deliver your business plans?	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you appointed one of your top line performers to head your HR function or to one of HR's most senior roles?	<input type="checkbox"/>	<input type="checkbox"/>



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INITIATIVE 8

THE ORANGE BOOK STRENGTHENING LEADERSHIP DEVELOPMENT

INTRODUCTION

The leaders of our Government-Linked Companies (GLCs) are entrusted with the stewardship of Malaysia's greatest resource—our people.

Our leaders have a personal duty to nurture the character and capability of our people, to inspire them personally and professionally and to make sure that their knowledge, gifts and talents are used and developed to their fullest potential.

Our leaders have a corporate duty to grow other leaders who will drive the sustainable performance of GLCs to create outstanding shareholder and stakeholder value.

Our leaders have a national duty to develop exceptional Malaysians who can move our country towards achieving the national mission and Vision 2020 aspirations underpinned by our noble developmental approach of growth with equity.

These three duties are critical to achieving the objectives and the underlying principles of the whole GLC Transformation agenda.

The Orange Book will help CEOs, with the support of Boards, Human Resources (HR) functions and line managers, to fully understand and put into practice these personal, corporate and national duties. It will help CEOs drive the transformation agenda. It should also serve as a source of inspiration for all who feel a call to play a leadership role in the development of our nation.

COMMERCIAL TOOLS AND APPROACHES

The Orange Book applies a range of techniques from non-HR disciplines:

- Marketing techniques to create powerful employee value propositions
- Operational improvement methodology to improve recruiting performance
- Customer management techniques to 'save' key leaders and talent at risk of leaving

The Orange Book provides a complete Leadership Development Audit tool to rapidly assess the current performance of a GLC in leadership development.

A FRAMEWORK FOR STRENGTHENING LEADERSHIP DEVELOPMENT

The Orange Book contains a chapter on each dimension of leadership development. Each chapter is organised around the theme below and supported by practical guidelines.



- 1 The CEO is also the Chief Human Resource Officer: creating the leadership engine that powers business performance.
- 2 The war for leadership talent is won when Boards and CEOs get personally involved.
- 3 Great leaders energise their organisation by holding people to higher standards of performance and rewarding those individuals and teams that embody excellence.
- 4 CEOs need to skilfully match their leaders to their most important roles, delivering higher performance and accelerating development.
- 5 Great organisations become 'leadership factories', working at all levels to build leadership capability. Great CEOs know that this personal activity is best led by them.
- 6 Today's war for leadership talent is as much about retaining leaders as it is about engaging them.
- 7 The winning combination in leadership development is a committed Board and an active CEO, backed by a powerful partnership of HR and line management.

KEY FEATURES

The framework has three key features:

1. LEADERSHIP DEVELOPMENT MUST FLOW FROM BUSINESS STRATEGY

All aspects of leadership development need to focus on creating those leaders with the experiences and capabilities required for that unique business to be successful.

2. LEADERSHIP DEVELOPMENT IS INSTITUTIONALISED AS A SYSTEM, NOT JUST A PROCESS

Every aspect of leadership development feeds into the leadership pool and links to every other aspect—all of which increases the quality and size of the pool. Leadership development is not—and cannot be—dependent on particular leaders who happen to be good at it or passionate about it. It must be the way a company works.

3. THE PARTNERSHIP BETWEEN HR AND LINE MANAGEMENT FRAMES ALL LEADERSHIP DEVELOPMENT

The task of identifying and developing leaders cannot be outsourced to HR. The CEO and all line managers must lead it. The HR-Line partnership is built upon a talent mindset. CEOs and senior leaders with a true talent mindset devote a minimum of 30% of their time to leadership development because they believe that high performers create disproportionate value.



THE ORANGE BOOK

STRENGTHENING LEADERSHIP DEVELOPMENT

DECEMBER 2006

PREFACE: MESSAGE TO CEO

The leaders of our Government-Linked Companies (GLCs) are entrusted with the stewardship of Malaysia's greatest resource—our people. As I have often said, the CEO is the Chief Human Resource Officer. Your role as the chief human resource developer is just as important as your role as business manager and leader.

Our leaders have a personal duty to nurture the character and capability of our people, to inspire them personally and professionally, and to make sure that their knowledge, gifts and talents are used and developed to their fullest potential.

Our leaders have a corporate duty to grow other leaders who will drive the sustainable performance of GLCs to create outstanding shareholder and stakeholder value.

Our leaders have a national duty to develop exceptional Malaysians who can move our country towards achieving the aspirations set by the National Mission and Vision 2020, underpinned by the principles of the Federal Constitution and the Rukunegara.

These three duties are critical to achieving the objectives and the underlying principles of our whole GLC Transformation agenda.

When we speak of leaders—at any level—we speak of those individuals who can meet extraordinary challenges and put in place the actions required to create breakthrough performance and results. They are entrusted in their positions because we believe that they have the necessary knowledge, integrity, passion, sense of duty, motivational skills and resilience.

These characteristics are beyond what we expect of our managers in their day-to-day roles. Make no mistake: managers are a vital and important part of how we deliver consistent business results. However, we are an ambitious nation with high aspirations and a rapid development agenda. We can only achieve this agenda with the right leaders.

This GLC Transformation initiative on 'Strengthening Leadership Development' will help you, with the support of your Boards, Human Resources (HR) functions and line managers, to fully understand and put into practice your personal, corporate and national duties. It will help you drive the transformation agenda. It should also serve as a source of inspiration for those that want to play a leadership role in the development of our country and our corporations.

YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
PRIME MINISTER OF MALAYSIA

ACKNOWLEDGEMENTS

The Putrajaya Committee on GLC High Performance (PCG) would like to thank the following for their support and input into the development of this initiative.

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Lembaga Tabung Angkatan Tentera

Lembaga Tabung Haji

Malayan Banking Berhad

Malaysia Building Society Berhad

Malaysian Airline System Berhad

McKinsey & Company

Ministry of Finance

Petroliam Nasional Berhad

Permodalan Nasional Berhad

Prime Minister's Office

Securities Commission

Sime Darby Berhad

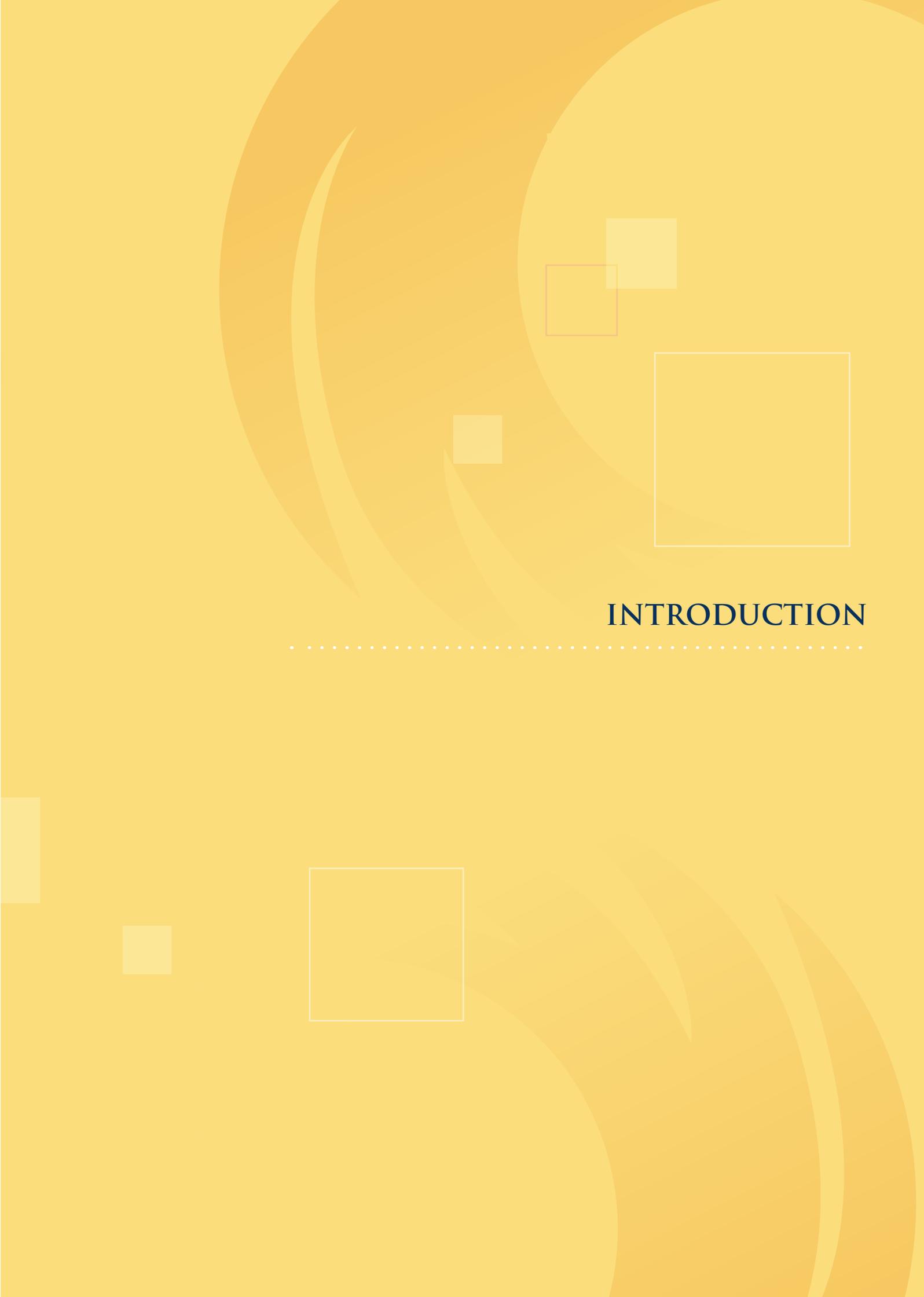
Telekom Malaysia Berhad

Tenaga Nasional Berhad

Towers Perrin

UEM World Berhad

Watson Wyatt



INTRODUCTION

INTRODUCTION

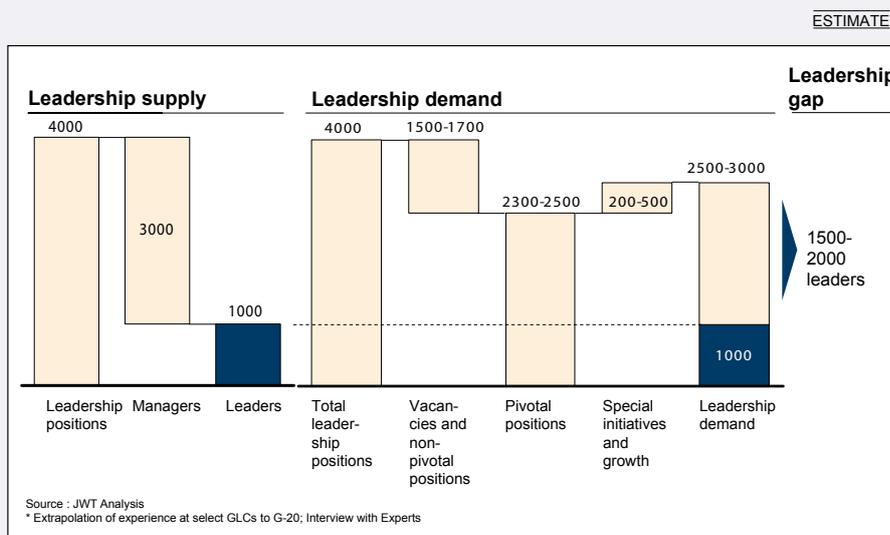
Much is expected of GLCs in terms of high performance. Malaysia’s National Mission, Vision 2020 aspirations and the Ninth Malaysia Plan require GLCs to be one of the growth engines of the national economy and to create real shareholder returns. GLCs will need to increase the profitability of their domestic operations and successfully drive profitable growth in new geographies and sectors. This requires leaders.

TODAY THERE IS A LEADERSHIP GAP ACROSS GLCs

It is the responsibility of CEOs and Boards of all GLCs to ensure they have enough of the right leaders to help them meet their business targets—indeed it is their corporate duty. The purpose of this Orange Book is to help CEOs fulfil that duty. It offers practical guidance about what they can personally do to meet this challenge and what they need to do to institutionalise good leadership development practices in their companies.

Today, it is estimated that GLCs face a gap of between 1,500–2,000 leaders who can deliver and sustain breakthrough performance.

EXHIBIT 0.A GLC LEADERSHIP GAP



MANAGERS & LEADERS: A COMPARISON

Managers deliver reliable year-on-year improvements for their area
Typically: 1–5% p.a.

Leaders deliver improvement and sustain breakthrough performance
Typically: 20–30%+ p.a.

Malaysia requires more leaders who can truly transform an organisation and deliver *breakthrough* performance. While there are a good number of leaders who can drive financial restructuring and infrastructure development, for particular types of leaders such as those in the functions of marketing, operations, procurement and business development, the shortage is acute.

The practical guidance offered in this Orange Book to close the leadership gap is underpinned by the three underlying principles of the GLC Transformation Programme:

- **National Development.** The GLC Transformation Programme is a subset of the broader national development strategies that include the development of Malaysian talent and the Bumiputera community.
- **Performance Focus.** The underlying rationale for the GLC Transformation Programme is to create economic value through improved performance at GLCs, within the broader national development focus.
- **Governance, shareholder value and stakeholder management.** The GLC Transformation Programme fully observes the rights and governance of shareholders and stakeholders.

GLCs SHOULD CLOSE THEIR LEADERSHIP GAP WITH A 'DEVELOPMENT, EQUITY AND PERFORMANCE' APPROACH

The developmental agenda of the GLCT programme is reflected in the need to ensure full participation of all Malaysians including Bumiputeras in the development of GLC leaders. The three underlying principles of the GLCT programme translate to GLCs applying a 'development, equity and performance' approach to leadership development. This includes National Development, which supports Bumiputera development as well as building the local talent agenda for all Malaysians, premised on principles of performance, shareholder value and stakeholder management. This approach has three implications for GLCs:

1. Ensure equity and development potential recognised on entrance

Recruitment especially at entry level should be done, not only on the basis of their achievements, but also their development potential.

2. Provide ongoing support and development contingent on performance

Leadership development will accelerate where progress and rewards are based on proven performance and potential. In the context of development and performance, employees should

THE LEADERSHIP DEVELOPMENT STOCKTAKE

1. Do you spend 30% of your time developing leaders?
2. Do you know what your most significant intervention will be in the next 3 months to fundamentally improve the leadership capability of your organisation?
3. Do you know three leaders outside your company who could transform its performance? If so, do you have a personal plan for how and when you could recruit them?
4. Do you play a role in every senior leadership development programme for your company?
5. Do you spend at least 1 hour with each of your direct reports every quarter giving them personal feedback and coaching about how they can be more effective leaders?
6. In the last 12 months, have you taken a risk with any high potentials and moved them into challenging leadership roles that prompted people across the organisation to talk positively about it?
7. Do you have a clear point of view on what the next role should be for each executive reporting to your direct reports to maximise their development and the performance of the business?
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9. In major strategy sessions do you always involve the HR head to ensure you will have the leadership with the requisite skills to successfully deliver your business plans?
10. Have you appointed any of your top line performers to head your HR function or to one of HR's most senior roles?

be developed and supported to realise their full potential. This support must be contingent on performance. GLCs will need to take firm action on individuals, if despite the support, the potential does not translate into performance.

3. Develop leaders from within

GLCs should aim to close their leadership gap primarily by developing their own leaders rather than by recruiting them. However, GLCs might have to recruit when they have to close some critical leadership gaps at senior levels or when they face strong competition internationally or domestically from multinationals. When this happens, leaders should be brought in with a specific performance goal of developing a cadre of Malaysian leaders with the required capabilities within the organisation.

Malaysia is not short of exceptional people with the innate qualities required for leadership, nor are its GLCs. We can expect to find potential leaders among 5–10% of managerial staff but these leaders are often ‘hidden’. These are people who have potential but are in the wrong roles. High performers ‘stuck in the queue’ behind more senior average performers, or people who took a risk that did not pay off and have been ‘written off’. These sorts of people need to be found and be given a chance to develop and bloom.

A TIME TO BUILD ON STRENGTHS AND RISE TO THE CHALLENGE

GLCs can draw upon uniquely Malaysian assets to develop leaders and close the leadership gap. Malaysia’s CEOs should capitalise on these strengths to position their companies to overcome present and future challenges.

OUR STRENGTHS

Throughout the book specific ways to build on these strengths are highlighted, which include:

VALUES AND CULTURE

Boards and CEOs can call upon national values and culture to help strengthen leadership development. There are four values, some of them uniquely Malaysian, that are acknowledged in the Orange Book, as particularly helpful.

- A sense of national pride and duty can be used to attract talented leaders to work for GLCs
- The personal obligation of leaders to care for their people can be called upon to ensure they devote sufficient time to nurturing new leaders
- The honouring of age and wisdom and the sense of obligation to pass on knowledge will accelerate the mentorship of leaders
- The value of living harmoniously with others and working for the good of the whole community can be used to retain leaders and motivate them.

MALAYSIA’S NATIONAL DEVELOPMENT AGENDA

Malaysia’s ambitious development agenda means that there are many opportunities for leaders. High potential individuals will be able to take on challenging assignments that stretch them—and help them to develop quickly. Because of this, Malaysia and the GLCs have a unique opportunity to be an ‘incubator’ for leadership talent.

MALAYSIA'S CURRENT LEADERS

Malaysia has grown by successfully developing the institutions and leaders that were required at each stage of the nation's development. Current leaders need to continue to develop and learn new skills.

OUR CHALLENGES

Throughout the book specific actions to overcome the challenges are addressed, which include:

COMPETITION FROM NON-GLCs FOR MALAYSIAN TALENT

The leadership shortage is not restricted to GLCs, nor to Malaysia or the region. GLCs will need to compete aggressively with multinationals and private Malaysian companies—and not only for customers, but also for leaders.

INSUFFICIENTLY COMPETITIVE EMPLOYEE VALUE PROPOSITIONS

To date, GLCs have used a compelling purpose such as nation building to influence recruitment. Some talented leaders respond well to the call of national service, others less so. GLCs must be able to offer different compelling benefits to attract a broader range of potential leaders. GLCs which also compete in the global leadership talent market, will also need to pay and offer benefits at around the 50th percentile against global peer industry benchmarks.

SOCIAL AND CULTURAL CONVENTIONS

Some social and cultural conventions can constrain otherwise powerful leadership development practices. Tight reciprocal loyalties can constrain the practice of regularly moving leaders into new roles. The social discomfort of singling people out can limit practices of very rapid advancement of young leaders who might be potential CEOs. Conventions of politeness and 'saving face' can limit effective developmental feedback conversations. Strengthening leadership development will require all these conventions to be challenged.

INCONSISTENT CAPABILITIES AND COMMITMENT TO LEADERSHIP DEVELOPMENT

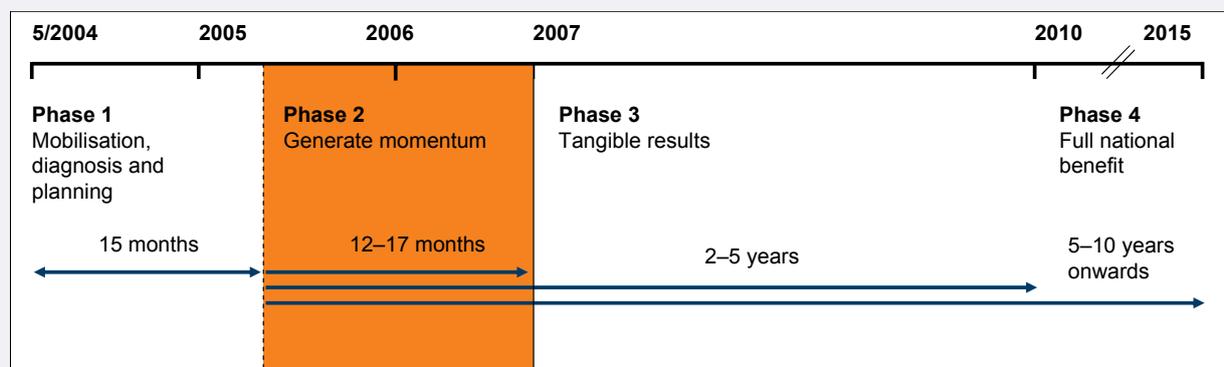
While some GLCs have begun to focus on leadership development, more can be done. All levels of line management could exercise greater ownership of the leadership development agenda. Equally, HR functions can play a stronger role. They need to be staffed with commercially savvy professionals with the appropriate knowledge, skills and passion to develop leaders that drive the performance of the business.

WHERE THE ORANGE BOOK FITS IN THE GLC TRANSFORMATION PROGRAMME

In 2005, the Putrajaya Committee on GLC High Performance (PCG) launched the GLC Transformation Programme to help GLCs perform better. As part of the Programme, ten initiatives were launched, ranging from enhancing Board effectiveness to improving operational efficiency. The Orange Book on Strengthening Leadership Development is designed to help develop the human capital that will drive the transformation. It complements the Green Book, which sets out the Board's role in exercising governance over the leadership development process, and the Blue Book, which established the performance management framework that is an important part of a leadership development programme.

EXHIBIT 0.B

GLC TRANSFORMATION TIMELINE



The GLC Transformation Programme is now moving into Phase 3 where tangible results will need to be delivered. Delivering sustainable and tangible results requires rapid progression in closing the leadership gap. CEOs will be expected to implement the guidelines in this book within the next three years. To achieve this goal will require high quality HR functions working in partnership with line management. For many GLCs, achieving this level of excellence within three years will no doubt be challenging and will require renewed HR leadership, a move closer to HR best practices, support from colleagues in other GLC HR functions or external help.

The importance of closing the leadership gap means the Orange Book focuses on leaders, and talent with the potential to become leaders. It deals with upgrading the leadership development process and the processes, like recruitment and the identification of hidden talent, that feed it. This does not mean that the development of the rest of human capital in GLCs is any less important. On the contrary, the general development of human capital will accelerate under leaders who instinctively make people development a priority.

While the Orange Book does tackle the challenge of developing senior leaders to head functional or technical areas, like marketing or risk management, it does not deal with the issues of finding talent to fill specific expertise gaps because the strategies for doing so are highly dependent on a particular type of gap to be filled.

The Orange Book also sets out a framework to assess and strengthen company wide leadership development. The framework is anchored to a CEO mandated 'Leadership Development Audit' and an actionable implementation plan to address identified gaps. Integral to the philosophy of this framework is the need to institutionalise a process that enables ongoing review of the Leadership Development Dashboard by the CEO and the Senior Leadership team on regular and periodical basis.

Whilst this Orange Book focuses on what *individual* GLCs can do to develop leaders, much also can be done at a pan-GLC and national level—from creating a new level of excellence in Malaysian corporate leadership training programmes to the active movement of high potential individuals across GLCs to provide development experiences not available in a single company. These initiatives are beyond the scope of this book. However, the PCG is pursuing these initiatives to support GLCs and help them to meet this important challenge to develop great leaders for Malaysia.

APPROACH TO DEVELOPING THE ORANGE BOOK

The Orange Book contains approaches to leadership development that draw on global best practices and the experiences of companies in Malaysia. Valuable input was obtained through consultation with CEOs and the Malaysian HR community, including HR consultants. The consultation included interviews and a workshop where the tools in the Orange Book¹ were piloted. The output of the workshop and interviews helped direct the topics addressed in the Orange Book.

¹ See Appendix 4: Leadership Development Audit.

FRAMEWORK AND GUIDELINES

The Orange Book sets out practical guidelines to institutionalise good leadership development practices using a simple framework.

- 1 The CEO is also the Chief Human Resource Officer: creating the leadership engine that powers business performance.
- 2 The war for leadership talent is won when Boards and CEOs get personally involved.
- 3 Great leaders energise their organisation by holding people to higher standards of performance and celebrating those individuals and teams that embody excellence.
- 4 CEOs need to skilfully match their best people to their most important roles, delivering higher performance and accelerating leadership development.
- 5 Great organisations become 'leadership factories', working at all levels to build leadership capability. Great CEOs know that this personal activity is best led by them.
- 6 Today's war for leadership talent is as much about retaining leaders as it is about engaging them.



- 7 The winning combination in leadership development is a committed Board and an active CEO, backed by a powerful partnership of HR and line management.

KEY FEATURES

The framework has three key features:

1. Leadership development must flow from business strategy.

All aspects of leadership development need to focus on creating those leaders with the experiences and capabilities required for that unique business to be successful.

2. Leadership development is institutionalised as a system, not just a process.

Every aspect of leadership development feeds into the leadership pool and links to every other aspect—all of which increases the quality and size of the pool. Leadership development is not—and cannot be—dependent on particular leaders who happen to be good at it or passionate about it. It must be embedded in the way the company works.

3. The partnership between HR and line management frames all leadership development.

The task of identifying and developing leaders cannot be outsourced to HR. The CEO and all line managers must lead it. The HR-Line partnership is built upon a talent mindset. CEOs and senior leaders with a true talent mindset devote a minimum of 30% of their time to leadership development because they believe that high performers create disproportionate value.

GUIDELINES

The book is intended to be read as a whole but readers may want to focus on chapters they find particularly relevant. Below are key guidelines to help direct readers to the most relevant sections.

CHAPTER 1: TAKE CHARGE OF LEADERSHIP DEVELOPMENT

- 1.1 Merge leadership development actions with the business strategy
- 1.2 Determine the number of leaders needed to hit targets
- 1.3 Create a leadership model to get the leaders who will drive performance

CHAPTER 2: RECRUIT FUTURE LEADERS

- 2.1 **Bring marketing techniques to the employee value proposition**
- 2.2 **Develop an innovative sourcing strategy**
- 2.3 Apply sales disciplines to the recruitment process
- 2.4 Use the skills, contacts and experience of Boards and CEOs to source leaders

CHAPTER 3: REVIEW PERFORMANCE AND PUBLICLY HONOUR EXCELLENCE

- 3.1 Prioritise individual performance reviews to identify leadership potential
- 3.2 Make individual performance improvement plans relevant for leaders
- 3.3 Reward high performance and manage underperformance

CHAPTER 4: DEPLOY STRATEGICALLY TO DEVELOP LEADERS

- 4.1 Institutionalise an effective strategic deployment process
- 4.2 Take bold but measured risks to gain maximum benefit from the deployment process

CHAPTER 5: DEVELOP LEADERSHIP AND HIGH POTENTIAL TALENT

- 5.1 Invest in a high impact leadership development programme
- 5.2 Coach and develop direct reports at every opportunity
- 5.3 Prioritise the development of CEO successors
- 5.4 Cascade the development commitment deep into the organisation

CHAPTER 6: ENGAGE AND RETAIN LEADERS

- 6.1 Build an organisation that is a work community, not just a company
- 6.2 Hold on to the most valuable leaders
- 6.3 Keep the door open to leaders who leave

CHAPTER 7: BUILD HR CAPABILITIES AND LINE OWNERSHIP

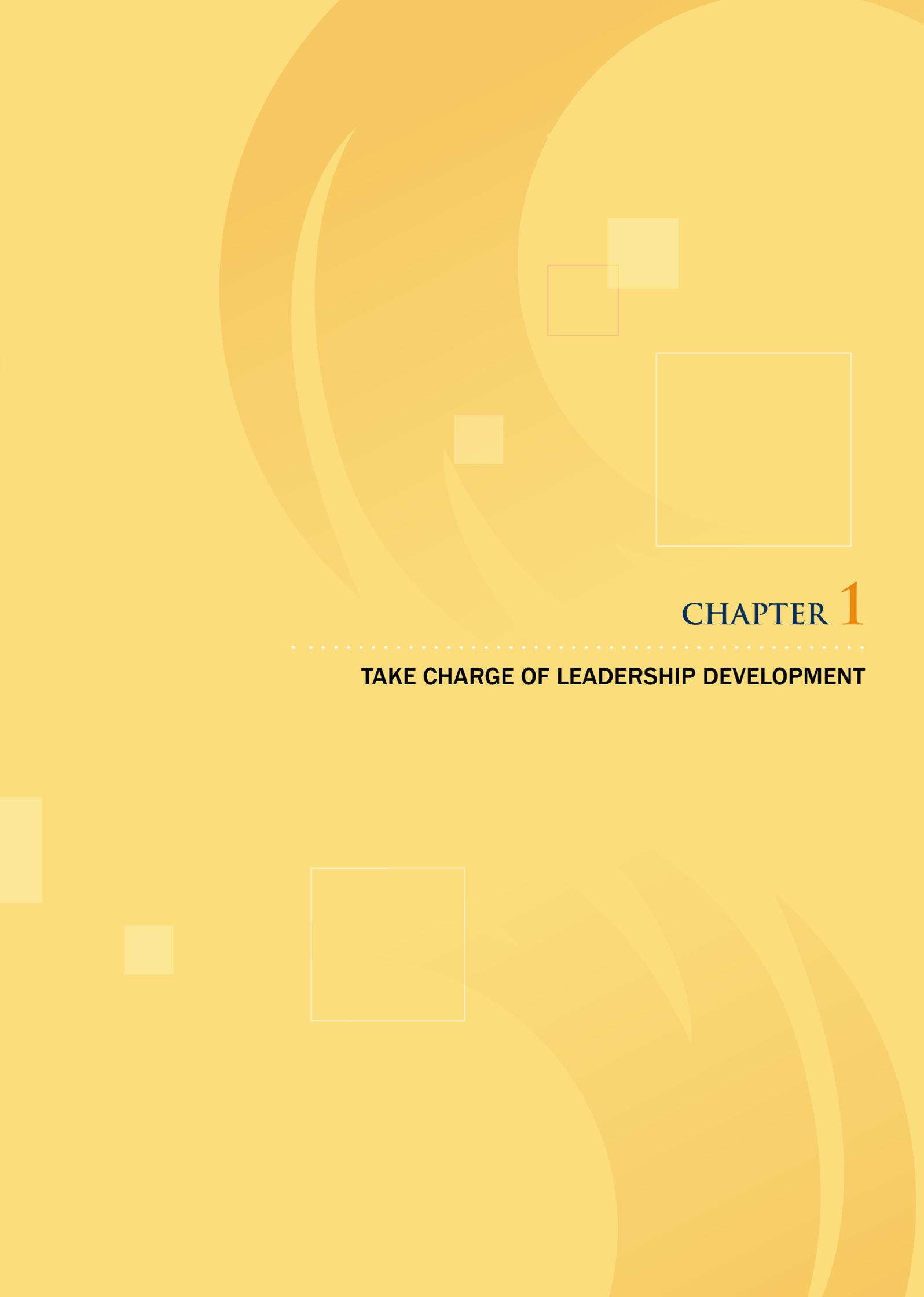
- 7.1 Make all line managers personally responsible for leadership development
- 7.2 Enhance the HR function rapidly to meet the business needs and to provide focused support for leadership development

CHAPTER 8: GETTING STARTED

- 8.1 Conduct a Leadership Development Audit to strengthen company-wide leadership development
- 8.2 Intensify Board governance on leadership development
- 8.3 Shift CEO actions and behaviours

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CHAPTER 1

TAKE CHARGE OF LEADERSHIP DEVELOPMENT

CHAPTER 1: TAKE CHARGE OF LEADERSHIP DEVELOPMENT

THE CEO IS ALSO THE CHIEF HUMAN RESOURCE OFFICER: CREATING THE LEADERSHIP ENGINE THAT POWERS BUSINESS PERFORMANCE.



By attracting and developing those who stand out as leaders, GLCs will succeed in meeting their business targets and open new opportunities for high performance and growth.

1. Merge leadership development actions with the business strategy
2. Determine the number of leaders needed to hit targets
3. Create a leadership model to get the leaders who will drive performance.

1.1 MERGE LEADERSHIP DEVELOPMENT ACTIONS WITH THE BUSINESS STRATEGY

Organisations with great leadership development strategies—and no shortage of leaders—have all taken this first step: to ensure their leadership strategy was linked to their overall business strategy. They do this by breaking down the business strategy into leadership requirements and integrating business and leadership development planning.

- **Break down the business strategy into what it means for leadership requirements.** The leadership development strategy is tied to business objectives to ensure it will contain the specific actions needed to meet targets (see Exhibit 1.A).

“BUSINESS STRATEGY ALONE IS NOT ENOUGH. AT PETRONAS WE HAVE MERGED THE BUSINESS STRATEGY AND THE HUMAN DEVELOPMENT STRATEGY. WE SPEND EQUAL, IF NOT MORE, TIME AND EFFORT ON HUMAN DEVELOPMENT STRATEGIES THAN WE DO ON BUSINESS STRATEGIES.”

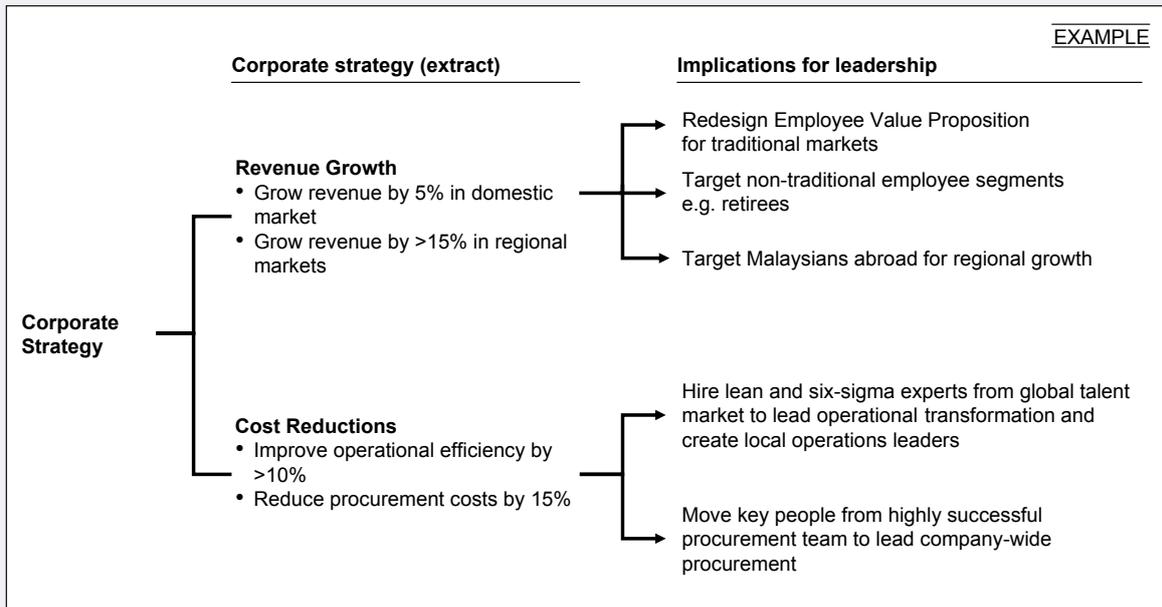
— TAN SRI DATO SRI MOHD HASSAN MARICAN
CEO OF PETRONAS GROUP

The actions to achieve the objectives can be a combination of any one of a number of approaches, depending on the company’s strategy. Examples include:

- HSBC’s ‘grow your own timber’ approach that spends significantly on training and development, including in Malaysia
- National Australia Bank’s ‘cherry-picking’ approach that actively recruits top talent from other organisations to boost its turnaround leadership cadre.

EXHIBIT 1.A

ALL LEADERSHIP ACTIONS ARE DRIVEN BY THE BUSINESS STRATEGY



- **Integrate the business and HR planning processes.** The business strategy and the leadership development strategy can only be truly linked when the two planning processes—business and HR—are integrated. This means aligning the planning cycles and having the right people involved at the right time.

EXHIBIT 1.B

LEADERSHIP STRATEGY MUST BE AN INTEGRAL PART OF THE ANNUAL HR AND BUSINESS PLANNING CYCLE

Strategic priorities		Owner	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Developing strategic direction	Corporate strategy development	Executive group	[Bar]											
	Leadership strategy development	HR/Executive group	[Bar]											
Aligning resources to strategic direction	Financial planning and budgeting	CFO				[Bar]								
	Human resources deployment	HR					[Bar]							
Ensuring implementation and execution	Execution of strategic initiatives	Strategic planning/ Executive group	[Bar]											
	Execution of leadership strategy	HR/Executive group					[Bar]							
	Internal and external communication	Executive group/ Investor relations	[Bar]											
	Performance measurement and management	HR/Executive group/Finance	[Bar]											

EXAMPLE

1.2 DETERMINE THE NUMBER OF LEADERS NEEDED TO HIT TARGETS

The CEO must understand current leadership strength and know the number of leaders needed for the company to deliver its targets and meet its key performance indicators.

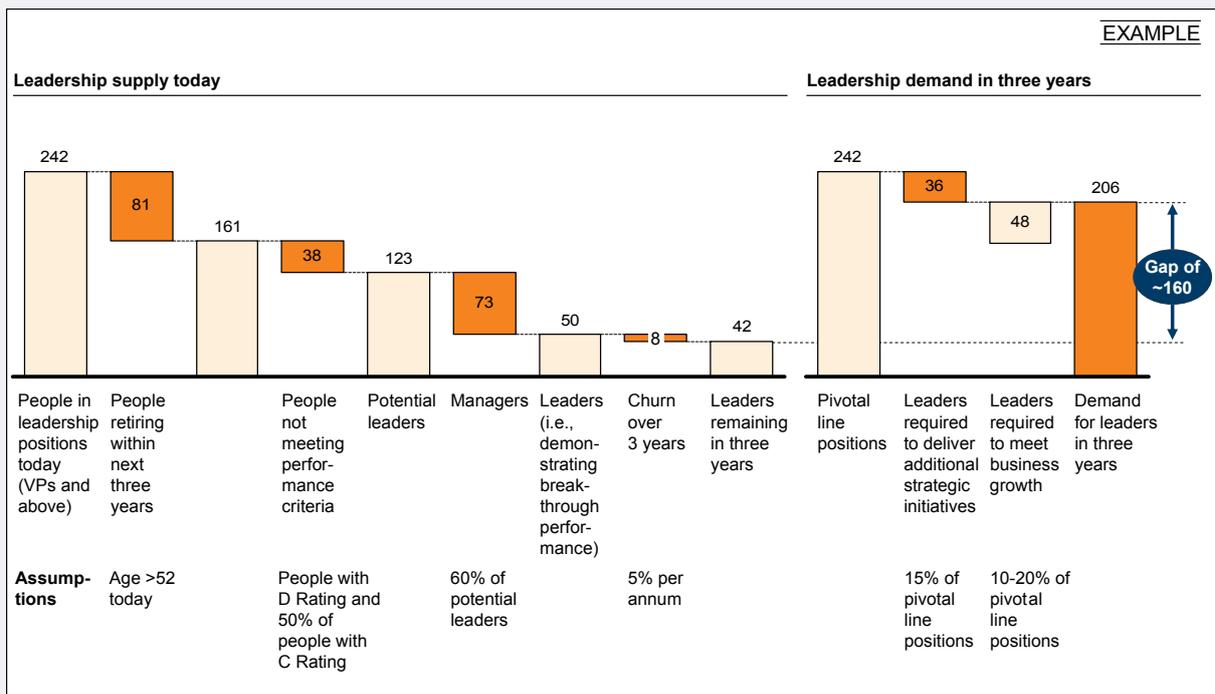
To be able to do this, the CEO needs to know the size of the gap, and the specific number of leaders required—whether functional or company-wide. If the leadership gap is too large to close, the CEO would need to revisit the strategy or contain the pace and aspirations of the company.

The HR function is responsible for providing the CEO with this information and must:

- Make clear the size of the gap
- Break down the gap to identify specific numbers and shortages of leaders (e.g. business developers, marketers, and turnaround specialists).

EXHIBIT 1.C

HOW TO MEASURE THE SIZE OF THE LEADERSHIP GAP

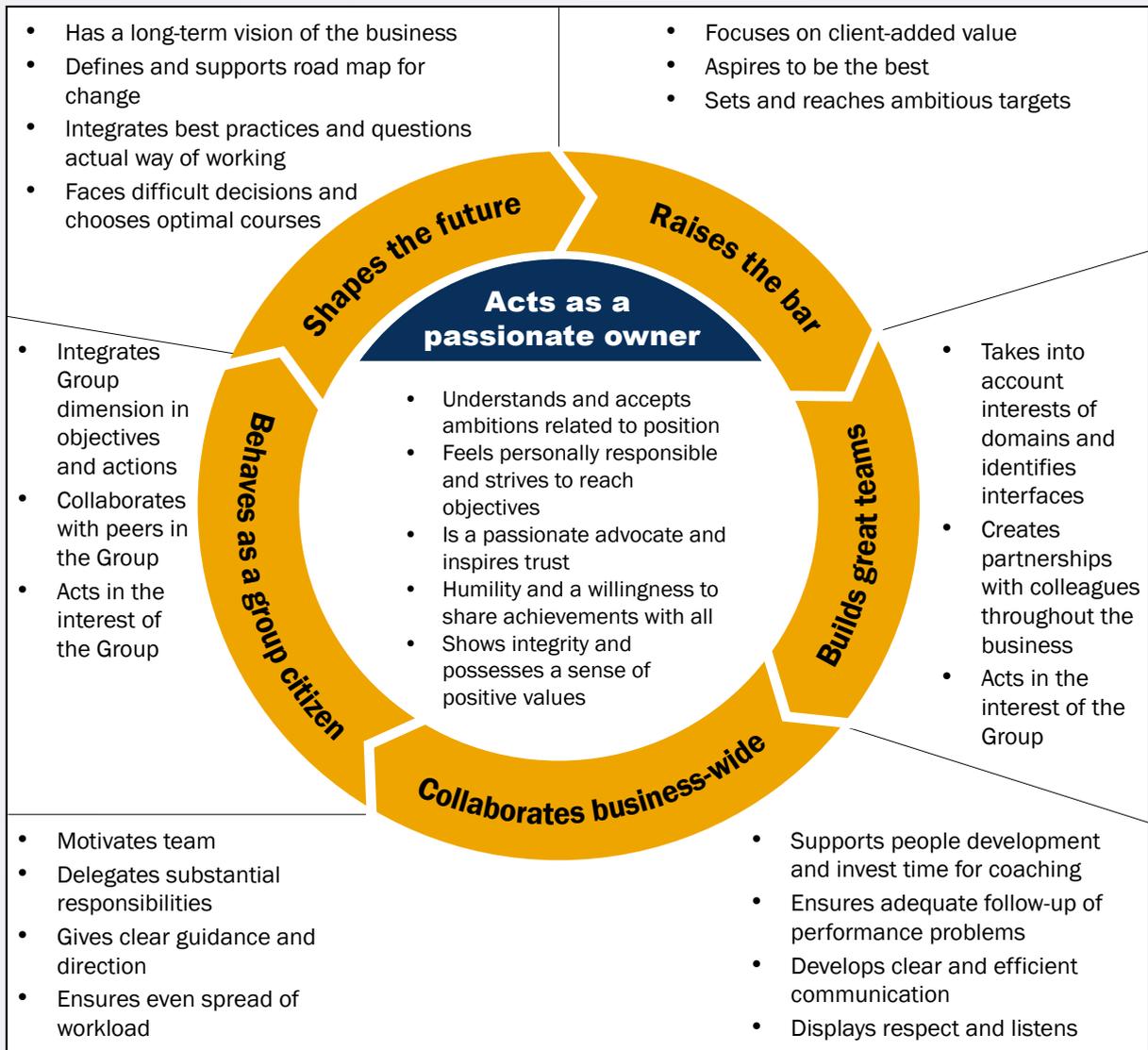


1.3 CREATE A LEADERSHIP MODEL TO GET THE LEADERS WHO WILL DRIVE PERFORMANCE

The organisation needs its own tailored leadership model to articulate the types of leaders it requires to close the gap. The leadership model will set out a specific set of leadership behaviours that together will create maximum value for, and embed the desired leadership culture in, the company. For GLCs, their leadership models should have a clear values component to ensure a culture of integrity. The model needs to create leaders who can meet both their corporate duty to drive sustainable performance and their personal duty to nurture the character and capability of their people.

EXHIBIT 1.D

LEADERSHIP MODEL: AN EXAMPLE



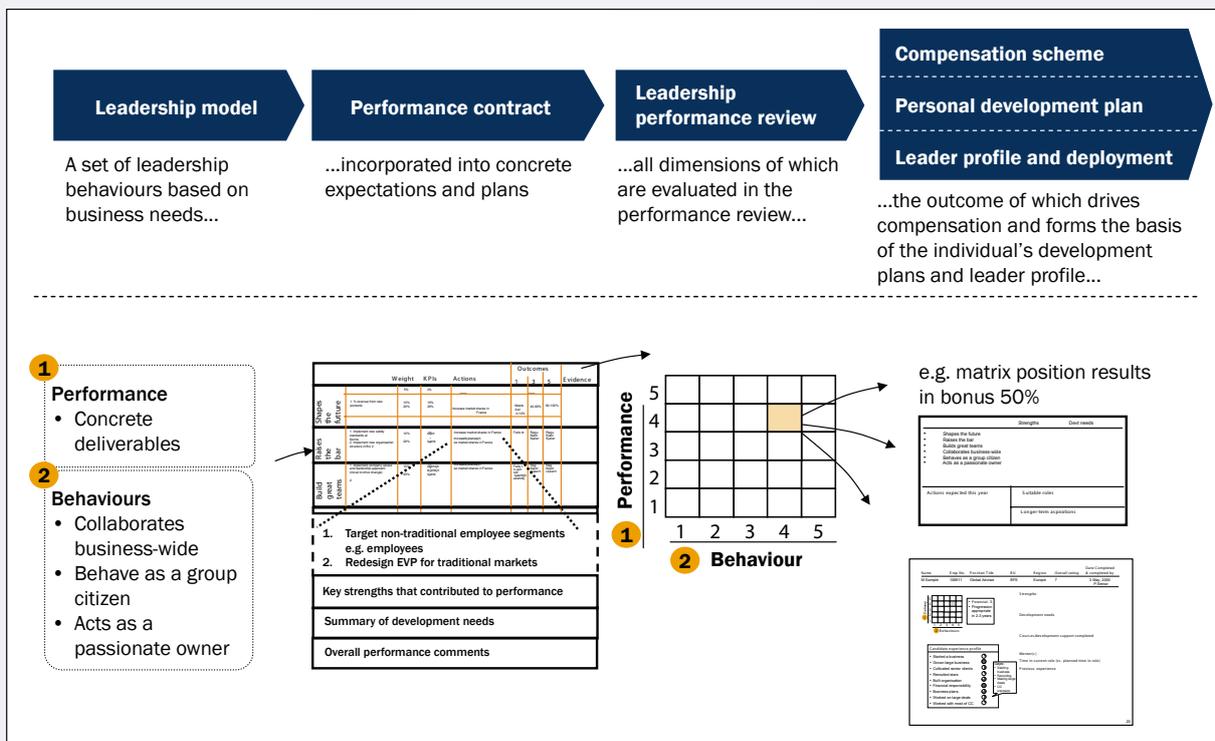
Getting the leadership model right for the company is a critical part of how the CEO shapes and drives leadership development. The CEO must ensure that the model:

- Reflects the organisation’s unique values, strategy and priorities—it cannot be a generic model
- Is concrete and actionable—it should describe what the organisation wants and expects from its leaders, using no more than 3 to 6 qualities
- Balances the different ways leaders create value—it should address both business acumen and people skills.

A good leadership model supports a high performance culture. It makes the required leadership behaviours transparent to all because it is linked to performance reviews, rewards and personal development plans.

EXHIBIT 1.E

THE MODEL DRIVES OTHER ELEMENTS OF THE LEADERSHIP SYSTEM



DO YOU KNOW THE NUMBER OF LEADERS YOU NEED TO ENSURE YOU DELIVER YOUR TARGETS AND YOUR GROWTH PLANS?

CASE STUDY: IBM

In the 1990s, IBM's leadership model drove the development of a cadre of leaders who transformed the company from an \$8.1 billion loss in 1993 to over \$36 billion in gross profit on revenues of \$91 billion in 2005—and reached the highest ever profit margin since 1996.

In 2002, new CEO Sam Palmisano, realised that the business environment had changed and IBM needed an 'on demand' culture and leadership style. He responded by updating the IBM leadership model to ensure his team would be equipped for the challenges of the new era. The IBM 'leadership factory' continues to be powered by four principles:

1. A clearly defined Leadership Model.

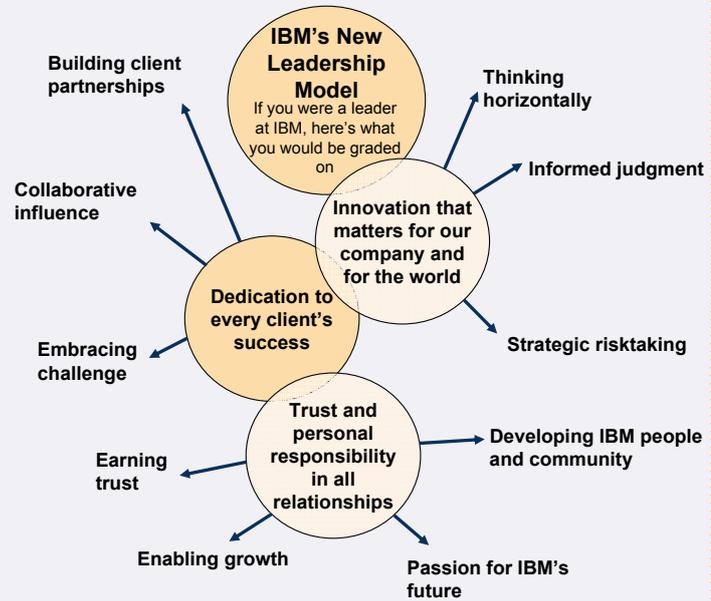
IBM's senior leaders are now being trained in the new leadership qualities as rigorously as they had been under the previous model—4,000 executives are held accountable to them already and are assessed against them on an annual basis. The assessments feed the company's succession planning process.

2. Senior leadership commitment to talent development. IBM believes that leadership development starts at the top. The Senior Leadership Group of 300 people is actively involved in training programmes, including 360-degree assessments, and simulations for programme participants. This group also commits to grooming talent. The CEO holds annual leadership development meetings with each of the company's 18 business units during which potential leaders are nominated and reviewed. He also makes it a point to share his experiences during various classes and education sessions at IBM's learning centres.

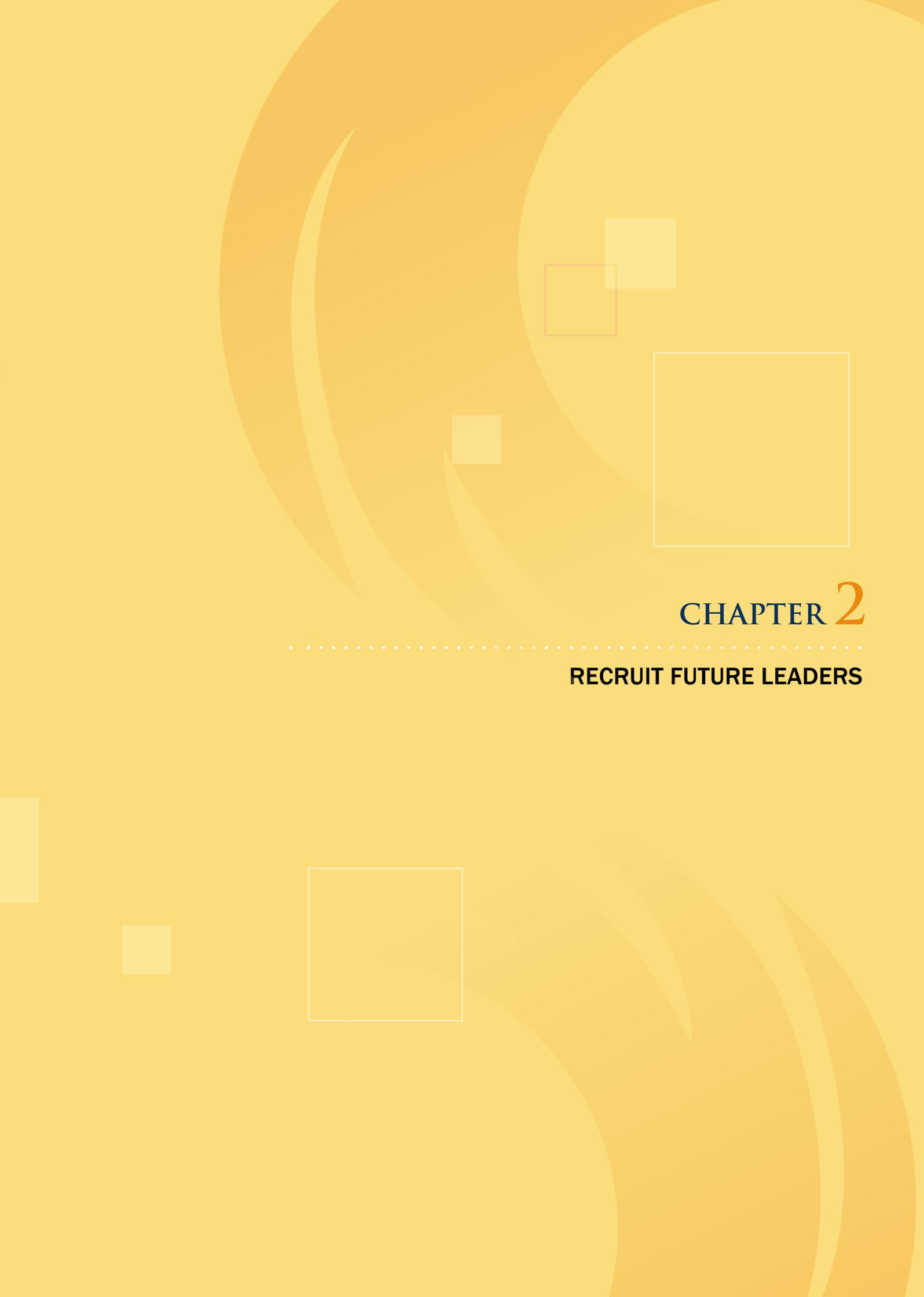
3. Potential leaders are developed systematically. An Executive Assistant programme ensures senior leaders actively mentor high potential individuals systematically. Executive Assistants are considered right-hand staff for IBM's 60 most senior executives. They are hand picked and given broad exposure and challenging assignments, rotating roles every 9–12 months. Executive Assistants are expected to grow into senior management roles. To facilitate this, they are assigned a coach and a programme manager to guide development goals. Current CEO Sam Palmisano was the Executive Assistant to former CEO, John Akers.

4. Coaching and mentoring is cascaded deep into the organisation. In addition to their talent development programme, the Senior Leadership Group identified almost 300 talented individuals with less than 10 years experience. Each was given a sponsor and career coach or mentor. The career coaches help these individuals to perform in their current job and progress to take on higher levels of responsibility.

EXHIBIT 1.F IBM LEADERSHIP MODEL



Source: Fast Company 2005, Hay Group



CHAPTER 2

RECRUIT FUTURE LEADERS

CHAPTER 2: RECRUIT FUTURE LEADERS



THE WAR FOR LEADERSHIP TALENT IS WON WHEN BOARDS AND CEOs GET PERSONALLY INVOLVED.



GLCs, with their mission to grow their own leaders, are likely to focus on entry-level recruitment of future leaders. This will be supplemented by a smaller number of senior level recruits for immediate needs that cannot be met by internal candidates and particularly for critical functions that are typically not as strong in GLCs, for example, marketing.

Recruitment should set the right tone to ensure equity and appropriate diversity of employment at entry levels. This means that recruits should be chosen based on achievement *and* development potential. It also means making the company’s high performance culture clear and transparent to recruits from day one. To make this happen, the CEO should lead the company in applying principles of marketing and operations to the recruitment process. Specifically the CEO must:

1. Bring marketing techniques to the employee value proposition
2. Develop an innovative sourcing strategy
3. Apply sales disciplines to the recruitment process
4. Use the skills, contacts and experience of Boards and CEOs to source leaders.

2.1 BRING MARKETING TECHNIQUES TO THE EMPLOYEE VALUE PROPOSITION

The employee value proposition (EVP) is the company’s offering of financial and non-financial benefits to its recruits. It must be competitive, distinctive, and it should leverage the company’s overall brand in the marketplace. It must be designed to attract the specific types of individuals dictated by the company’s unique leadership model.

Research shows that the company must demonstrate attractiveness in four main areas to have a compelling EVP: the company’s leaders, jobs, compensation, and reputation and standing.

“JACK WELCH’S VIEW WAS: OUR MANAGERS HAVE TO FOCUS ON PEOPLE ... IF WE DON’T GET GREAT PEOPLE INTO THE KEY JOBS IN THIS COMPANY, THEN IT DOESN’T MATTER HOW HARD WE WORK ON THE OTHER STUFF.”

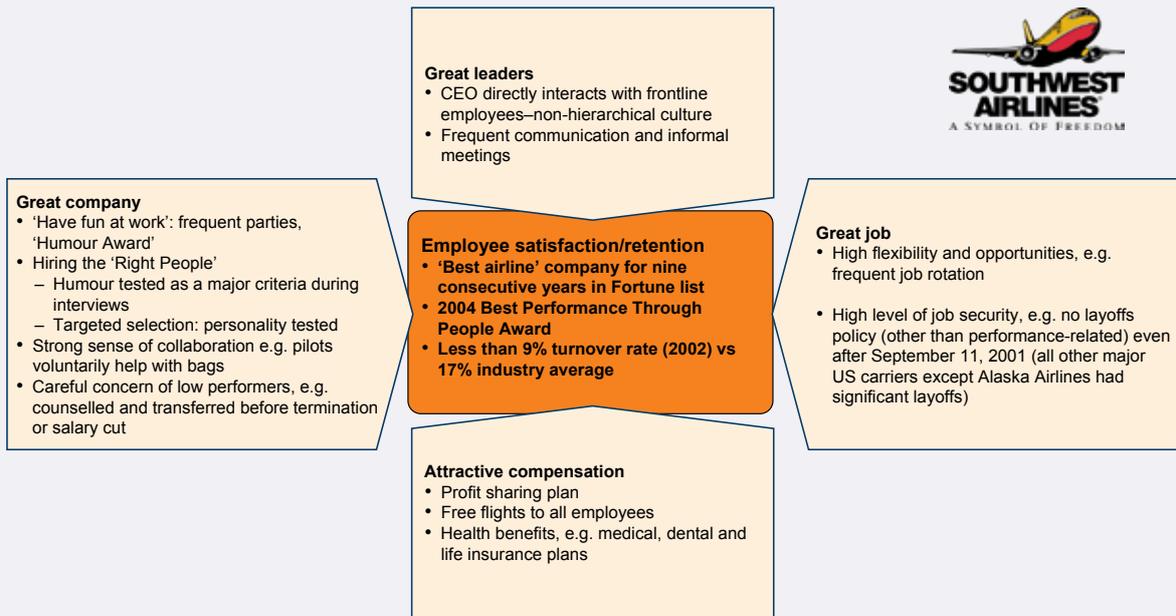
**— GENERAL ELECTRIC SVP OF HR
CHUCK OKOSKY**

CASE STUDY: SOUTHWEST AIRLINES

Southwest Airlines is recognised as an organisation with a strong employee value proposition. It is regularly voted as one of the top companies to work for based on a proposition that includes good internal opportunities, an open leadership style and a fun, collaborative working environment.

EXHIBIT 2.A

SOUTHWEST AIRLINES – A GOOD PRACTICE EMPLOYEE VALUE PROPOSITION

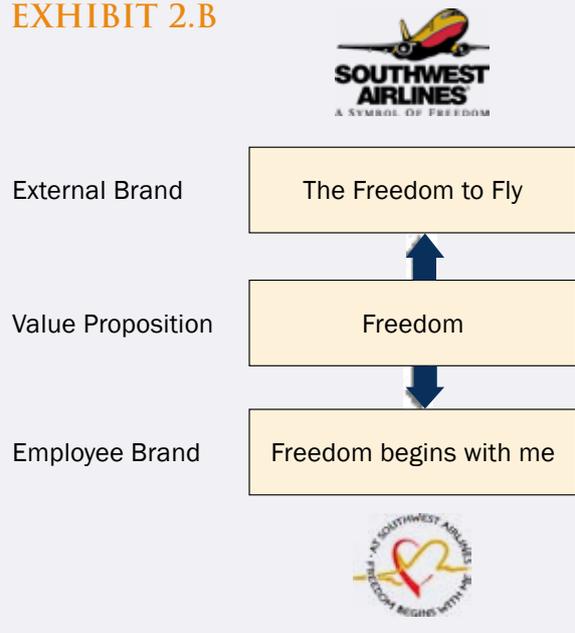


Source: Literature analysis, Hewitt Associates

Southwest Airlines also leveraged its customer brand of 'A Symbol of Freedom' to create a strong employee value proposition with real impact.

The brand was applied to billboards, graduate recruitment brochures, catalogues of employee benefits—linking internal and external communication messages.

EXHIBIT 2.B



As the CEO assesses the EVP they should bear in mind that while remuneration is unlikely to be the cornerstone of a GLC’s EVP, it is important. If the company doesn’t pay in the top 50 percentile then they will struggle to make other benefits attractive enough to secure future leaders. Intangible benefits such as organisational culture and stimulating roles are also important to leaders.

Above all, the CEO must ensure that his or her particular GLC has an EVP that distinguishes it from other companies in the eyes of their target market.

HR must actively support the CEO in the quest for a distinctive EVP and prepare it for CEO approval. This preparation will include the following information and insights:

- The talent market segments and what appeals to each segment. In particular, it should set out a distinctive offering for future leaders—whether at entry level or senior level, who will look for benefits such as career opportunities, rapid advancement, talented peers and public recognition
- How major competitors appeal to the various segments
- A summary of how the EVP appeals to the target segments and how it differs from competitor offerings.

EXHIBIT 2.C

SEGMENT TARGET AUDIENCES FOR EMPLOYEE VALUE PROPOSITIONS

	Target segment	Segment needs	Distinctive value proposition
	Students	Casual work flexibility and a basic income	“Join us and you can become a member of Debut Club. It turns part-time work into more than you ever expected. There are saving schemes and discounts to boost your finances, ideas to fuel your weekends and training to kick-start your future career”
	Semi-skilled workers (with an interest in aviation sector)	Training and secure employment	“We are ever committed to develop more homegrown pilots, by investing and having started our very own cadet pilot training programme that not only provides opportunity, but also nurtures Malaysians who are keen to contribute to the nation’s aviation sector”
	Young professionals with strong tertiary education (and experience in hi-tech or telecommunication industries)	Dynamic and exciting environment that encourages and rewards innovation	“A company that aspires to be the best, and is driven by values that include creating a high performance culture, innovation and a passion for customer satisfaction”

CEOs can ensure the EVP draws on the inherent strengths of GLCs to appeal to the strong community and ethical values of talented Malaysians as well as to their national pride. Consider:

- The importance of being a vital part of providing national infrastructure
- The value of helping to fulfil the nation's social development goals
- The attractiveness of achieving the status of national champions.

2.2 DEVELOP AN INNOVATIVE SOURCING STRATEGY

As well as a compelling EVP, CEOs need to lead their GLCs in creating innovative approaches to sourcing their future leaders. Companies renowned for winning the war for talent have stories of CEOs who go to extraordinary lengths to get the leaders they need—and these stories often inspire line managers to do the same.

“BE HIGHLY DISCRIMINATORY IN SPOTTING TOP TALENT BECAUSE THERE ARE NOT MANY. SO WHEN YOU START LOOKING FOR REAL TOP TALENT YOU REALLY MUST TELL YOURSELF TO BE VERY BRAVE IN SPOTTING IT ... THAT’S THE CEO’S ROLE.”

— IDRIS JALA
CEO OF MALAYSIAN AIRLINES

There is no prescribed way of sourcing leaders but approaches that GLCs can consider include:

- Get in touch with successful Malaysian leaders abroad—not only to bring them home but to head up local operations where they are now based
- Create secondment arrangements with international companies recognised as ‘leadership factories’
- Target the growing number of international executives who wish to play consulting roles to fill critical functional or technical leadership posts for defined periods while they develop a cadre of Malaysian successors
- Revamp the scholarship programme to ensure the best and brightest scholars become the brightest, most practical and relevant Malaysian leaders. To do this, GLCs should consider making the scholarships more flexible, allowing recipients to work offshore for periods or work across other GLCs. Consideration should also be given to assigning them to corporate projects or as special officers to senior leaders to develop them quickly.

2.3 APPLY SALES DISCIPLINES TO THE RECRUITMENT PROCESS

Recruiting is most successful when it is managed with operational rigour both in its execution and in its commitment to continuous improvement. A robust recruitment process increases the quality and quantity of the pool of newcomers from which potential leaders can be drawn.

EXHIBIT 2.D

RECRUITING CAN BE MAPPED AS AN OPERATING PROCESS

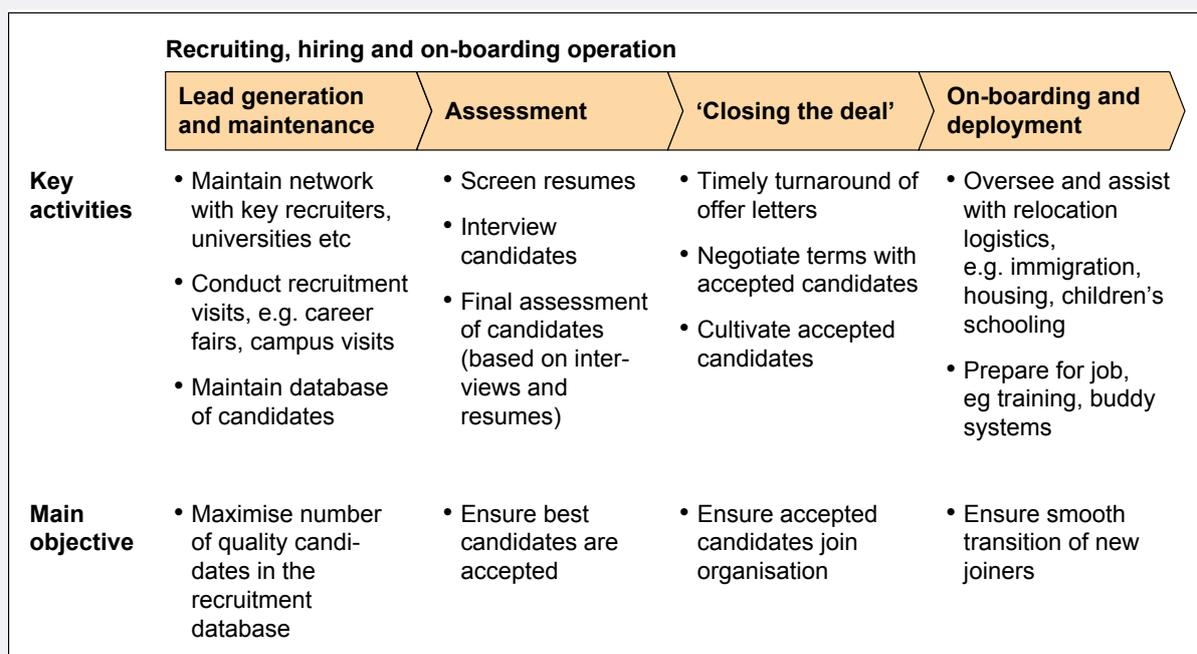
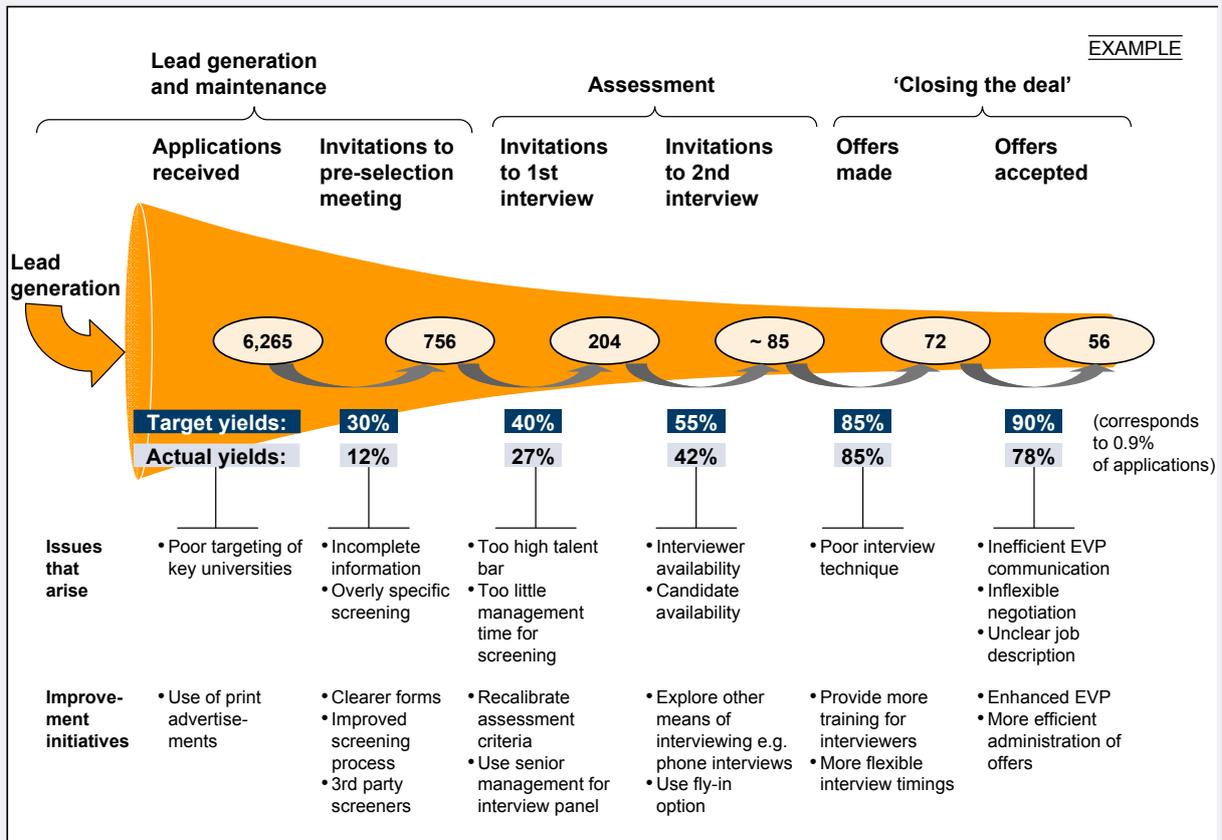


EXHIBIT 2.E

MEASURE THE RATE OF CONVERSIONS TO NEW RECRUITS



In addition, the most successful businesses have a clearly mapped 'recruitment funnel' and use rigorous metrics to measure the rate at which initial contacts convert to job offers and then to new recruits.

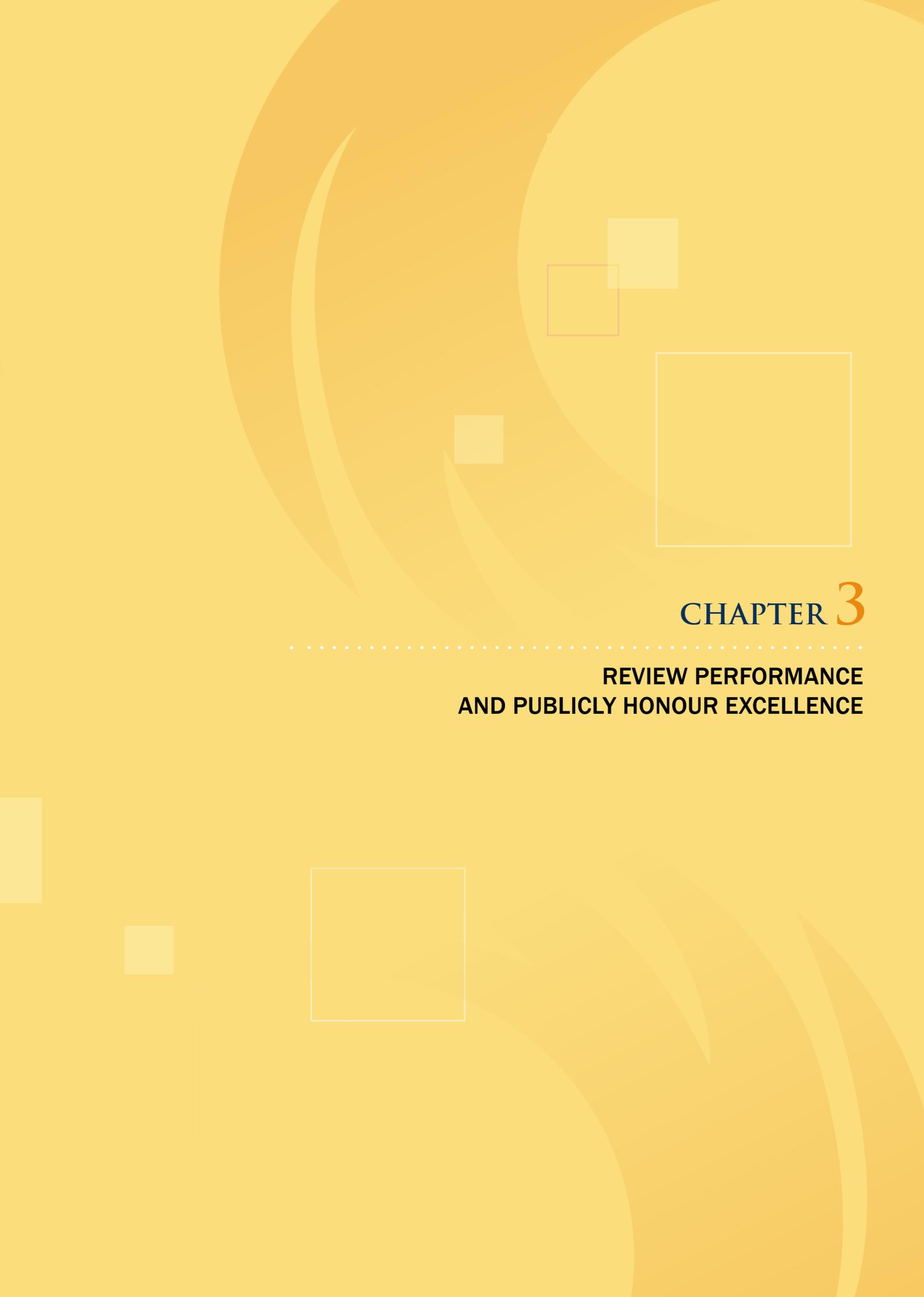
Each quarter, the CEO reviews 'recruitment funnel' metrics with the Head of HR. It is in these reviews, that the CEO can push the process, finding those areas that can really drive improved recruitment yields. Some of the ways that the CEO can do this include:

- Addressing the root causes of missed targets and reviewing process improvement actions
- Identifying line managers not playing a strong role in recruiting
- Exploring areas where he or she can personally contribute—for example, meeting with candidates, giving presentations at recruitment events, or giving interviews to a widely-read newspaper to raise the organisation's profile at a strategic time in the recruitment cycle.

2.4 USE THE SKILLS, CONTACTS AND EXPERIENCE OF BOARDS AND CEOS TO SOURCE LEADERS

The CEO should play a personal role in supporting HR and line recruitment efforts to hire talented individuals with leadership potential. Companies renowned for winning the war for talent have stories of CEOs who go to extraordinary lengths to get the leaders they need: these stories often inspire line managers to do the same. When it comes to the most senior roles, Board members should also get involved. The CEO should be ready to call on the Chairperson and other Board members to meet with a recruit and help secure them.

**DO YOU KNOW THREE LEADERS OUTSIDE YOUR COMPANY WHO COULD TRANSFORM ITS PERFORMANCE?
IF SO, DO YOU HAVE A PERSONAL PLAN FOR HOW AND WHEN YOU COULD RECRUIT THEM?**



CHAPTER 3

REVIEW PERFORMANCE AND PUBLICLY HONOUR EXCELLENCE

CHAPTER 3: REVIEW PERFORMANCE AND PUBLICLY HONOUR EXCELLENCE



GREAT LEADERS ENERGISE THEIR ORGANISATION BY HOLDING PEOPLE TO HIGHER STANDARDS OF PERFORMANCE AND REWARDING THOSE INDIVIDUALS AND TEAMS THAT EMBODY EXCELLENCE.



The hallmarks of high performing organisations are robust performance reviews, transparent standards and recognising great performance at all levels.

Performance reviews are opportunities for GLCs to uncover ‘hidden gems’—exceptional people with the qualities required for real leadership. Finding these people is central to GLCs developing leaders from within.

Publicly honouring excellence and consistency in performance reviews is also critical to GLCs moving towards being performance-orientated organisations.

In the context of the GLC Transformation Programme, the Blue Book on Intensifying Performance Management sets out the requirements for reviewing business and individual performance. This chapter of the Orange Book builds on the Blue Book: it emphasises the CEO’s important role in identifying leadership potential and improving the individual performance of leaders.

The CEO should make the following three steps a key part of his or her role:

1. Prioritise individual performance reviews to identify leadership potential
2. Make individual performance improvement plans relevant for leaders
3. Reward high performance and manage underperformance.

3.1 PRIORITISE INDIVIDUAL PERFORMANCE REVIEWS TO IDENTIFY LEADERSHIP POTENTIAL

Individual performance review meetings are critical—they ensure potential leaders can be identified early and that current leaders at all levels are equipped to deliver the relevant business goals and targets. These meetings should be held separately from the business performance review and conducted every 6 months.

To set the standard for reviews throughout the organisation, the CEO should abide by three principles:

- **Involve the entire senior leadership team:**
 - Demonstrate the importance of individual performance reviews by personally chairing the evaluation of senior leaders.
 - Spend time with direct reports, or visit every business unit, to work through the reviews of the top three levels in the organisation.

- **Make the reviews robust to test leadership performance.** Avoid superficial assessments by ensuring evaluations are calibrated with input from multiple sources, including personal knowledge and 360-degree assessments. Encourage a full discussion to deepen leaders' understanding of 'what good looks like' in the company.
- **Ensure review process focuses on potential as well as performance to identify 'hidden gems' at all levels of the organisation.** Reviews should look at performance and potential. Particular attention should be paid to finding good performers with high potential. Finding these 'hidden gems' is not easy but it can be done (see How to: Uncover 'Hidden Gems' at the end of this chapter). Once 'hidden gems' are found, a plan should be created to move them into a role where they can perform. When deployment decisions are made, moving them should be a priority.

It is important to note that it can often take several performance review cycles before an organisation achieves consistency in reviewing performance and potential against their leadership model.

3.2 MAKE INDIVIDUAL PERFORMANCE IMPROVEMENT PLANS RELEVANT FOR LEADERS

An important end product from the performance review is a performance improvement plan—a plan that will help the leader meet his or her targets in the next reporting cycle.

The purpose of the performance improvement plan is to codify specific actions the leader must take to continue to develop and improve in the immediate future.

Best practices to adopt to ensure the performance improvement plan is most effective, are:

- **Make plans specific.** Improvement plans should contain specific recommendations—for example, 'improve financial literacy by reviewing financial plans with the Finance Director' or 'develop an entrepreneurial approach by working with the marketing team on a new product launch'.
- **Give feedback immediately.** Too many personal reviews suffer from incomplete or unhelpful feedback. The CEO needs to have one-to-one conversations with direct reports and provide feedback that meets the following criteria:
 - Is honest and actionable
 - Incorporates calibrated observations
 - Acknowledges strengths and successes as well as improvement recommendations.
- **Agree to provide personal support.** The CEO should agree with top leaders the level of personal assistance they will give, such as frequent project reviews with an individual with tight deadlines or introducing an influential connection to someone trying to bring in a major sale but who has limited personal networks.
- **Make sure the responsibility to improve performance is cascaded through direct reports.** All leaders at all levels of the organisation should have a performance improvement plan and the CEO should monitor whether this practice is in place and effective. The CEO can test this by asking questions about leaders' improvement plans in the performance reviews of his or her direct reports.

HOW TO: UNCOVERING POTENTIAL LEADERS

EXHIBIT 3.A

CONDUCT EFFECTIVE PERFORMANCE REVIEWS THAT INVOLVE SENIOR LEADERS

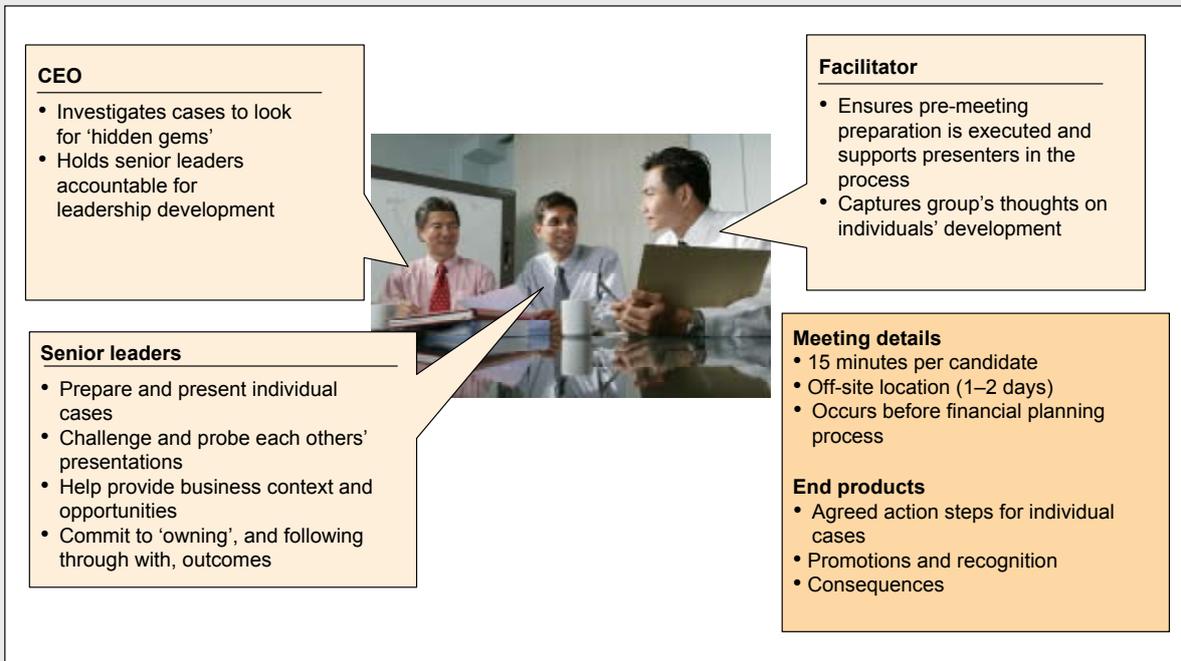
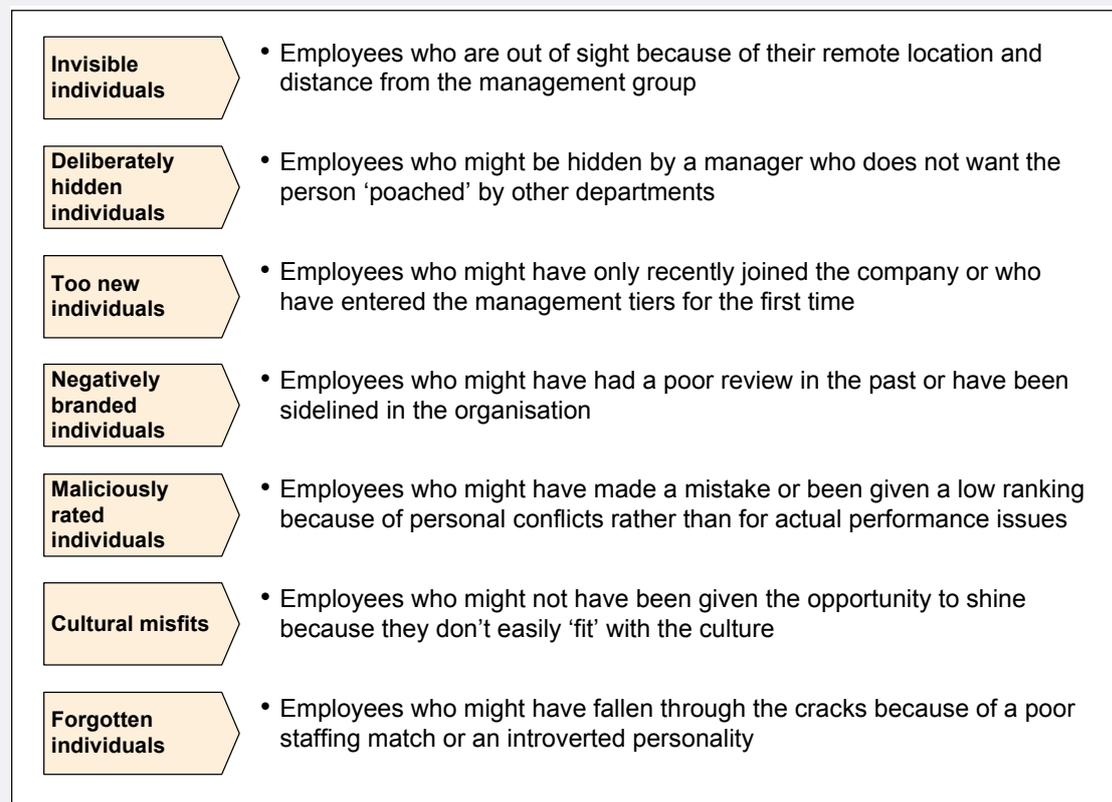


EXHIBIT 3.B

WHAT TO LOOK FOR TO IDENTIFY 'HIDDEN GEMS'



3.3 REWARD HIGH PERFORMANCE AND MANAGE UNDERPERFORMANCE

CEOs can promote positive role models and raise company-wide performance standards by honouring excellence and rewarding high performance. A critical but often overlooked aspect of this practice is also to deal courageously with underperformance. Specifically, the CEO must be able and prepared to:

- **Publicly acknowledge high performance.** Acknowledge high performance in the individual's review session and outside of it. This helps to reinforce and set clear benchmarks to the entire organisation for 'what good looks like'. Ensure that different aspects of performance are recognised to further bring the leadership model to life.
- **Link high rewards to high performance in a clear and transparent manner.** Have a highly differentiated scheme that sets out very clearly what high performance is, and what the rewards for achieving it are.
- **Courageously deal with underperformance at senior levels.** Underperformers, particularly at senior levels, affect results and create dissatisfaction among high performers. Great CEOs address underperformance with clear actions: they give honest feedback and provide development support. If an individual has two consecutive poor performance reviews, he or she should be placed in another role where they can contribute in a more meaningful way. But if these steps fail to achieve a positive outcome, action should be taken to move the individual out of the organisation. Whilst difficult in a culture where loyalty and community is highly valued, this approach is consistent with a developmental meritocracy, is consistent with a high performance culture, and is consistent with an organisation that makes its performance criteria clear from the outset.

CASE STUDY: FEDEX MALAYSIA—HONOURING HIGH PERFORMERS

FedEx Malaysia places high emphasis on recognising and honouring high performers.

It structures its compensation and reward scheme to drive individual effort, promote teamwork, stimulate new ideas and encourage outstanding performance. In addition, it gives special awards to publicly honour employees and celebrate their success among their peers:

Bravo Zulu—award for outstanding performance beyond normal job expectations

Purple Promise Award—for exceptional customer service

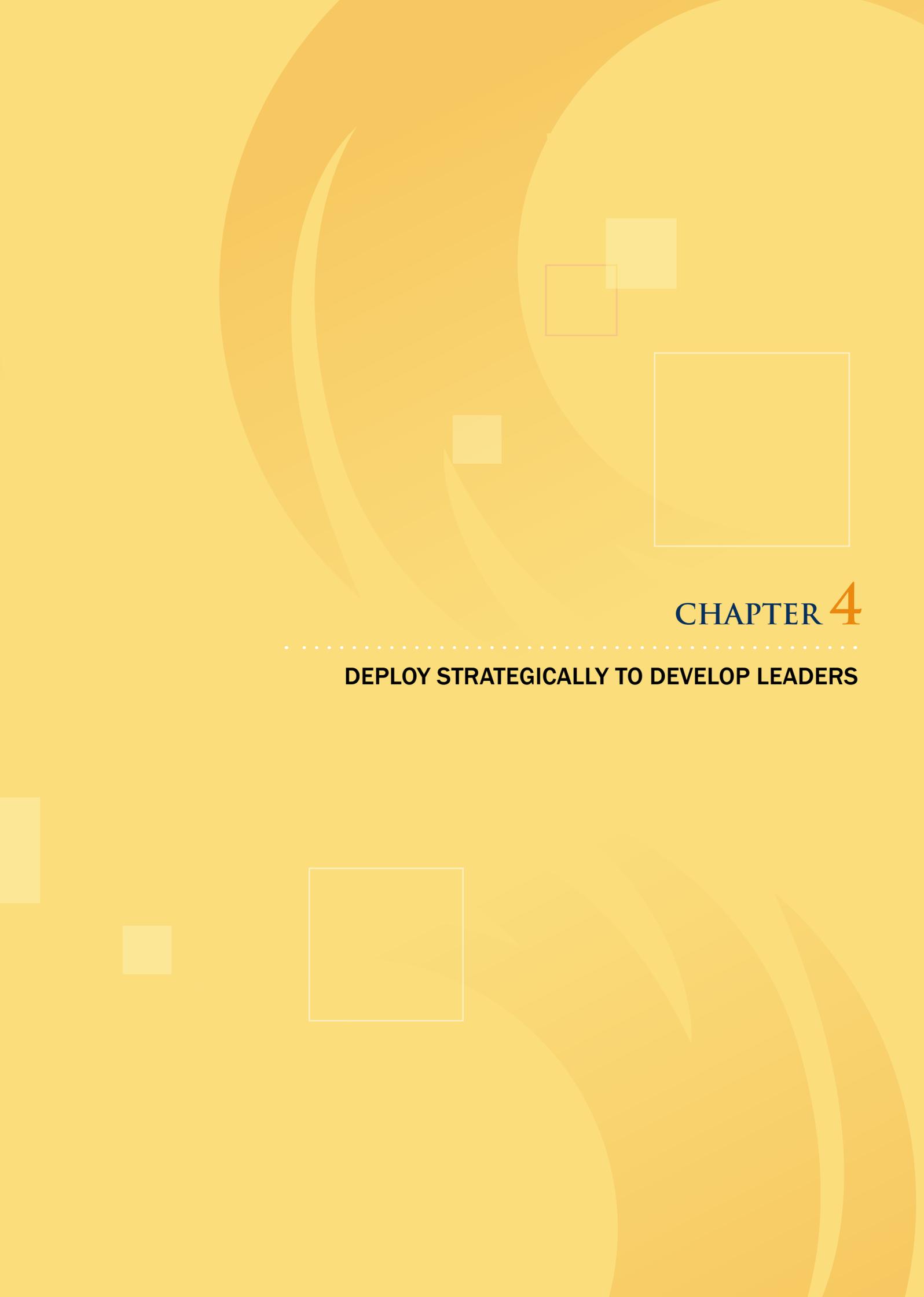
Humanitarian Award—recognition for human welfare above and beyond work or community standards

Five Star Award—highest award for enhancing service, profitability and the spirit of teamwork

FedEx was named one of Malaysia's top ten best employers in a 'Best Employers in Malaysia' study for 2001, 2003 and 2005.



DO YOU SPEND AT LEAST 1 HOUR WITH EACH OF YOUR DIRECT REPORTS EVERY QUARTER GIVING THEM PERSONAL FEEDBACK AND COACHING ABOUT HOW THEY CAN BE MORE EFFECTIVE LEADERS?

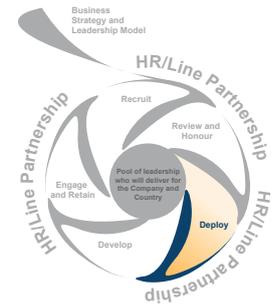


CHAPTER 4

DEPLOY STRATEGICALLY TO DEVELOP LEADERS

CHAPTER 4: DEPLOY STRATEGICALLY TO DEVELOP LEADERS

CEOs NEED TO SKILFULLY MATCH THEIR LEADERS TO THEIR MOST IMPORTANT ROLES, DELIVERING HIGHER PERFORMANCE AND ACCELERATING DEVELOPMENT.



GLCs can deliver better business results and broaden the skills, experiences and satisfaction of talented leaders through strategic deployment—a critical tool for organisations focused on ‘growing their own’ leaders.

To deploy their talent strategically, the CEO must take two important steps:

1. Institutionalise an effective strategic deployment process
2. Take bold but measured risks to gain maximum benefit from the deployment process.

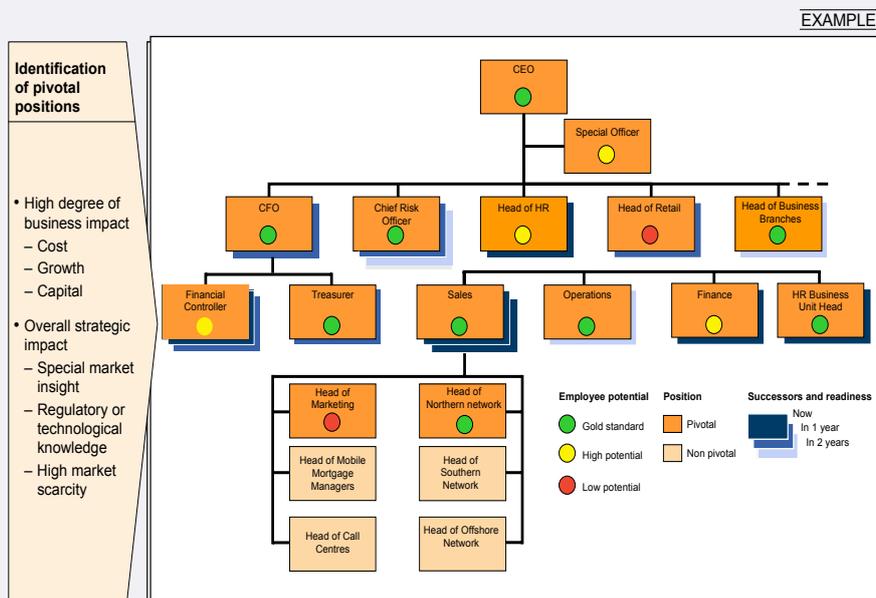
4.1 INSTITUTIONALISE AN EFFECTIVE STRATEGIC DEPLOYMENT PROCESS

The CEO must lead the deployment process, but it is vital that the HR function provides essential support. Specifically, the CEO needs to:

- **Identify positions that create value in the company.** Positions with the potential to create or destroy the most value for the company are considered to be ‘pivotal positions’. These positions include, but are not limited to, the CEO’s direct reports. The number of pivotal positions in any company will vary. A single-line domestic manufacturing business might have 10 to 15 pivotal positions whereas a financial services business of a similar scale could have 20 to 30 pivotal positions. At the other end of the spectrum, a multi-line global manufacturing business might have 100 pivotal positions.

EXHIBIT 4.A

TEST THAT PIVOTAL POSITIONS ARE FILLED BY TOP LEADERS



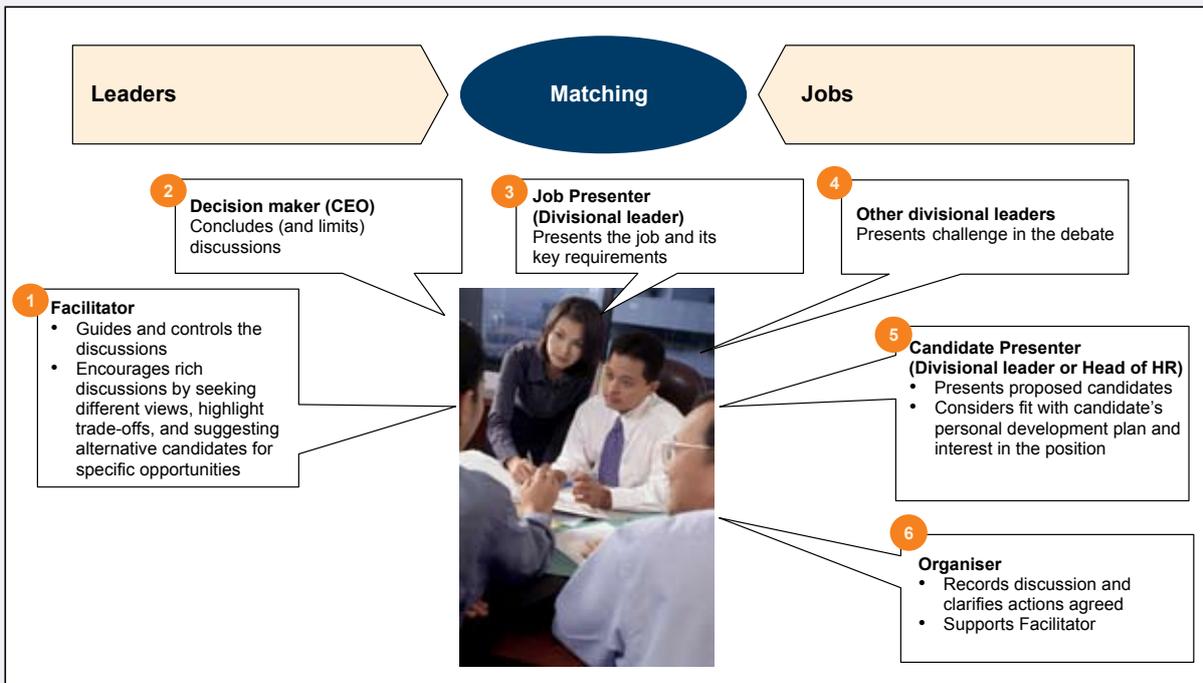
- **Decide on the size of the ‘pool’ to be actively managed.** To ensure equity and employment diversity, include equal numbers of high potentials and high performers. ‘Hidden gems’ discovered in the performance review process should feature in this pool as priority candidates for redeployment. The CEO should ‘own’ this pool and for each individual in the pool, the CEO must have access to current and accurate career history data and development plans.
- **Create broad leadership career paths that are clear to the whole organisation.** Rather than be prescriptive, the career paths should make transparent the breadth of experiences and expertise that talented individuals must acquire before they will be promoted to senior leadership.
- **Chair the job matching forum where deployment decisions will be made.** This forum should be held as close to the business planning session as possible so that it reflects the needs of the business.

WHAT LEADERS DO

One international resources group published a document for potential leaders that listed nine mandatory experiences, including ‘operating in more than one business within the group’ and ‘having an influential corporate role with exposure to the Board and Executive Committee’. The document also listed the types of knowledge required of potential leaders and included the mastery of a professional discipline and regular external learning such as MBA-level education.

EXHIBIT 4.B

LEADERS ARE MATCHED TO JOBS IN A DEPLOYMENT DISCUSSION THAT ACHIEVES SOLUTIONS IN THE INTERESTS OF INDIVIDUALS, THE BUSINESS UNIT AND SUCCESSION PLANNING



- **Design processes to streamline employee transitions to new roles.** Good intentions can come undone in many companies because their supporting processes are ad hoc or non-existent. As a result, what should be the positive acknowledgement of a top employee's value becomes a negative experience. Successful transitions require processes that can ensure:
 - Coordinated communications—to provide consistent and unambiguous information about the move or relocation and changes to pay and conditions
 - Just-in-time training for the role—to address any critical skill or knowledge gaps. This could include learning a new language or attending short best practice courses in a specific functional area
 - New leader assimilation—to provide a facilitated session that encourages questions and allows the leadership team to share perspectives on what the new leader should focus on as a priority
 - Transitional support—to provide information and support that will lessen the impact on the leader's family, for example home relocation, schooling and spouse employment.

4.2 TAKE BOLD BUT MEASURED RISKS TO GAIN MAXIMUM BENEFIT FROM THE DEPLOYMENT PROCESS

There will always be risks in making bold deployment moves. But with the right process in place, these risks can be managed by ensuring that when individuals move into new roles, their team members have complementary skills and that additional senior coaching is provided.

Bold but measured deployment moves, based on a clear view of a person's potential, can be used to rectify imbalances in employment diversity and equity throughout a GLC.

The CEO can and should take four kinds of risks that will significantly impact the quality of the business outcomes and the company's future health:

“LEADERSHIP AS AN ORGANISATION IS THE SUM TOTAL OF EACH ACT OF EACH PERSON. LEADERSHIP IS BEHAVIOUR AND ACTION, NOT POSITION AND PERSONALITY. THE ACCOLADES FOR WIPRO'S LEADERSHIP ARE ACCOLADES FOR EACH WIPRO-ITE'S CONTRIBUTION TO WHAT THE COMPANY IS TODAY.”

— AZIM PREMJI
CHAIRMAN OF WIPRO

- **Move leaders into more challenging roles.** For example, promote the most exceptional high potential leaders two levels up in the organisation instead of one – to stretch, challenge and test them 'at the deep end'.
- **Encourage cross-company experience.** Cross-company moves broaden leadership capabilities, break down otherwise strong organisational silos and increase the spread of good practices. Organisations such as Shell demand their senior leaders have a rich spread of such experiences and expose them to different operational contexts, such as a turnaround or merger—different functions, different businesses and different countries. GE in Malaysia ensures its leaders rotate across geographies and industries. When GLCs make geographic moves they should give careful attention to the leader's family circumstances. For example, GLCs should be ready to help their spouses find equivalent jobs and their children school placements.

- **Move people who have reached their potential, out of pivotal roles.** The CEO must ensure that no pivotal position is blocked by an employee who has reached the limit of their potential. When individuals reach a plateau, use the deployment forum to identify less critical roles where these people can be gainfully employed and potentially re-energised.
- **Promote on potential but make this contingent on performance.** Maintaining a developmental meritocracy is dependent on promoting people based on potential but moving them down or into less critical roles if they do not perform to expectations within 1 year. This is never easy but it is vital.

DO YOU HAVE A CLEAR POINT OF VIEW ON WHAT THE NEXT ROLE SHOULD BE FOR EACH EXECUTIVE REPORTING TO YOUR DIRECT REPORTS, TO MAXIMISE THEIR DEVELOPMENT AND THE PERFORMANCE OF THE BUSINESS?

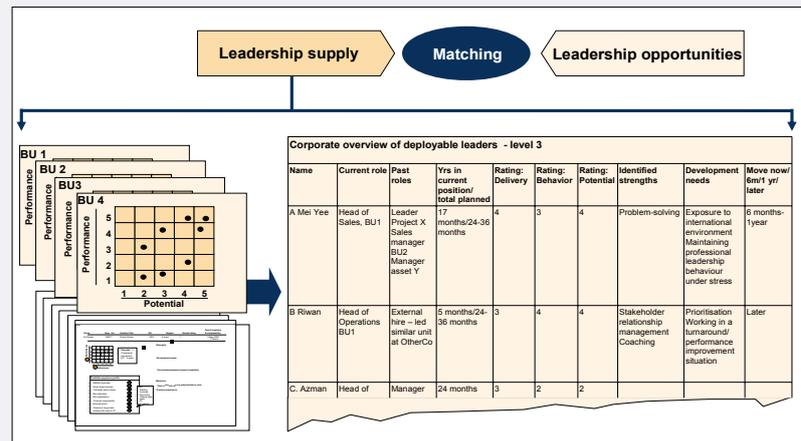
HOW TO: GOOD PRACTICE IN JOB MATCHING

Job matching forums are most effective when:

- **All decision makers are present:**
- The CEO, who will chair the meeting and endorse all moves
- Senior executives – including those who will be accountable for accepting leaders into their business or function as well as those who are the current stewards of leaders and who will advise candidates of their next post
- HR leaders, who will support the transfer of people from one business role to another.

EXHIBIT 4.C

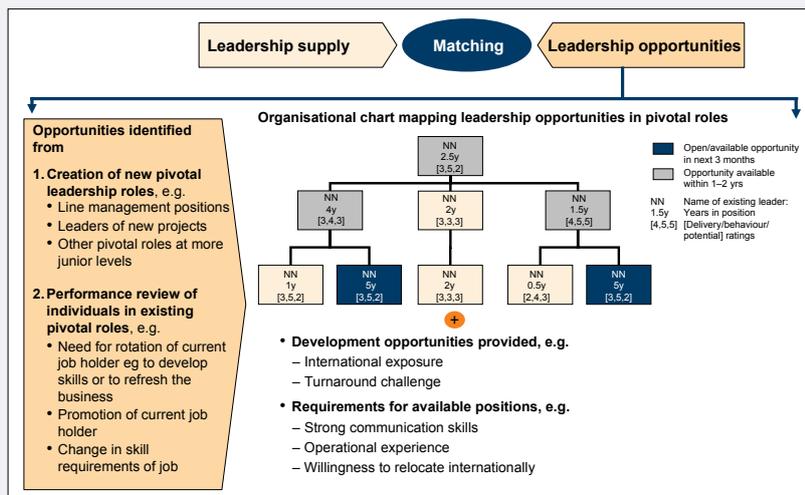
THE JOB MATCHING FORUM USES INFORMATION FROM PERFORMANCE REVIEWS TO IDENTIFY THE SUPPLY OF LEADERS...



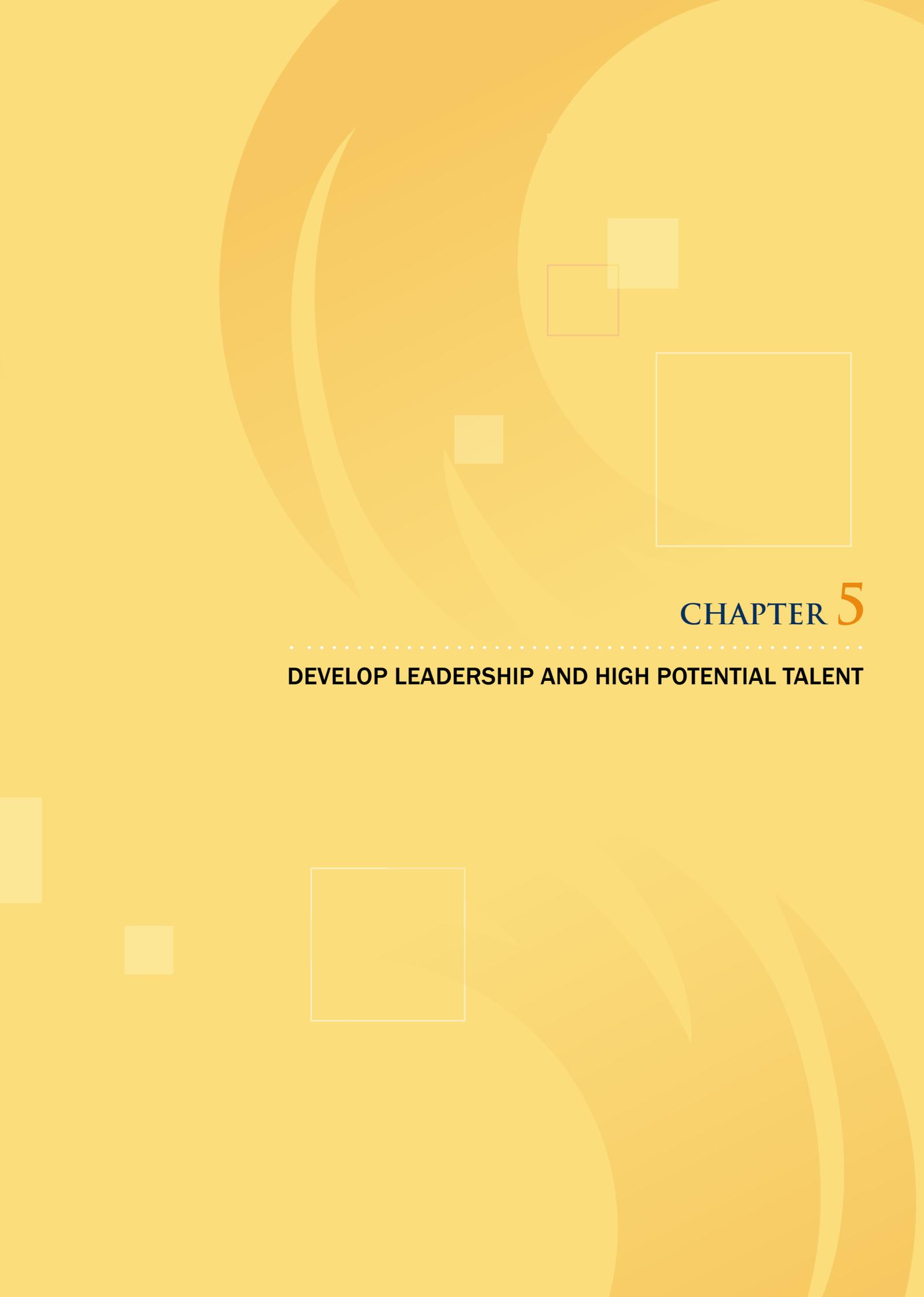
- **The format is highly visual and interactive**—for example, have participants physically move the names of people around an organisation chart and problem solve how they will back-fill the gaps to avoid the common misconception that decisions about career moves are made by the HR function in back rooms.

EXHIBIT 4.D

... AND MATCHES THEM TO PIVOTAL ROLES



- **The CEO and senior executives personally know the people being matched and are not just relying on HR data**—the individual's passions and views are genuinely factored into the decision making and people are not just placed in roles 'for the good of the company'.
- **In all decisions made, ensure a balance is achieved** between putting people in a role because it will drive immediate performance, and because it will advance their development.

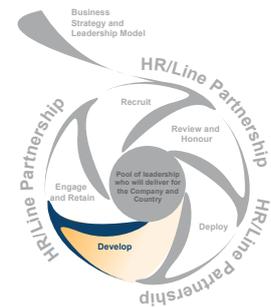


CHAPTER 5

DEVELOP LEADERSHIP AND HIGH POTENTIAL TALENT

CHAPTER 5: DEVELOP LEADERSHIP AND HIGH POTENTIAL TALENT

GREAT ORGANISATIONS BECOME 'LEADERSHIP FACTORIES', WORKING AT ALL LEVELS TO BUILD LEADERSHIP CAPABILITY. GREAT CEOs KNOW THAT THIS PERSONAL ACTIVITY IS BEST LED BY THEM.



GLCs can unlock leadership potential and build the capabilities needed to ensure they can meet their business goals and national objectives. To do this, CEOs and their senior executive teams must invest time and effort to connect with their potential leaders. They must be role models demonstrating the company's most highly valued leadership qualities—the qualities set out in their unique leadership model.

The CEO can add value in four ways:

1. Invest in a high impact leadership development programme
2. Coach and develop direct reports at every opportunity
3. Prioritise the development of CEO successors
4. Cascade the development commitment deep into the organisation.

“WE ATTRACT AND RECRUIT THE FINEST PEOPLE IN THE WORLD. WE BUILD OUR ORGANISATION FROM WITHIN, PROMOTING AND REWARDING PEOPLE WITHOUT REGARD TO ANY DIFFERENCE UNRELATED TO PERFORMANCE. WE ACT ON THE CONVICTION THAT THE MEN AND WOMEN OF PROCTER & GAMBLE WILL ALWAYS BE OUR MOST IMPORTANT ASSET.”

— PROCTER & GAMBLE

5.1 INVEST IN A HIGH IMPACT LEADERSHIP DEVELOPMENT PROGRAMME

For such a programme to be successful, the CEO must make a substantial corporate and personal investment.

- **A substantial corporate investment.** The CEO, together with the Board, must ensure there is substantial corporate investment in their leadership development programme. They should test that the investment delivers results and they should expect to see year-on-year improvement in the quality of the programme. After a pilot course, have HR check the feedback to test for impact.
- **A personal investment.** The CEO must invest the time required to shape the leadership programme's design and delivery. This role cannot be outsourced to the HR function. Specifically, the CEO needs to:
 - Spend time to ensure HR understands the strategic issues for leaders, which might include, for example, the growth agenda or the challenges of operating in the global market

- Ensure HR tests the final curriculum to address the major skill, knowledge or behavioural gaps, that leaders have relative to the requirements of the GLC's specific business plan. Above all, make sure it is not all in the classroom—good leadership programmes turn leaders' actual jobs into their field work. Learnings should be applied 'on-the-job' for sustainable impact

“THE SIGN OF A GOOD LEADER IS SOMEONE WHO KNOWS HOW TO RETREAT INTO THE BACKGROUND WHILE ENCOURAGING THEIR SUCCESSOR TO BECOME MORE SUCCESSFUL IN THEIR JOB. YOU HAVE TO SACRIFICE YOURSELF FIRST FOR A BIG CAUSE BEFORE YOU CAN ASK OTHERS TO DO THE SAME ”

**— NARAYANA MURTHY
CHAIRMAN OF INFOSYS**

- Involve current leaders to pass on valuable knowledge from one generation to the next. Design exercises that draw on the unique experiences of other leaders, for example surviving the Asian financial crisis
- Just be there. The leadership development programme will not be effective if the organisation cannot see that the CEO personally sponsors the programme. GE's Jack Welch famously presided over every leadership course at Crotonville other than when he was in hospital having a heart operation.

5.2 COACH AND DEVELOP DIRECT REPORTS AT EVERY OPPORTUNITY

The CEO must take every opportunity to build individual capabilities in his or her direct reports and successors. This means providing regular, informal feedback and following it up with structured discussions:

- **Build capability through immediate feedback.** Develop the habit of giving immediate coaching to direct reports whenever the opportunity arises. Senior management workshops, employee briefing sessions and customer meetings all provide opportunities for the CEO to observe leaders in action and to coach for higher performance.
- **Follow-up with structured discussions.** Every six months, meet with each individual for at least 1 hour to review progress against their personal development plan and develop new actionable and measurable personal development goals. The HR function can prepare up-to-date material for these meetings, including recent appraisal information and development actions, to make the coaching relevant and structured.

5.3 PRIORITISE THE DEVELOPMENT OF CEO SUCCESSORS

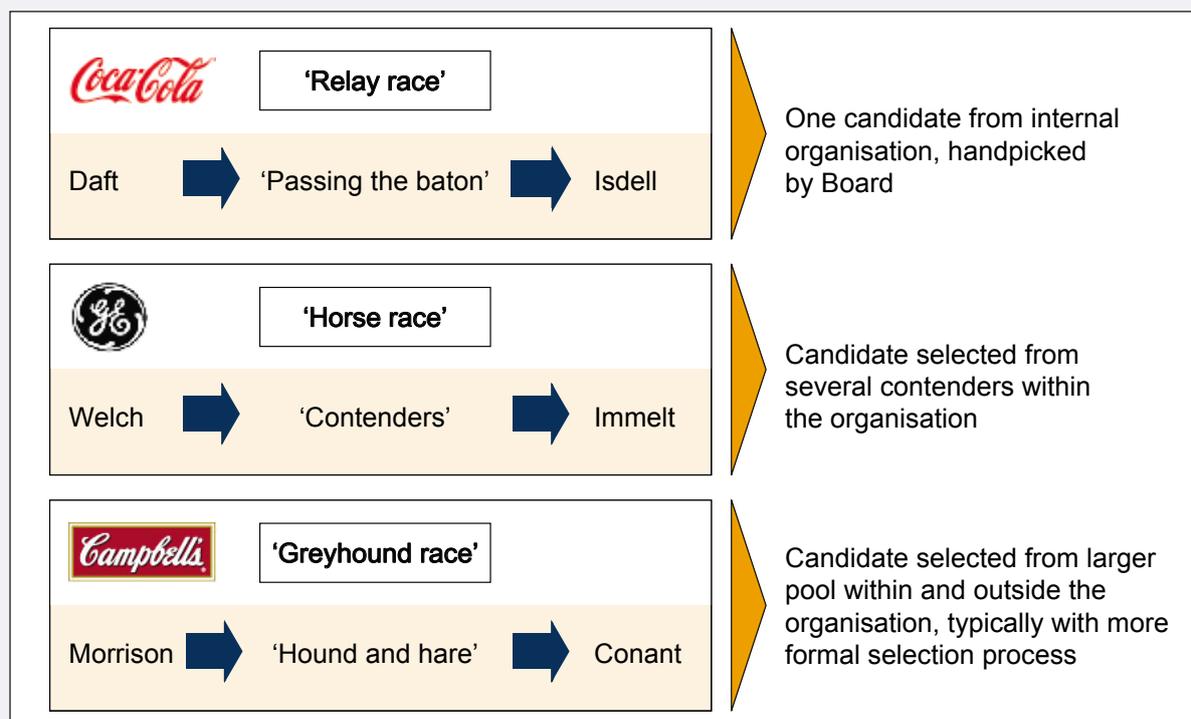
The Board will select the successor to the CEO and decide which model will be used to groom that successor. There are, broadly, three main types of CEO succession models. The first model, a 'relay race' involves the Board selecting one successor and ensuring that the current CEO gradually grooms the heir to ensure that he or she will have the necessary knowledge and skills to take over successfully.

The other two models involve competition between several candidates. In the second model, the 'horse race', several candidates from within the organisation compete and the Board selects the most successful candidate based on agreed criteria.

In the third model, the 'greyhound race', the pool from which candidates are selected is wider and will include external candidates in addition to internal ones. This model is typically only used when there is a distinct leadership gap within the company or when the company's performance or strategy has changed dramatically, requiring a different style of leader.

EXHIBIT 5.A

CEO SUCCESSION MODELS



Having selected the succession model, and identified potential internal successors, the CEO can help to develop these individuals in two ways:

- **Prioritise successors in the development system.** For example, ensure potential CEOs are deployed appropriately, receive formal development and training and are exposed to Board members.
- **Ensure development is uniquely tailored to prepare successors for the role.** CEO successors should receive special support to address any unique personal development needs that could hamper their ability to carry out the role.

5.4 CASCADE THE DEVELOPMENT COMMITMENT DEEP INTO THE ORGANISATION

Because of the personal nature of development, the CEO must enlist other senior leaders and line managers to share the responsibility.

To do this, CEOs can take two practical actions:

- **Be systematic about mentoring high potential individuals.** Develop a method of mentoring future leaders found throughout the organisation:
 - Have the top team identify talented individuals with less than 10 years experience. Assign each individual to a senior leader sponsor who will help them chart a path within the organisation
 - Establish a special officers programme. Assign high potential employees to 12–18 month development roles alongside senior leaders.
- **Test the depth of coaching and mentoring in the organisation.** Have the HR function review upward appraisals and employee opinion surveys to determine how far coaching is being cascaded into the organisation. Statements such as the following can be used in surveys to test the depth of coaching:
 - My manager provides constructive feedback that helps me to do my job better
 - Coaching is a regular part of the day-to-day activity within the organisation
 - Managers are recognised and rewarded for their commitment to developing others

Ask the HR function to highlight which CEO's direct reports are rated 'above average' and 'below average' in developing others. Publicly acknowledge leaders who successfully develop others.

WHAT LEADERS DO

HSBC has formalised immediate feedback and coaching for its leaders. Teams hold a number of 'post mortem' sessions after key meetings to assess whether commercial objectives were met, and how individuals performed in their designated roles.

The 'post mortem' debriefs are essentially a real-time 360-degree feedback process, allowing people to reflect on their actual experiences. They evaluate multiple aspects, often in complex situations, and help to uncover potential leaders.



DO YOU PLAY A ROLE IN EVERY SENIOR LEADERSHIP DEVELOPMENT PROGRAMME FOR YOUR COMPANY?

CASE STUDY: GE

Companies such as GE use multi-level leadership development to embed a leadership culture. This style allows the Company to reflect the challenges faced, and styles required, at different leadership levels.

GE developed formal programmes for all levels of the organisation—entry-level executives, experienced junior executives, middle managers and senior executives.

At every level, the formal programmes focused on issues that could best equip GE employees with skills and expertise applicable to their respective positions. All leaders in GE participate—including Malaysian leaders.

The CEO is actively involved in these training programmes, joining evening debates with junior executives at the Corporate Entry Leadership Conference.

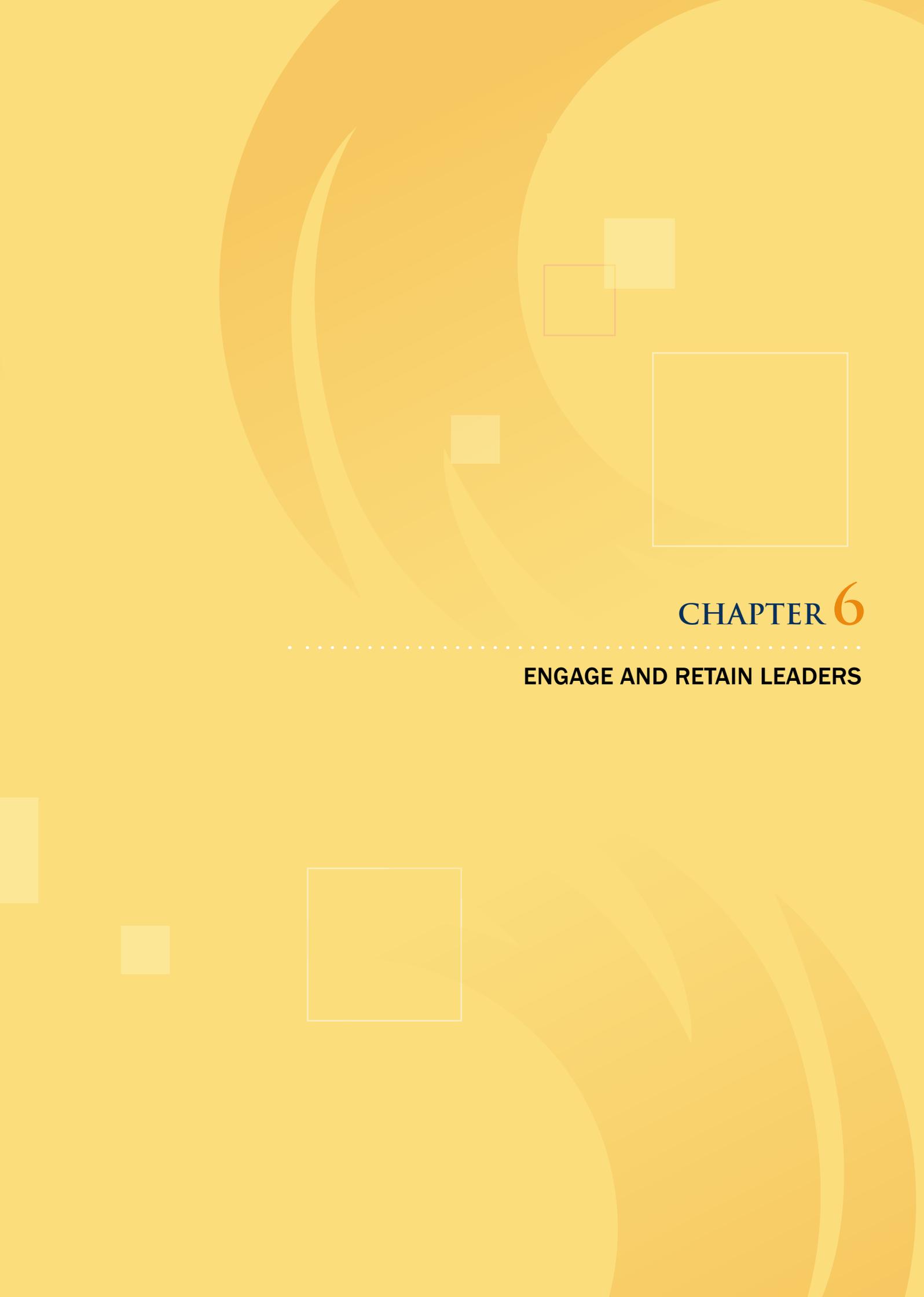
EXHIBIT 5.B

GE FOCUSES HEAVILY ON FORMAL TRAINING PROGRAMMES—MANY OF WHICH ARE OFFERED AT CROTONVILLE



	Programme	Participants	Focus	Delivery
4	<ul style="list-style-type: none"> Corporate Officer Workshops Executive Development Business Development Management Development 	<ul style="list-style-type: none"> (Potential) Top executives Potential Top senior executives Potential General Managers Senior executives 	<ul style="list-style-type: none"> Resolution of challenging, open issues Managing the multifunctional firm Business and leadership under global competition Business and leadership in a global competitive environment Management in a multifunctional company 	<ul style="list-style-type: none"> 20–30 officers Irregular schedule Open 'work-out' style discussion 4–week programmes Strong action orientation Significant, real-life issues On-site education/discussions Off-site business projects Tangible end-products/decisions Strong global outlook
3	<ul style="list-style-type: none"> Impact Programme 	<ul style="list-style-type: none"> Senior middle managers 	<ul style="list-style-type: none"> Functional expert executive skills Benchmarking project 	<ul style="list-style-type: none"> Mixed on-/off-site Formal training/discussions Industry experts as faculty Competitor benchmarking visits Mixed functional teams
2	<ul style="list-style-type: none"> Experienced Managers Development New Managers Development 	<ul style="list-style-type: none"> Experienced junior executives Fast-track junior executives (pro-motions within 1 year of hiring) 	<ul style="list-style-type: none"> Initiating and facilitating change Leadership concepts Creating high performance teams GE business in a regional context 	<ul style="list-style-type: none"> On-site courses Regional differentiation Mainly peer discussions On-site courses Regional differentiation Strong focus on open discussion
1	<ul style="list-style-type: none"> Corporate Entry Leadership Conference 	<ul style="list-style-type: none"> 2000 entry-level junior executives 	<ul style="list-style-type: none"> GE's global strategy Company values Markets, competitors 	<ul style="list-style-type: none"> 3-day on-site; groups of 100 Presentations from businesses Evening 'work-out' debate with CEO

Source: Corporate University Review, Control your Destiny (Tichy/Sherman)



CHAPTER 6

ENGAGE AND RETAIN LEADERS

CHAPTER 6: ENGAGE AND RETAIN LEADERS

TODAY'S WAR FOR LEADERSHIP TALENT IS AS MUCH ABOUT RETAINING LEADERS AS IT IS ABOUT ENGAGING THEM.



Having put time and effort into developing their leaders, CEOs need to be able to retain them to reap the benefits. For GLCs this is particularly important—private companies and multinationals will be waiting in the wings to capitalise on the investment.

But the GLC Board and CEO can foster loyalty in their talented leaders—and ensure a high level of professionalism and goodwill in the event that an individual decides to move on. This involves three interrelated steps:

1. Build an organisation that is a work community, not just a company
2. Hold on to the most valuable leaders
3. Keep the door open to leaders who leave.

6.1 BUILD AN ORGANISATION THAT IS A WORK COMMUNITY, NOT JUST A COMPANY

Malaysian leaders care for their community, are loyal to it, and wish to serve it to the best of their ability. Boards and CEOs can create an organisation that is a vital part of every leader's personal community.

- **Encourage networking within the company:** particularly in areas of interest to talented individuals and that benefit the company.

EXHIBIT 6.A

HOW COMPANIES INCREASE THEIR SENSE OF COMMUNITY

Companies use various methods to build a sense of community within the organisation

	Coffee-talk (Kopitiam) sessions are held where employees of all levels are selected randomly to interact with the CEC
	Creates a strong cadre of international managers who develop formal and informal networks during exclusive training programmes and events
	Knowledge workers publish documents on an internal knowledge platform and are rewarded for doing so
	Exclusive 'interchange' conference where high performing employees present ideas and learnings
	All employees encouraged to launch and lead a project with like-minded colleagues who volunteer to participate during their free time
	'Make a friend @ Cisco' scheme develops links between current and potential employees who share mutual interests
	Encourages employees to leverage their informal networks to find their next job role

- **Make leadership roles more than 'just a job'.**

Get leaders involved in activities that appeal to their wider interests and link their job to their passions and a higher sense of purpose. This works at three levels:

- Personal: such as working with a young team and developing high potential local talent or teaching at the leadership development programme
 - Corporate: such as saving jobs by turning around a non-performing business or generating work by winning over a difficult client
 - National: such as improving critical infrastructure or building the company's or country's global reputation.
- **Proactively engineer opportunities for leaders to engage with senior executives, including the Board.** For example, pair leaders with senior executives whom they respect for special projects, ask them to present material at Board meetings, or invite them to social events where Board members or senior executives are present.
 - **Strategically match leaders with the right mentors to develop relationships based on mutual commitment.** To make this work, 'chemistry' matters and if the chemistry is not there, change the coach or mentor.

**" ... IN TODAY'S SUCCESSFUL ORGANISATION
CONNECTEDNESS AND OPENNESS HAVE TAKEN
OVER FROM EMPIRE BUILDING AND SECRECY."**

— JOHN BROWNE
CEO OF BRITISH PETROLEUM (BP)

6.2 HOLD ON TO THE MOST VALUABLE LEADERS

Despite all efforts, there will be times when talented leaders consider leaving. And while there is merit in the 'go in order to grow' philosophy, unplanned attrition of leaders means the organisation loses out on its development investment and can be exposed to business risk.

The CEO's role in managing this is to:

- **Detect early signs of dissatisfaction.** Draw on personal relationships and the coaching and mentoring network to pick up signs of dissatisfaction. The HR function can support this by training executives to identify the signs and to know what steps to take to turn the situation around. If a high performing leader slips through the net and leaves without warning, speak to their manager and mentor and find out why they did not see it coming.
- **Intervene early to keep the best leaders.** It is worth getting to the heart of the best leaders' dissatisfaction and then creatively shape a solution to allow them to stay. Consider for example crafting their role differently, changing reporting lines, or being flexible in working conditions or benefits. (See Exhibit 6.B)

EXHIBIT 6.B

LEADERS SHOULD BE TRAINED TO ‘SAVE STARS’—RETENTION CONVERSATIONS

Conversation guide for ‘at risk’ high potentials
Possible situation: Burnt out

Introduction
Confirm the situation and introduce the reason for the conversation, e.g. You don’t seem to be quite yourself lately. Is there anything I can do to help?

Subjects to cover

• Any recent events	• How to reduce workload
• Changes in workload	• Recent leave taken

Issues employees could raise and ... good answers to give

• I am tired of being graded below the actual job classification	• I need to get onto HR about that because it doesn’t appear very fair
• I need to take a break or I will leave	• We can certainly do that. Let’s explore what would work—maybe bring your holiday forward, or a sabbatical perhaps?
• I cannot see my career development	• Let’s talk about where you could go from here

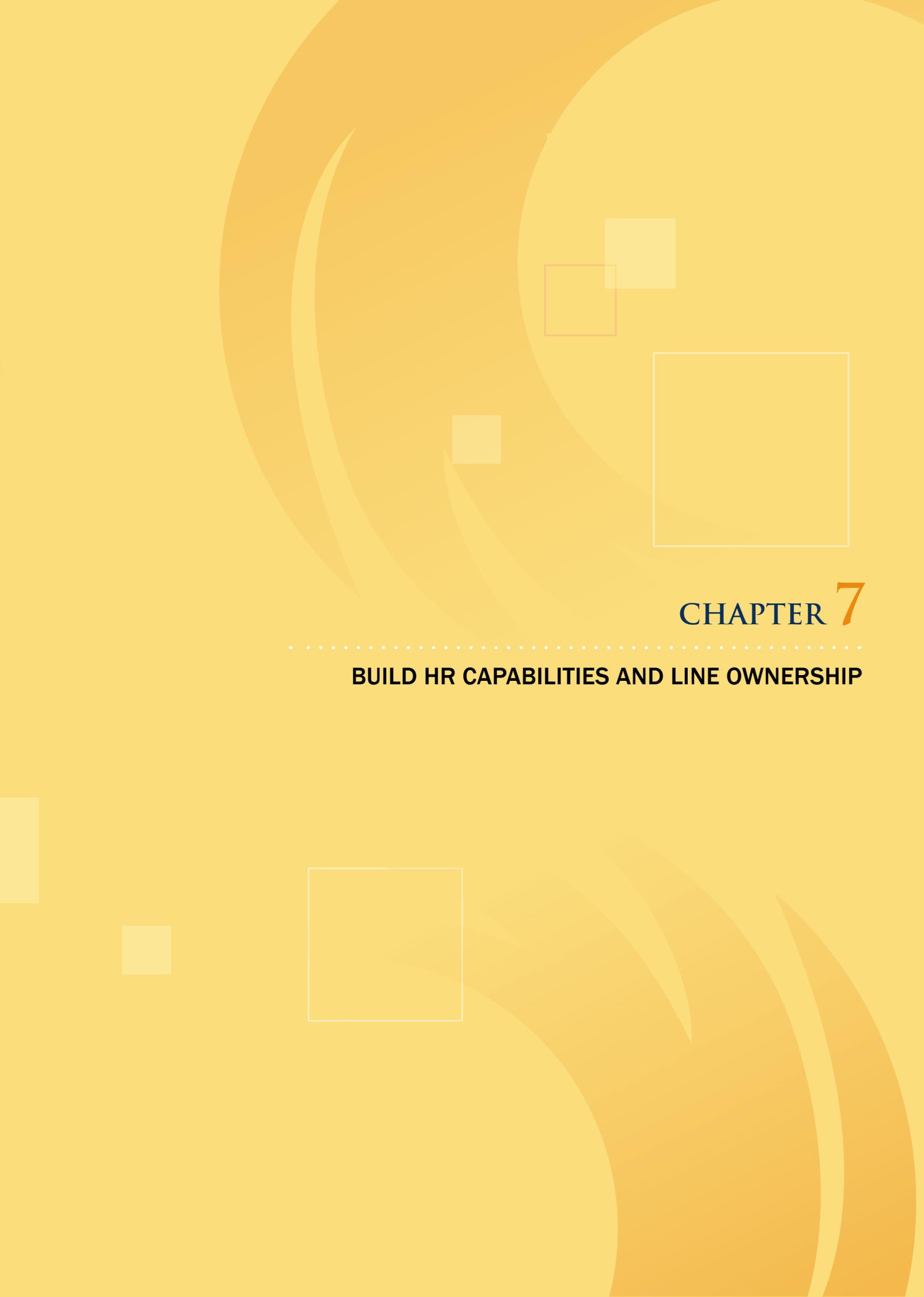
EXAMPLE TRAINING GUIDE

6.3 KEEP THE DOOR OPEN TO LEADERS WHO LEAVE

If, after all avenues have been exhausted, a top leader still wants to leave, ensure the leaving experience is positive and smooth and that they know they would be welcomed back should they wish to return. They should leave as ambassadors for the company.

An excellent way to maintain contact with high performers is to develop an alumni programme. Get personally involved in the development of such a programme and include high performing retirees as alumni: they could be used to assist as coaches, consultants, interim managers or, if appropriate, even Board members. For example, Ernst & Young’s alumni network reportedly generated 20% of their new recruits recently.

DO YOU KNOW WHO AMONG YOUR KEY LEADERS ARE MOST AT RISK OF LEAVING, WHAT THEIR ISSUES ARE AND WHAT YOU ARE GOING TO DO TO ENSURE THEY DO NOT LEAVE?

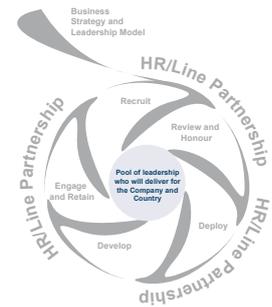


CHAPTER 7

BUILD HR CAPABILITIES AND LINE OWNERSHIP

CHAPTER 7: BUILD HR CAPABILITIES AND LINE OWNERSHIP

THE WINNING COMBINATION IN LEADERSHIP DEVELOPMENT IS A COMMITTED BOARD AND AN ACTIVE CEO, BACKED BY A POWERFUL PARTNERSHIP OF HR AND LINE MANAGEMENT.



The high standard for leadership development set by this book will require more than the actions of the GLC Board and CEO: it must also be underpinned by HR and line managers working as partners to develop leaders.

A CEO can ensure this partnership is in place and functioning well by doing the following:

1. Make all *line managers* personally responsible for leadership development
2. Enhance the *HR function* rapidly to meet business needs and to provide focused support for leadership development.

7.1 MAKE ALL LINE MANAGERS PERSONALLY RESPONSIBLE FOR LEADERSHIP DEVELOPMENT

Day-to-day, much of the responsibility for leadership development should be exercised by line managers. To support line managers to take up this responsibility CEOs should do the following:

- **Communicate a clear expectation that 30% of line managers' time should be spent on leadership development.** CEOs should regularly talk about this 30% target and reinforce a management approach that encourages leaders to develop the people below them so that they can spend more of their time on leading, not just managing.
- **Be known as a role model for leadership development.** CEOs need to be visible role models. As discussed in the earlier chapters, CEOs need to be known for their leadership development activities such as coaching direct reports and playing a prominent role in leadership development programmes.
- **Upgrade line managers' leadership development skills.** Ensure HR has put in place a program to improve managers' skills and confidence in activities such as interviewing, constructive and objective coaching and mentoring, and performance improvement conversations.
- **Use performance management to reinforce line managers' development responsibility.** CEOs should ensure that KPIs for developing others are cascaded to all line managers—KPIs such as 'improvement in employee opinion survey scores relating to coaching and development'. Equally, in performance reviews, CEOs should quiz direct reports for tangible examples of their leadership development activities and impact. If the answers are not impressive, CEOs should downgrade their overall performance rating.

7.2 ENHANCE THE HR FUNCTION RAPIDLY TO MEET BUSINESS NEEDS AND TO PROVIDE FOCUSED SUPPORT FOR LEADERSHIP DEVELOPMENT

The CEO should enhance the HR function so that it can support leadership development activities and the broader people management agenda. This will be true for the organisation when:

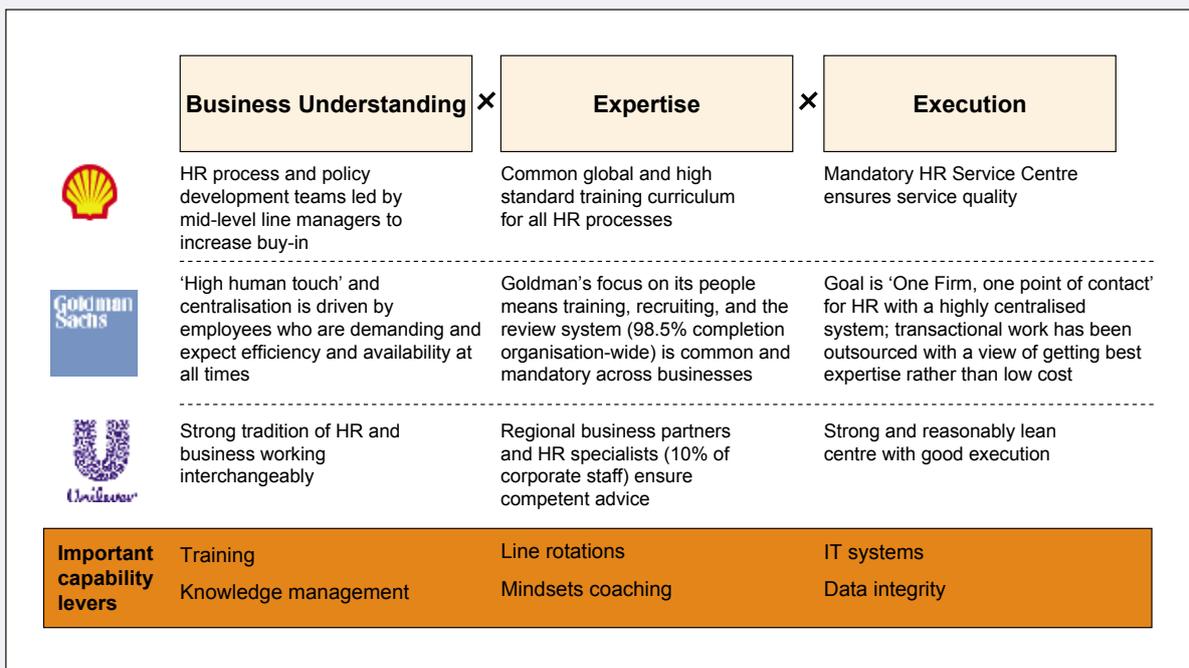
1. HR leadership can demonstrate the foundations for a good partnership with the line.

HR needs to be consistently well-rated by line managers on all these dimensions for it to be a credible partner:

- An understanding of business issues and challenges
- Highly valued expertise in specialist HR tasks like remuneration, training and talent management
- Execution skills to ensure reliable responses.

EXHIBIT 7.A

HR NEEDS TO HAVE BUSINESS UNDERSTANDING, EXPERTISE AND EXECUTION TO BE SUCCESSFUL



2. HR provides effective support for leadership development.

HR provides this support when:

- **Leadership and business-focused professionals work in HR.** Two types of HR professionals are key to a successful partnership to develop leaders:
 - *Skilled in-the-line HR professionals who provide seamless support.* HR functions should be organised so that there are highly capable HR professionals in line management teams. These professionals, who should be a mix of people from HR backgrounds and line managers trained to play HR roles, need to understand how the business really works, what it takes for leaders to drive that business' performance and have trusting relationships with the key leaders.

Practically, they need to ensure that line managers are trained to fulfil their leadership development tasks and that all processes surrounding leadership development—from the scheduling of training programmes through to running deployment sessions—are streamlined and integrated into the business calendar.

These HR professionals should play an active role in leadership development by ensuring that the recruiting, training and deployment processes are delivering the leaders that the business needs. When the business is not getting what it needs, they should be known as practical problem solvers who get to the root causes of problems and fix them. They should also be close to the business so that they can help spot key leaders at risk of leaving.

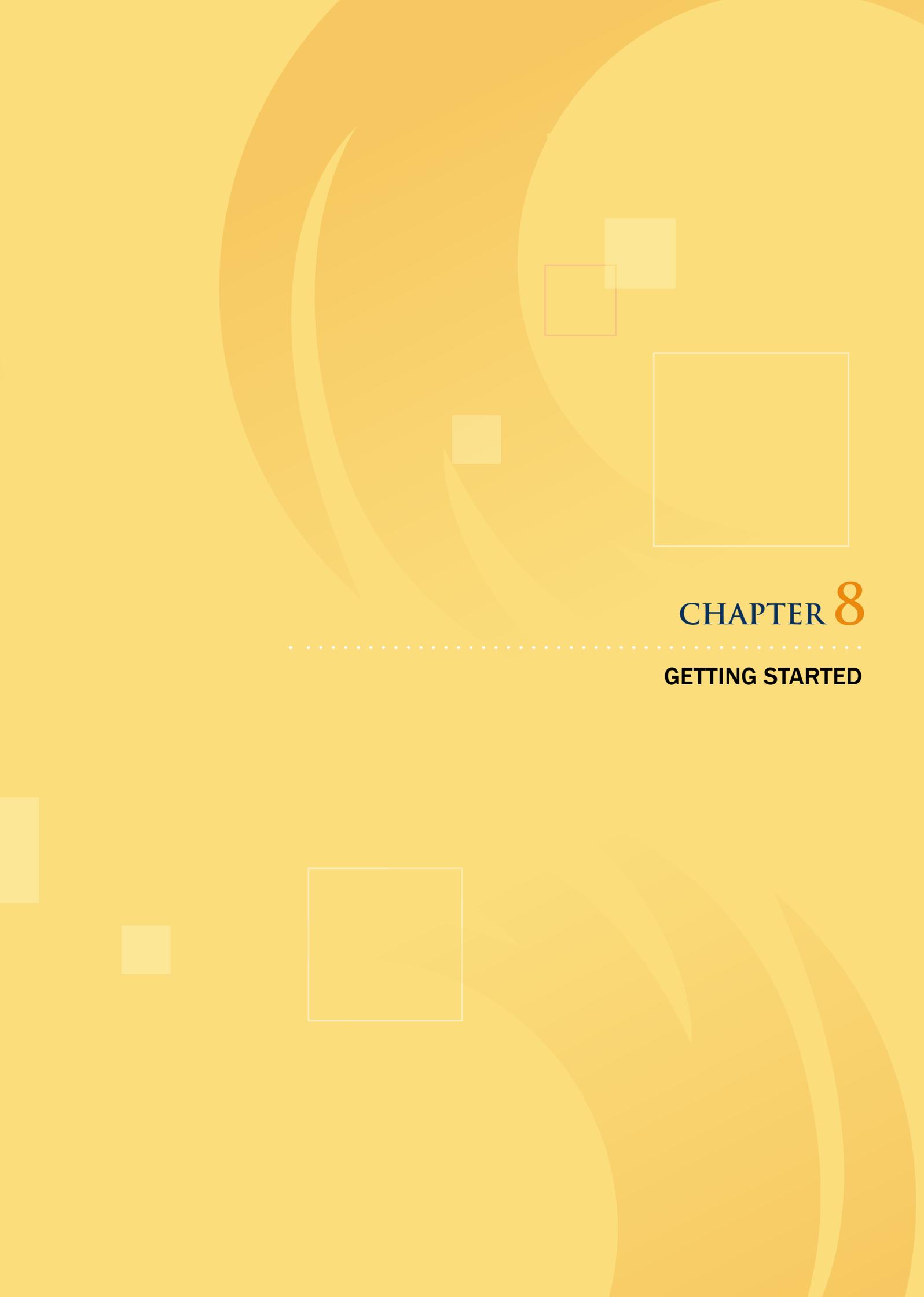
- *Expert HR professionals focused on developing simple and effective leadership development processes and programmes.* An HR function needs people with specific technical expertise in the different aspects of leadership development, especially the design of leadership development programmes, performance management systems and leadership deployment processes.
- **Leadership development processes and programmes are streamlined and owned by the line.** True line ownership of HR processes and programmes makes the line far more effective. This can be achieved if HR develops them in close consultation with line managers and subjects them to thorough, periodic reviews such as by a panel of line managers who review and provide advice on HR processes.

3. HR has distinctive leadership.

To guarantee distinctive leadership, the CEO should appoint high performing line managers to HR so that at least 1 in 3 of the senior HR team comes from the line. CEOs should expect moves such as this to be met with some resistance but radical steps are required to build capability and strengthen the function.

Having considered the three requirements for HR to fulfil their side of their partnership with the line, a CEO needs to decide whether to get the head of HR to upgrade the leadership development dimensions of the function or whether the issues are broad-based and require an overhaul of the HR function. The Leadership Development Audit will help CEOs make this decision.

HAVE YOU APPOINTED ANY OF YOUR TOP LINE PERFORMERS TO HEAD YOUR HR FUNCTION OR TO ONE OF HR'S MOST SENIOR ROLES?



CHAPTER 8

GETTING STARTED

CHAPTER 8: GETTING STARTED

AN HONEST APPRAISAL OF THE COMPANY IS AN IMPORTANT STARTING POSITION AND WILL MAKE IT EASIER FOR THE COMPANY TO GET THE NUMBER AND TYPES OF LEADERS IT REALLY NEEDS.

To lift leadership development standards to enable GLCs to consistently perform and deliver sustainable tangible results, will demand an immediate change. This chapter addresses the three big change initiatives required for GLCs to get started:

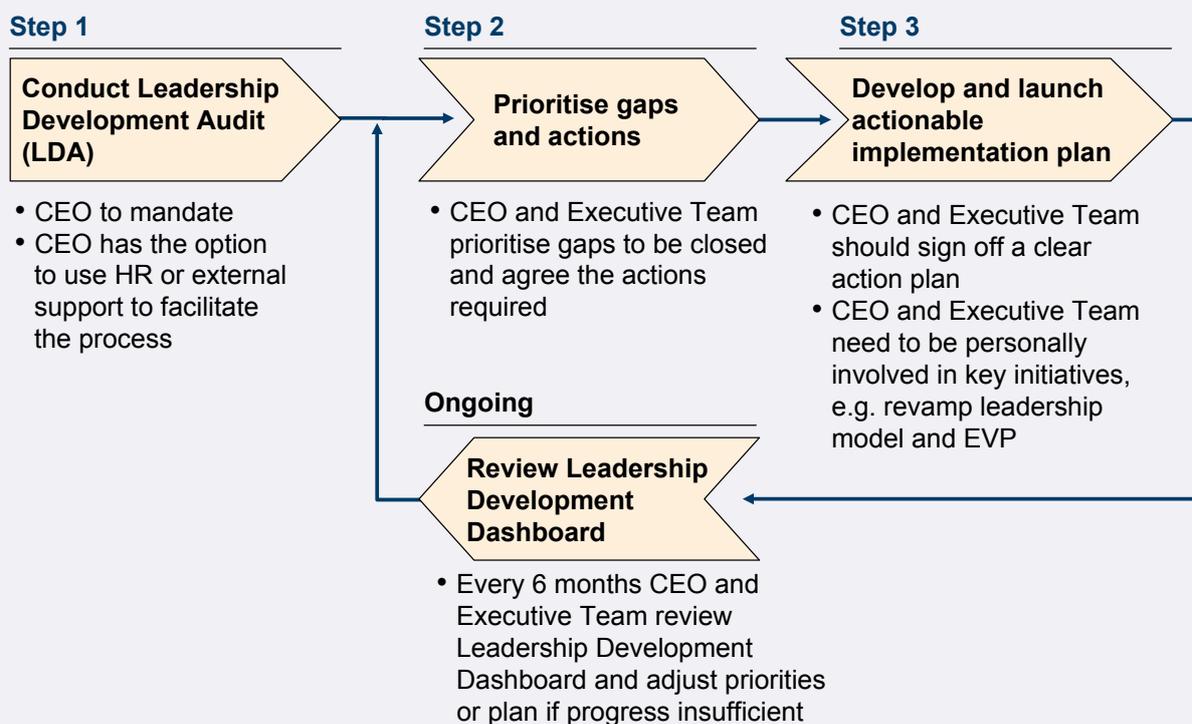
1. Conduct a Leadership Development Audit to strengthen company-wide leadership development
2. Intensify Board governance on leadership development
3. Shift CEO actions and behaviours.

8.1 CONDUCT A LEADERSHIP DEVELOPMENT AUDIT TO STRENGTHEN COMPANY-WIDE LEADERSHIP DEVELOPMENT

The CEO should mandate a comprehensive audit of the current leadership development approach using the Leadership Development Audit (LDA), then ensure that an actionable improvement program is in place and that implementation begins quickly.

EXHIBIT 8.A

HOW TO STRENGTHEN LEADERSHIP DEVELOPMENT



OPTIONS FOR COMPLETING THE LDA

The CEO is responsible for leading this effort. GLCs can choose to conduct the assessment themselves or seek external support to facilitate the process.

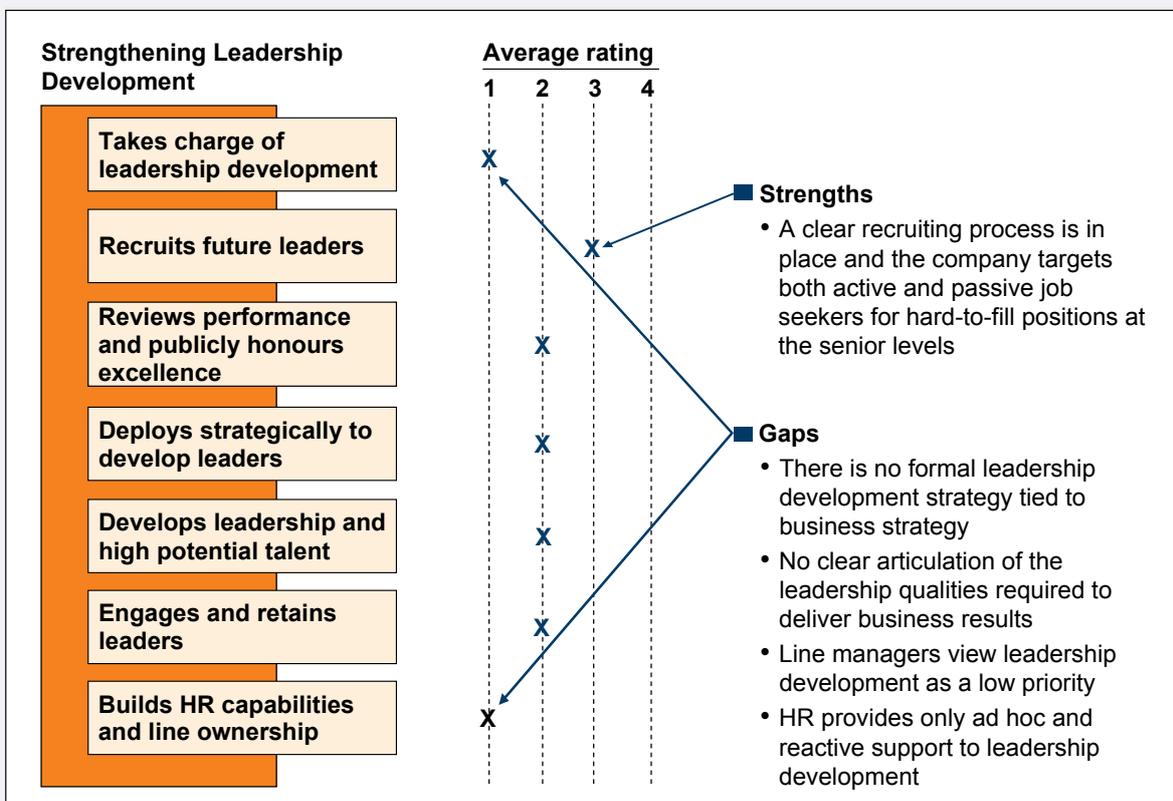
- GLC conducts the LDA.** All senior executives are required to participate, and the CEO should lead the process. HR should be responsible for preparing materials to facilitate the discussion. The discussion can form part of an executive meeting to be held as a separate session. Once the CEO and management team have agreed current strengths and weaknesses, a follow-up session should be held to develop an improvement programme with specific initiatives, milestones and timelines.
- External consultants assist GLCs in completing the LDA.** There are a number of ways in which external consultants can assist GLCs in completing this assessment. Each GLC should tailor the approach to their current context, and determine the external consultant that is best suited to assist them. To obtain suggestions of potential consultants and potential options on how to structure the necessary support, GLCs can contact the Transformation Management Office (TMO).¹

STEP 1: CONDUCT LEADERSHIP DEVELOPMENT AUDIT

The LDA is a simple-to-use tool that covers all the areas addressed in the Orange Book and will enable the assessment of a company’s performance against best practice. The tool and details on its use are provided in the final section of the Orange Book.

EXHIBIT 8.B

AUDIT SUMMARY



¹ See Resources: Where GLCs can obtain assistance.

STEP 2: PRIORITISE GAPS AND ACTIONS

Once gaps are identified the CEO and Executive Team should prioritise them and agree a clear set of proposed actions.²

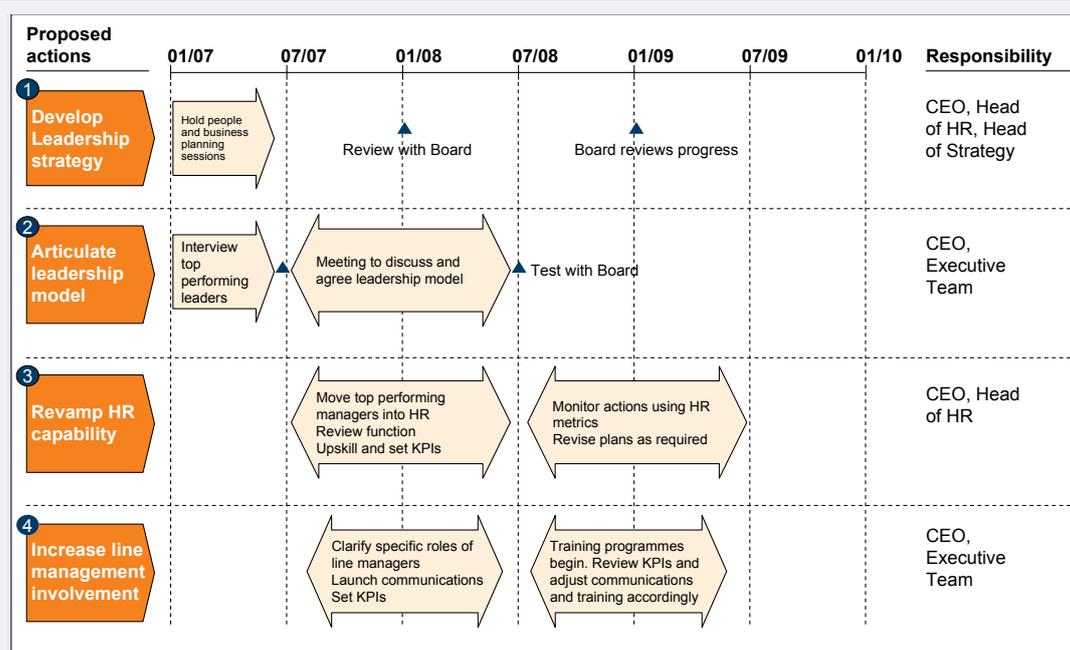
EXHIBIT 8.C IMPROVEMENT PLAN

Gaps identified	Priority	Proposed actions
1. No formal leadership development strategy tied to business strategy	High	<ul style="list-style-type: none"> Hold people and business planning session Measure gap in leadership (number and types) required to deliver business results Agree strategy to close the gap
2. No clear articulation of the leadership qualities required to deliver business results	High	<ul style="list-style-type: none"> Interview top performing leaders to determine which behaviours and competencies are essential to success Hold meeting with management team to agree leadership model Pressure test the model with the Board
3. Line managers view leadership development as a low priority	Medium	<ul style="list-style-type: none"> Clarify roles of line managers and HR in leadership development CEO and management team communication strategy to lift profile of leadership development across organisation Targetted training and coaching programs to upskill line managers Set KPIs for line managers
4. HR provides ad hoc and reactive support to leadership development	Medium	<ul style="list-style-type: none"> Move top performing line managers into HR positions Review HR function—people, processes, structure and size—to decide optimum requirements for delivering overall people strategy Agree KPIs for HR effectiveness

STEP 3: DEVELOP AND LAUNCH AN ACTIONABLE IMPROVEMENT PLAN

The improvement plan should set out clear actions, the timeline for those actions and who is responsible. Review points with the CEO, Executive Team and Board should be established to ensure high-level involvement.

EXHIBIT 8.D MILESTONES FOR AN IMPROVEMENT PLAN



² See Appendix 4 for template.

ONGOING: REVIEW LEADERSHIP DEVELOPMENT DASHBOARD

There are eight metrics that together provide a comprehensive view of how the organisation is moving towards its goal of strengthened leadership development. Every 6 months the CEO and Executive Team should review these metrics and adjust the priorities or the plan if there is insufficient progress.

EXHIBIT 8.E

MONITOR METRICS TO CHECK PLAN IS DELIVERING IMPROVED PERFORMANCE



See Appendix 2 for dashboard, and Appendix 3 for more details on metrics and monitoring.

8.2 INTENSIFY BOARD GOVERNANCE ON LEADERSHIP DEVELOPMENT

The Board must fulfil its fundamental role and responsibility to oversee the development of the company’s future leaders and human capital.³ Specifically, the Board must:

- Select and proactively plan for CEO succession
- Review the performance management philosophy
- Evaluate the CEO
- Endorse the performance and development plans of those in ‘pivotal positions’
- Understand the pool of future leaders.

In addition, the Board should support the CEO in delivering against the company-wide improvement agenda. This will mean playing a governance, but not management, role in the key elements outlined in this book, such as:

- The leadership model for the CEO
- Providing assistance to the CEO in recruiting and retaining senior leaders
- Ensuring adequate levels of investment in leadership development programmes
- Coaching and mentoring high performing leaders, particularly the CEO and CEO successors.

³ As outlined in the *Green Book* on ‘Enhancing Board Effectiveness’.

8.3 SHIFT CEO ACTIONS AND BEHAVIOURS

For many CEOs, prioritising leadership development will require changes in the way they lead. This personal change is more than warranted, however, given the challenge to develop a generation of leaders who can deliver sustainable performance. The change also provides the CEO with opportunities to define his or her legacy.

To navigate through this period of change and transition, the CEO might undertake a personal stocktake of their own leadership development activity using the ten questions in this book.⁵ For a more comprehensive review the CEO can also:

- Elicit feedback from others or have HR run a 360-degree assessment of their current actions and behaviours
- Get a third-party perspective on the stocktake and use this perspective to set and achieve stretching goals. A coach can provide tremendous support in sustainable change, and at this level, can provide tactical support to build leadership skills for specific situations as well as offer strategic help in allocating time effectively to commit to the leadership development challenge.

Choosing a coach is a personal decision. Some will draw from the ranks of international executive coaches; others will prefer a trusted adviser or consultant, or a respected colleague or mentor who has achieved success in developing leaders in their own organisation

- Use the insights gained from the personal stocktake to articulate necessary changes and then set a few simple, measurable goals for personal development.

⁵ See Appendix 1: The Leadership Development Stocktake.



APPENDIX 1

THE LEADERSHIP DEVELOPMENT STOCKTAKE

APPENDIX 1: THE LEADERSHIP DEVELOPMENT STOCKTAKE

Ask yourself

	Yes	No
1. Do you spend 30% of your time developing leaders?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you know what your most significant intervention will be in the next 3 months to fundamentally improve the leadership capability of your organisation?	<input type="checkbox"/>	<input type="checkbox"/>
3. Do you know three leaders outside your company who could transform its performance? If so, do you have a personal plan for how and when you could recruit them?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you play a role in every senior leadership development programme for your company?	<input type="checkbox"/>	<input type="checkbox"/>
5. Do you spend at least 1 hour with each of your direct reports every quarter giving them personal feedback and coaching about how they can be more effective leaders?	<input type="checkbox"/>	<input type="checkbox"/>
6. In the last 12 months, have you taken a risk with any high potentials and moved them into challenging leadership roles that prompted people across the organisation to talk positively about it?	<input type="checkbox"/>	<input type="checkbox"/>
7. Do you have a clear point of view on what the next role should be for each executive reporting to your direct reports to maximise their development and the performance of the business?	<input type="checkbox"/>	<input type="checkbox"/>
8. Do you know who among your key leaders are most at risk of leaving, what their issues are and what you are going to do to ensure they do not leave?	<input type="checkbox"/>	<input type="checkbox"/>
9. In major strategy sessions, do you always involve the HR head to ensure you will have the leadership with the requisite skills to successfully deliver your business plans?	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you appointed any of your top line performers to head your HR function or to one of HR's most senior roles?	<input type="checkbox"/>	<input type="checkbox"/>



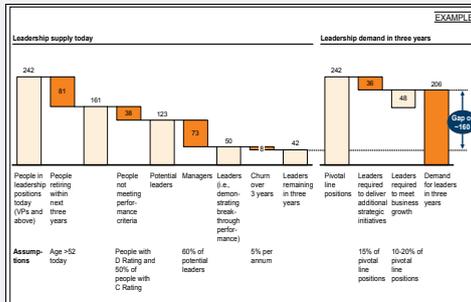
APPENDIX 2

LEADERSHIP DEVELOPMENT DASHBOARD

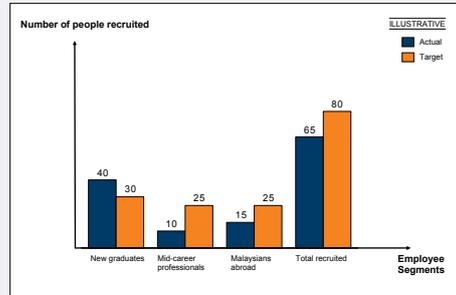
APPENDIX 2: LEADERSHIP DEVELOPMENT DASHBOARD

CEOs and HR heads should monitor the performance of the overall leadership development system. Every 6 months they should review whether the leadership gap is increasing or diminishing and use the leadership development dashboard to help determine what is driving the result.

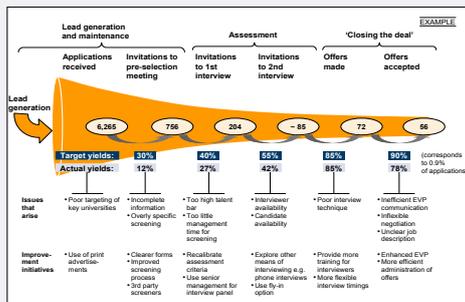
CHAPTER 1: SIZING THE GAP - HOW IT CAN BE DONE



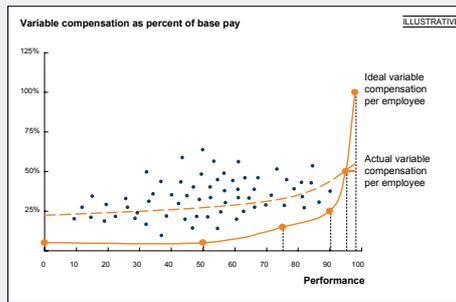
CHAPTER 2: MEASURE RECRUITMENT RESULTS BY EMPLOYEE SEGMENTS



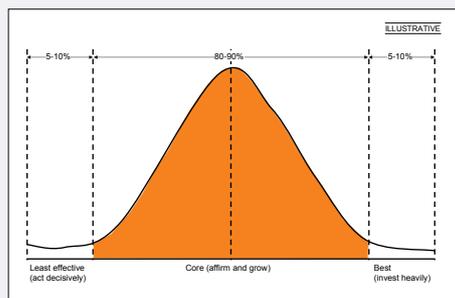
CHAPTER 2: MEASURE THE RATE OF CONVERSIONS TO NEW RECRUITS



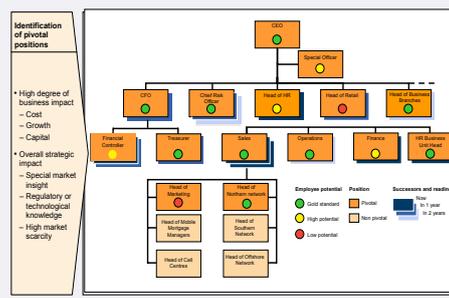
CHAPTER 3: IMPLEMENT COMPENSATION SCHEMES THAT REWARD HIGH PERFORMANCE



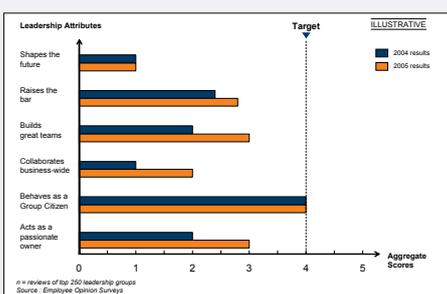
CHAPTER 3: REVIEW PERFORMANCE DISTRIBUTION OF LEADERS



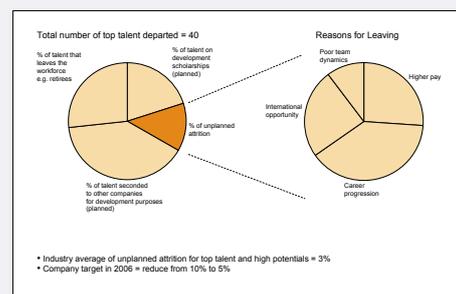
CHAPTER 4: TEST THAT PIVOTAL POSITIONS ARE FILLED BY TOP TALENT



CHAPTER 5: MEASURE THE AGGREGATE OF LEADERSHIP SCORES AGAINST LEADERSHIP MODEL



CHAPTER 6: MONITOR UNPLANNED ATTRITION RATES OF HIGH PERFORMERS AND HIGH POTENTIALS





APPENDIX 3

DETAILED METRICS

APPENDIX 3: DETAILED METRICS

Determine the number of leaders needed

What should be measured

The company's surplus or deficit of leaders. This number is calculated by comparing leadership supply against leadership demand. Leadership demand is calculated by determining pivotal line positions and how many leaders will be needed to deliver new strategic initiatives and business growth. Leadership supply is calculated by assessing the organisation's current talent pool and subtracting retirees, underperformers and attrition. It assesses how many people the company has that can actually deliver the breakthrough results that qualify them as leaders. While these calculations will not be 100% accurate, they will give a good overall estimate of leadership requirements and a clear sense about whether the gap is growing or narrowing. This metric should be monitored on a 6-monthly basis to check the current surplus or deficit of leaders.

Why this metric is useful

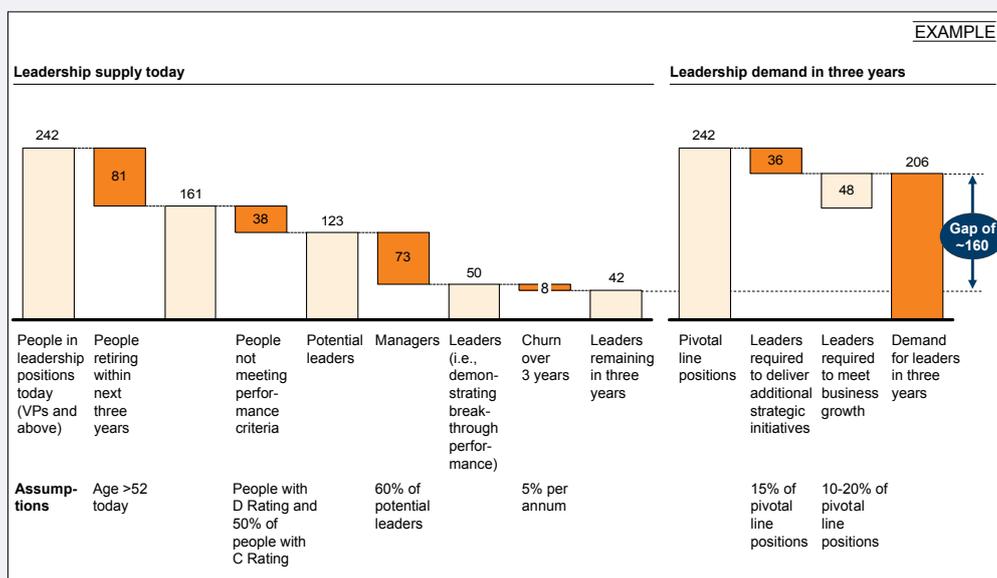
It enables the Board and CEO to know the number of leaders needed to deliver the company's headline KPIs and growth plans. The CEO can then be held accountable for year-on-year improvement.

Questions the Board and CEO should probe

- Am I confident that we understand both the number and the type of leaders needed to deliver business results?
- Am I confident that we have a plan to deliver these leaders?
- Do variations from the previous year reveal particular risks, for example a sudden spike in attrition over the next three years could signal 'a generation' of senior executives about to retire?

EXHIBIT A.1

CHAPTER 1: SIZING THE GAP – HOW IT CAN BE DONE



Recruitment results by employee segments

What should be measured

The number of people successfully recruited for each employee segment identified by the organisation. It should be monitored after every recruitment drive to see if targets are met.

Why this metric is useful

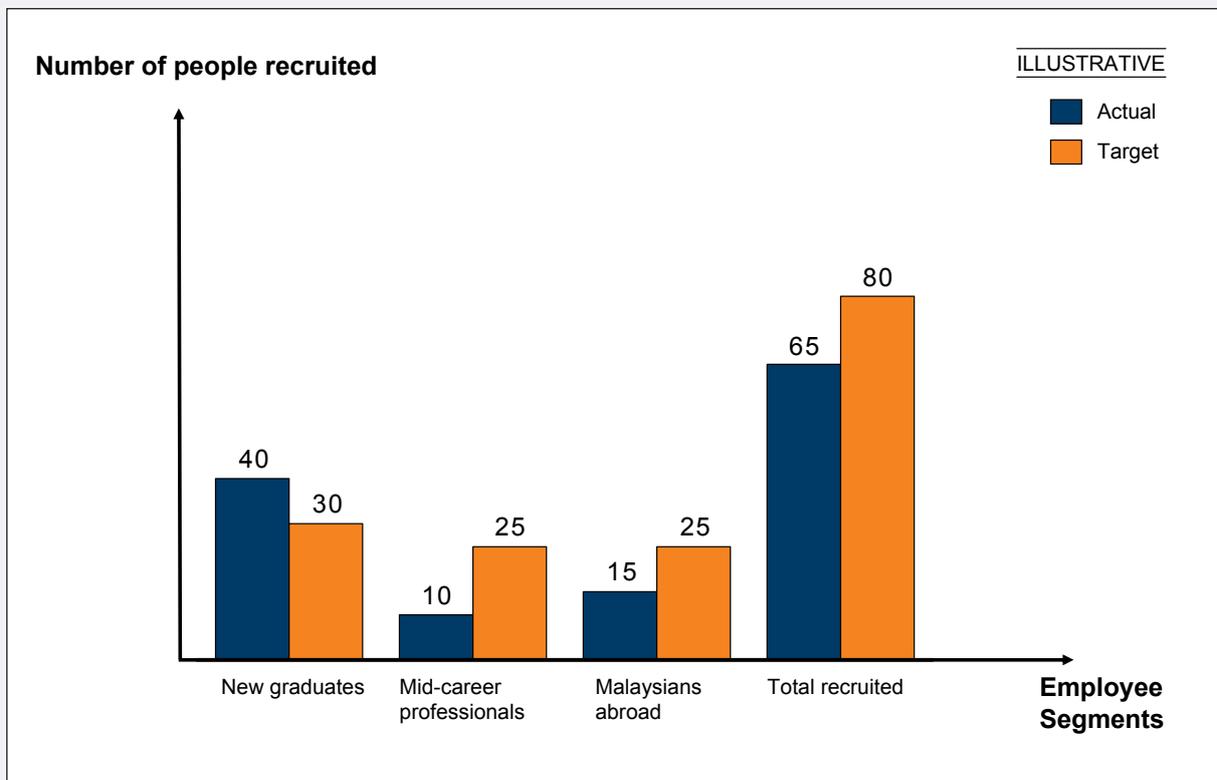
The CEO can clearly identify which segments are not being targeted well. The CEO can then closely analyse the root causes of failure for each segment if necessary (see Exhibit A.3).

Questions the CEO should probe

- For segments that fail to reach the target, what is the root cause for failure? Are we monitoring it? (use Exhibit A.3 if necessary)
- Is the EVP distinctively marketed to that segment?
- Is our marketing strategy for that segment right?

EXHIBIT A.2

MEASURE RECRUITMENT RESULTS BY EMPLOYEE SEGMENTS



Recruitment yields

What should be measured

The efficiency of the recruitment process by applying a class operations approach that identifies yields at every stage of the recruitment process. The CEO should monitor this metric after every recruitment drive. HR should use this metric regularly, especially during the recruiting season to quickly solve 'leaks' in the process.

Why this metric is useful

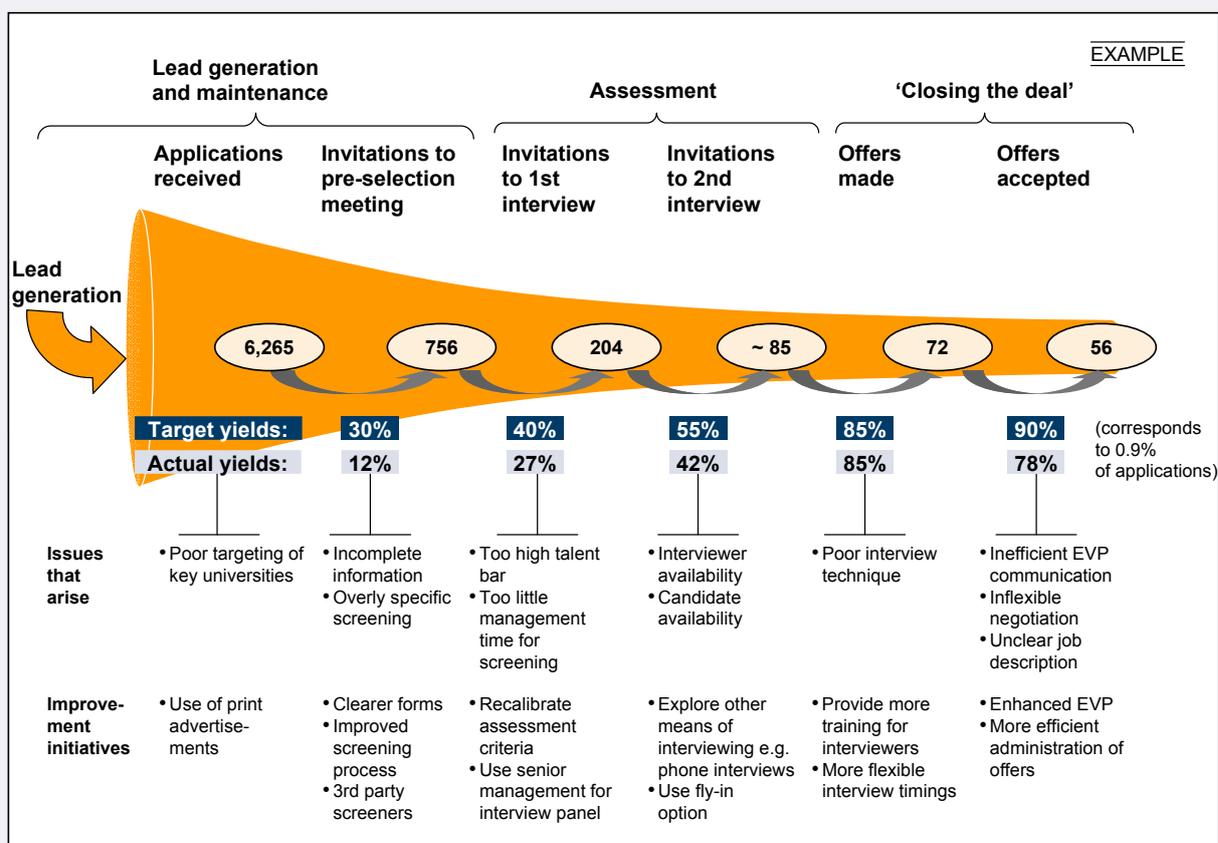
The CEO can clearly identify inefficiencies in the recruitment process and apply operational discipline throughout. This metric can be used by HR for in-depth analysis to address problematic employee segments.

Questions the CEO should probe

- Are the root causes for poor yields being identified and acted upon?
- Are there areas where I can contribute to make a significant difference?

EXHIBIT A.3

MEASURE THE RATE OF CONVERSIONS TO NEW RECRUITS



Review performance and pay correlation

What should be measured

The correlation between pay and performance. This can be measured by correlating the variable pay people are awarded as a percentage of their total compensation and their performance. While HR should keep track of this data for different parts of the organisation CEOs should focus their attention on the executive ranks where the leaders critical to performance are based. Performance should be measured based on employee performance reviews. This metric should be reviewed annually.

Why this metric is useful

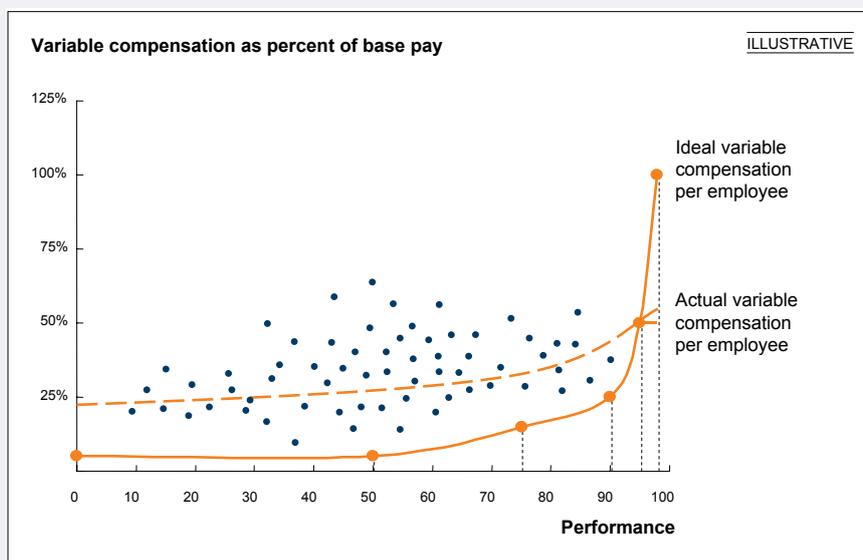
The CEO and Board can check that rewards for truly high performers are appropriately differentiated but also that sufficient incentive exists at all levels to boost performance. The CEO can also determine whether the remuneration scheme for senior executives—which usually has a range of elements: base pay, cash bonuses, shares, options—is actually rewarding high performers. This is a check worth doing because anomalies regularly arise in these schemes.

Questions the CEO should probe

- Is there a close correlation between performance and total compensation?
- Is the criteria for high compensation transparent to everyone?
- Is the proportion of fixed to variable pay effective to create a real incentive to deliver breakthrough performance among leaders?
- Is our marketing strategy for that segment right?

EXHIBIT A.4

IMPLEMENT COMPENSATION SCHEMES THAT REWARD HIGH PERFORMANCE



Review performance ratings

What should be measured

The distribution of employee performance ratings that results from the evaluation process. The Board and CEO should review this annually.

Why this metric is useful

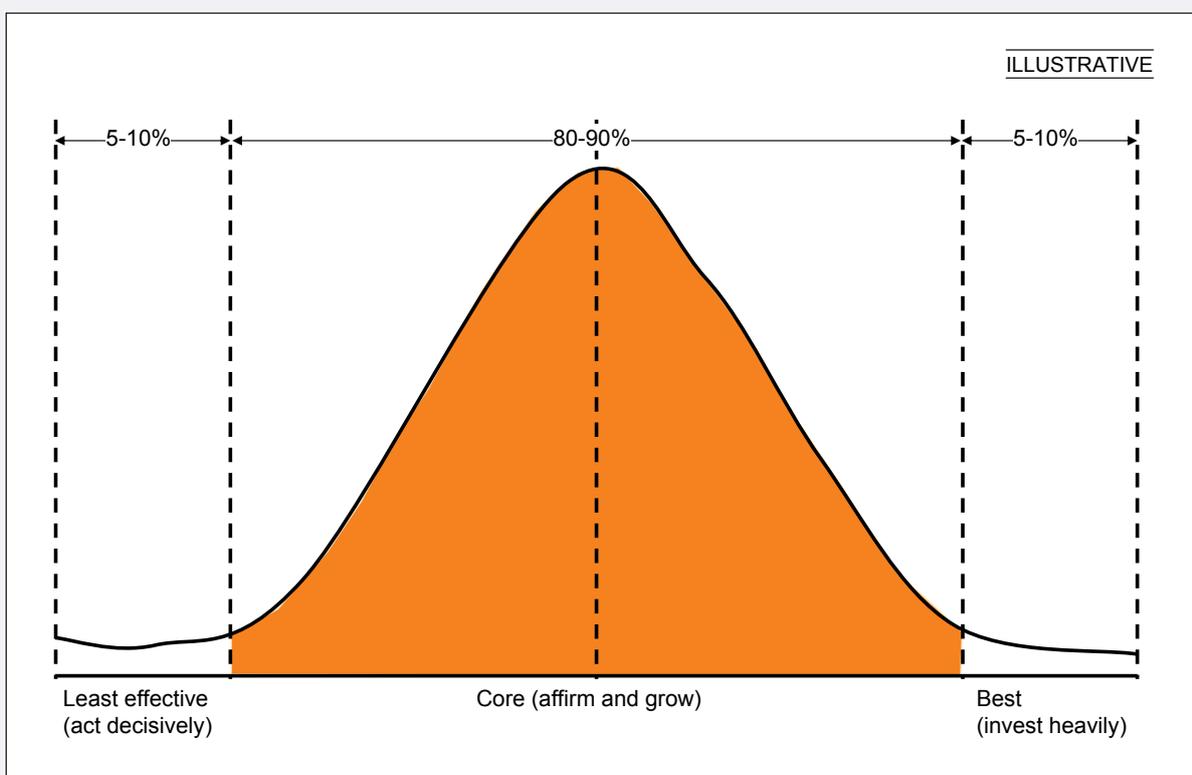
The CEO can ensure that the performance rating shows true dispersion across each level in the organisation. The evaluation process should also rate people on a sufficiently broad scale so that a wide distribution of ratings can be achieved.

Questions the CEO should probe

- Does the distribution of people performance correlate with the distribution of business performance?
- Is the distribution an appropriate one? Is the right percentage of employees being identified as top talent (e.g. top 5% or top 10%)?

EXHIBIT A.5

REVIEW PERFORMANCE DISTRIBUTION OF EMPLOYEES



Review pivotal positions

What should be measured

What type of performers occupy pivotal positions.

Why this metric is useful

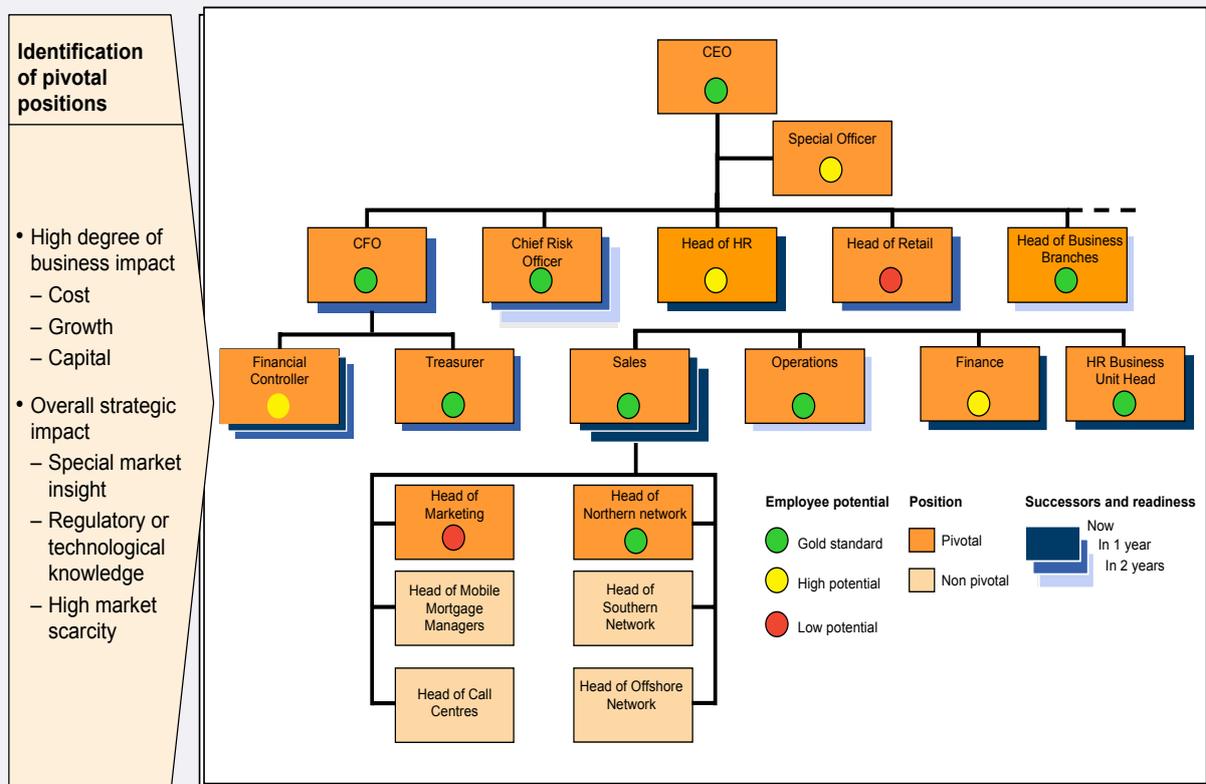
The CEO can ensure that the right positions are being identified in the different levels of the organisation, and that the right types of employees are being identified as top talent. HR can use this metric to check for effectiveness of the job-matching process. For pivotal positions in the top 2–3 levels, the CEO should take responsibility for deployment decisions. Talent-matching forums should use this metric extensively.

Questions the CEO should probe

- Do we have our best talent in pivotal positions? (90% of pivotal positions should be filled by top talent)
- Do we have robust succession plans for the pivotal positions (e.g. each position should have 2–3 candidates identified and being developed)?

EXHIBIT A.6

TEST THAT PIVOTAL POSITIONS ARE FILLED BY TOP TALENT



Leadership development against model

What should be measured

Level of fit between the attributes leaders currently have and the qualities that they need to have to deliver results. If the CEO needs a robust measure they should use an assessment centre process where individual executives are put through a set of tests to determine the level of their competencies and behaviours. A less elaborate approach that provides a useful approximation is to use aggregate results from Employee Opinion Surveys (EOS). This requires the EOS to incorporate questions to test whether employees are seeing their leaders exhibit the qualities that the company is looking for.

Why this metric is useful

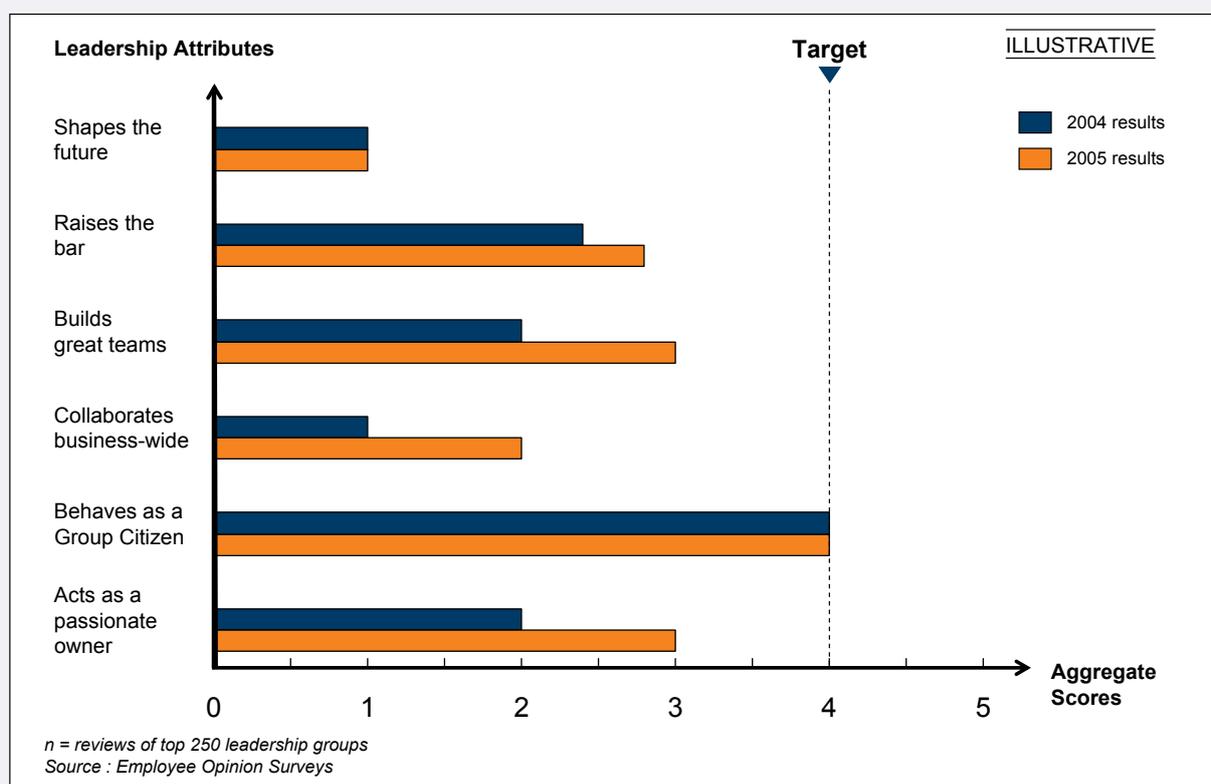
The CEO can check that leaders are being developed in line with the competency model. HR can check the effectiveness of leadership development programmes.

Questions the CEO should probe

- Are our development actions working to deliver a strong cadre of leaders with the attributes required to deliver the business results?
- What steps must we take to rectify any emerging deficiencies?

EXHIBIT A.7

MEASURE THE AGGREGATE OF LEADERSHIP SCORES AGAINST LEADERSHIP MODEL



Unplanned attrition rates

What should be measured

The percentage of talent that leaves due to unplanned attrition and their reasons for leaving. This should be monitored every 6 months.

Why this metric is useful

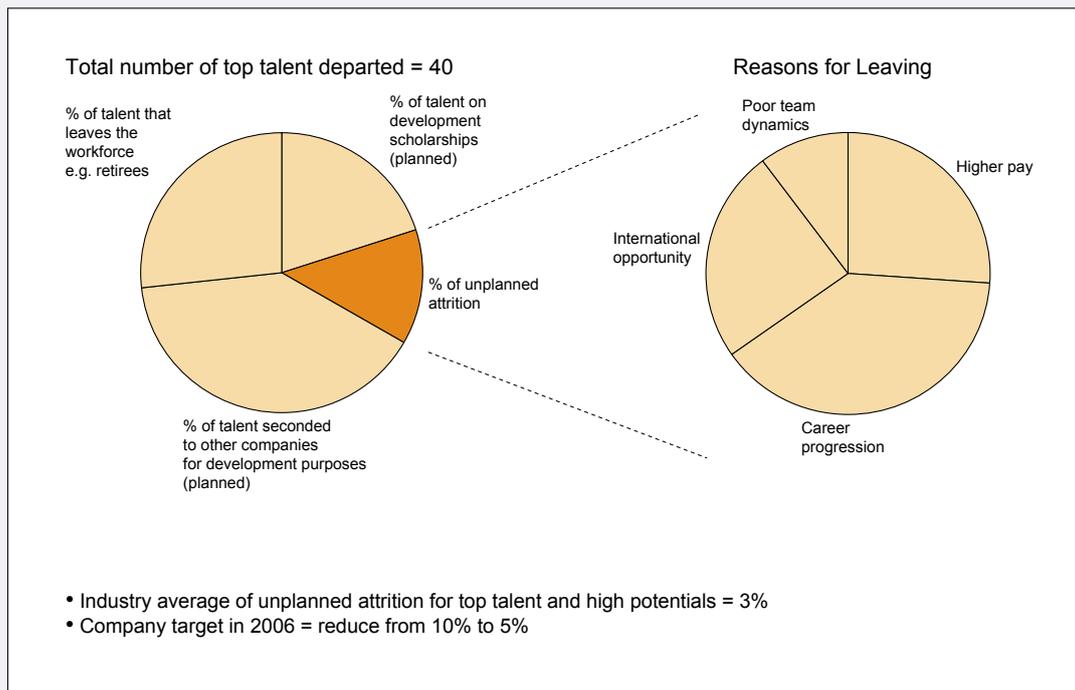
The CEO can check for marked increases in unplanned attrition rates. The organisation should take all efforts to retain talent and reasons for leaving should be mainly unavoidable ones. The CEO can also see if his or her level of commitment to retaining talent is adequate, and if he or she is taking the right steps to address the issue.

Questions the CEO should probe

- Are there sudden increases in the percentage of unplanned departures of top talent? If so, why?
- Is there a clear understanding of the reasons for departure?
- What steps are being taken to stop further attrition?
- Is one part of the business more susceptible to unplanned attrition than others? If so, why?
- Why does top talent still leave despite existing measures to retain them? What are the lessons learned?

EXHIBIT A.8

MONITOR UNPLANNED ATTRITION RATES OF HIGH PERFORMERS AND HIGH POTENTIALS





APPENDIX 4

LEADERSHIP DEVELOPMENT AUDIT

LEADERSHIP DEVELOPMENT AUDIT

INSTRUCTIONS

AUDIT

The following is an audit that will help GLCs to map their performance against the leadership development elements discussed in the Orange Book. This assessment is designed to be completed by senior leaders, line managers and HR. Once completed they will have an understanding of the strengths and development needs of their current approach to leadership development which can be used as the basis of developing an action plan to improve leadership development within the organisation.

HOW TO USE THE AUDIT

The audit consists of a range of topics that underlie each aspect of the leadership development framework. It can be used to understand best practice and to assess practice within the organisation. For each topic companies are asked to evaluate the status of each area as it currently stands. For each status level (under development, adequate, good practice and best practice) a range of descriptions is provided that will help to make an accurate assessment. Companies are also asked to rate the level of importance the organisation gives to each topic on a 1-3 scale (where 1 = not a priority and 3 = high priority). For each item they should circle the description that best fits the organisation as it is today. The results will allow GLCs to agree priorities across their leadership development system.

HOW THE AUDIT IS STRUCTURED

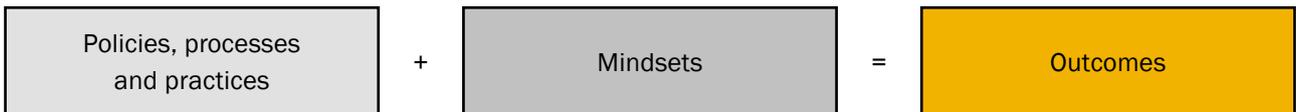
The audit covers each element of the leadership development framework outlined in the Orange Book.



For each element GLCs will assess current organisational performance on a range of components. These components include the policies, processes and practices the organisation uses to drive performance for each element (ie quality of appraisal tools, succession planning), and the mindsets that underlie people's attitudes to this topic (ie attitude towards honouring outstanding performance, attitude towards external hires).

The combination of policies, processes and practices along with mindsets (attitudes) help to drive the outcomes (ie success in the talent market, identifying talent) that currently exist within any organisation.

By assessing the components in this order the audit will help GLCs to identify whether improvement opportunities are due to inadequate processes and policies, or attitudinal barriers, or both.



LEADERSHIP DEVELOPMENT AT A GLANCE

Strengthening Leadership Development	Strengths	Gaps	Best Practices to adopt	Under development	Adequate	Good practice	Best practice
Takes charge of leadership development							
Recruits future leaders							
Reviews performance and publicly honours excellence							
Deploys strategically to develop leaders							
Engages and retains leaders							
Builds HR capabilities and line ownership							

TAKE CHARGE OF LEADERSHIP DEVELOPMENT

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Policies, processes and practices	<i>Priority</i>	<ul style="list-style-type: none"> Leadership development is seen only as HR's responsibility and is not a priority for our leadership Short-term thinking predominates 	<ul style="list-style-type: none"> Leadership development viewed as a priority for senior leaders only during critical performance periods eg aggressive activity by competitors 	<ul style="list-style-type: none"> Senior leaders communicate that leadership development is a priority Leadership development is on the senior leader agenda occasionally 	<ul style="list-style-type: none"> CEO and leaders commit a minimum of 30% of their time to leadership development—a combination of specific development activities such as attending programmes, and informal coaching and feedback Top leaders convene bi-annually to discuss leadership development for short-term and long-term performance CEO and leaders use organisational events and communications to promote their commitment to leadership development 	
	<i>Link between business strategy and leadership development strategy</i>	<ul style="list-style-type: none"> People needs are driven from the 'bottom up'—managers identify their own people requirements 	<ul style="list-style-type: none"> Business unit leaders use their strategy as a guide to defining their recruitment needs 	<ul style="list-style-type: none"> The company business strategy is used to guide development requirements for each business unit and area 	<ul style="list-style-type: none"> The company business strategy is directly translated into capability requirements that drive development needs The business strategy and leadership strategy are used to guide deployment decisions across the organisation 	

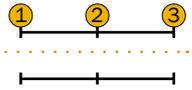
Current status					Importance
	Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
<i>Assessment of current leadership development</i>	<ul style="list-style-type: none"> There is no formal policy on organisation's expectations and criteria of leadership development 	<ul style="list-style-type: none"> A formal policy exists and is applied on an ad hoc basis 	<ul style="list-style-type: none"> Leadership development policy is consistently used in all assessments of development activities for all levels of the organisation 	<ul style="list-style-type: none"> The policy is widely promoted and accessible to all staff The policy is also consistently implemented The policy is regularly updated based on feedback regarding its effectiveness The policy is compared to other people-related practices to ensure consistency of message 	
<i>Plan for future leadership requirements</i>	<ul style="list-style-type: none"> HR provides ad hoc and reactive support to leadership development No specific plan regarding capability needs 	<ul style="list-style-type: none"> HR works with line to understand line needs HR develops plans specifying number of people and their development needs for each area individually 	<ul style="list-style-type: none"> A formal organisational plan is in place The plan is used for guidance on meeting the capability needs of line manager 	<ul style="list-style-type: none"> A formal three year plan on recruiting and capability requirements established and distributed throughout the business All business leaders are committed to developing against the plan with HR support Development and recruiting resources are allocated based on the plan Metrics are collected for end of year evaluation against plan objectives 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
						① — ② — ③
Mindsets	<i>Importance of leadership development</i>	<ul style="list-style-type: none"> Leaders are born not made 	<ul style="list-style-type: none"> Leadership development is important for the organisation to meet its current goals 	<ul style="list-style-type: none"> Leadership development has a role to play in our on-going performance 	<ul style="list-style-type: none"> Leadership development is our number 1 priority 	
	<i>Role of leaders</i>	<ul style="list-style-type: none"> As long as we have good people we will be able to meet our short-term goals 	<ul style="list-style-type: none"> It is important we develop our people to complete their tasks and to insure us against an uncertain future 	<ul style="list-style-type: none"> Our leaders make the difference between meeting our goals and beating them 	<ul style="list-style-type: none"> Our business will fail without leaders who drive performance 	
	<i>Accountability</i>	<ul style="list-style-type: none"> Senior leaders believe that leadership development is HR's responsibility 	<ul style="list-style-type: none"> Some senior leaders drive and own leadership development but mainly it is HR-driven with a focus on a small, elite group of leaders 	<ul style="list-style-type: none"> Senior leaders believe in the importance of leadership development and drive and own it with HR support in their own areas 	<ul style="list-style-type: none"> Our senior leaders drive the leadership process for the organisation as a whole and recognise that developing leaders is critical to business success 	
Outcomes	<i>Leadership and talent pool</i>	<ul style="list-style-type: none"> The organisation does not have a methodology to identify people as leaders or talent 	<ul style="list-style-type: none"> Leaders and potential leaders are identified There are gaps in leadership capabilities 	<ul style="list-style-type: none"> Levels of leadership capability are monitored There are only limited gaps between the leadership pool and current requirements as identified through the business plan 	<ul style="list-style-type: none"> The number and quality of leaders is assessed using stringent criteria and against a defined leadership model Few capability gaps exist in meeting current business needs Leaders continually generate a need for more leaders in the future because they excel at identifying opportunities beyond the current strategy 	

RECRUIT FUTURE LEADERS

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
						① — ② — ③
Policies, processes and practices	<i>Recruiting policy</i>	<ul style="list-style-type: none"> No policy for recruiting exists, or the existing policy is not related to business needs 	<ul style="list-style-type: none"> A recruiting policy exists and actual recruiting practices generally comply with the recruiting policy 	<ul style="list-style-type: none"> There is a recruiting policy tied to the business strategy that: <ul style="list-style-type: none"> – Is refreshed annually – Supports most recruiting sub-processes 	<ul style="list-style-type: none"> A recruiting policy based on business strategy is well understood, is reflected in actual recruiting behaviour and: <ul style="list-style-type: none"> – Guides all steps of the recruiting process – Is aligned with strategic goals – Is modified to reflect changing needs 	
	<i>Employee value proposition</i>	<ul style="list-style-type: none"> There is no clearly articulated employee value proposition (EVP) 	<ul style="list-style-type: none"> The company is promoted to potential recruits using 1 or 2 EVP features only Salaries and/or benefits are below industry average 	<ul style="list-style-type: none"> The company is generally considered an attractive employer by potential recruits Salaries, benefits, perks are at or above industry average 	<ul style="list-style-type: none"> A clear, distinctive value proposition is in place that: <ul style="list-style-type: none"> – Focuses on key talent sources – Is tailored to target audiences – Articulates stand-out company features in comparison with local and global competitors – Leverages a strong external company brand 	

Current status				Importance
				Priority: 1=Low, 3=Top
	Under development	Adequate	Good practice	Best practice
Sourcing strategy	<ul style="list-style-type: none"> • Little research is done to identify talent sources/pools from which to recruit • Recruiting efforts are little more than exercises in soliciting and filtering resumes and then scheduling interviews • Little or no follow-up to check effectiveness of new hires 	<ul style="list-style-type: none"> • There is limited research to identify alternative talent sources • Leaders are recruited in a similar way to all job applicants • Applicants' details are not shared across business units or areas 	<ul style="list-style-type: none"> • The organisation targets both active and passive job seekers • Targeted candidates are presented with a lucrative and persuasive job offer • HR sometimes uses feedback about new recruit fit/effectiveness to refine the strategy 	<ul style="list-style-type: none"> • Unique and effective recruiting strategies are developed to target untapped sources • The company has a Partner-of-choice position with leading schools and university campuses for recruitment drives and offer scholarship programmes to target potential leaders • Recruiters and recruiting processes are informative and persuasive • There is an acceptance rate approaching 90% • HR gathers data about new recruits and uses this to refine the sourcing strategy • The Board and CEO are used to speak to potential recruits when appropriate (eg at senior level) • There is a continual search for good people at all levels, to meet current and future needs



Current status					Importance
					Priority: 1=Low, 3=Top
					① — ② — ③
	Under development	Adequate	Good practice	Best practice	
<i>Approach to external hires</i>	<ul style="list-style-type: none"> • There are no explicit targets for hiring external candidates • External candidates are only sought when a qualified person is not present internally 	<ul style="list-style-type: none"> • External candidates are considered, but typically passed over if there is an internal alternative 	<ul style="list-style-type: none"> • External appointments are considered for hard-to-fill positions and scarce technical skills • Generally, organisational experience is valued over external knowledge and skills 	<ul style="list-style-type: none"> • There are explicit targets by role for hiring external candidates based on predicted need • External top talent is not necessarily turned away to favour a company incumbent 	
<i>Metrics for conversion</i>	<ul style="list-style-type: none"> • There is no process to record the number of job applications made and accepted within organisation 	<ul style="list-style-type: none"> • Each business area tracks some basic recruitment metrics: <ul style="list-style-type: none"> -Number of applicants per job -Number of acceptances per offer 	<ul style="list-style-type: none"> • A coherent system of metrics monitors performance at each stage of the recruiting process • Outcomes of metrics identify blockages in the recruiting process that need to be addressed 	<ul style="list-style-type: none"> • The organisation sets clear benchmarks for each stage of the recruiting process e.g. number of applicants per job opening, then monitors performance against these • Use of robust monitoring and review process means that forecasts can be made of the required number of job seekers to ensure organisation needs are met • Performance against benchmarks is reviewed and updated regularly • Problems in the process are identified early and solved to improve recruitment yields 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	<i>Role of managers in recruiting</i>	<ul style="list-style-type: none"> Line managers are not committed to recruiting and interviewing Line and senior managers attend only final interviews for direct reports HR managers take the lead on selection and hiring decisions 	<ul style="list-style-type: none"> Line managers attend second round interviews for all external hires Line managers and HR managers sometimes co-lead selection activities 	<ul style="list-style-type: none"> Line managers spend significant time on recruitment and selection activities including attending recruitment events Line managers and HR managers co-lead selection activities then calibrate their rankings 	<ul style="list-style-type: none"> Senior managers personally interview all candidates for the top three levels in the organisation Senior managers attend at least one major recruitment fair or event per year 	

Current status					Importance
					Priority: 1=Low, 3=Top
	Under development	Adequate	Good practice	Best practice	
<i>On-boarding new recruits</i>	<ul style="list-style-type: none"> No induction programme exists 	<ul style="list-style-type: none"> There is a single standard orientation and induction programme offered This occurs at set times during the year The programme mainly consists of organisational information with little tailoring for specific roles or business units On-boarding faculty consists of HR and some support services 	<ul style="list-style-type: none"> Business units own and tailor induction programme within their area Relocation and assimilation support provided for recruits and their families if required 	<ul style="list-style-type: none"> New recruits who are identified as high potential are given a mentor as well as networking opportunities with other recent recruits to help them integrate Senior management drive the on-boarding of new leaders All new leaders are provided with a tailored programme covering organisational, technical and job role information On-boarding faculty is largely made up of senior organisational leaders who emphasise company values and culture On-boarding is staggered over several weeks to provide just-in-time information as well as standard organisational content 	
Mindsets	<i>Attitude to search for leaders</i>	<ul style="list-style-type: none"> We need to focus on recruiting solid performers 	<ul style="list-style-type: none"> We attract enough talented individuals for our business needs 	<ul style="list-style-type: none"> When we are approached by talented individuals we need to do everything to recruit them 	<ul style="list-style-type: none"> We need to proactively search for and source talented individuals regardless of the size of our current pool

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	<i>Responsibility for making the company an employer of choice</i>	<ul style="list-style-type: none"> The work environment is what you make of it 	<ul style="list-style-type: none"> We are a good Malaysian company—if one person leaves we can always get more 	<ul style="list-style-type: none"> To be an attractive employer to a range of people we need to ensure the work environment has many positive features 	<ul style="list-style-type: none"> We need to continually evaluate and modify our work environment to ensure the organisation is an employer of choice against local and global competitors 	
Outcomes	<i>Success in leadership market</i>	<ul style="list-style-type: none"> The company is not viewed as a first choice employer for potential leaders The company rarely manages to recruit the best There is a low offer acceptance rate compared to competitors 	<ul style="list-style-type: none"> The company is able to attract qualified talent in some professions and business units only 	<ul style="list-style-type: none"> The company is able to compete successfully for talented individuals against smaller competitors Sometimes the company loses out to larger competitors and multinationals 	<ul style="list-style-type: none"> The company is ranked as an employer of choice (eg in top 10 list of best companies to work for across industries and professions) Recruiting results demonstrate an ability to attract talented leaders against competitors (local and global) 	

REVIEW PERFORMANCE AND PUBLICLY HONOUR EXCELLENCE

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Policies, processes and practices	<i>Performance goals</i>	<ul style="list-style-type: none"> Formal roles and performance goals are not consistently communicated No individual KPIs are in place 	<ul style="list-style-type: none"> Job descriptions and formal performance objectives are in place, but do not always capture the most important aspects of the work, are sometimes vague, unclear or unrealistic 	<ul style="list-style-type: none"> Formal job roles are clear and specific; each individual has a few quantitative, measurable, results-oriented goals that are linked to business goals 	<ul style="list-style-type: none"> Details on all job roles are collated and easily available to leaders Job roles are clearly linked to value creation objectives New objectives are set and discussed with direct reports within 10 days of the start of a new performance cycle 	
	<i>Criteria to identify high performers</i>	<ul style="list-style-type: none"> No clear criteria exists for what constitutes a high performer or a high potential manager 	<ul style="list-style-type: none"> There is some criteria for what constitutes high performance Criteria can vary by business area 	<ul style="list-style-type: none"> The organisation promotes a clear view of what constitutes high performance at an organisational and business unit level 	<ul style="list-style-type: none"> The annual performance review cycle is used to recalibrate metrics to identify high performance Both performance and potential are used as criteria Benchmarks for outstanding performance are articulated in clear, quantifiable measures Performance feedback provided in context of high performance criteria Performance review criteria are assessed annually to ensure they help identify 'hidden gems' in each review cycle 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	<i>Process to identify high performers</i>	<ul style="list-style-type: none"> Potential talent is identified on an ad hoc basis, primarily on seniority, tenure and direct experience criteria 	<ul style="list-style-type: none"> Potential talent identified based on performance appraisals linked to required competencies for position 	<ul style="list-style-type: none"> Each operating area conducts its own performance review and identification process Performance appraisal data is linked to job role competencies 	<ul style="list-style-type: none"> Potential talent and 'hidden gems' are identified during a formal performance review process across business units Performance and potential are the key criteria for assessing candidates Calibration across divisions takes place to ensure fairness 	
	<i>Link between pay and performance</i>	<ul style="list-style-type: none"> Financial and other rewards reflect factors such as seniority and tenure and are not performance based 	<ul style="list-style-type: none"> Less than 5% of compensation is tied to performance Performance appraisals fail to separate people based on performance measures The majority of employees receive the same bonus 	<ul style="list-style-type: none"> A significant bonus pool is available and each person receives a different percentage based on their calibration through the performance appraisal process 	<ul style="list-style-type: none"> Particularly for high performers, a significant percentage of base pay is variable compensation that is based on individual performance High performers can earn significantly more than average performers through bonuses and incentives 	

Current status					Importance
					Priority: 1=Low, 3=Top
	Under development	Adequate	Good practice	Best practice	
<i>Nature of recognition</i>	<ul style="list-style-type: none"> • Bonus and pay are the main vehicles through which people are rewarded for high performance • Non-financial rewards, including promotions, recognition and perks, are used inconsistently or not at all 	<ul style="list-style-type: none"> • Managers have the discretion to provide some non-financial incentives to high performers • Annual performance evaluation used as a vehicle to communicate to leaders that they are outstanding performers 	<ul style="list-style-type: none"> • Managers able to provide limited financial rewards to outstanding performers at critical junctures e.g. at end of project reviews • Provision within manager budgets for group events and rewards (e.g. parties, dinners) 	<ul style="list-style-type: none"> • Line managers empowered to deliver on-the-spot discretionary rewards for outstanding contributions • CEO and senior leaders regularly host a range of symbolic rewards (e.g. reward ceremonies, special events and dinners) to thank outstanding performers • Leaders are able to choose from a range of incentives • Top performers are consistently and publicly recognised for outstanding contribution 	
<i>Quality of appraisal tools</i>	<ul style="list-style-type: none"> • The purpose, scope and objectives of various performance evaluation tools and systems are unclear 	<ul style="list-style-type: none"> • Specific objectives of the performance evaluation tools are implicit • There are few efforts to assess the robustness of tools 	<ul style="list-style-type: none"> • Tools are designed and implemented by an external provider • There is some assessment of effectiveness of tools in understanding individual performance within the organisational context 	<ul style="list-style-type: none"> • The purpose, scope and objectives of evaluation tools have been clearly and formally articulated • Tools are designed to achieve these goals • Tools are tested annually to ensure validity and reliability • Tools incorporate feedback from multiple sources including personal knowledge and 360° feedback 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
						① — ② — ③
	<i>Feedback on performance</i>	<ul style="list-style-type: none"> • People do not typically get timely feedback about their work and they often don't know how others think they perform 	<ul style="list-style-type: none"> • Feedback is provided on an ad hoc basis • Little information is available on how leaders are tracking against performance goals 	<ul style="list-style-type: none"> • People get informal individual feedback from a supervisor or project sponsor as part of a broader review of project or business performance (e.g. project progress reviews, reviews of operational or financial metrics) • Individuals and their managers discuss performance against goals 	<ul style="list-style-type: none"> • Leaders consistently receive informal feedback about their on-going performance from colleagues • Feedback acknowledges strengths and weaknesses as well as improvement recommendations • Leaders receive immediate constructive feedback following specific performance instances or events • Leaders are formally trained in the process of holding constructive feedback conversations • Formal performance feedback is provided within 10 days of a business performance review 	
Mindsets	<i>Attitude to honouring high performers</i>	<ul style="list-style-type: none"> • It is important that we treat everyone the same 	<ul style="list-style-type: none"> • People should get thanked for a job well done 	<ul style="list-style-type: none"> • We need to acknowledge outstanding performance 	<ul style="list-style-type: none"> • We take collective pride in honouring those who represent the best of who we are and what we are capable of 	
	<i>Attitude to feedback</i>	<ul style="list-style-type: none"> • It is not appropriate to give people feedback on their work 	<ul style="list-style-type: none"> • During performance reviews leaders should tell people their strengths and weaknesses 	<ul style="list-style-type: none"> • Leaders should give their people regular feedback on whether they are meeting performance expectations 	<ul style="list-style-type: none"> • Feedback is a gift that we provide to help each other daily to grow and develop 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Outcomes	<i>Identifying leaders</i>	<ul style="list-style-type: none"> The organisation can not assess leadership performance and potential in a meaningful way 	<ul style="list-style-type: none"> Performance criteria is set for entry into talent pool but the criteria is not widely known or understood and so does not affect behaviour to a great degree 	<ul style="list-style-type: none"> Criteria for initial identification of talent and standards for continued inclusion in the pool are available, clear, and drive a high performance culture 	<ul style="list-style-type: none"> Leadership clearly communicate criteria and on-going expectations of new leaders Criteria are updated regularly to reflect changing business needs and expectations The CEO is personally involved in performance reviews by chairing the evaluation of all senior leaders A high performance culture is institution-alised 	

DEPLOY STRATEGICALLY TO DEVELOP LEADERS

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Policies, processes and practices	Identifying pivotal positions	<ul style="list-style-type: none"> Pivotal positions are not identified within the organisation 	<ul style="list-style-type: none"> A few pivotal positions have been identified Roles are defined as most senior organisational positions 	<ul style="list-style-type: none"> Senior leaders are aware of the pivotal roles in the organisation Talent review processes include discussion of potential incumbents for roles 	<ul style="list-style-type: none"> Clear criteria are used to identify pivotal positions Pivotal roles are a mixture of key business, and hard-to-fill, positions Senior leaders meet regularly to assess appointments and succession plans for pivotal positions 	
	Using deployment for leadership development	<ul style="list-style-type: none"> Positions are staffed based entirely on a leader's qualifications against business needs Job rotation is rarely used as a developmental tool 	<ul style="list-style-type: none"> Positions are staffed with some consideration for leader's development needs vs business needs 	<ul style="list-style-type: none"> Deployment assignments are treated as one of the primary means of developing leaders Development needs are considered when staffing, even if it means the most qualified person with low growth potential might be passed over to give an opportunity to a candidate with a higher potential for growth 	<ul style="list-style-type: none"> Business leaders are rewarded for sharing their talented individuals across the organisation Deployment decisions are based equally on immediate business needs, individual development and long-term succession planning HR continually supports, monitors and evaluates the success of placements 	

Current status				Importance	
				Priority: 1=Low, 3=Top	
	Under development	Adequate	Good practice	Best practice	
	<i>Preparation for new positions</i>	<ul style="list-style-type: none"> Little or no preparation of leaders for positions, with 'hit or miss' coaching provided 	<ul style="list-style-type: none"> Informal preparation of leaders after confirmation of position 	<ul style="list-style-type: none"> Preparation of leaders before start of job through position-specific training and weekly leader-to-leader conversations 	<ul style="list-style-type: none"> Incumbent plays large role in hand-over to successor particularly for relationship and knowledge management Preparation for each position is well provided through a mixture of just-in-time preparation with long-term development to fill any capability gaps Formal coaching and mentorship for new roles always provided Support continues once incumbent is in place to facilitate successful adjustment to the role Information about the new role and changes to pay and conditions are readily available Support and information for the family of leaders is given

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
						① ——— ② ——— ③
Mindsets	<i>Succession planning</i>	<ul style="list-style-type: none"> • There is no succession planning process 	<ul style="list-style-type: none"> • There is an informal succession planning process that identifies succession candidates for most senior positions 	<ul style="list-style-type: none"> • There is a succession plan for all senior positions • The plan is updated when a critical position becomes vacant 	<ul style="list-style-type: none"> • There is a succession plan for all senior positions • The plan is updated annually or more frequently if required • The existence of a pool of qualified successors is a factor in the performance evaluation of managers • ‘Successors for successors’ are in place with a deep leadership pipeline for pivotal roles 	
	<i>Attitude to rotation</i>	<ul style="list-style-type: none"> • Employees should stay within their own departments 	<ul style="list-style-type: none"> • Potential leaders should have the opportunity to work in a different area if a clear organisational need exists 	<ul style="list-style-type: none"> • All potential leaders should undertake one job rotation to broaden their organisational knowledge and networks 	<ul style="list-style-type: none"> • The opportunity to be a great leader in this organisation is enhanced if you have worked in multiple areas 	
	<i>Attitude to ‘who owns members of the leadership pool’</i>	<ul style="list-style-type: none"> • Talented individuals belong to the manager they work for 	<ul style="list-style-type: none"> • The talented individuals in any business unit should be shared within the work area to meet strategic goals 	<ul style="list-style-type: none"> • If there is a critical need managers should share their most talented individuals with another business unit 	<ul style="list-style-type: none"> • Talented individuals belong to the organisation and should be deployed to ensure the best organisational outcomes 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Outcomes	<i>Deployment</i>	<ul style="list-style-type: none"> Leaders are not moved in a coherent, co-ordinated manner 	<ul style="list-style-type: none"> Deployment plans exist at the business unit level only Deployment decisions are based solely on business needs 	<ul style="list-style-type: none"> Deployment is choreographed for the most senior and hard-to-fill roles across the organisation and contributes to business success and individual development 	<ul style="list-style-type: none"> Deployment viewed as a critical process to achieve organisational goals There are regular quality evaluations and monitoring of success of deployment decisions Deployment is viewed by individuals as important to their personal development and career aspirations 	

DEVELOP LEADERSHIP AND HIGH POTENTIAL TALENT

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	Leadership development programmes	<ul style="list-style-type: none"> Few systematic leadership development programmes provided 	<ul style="list-style-type: none"> Generic leadership skill training programmes for groups of leaders in each level 	<ul style="list-style-type: none"> Programmes are focused on leadership skills and behaviours Programmes are tailored and delivered at appropriate times in a leader's career 	<ul style="list-style-type: none"> Leadership development programmes are rigorous, timely and, tailored to the business needs CEOs invest time to shape the leadership programme design and delivery Leadership programmes occur at a few major transition points in a leader's career advancement They involve senior leaders in training as teachers/coaches Metrics are in place to measure the impact of development programmes ie individual performance in role after attendance 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	<i>Coaching</i>	<ul style="list-style-type: none"> Coaching and feedback are rarely provided 	<ul style="list-style-type: none"> Feedback is provided at milestone moments only e.g. as part of post project review or at critical junctures 	<ul style="list-style-type: none"> All leaders and managers provide regular feedback to direct reports Feedback is formally recorded as development needs and strengths for individual to refer to later 	<ul style="list-style-type: none"> CEO provides all direct reports with feedback during and after every critical experience or significant interaction Every leader holds regular review meetings with each individual direct report HR is responsible for collating important information for formal reviews e.g. individual's appraisal outcomes Meetings are formalised and cover individuals progress against their development plans Actions are taken to address feedback points Individual development plans are updated based on formal reviews 	

Current status					Importance
					Priority: 1=Low, 3=Top
					① ——— ② ——— ③
	Under development	Adequate	Good practice	Best practice	
<i>Mentoring</i>	<ul style="list-style-type: none"> Formal mentoring is not offered or valued 	<ul style="list-style-type: none"> Mentorship is offered in exceptional circumstances, e.g. <ul style="list-style-type: none"> For outstanding performers Those entering a critical role Those failing to meet performance expectations Mentors are trained to a basic level 	<ul style="list-style-type: none"> There is an expectation that leaders commit to at least one term of mentorship Training is provided to all mentors 	<ul style="list-style-type: none"> HR facilitates the matching of mentees with available mentors with the final decision on compatibility being made by mentors and mentees Involvement in mentoring is expected to continue throughout a person's career Mentorship is a key performance criterion for senior leaders The success of relationships is monitored and assessed regularly with mentors being replaced quickly if there is no chemistry 	
<i>Personal development plans</i>	<ul style="list-style-type: none"> There is no formal process for producing development plans 	<ul style="list-style-type: none"> Each individual is able to discuss their development with their manager Development plans are informal and ad hoc 	<ul style="list-style-type: none"> Individuals are identified by development need and are given relevant resources Individual plans are used in deployment decisions within each business area 	<ul style="list-style-type: none"> Individuals are categorised and tracked to ensure development occurs Development outcomes are used as part of organisational leadership reviews Everyone in the company has an agreed personal development plan that they update and regularly discuss with their manager 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Mindsets	<i>Attitude to developing others</i>	<ul style="list-style-type: none"> Leadership development is not a priority 	<ul style="list-style-type: none"> Developing leaders is HR's responsibility 	<ul style="list-style-type: none"> Managers are responsible for the development of their direct reports 	<ul style="list-style-type: none"> All senior leaders have a role to play in nurturing the next generation of leaders across the organisation 	
	<i>Attitude to developing self</i>	<ul style="list-style-type: none"> As long as we can do our jobs we do not need to develop ourselves further 	<ul style="list-style-type: none"> It is important to keep your job skills up to date and develop new expertise in your role 	<ul style="list-style-type: none"> Development involves the whole person – we need to find challenges that help us grow beyond our job roles 	<ul style="list-style-type: none"> It is my primary responsibility to manage my own career and seek out personal and professional growth I believe that senior leaders are available to help me develop should I need them 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Outcomes	<i>Nurturing growth</i>	<ul style="list-style-type: none"> There is no systematic approach to developing the capabilities and attributes needed to meet our future strategic aspirations 	<ul style="list-style-type: none"> There are a range of generic leadership programmes offered to all our leaders 	<ul style="list-style-type: none"> A hierarchy of leadership training programmes exist Leaders can participate in programmes designed for their level within the organisation 	<ul style="list-style-type: none"> There are clear training and experiential milestones for all leaders Attendance at leadership programmes is high Leaders have access to and take advantage of a range of additional development opportunities beyond formal training programmes such as special projects, team work, post graduate study and mentorship Senior leaders champion the development programmes for leaders by acting as faculty during all sessions New leaders have visible, high quality role models who help to clarify and bring to life the leadership model in a relevant manner 	

ENGAGE AND RETAIN LEADERS

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Policies, processes and practices	<i>Professional networks</i>	<ul style="list-style-type: none"> No encouragement is given to develop networks across the organisation 	<ul style="list-style-type: none"> Professional networking is limited to some professional groups e.g. IT work together on mandated organisation-wide initiatives 	<ul style="list-style-type: none"> Interest groups and professional networks are endorsed by the organisation Limited central funding is provided Activities are limited to after work time 	<ul style="list-style-type: none"> Professional, and interest groups are funded by the company. Support is given to develop networking events such as conferences where leaders engage with senior executives including the Board Resources are provided to pool and share expertise through knowledge management initiatives such as communities of practice, road shows and databases Opportunities for networking are built into all HR programmes (e.g. training, on-boarding) Funding for special projects is available to technical or professional interest groups Activities that add value are honoured through award ceremonies 	

Current status					Importance
	Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
<i>Community involvement</i>	<ul style="list-style-type: none"> Involvement in the organisation's community is not valued 	<ul style="list-style-type: none"> There is an expectation that leaders attend events such as award ceremonies or the opening of new premises 	<ul style="list-style-type: none"> Leaders are expected to organise community events All leaders visit different sites in the organisation and spend time 'on the shop floor' 	<ul style="list-style-type: none"> Funding is provided for social and community groups and activities Time is available during work hours to organise and support community events and activities There is an expectation that leaders participate and attend a wide range of work-community functions 	
<i>Retain talent</i>	<ul style="list-style-type: none"> All managers are treated equally, no special attention or opportunities are provided on the basis of performance or potential 	<ul style="list-style-type: none"> Efforts to reward and retain high performers are dependent on the discretion of each business unit 	<ul style="list-style-type: none"> High-potential managers tend to get special attention with respect to development opportunities 	<ul style="list-style-type: none"> The organisation tells high performers that they are valued The organisation can be flexible regarding incentives and work tasks if required There are a range of tools and training for managers to identify and retain 'at risk' employees The organisation uses methods such as an alumni programme to maintain contact with former employees who act as 'ambassadors' for the company 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	<i>Managing attrition</i>	<ul style="list-style-type: none"> Exit interview and attrition rate data is collected, however, this is not used to inform retention programs 	<ul style="list-style-type: none"> Annual performance reviews are used as an opportunity to discuss future career plans with leaders 	<ul style="list-style-type: none"> Managers and mentors are used to monitor satisfaction of leaders and understand their future aspirations 	<ul style="list-style-type: none"> There is continual dialogue about, and measurement of, leadership satisfaction and both short- and long-term aspirations 	
			<ul style="list-style-type: none"> Exit interview and attrition rate data is monitored and used during recruitment process to try and identify those who are a good organisational fit 	<ul style="list-style-type: none"> A broad range of metrics are used (e.g. tenure, job role, business unit) to understand hot spots for attrition and to identify potentially at-risk employees Early interventions are used to prevent leaders from leaving through retention conversations 	<ul style="list-style-type: none"> Colleagues of recently departed employees are supported to discourage their attrition Sophisticated retention programs including awards, benefits and personal and professional development opportunities to foster satisfaction and loyalty are provided The CEO draws on personal relationships and the coaching and mentoring network to retain leaders 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
						① — ② — ③
Mindsets	<i>Attitude to retention</i>	<ul style="list-style-type: none"> If people want to leave they do not deserve to be here 	<ul style="list-style-type: none"> The organisation is attractive enough to replace any leaders who leave – we do not need to keep the ones who want to go 	<ul style="list-style-type: none"> Managers are responsible for trying to retain their people who are ‘at risk’ of leaving by letting them know they are valued 	<ul style="list-style-type: none"> It is critical that we retain our leaders – we should do all that we can to keep them with us 	
	<i>Attitude towards flexible incentives</i>	<ul style="list-style-type: none"> Everyone should receive the same rewards and incentives 	<ul style="list-style-type: none"> To keep our leaders we need to provide financial incentives to retain people over the short and longer term 	<ul style="list-style-type: none"> We know the incentives that keep our people here 	<ul style="list-style-type: none"> If we are to retain our leaders we need to be flexible and match our incentives (both financial and non-financial) with their desires 	
	<i>Attitude towards flexible community</i>	<ul style="list-style-type: none"> Work and personal interests should be separate 	<ul style="list-style-type: none"> It is important to like the people you work with 	<ul style="list-style-type: none"> We should encourage people to have fun at work 	<ul style="list-style-type: none"> Organisational life is about far more than doing your job, it is about being part of a work community 	
	<i>Attitude towards alumni</i>	<ul style="list-style-type: none"> We have no obligation to people who choose to leave us 	<ul style="list-style-type: none"> It is nice for people to leave with positive memories of the organisation 	<ul style="list-style-type: none"> We should make sure that we stay in touch with outstanding employees who leave, we may be able to attract them back in the future 	<ul style="list-style-type: none"> Alumni are still part of our family, they are our representatives outside our organisation 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Outcomes	<i>Inspiring work environment</i>	<ul style="list-style-type: none"> • There are few opportunities to create a more interesting and inspiring work environment 	<ul style="list-style-type: none"> • The extent of flexibility in work life balance and benefits is dependent on each leader's attitudes 	<ul style="list-style-type: none"> • Senior leaders are given the flexibility to significantly shape their roles and rewards 	<ul style="list-style-type: none"> • Senior leaders strive to foster a creative and engaging work environment for all • Employees are able to put forward suggestions on how to engage people further with their roles and environment • Flexible work practices are encouraged 	
	<i>Creating community to embed leaders</i>	<ul style="list-style-type: none"> • People in our organisation are siloed, they only know those in their immediate work area 	<ul style="list-style-type: none"> • For those who are motivated there are ways to develop informal relationships across the organisation 	<ul style="list-style-type: none"> • The organisation encourages and fosters a sense of family and belonging • A range of networking activities are provided including social events, conference and job rotations 	<ul style="list-style-type: none"> • People enjoy, and are expected to contribute to the social fabric of the organisation through organising and participating in cross-company events, projects and activities 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	Targeted programme for high risk employees	<ul style="list-style-type: none"> No coordinated efforts to retain employees 	<ul style="list-style-type: none"> Leaders and HR attempt to identify and retain those at risk of leaving Efforts are ad hoc and un-coordinated 	<ul style="list-style-type: none"> Leaders and mentors informally monitor satisfaction levels There is a standard approach to responding to resignations Business leaders identify potential at-risk employees within their own area 	<ul style="list-style-type: none"> All leaders are responsible for continual assessment of satisfaction and career aspirations of direct reports Career intentions are discussed openly and without judgment Retention efforts consist of proactive moves to make the environment attractive, and provide flexible incentives to attempt to retain leaders 	

BUILD HR CAPABILITIES AND LINE OWNERSHIP

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
Policies, processes and practices	<i>Role of human resources</i>	<ul style="list-style-type: none"> HR provides ad hoc and reactive support to leadership development 	<ul style="list-style-type: none"> HR works with line to understand line needs and helps to implement local recruiting and development initiatives 	<ul style="list-style-type: none"> HR helps business leaders to translate people requirements into talent development and recruitment initiatives HR is responsible for formulating policy e.g. for safety and discrimination 	<ul style="list-style-type: none"> HR has key role in organisational strategy development with HR head present at all major strategy sessions Examination of existing people capabilities, with HR guidance, forms essential part of strategy setting process HR facilitates translation of business plans into people requirements 	
	<i>Source of best practice</i>	<ul style="list-style-type: none"> HR managers do not know best practices for people issues e.g. organisation and job design, recruiting and selection, appraisals and training 	<ul style="list-style-type: none"> HR is able to access best practice information from external sources upon request There can be a time delay in receiving information from HR 	<ul style="list-style-type: none"> Some HR managers are viewed as having expertise in people practices Credibility of HR varies by business unit and by the people issue under consideration 	<ul style="list-style-type: none"> HR managers are viewed as having comprehensive and up-to-date knowledge across all people issues HR coaches all executives and line managers on how to manage the development and performance of their people HR managers are all seconded to the line to ensure that HR expertise tightly fits with business needs and context 	

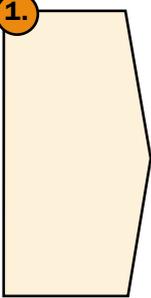
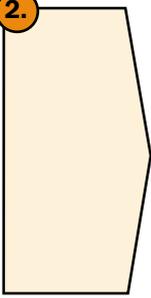
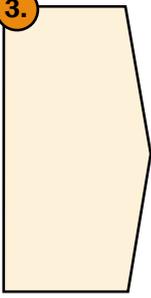
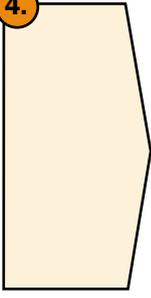
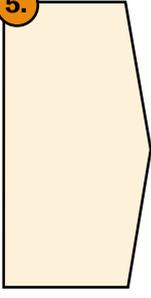
		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
	<i>Effective processes</i>	<ul style="list-style-type: none"> • HR designs and implements processes that make the organisation less effective 	<ul style="list-style-type: none"> • HR designs and implements processes that basically do not change the effectiveness of the organisation 	<ul style="list-style-type: none"> • HR processes are in place but are not always consistently applied or mutually reinforcing 	<ul style="list-style-type: none"> • HR designs and implements efficient processes that make the organisation more effective • HR provides key metrics to assess the 'value-add' of people-related processes 	
	<i>Role of line managers</i>	<ul style="list-style-type: none"> • Line managers view leadership development as a low priority • Line managers do not collaborate with each other or HR to implement a systematic approach to development 	<ul style="list-style-type: none"> • Line managers drive leadership development • HR involvement only on an ad hoc basis 	<ul style="list-style-type: none"> • Line managers and HR have a clear understanding of their roles within leadership development process • Line managers call on HR for specific help for issue resolution 	<ul style="list-style-type: none"> • Line and HR co-own leadership development: <ul style="list-style-type: none"> – Explicit roles of each are defined and articulated – At least one of the top line performers has been appointed to one of HR's most senior roles – HR coaches line managers to build capability across all aspects of development process • Line managers regularly attend programmes designed by HR to upgrade their skills and capabilities • Line managers spend 30% of their time on leadership development 	

		Current status				Importance
		Under development	Adequate	Good practice	Best practice	Priority: 1=Low, 3=Top
						① ——— ② ——— ③
Mindsets	<i>Attitude towards the role of HR</i>	<ul style="list-style-type: none"> • People management is HR work 	<ul style="list-style-type: none"> • The role of HR is that of a library, if you know what you want they can give you some good information 	<ul style="list-style-type: none"> • HR are effective internal consultants, they provide advice and expertise across all stages of the leadership development process 	<ul style="list-style-type: none"> • HR are thought partners across all people issues, we cannot make sustained change unless they are truly integrated within the business 	————— —————
	<i>Attitude towards HR expertise</i>	<ul style="list-style-type: none"> • Knowledge and expertise within HR is outdated 	<ul style="list-style-type: none"> • HR are good at helping with practical issues at the frontline 	<ul style="list-style-type: none"> • Expertise within HR is inconsistent, there are some outstanding people and others who under perform 	<ul style="list-style-type: none"> • The depth and breadth of skills within HR is outstanding, they play a central role in driving our people agenda 	————— —————
	<i>Attitude towards HR effectiveness</i>	<ul style="list-style-type: none"> • HR do not understand the practicalities of running the organisation, their ideas are impractical and bureaucratic 	<ul style="list-style-type: none"> • HR have great ideas but they cannot translate them into processes that have a positive impact on the organisation 	<ul style="list-style-type: none"> • HR are able to develop individual processes, however they cannot take a big-picture view and build a comprehensive people management system 	<ul style="list-style-type: none"> • HR are essential to our success—nothing happens without people making it happen and HR are there to ensure we do the best we can 	————— —————
	Outcomes	<i>Credibility for partnership</i>	<ul style="list-style-type: none"> • HR viewed as adding little value to building leadership 	<ul style="list-style-type: none"> • Leaders view HR as a knowledge source • Leaders contact HR to help address specific people issues 	<ul style="list-style-type: none"> • HR proactively offers guidance and support to business areas and senior management regarding developing leadership within the organisation 	<ul style="list-style-type: none"> • HR viewed as partner with clear role and responsibilities for developing and supporting leadership development mechanisms

ACTIONS TO RESOLVE GAPS IDENTIFIED

Gaps identified	Priority	Proposed actions	Timing/sequence
1.			
2.			
3.			
4.			
5.			
6.			
7.			

KEY MILESTONES OF THE ACTIONABLE IMPROVEMENT PROGRAMME

Proposed Activity	Timeline					Responsibility
						
						
						
						
						

The page features a solid yellow background. In the upper right quadrant, there are four squares of varying sizes and colors: a solid light yellow square, a solid medium yellow square, a square with a thin red border, and a square with a thin white border. A horizontal dotted white line spans the width of the page below the word 'RESOURCES'. In the lower left quadrant, there are three squares: a solid light yellow square, a solid medium yellow square, and a square with a thin white border. In the bottom right corner, there are several overlapping, curved, semi-transparent yellow shapes that create a sense of depth and movement.

RESOURCES

EXHIBIT LIST

INTRODUCTION

0.A GLC leadership gap

0.B GLC transformation timeline

CHAPTER 1: TAKE CHARGE OF LEADERSHIP DEVELOPMENT

1.A All leadership actions are driven by the business strategy

1.B Leadership strategy must be an integral part of the annual HR and business planning cycle

1.C How to measure the size of the leadership gap

1.D Leadership model: an example

1.E The model drives other elements of the leadership system

1.F IBM leadership model

CHAPTER 2: RECRUIT FUTURE LEADERS

2.A Southwest Airlines—A Good Practice Employee Value Proposition

2.B Southwest Airlines case study

2.C Segment target audiences for employee value propositions

2.D Recruiting can be mapped as an operating process

2.E Measure the rate of conversions to new recruits

CHAPTER 3: REVIEW PERFORMANCE AND PUBLICLY HONOUR EXCELLENCE

3.A Conduct effective performance reviews that involve senior leaders

3.B What to look for to identify 'hidden gems'

CHAPTER 4: DEPLOY STRATEGICALLY TO DEVELOP LEADERS

- 4.A Test that pivotal positions are filled by top leaders

- 4.B Leaders are matched to jobs in a deployment discussion that achieves solutions in the interests of individuals, the business unit and succession planning

- 4.C The job matching forum uses information from performance reviews to identify the supply of leaders

- 4.D And matches them to pivotal roles

CHAPTER 5: DEVELOP LEADERSHIP AND HIGH POTENTIAL TALENT

- 5.A CEO succession models

- 5.B GE focuses heavily on formal training programmes—many of which are offered at Crotonville

CHAPTER 6: ENGAGE AND RETAIN LEADERS

- 6.A How companies increase their sense of community

- 6.B Leaders should be trained to ‘save stars’—retention conversations

CHAPTER 7: BUILD HR CAPABILITIES AND LINE OWNERSHIP

- 7.A HR needs to have business understanding, expertise and execution to be successful

CHAPTER 8: GETTING STARTED

- 8.A How to strengthen leadership development

- 8.B Audit summary

- 8.C Improvement plan

- 8.D Milestones for an improvement plan

- 8.E Monitor metrics to check plan is delivering improved performance

APPENDIX 3: DETAILED METRICS

A.1 SIZING THE GAP – HOW IT CAN BE DONE

A.2 MEASURE RECRUITMENT RESULTS BY EMPLOYEE SEGMENTS

A.3 MEASURE THE RATE OF CONVERSIONS TO NEW RECRUITS

A.4 IMPLEMENT COMPENSATION SCHEMES THAT REWARD HIGH PERFORMANCE

A.5 REVIEW PERFORMANCE DISTRIBUTION OF EMPLOYEES

A.6 TEST THAT PIVOTAL POSITIONS ARE FILLED BY TOP TALENT

A.7 MEASURE THE AGGREGATE OF LEADERSHIP SCORES AGAINST LEADERSHIP MODEL

A.8 MONITOR UNPLANNED ATTRITION RATES OF HIGH PERFORMERS AND HIGH POTENTIALS

GLOSSARY

BU	Business Unit
CEO	Chief Executive Officer
EVP	Employee Value Proposition
GLC	Government-linked Company
GLIC	Government-linked Investment Company
HCM	Human Capital Management
HR	Human Resources
KPI	Key Performance Indicators
PCG	Putrajaya Committee on GLC High Performance
SVP	Senior Vice President
TOR	Terms of Reference
TMO	Transformation Management Office

WHERE GLCs CAN OBTAIN ASSISTANCE

The Transformation Management Office (TMO), as Secretariat to the PCG, is the central point of contact for any questions and for all implementation assistance.

Phone +(603) 2034 0000

Email pcg@treasury.gov.my

Website www.pcg.gov.my

The level of support and assistance needed by GLCs will vary. The TMO may be able to provide GLCs with more information and assistance depending on their situation and context, including:

- Assistance on how to use the tools illustrated in this Orange Book
- Suggestions of potential external consultants who can facilitate the Leadership Development Audit.

