Using a Re-Organization to Test and Grow High-Potential Leaders

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Summary

Leadership development is predominantly a matter of giving the right people the right experiences at the right time. Doing this well is difficult, which is why companies that have effective leadership development practices benefit from a competitive advantage. Some companies are actively incorporating experience paths into their talent review and development process in order to build future senior leaders. Implementing a new organization design inside the corporation is one way to provide a "managed experience" to accelerate the growth of high-potential general management candidates. The challenges of leading change through complex organization transitions provide exceptional leadership development opportunities. In this article, a framework is provided for structuring such experiences and a short case story illustrates these practices.

Introduction

Experience is still the best source of senior leadership development – that's no surprise to people who have been developing and selecting leaders for even a short amount of time. Some have argued that perhaps 70% of senior leadership development comes from experience, 20% comes from coaching, and just 10% comes from classroom instruction[i]. When we look at companies such as GE, Honeywell, and IBM and compare them to others that are less successful in managing the career paths of high potential leaders, we can see distinct differences in the development philosophies and practices between the two types of companies. Such companies actively manage experiences for high-potential leaders by anticipating development opportunities, carefully selecting candidates for them, and then structuring and supporting them for success.

Organizational change provides a rich set of developmental opportunities for up and coming leaders ready for new challenges. Such changes can be thought of in three categories: a) development roles, b) participation in design decisions, and c) leading major change in organization design.

Broader Roles. The company can use a re-organization as an opportunity to engineer development assignments to give functional managers the needed experience to take on broader executive roles.[ii,iii] This might be in the form of moving people laterally into a new geography, unfamiliar function, or center (or field) role. Or it may be to purposefully design small P&L units to serve as general management positions for functional managers. These models put a premium on leaders with strong integration, team, and influence skills, and allow larger companies to quickly marshal resources to address opportunities and problems without losing out to smaller rivals that tend to be more nimble. Pepsico, Proctor & Gamble, Unilever and others have been especially creative in carving out roles for high potential leaders to assume responsibility for global brands in order to grow leaders with big-picture leadership skills. These positions develop general managers who can lead multi-functional teams, create business strategy, and manage profit loss trade-offs across diverse cultures.

Design Decisions. The work itself of redesigning an organization presents a special opportunity to grow leaders. High-potential managers can be selected to participate on the design team to work through strategy and execution issues and determine the best way to align structure, process, roles, and decision rights around a given strategic challenge or opportunity. In the design process members learn to see the relationships between structure, process, metrics, and talent, and they learn the organizational frameworks and models that are useful as they take on larger leadership roles.[iv] General Electric, Proctor & Gamble, and many others have used organization design teams skillfully in this manner. During the last few years at The Coca-Cola Company, high potential leaders on design teams have discovered the benefits and risks of classic organization design options in re-structuring headquarters and field structure to achieve a balance in global vs. local governance of categories and geography. Assisted by one of the authors, design team members at Coke learned the more subtle elements of designing integrated sets of decision rights around a single operating governance framework, prescribed by the CEO.

Leading Major Change in Organization Design. But an even more powerful opportunity exists in organization design to capitalize on experience-based development. Well beyond the challenges of seeking the right "flying formation" is the work of implementation – to make a complex new design deliver business results. In this type of leading change, the high potential candidate is not only given a new role, and/or the opportunity to take part in the initial design work to set the overall architecture and framework, but must also define and align the organization beneath his or her role, and help to lead the transition. Especially if the new organization design engenders resistance due its counter-culture nature, leaders who assume new roles in these new structures are tested in unusual ways, and will grow through successes and failures alike. The learning comes through not just the development of details of the organizational design, such as job definition, decision rights clarity, performance objectives, and management routines, but in the responsibility to see them through to implementation and then to be held accountable for the results of those decisions. Opportunities for learning include defining the interests of various stakeholders in the change process, anticipating points of resistance, and planning to overcome them, especially if there is a requirement to manage "virtual" business units which will rely heavily on dotted-line, matrixed ownership across cultures, geographies, functions and market conditions. The manager is tested by leading a design initiative, staffing an organization, leading through a transition, and building the infrastructure and processes required for success.

Our work in support of numerous organization-design initiatives in multi-national companies provides some useful insights for companies to consider when using this third type of organization change as a structured development experience.

1. *Select* candidates into these positions who are:
    - Attractive, high-potential managers who are likely to succeed but need to be tested and stretched out of their comfort zone
    - Strategic and business-oriented people who can contribute innovative thinking to the design process of their piece of the organization
    - Objective team members, able to be completely open to the best design options for the business, unbiased by personal ambitions
2. *Support* managers throughout the design, building, and transition process including:
    - A formal design process and set of tools that provide a project road map
    - Internal or external organization development assistance
3. *Sponsor* the change process with more senior executives that will help:
    - Remove major barriers and provide support to the larger change process
    - Delegate real responsibility to leaders of new units – including allowing measured failure
    - Provide non-evaluative mentoring and coaching
4. *Assess* performance and provide feedback on a regular basis:
    - Against a robust and clear set of criteria that measures not just business outcomes, but process measures, and individual development goals

Case Story: Developing High-Potentials through Implementing New Organization Designs

In many companies it is hard to measure the success of structured developmental experiences that are part of organization design changes as there are so many variables to account for. If the leader stumbles or fails, should it be attributed solely to their lack of effort or competence? Or were the original design assumptions and decisions flawed? Or were business conditions just more difficult than anticipated by the strategy?

In the past few years we have had the opportunity to support and directly observe an organization change process that serves as a case study that controlled for some of these variables. Eight high potential managers were each given the same new role as part of a major re-organization of US-based $18 billion consumer products company, and given the challenge to define and develop their new units and the required relationships and processes to align and link them to the larger organization. In the following case study, we highlight some insights that came out of this very deliberate use of organization redesign to provide a structured development experience.

This company has powerful global brands and has remained a growth company due largely to product reputation and effective marketing properties and strategies. However, its leadership sought more growth through better alignment with the highly dynamic consumer segments. The result was a strategic decision to design, market, and deliver products based on consumer-focused segments, which they treat as consumer *categories*, rather than the company's traditional product-push approach. Additionally, it was clear that the new organization framework called for less geographic autonomy and greater reliance on global decision-making. (See Figure 1.)

Figure 1:

Objectives of Category Organization Structure

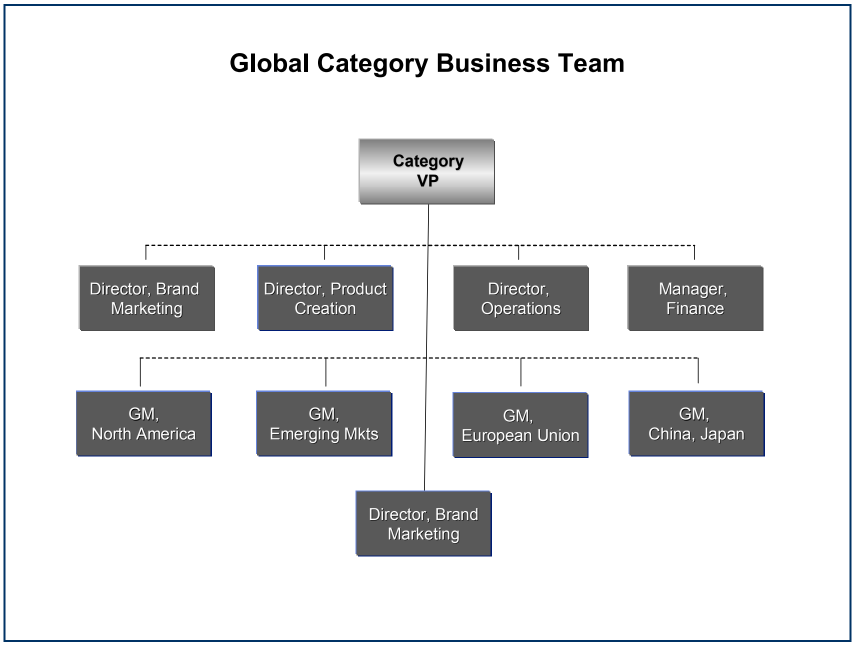
- *See the world through the eyes of the consumer*
- *Enable consumers to do what they want to do, their way*

- *Create and sustain relationships by consumer segments*
- *Use a consumer category lens to inform everything that we do*
- *Get beyond single transactions and always deliver a premium product*
- *Create great experiences – product, services, content*

Historically, the organization design at this company was focused on a product and geographic matrix. Some products were managed globally and others were managed very locally. Leadership discovered that the old structure made it very difficult to create consumer-aligned product bundles because its three separate product units each went to market separately. Products that consumers might naturally buy together would arrive weeks apart or fail to match in style and color. And it was very difficult to align resources around big, global bets, due to the autonomy of regional business units. This discovery led to a strategic decision to realign the historic, product business units into eight global, consumer-aligned category business units, and to devolve the product business units into more operational functions. This decision was validated through various research methods, including extensive consumer research.

The center of the new organization offense is eight global category business units, each led by a new role – a (global) Category Vice President – with the following functional members reporting in to the role:

- Region category GMs (x4) – dotted line only, each with 5 – 7 functional team members in the region
- Brand marketing
- Product creation and design (dotted line only)
- Operations (dotted line only)
- Finance (35% dedicated)
- HR (35% dedicated)



The intention of the overall design framework is to narrow the role of the legacy product business units to product development. The region/country units will be focused largely on execution excellence and will be limited in their ability to alter product offerings or the marketing message. Over time, power and influence in the company is shifting from product and region to consumer-focused category. But first, the newly created and appointed Category Vice Presidents must demonstrate the value of their strategic plans, build their organizations and implement new global business processes. The pace of change depends on these leaders' ability to demonstrate the value of their strategies through their leadership.

Selection: The initial high-level design decision to create the categories was made by a small team of the top 3-4 executives in the company. General Manager candidates selected for the Category Vice President positions each came out of the business; they had varying degrees of general management experience ranging from very little – a few years in product management roles - up to several years in regional GM assignments. Each candidate was regarded as high potential to progress to senior executive roles in the company. Although each had a fairly large team as described above, only a few marketing team members were to directly report to the Category VPs. Everyone else on the team was an existing player who would now be matrixed in by dotted-line to the new Category VP role, as part of the "virtual" business unit. However, co-location of the teams was made a major priority and was accomplished quickly; each team was given its own physical space to help build the new concept of category and the unique feel that each one needed.

Support: The task of detailed design work and implementation was given to each of the Category VPs appointed to run the eight new categories and their teams. Completing the designs and leading implementation included many challenges common to these situations, and most of them had to be done in a global environment and through influence rather than direct authority. Leaders had to staff a new and largely virtual team, including making staffing decisions with matrix partners (in regions and functions) and clarifying job definitions for all team members guided by common frameworks, and supported by some tools provided by the design team. Major changes in the go-to-market business process were designed to support a category offense. A common process map was built by internal black belts, with participation of the new category team members. Then category leaders worked with regional and functional colleagues to draft and redraft decision-rights grids for all key decision areas. These leaders had to secure resources, set budgets, and plan P&L results in an environment where legacy financial reporting structures remained and where geographies and product functions continued to believe they were the dominant owner of the P&L.

Other challenges included:

- Changing strategy, operating planning and decision-making tools to incorporate a category lens vs. the traditional product and/or geographic lens.
- Changing the management systems and pay structures to incorporate category.

- Reaching working contracts with process and matrix partners.

Ambiguity was a part of the reality that category teams had to manage. The extent and timing of the shift from product and geography power base to category power base was left somewhat uncertain. This ambiguity is not uncommon as senior management evolves an organization direction and follows the pace of the market and internal capability creation. Management is rarely able to script with certainty the pace at which the power and accountability embedded in one axis in the matrix can be shifted to another during these transitions; in this case, there was actually a three-way matrix that was adjusting.

To help them manage through all of this complexity, a supportive learning environment was created for the eight candidates. Each was supported by an outside consultant as well as internal organizational design resources. The company provided a consultant to coach the team and individuals, to support remaining design work, and to provide transition expertise and leadership coaching. The consultant provided team launch meeting designs to help each get through a common agenda; this design was formed based on Galbraith's star model. A workshop on how to build category organization capabilities was held, guiding leaders to create their own star model plans for their individual units. A set of design teams working on specific processes and practices interfaced with the Category VPs regularly. The top three levels of geographic leadership from around the world were brought to central locations to align expectations with category leads; breakouts were led by the Category VPs to align decision rights, individual objectives and management routines. Finally, the new go-to-market process roll-out included milestone meetings on product creation. Historically these milestones were led by product managers. Over the course of several quarters, category leads assumed leadership tasks as part of the larger transition. For many, these were new responsibilities, and each had to learn the details of the new business process, as well as new ways to influence the many functions required to participate in the process.

Sponsorship. The eight new Category VPs reported to the same executive who provided broad direction and coaching. This direction included ongoing, periodic meetings for sharing best practices, especially regarding product creation ideas and alignment of product engines and geographic business units around specific product plans, launch plans, and marketing messages.

Assessment. The basic organization transition was largely completed after the first two years, although reporting systems and other elements of the change remained to be completed. At the end of that time, the new category VPs had experienced had all learned a great deal from the experience. Some had developed more than others as general managers and had been more successful leading transition and had delivered more tangible successes with their category plans.

The use of effective management assessment forums to evaluate high-potential leaders who assume development assignments is a powerful, real-time approach to selection and development.[v] In the case company, leadership was resourceful in adapting its ongoing talent review and game planning discipline to continually check the effectiveness and the growth of not only the eight category vice presidents, but of their key team members, as well. Some of the eight candidates are quite successful and despite occasional setbacks, they persevere and distinguish themselves in their ability to lead major change to gain new results. They are experimental and creative in finding solutions to difficult problems, usually by involving partners, but always with a strong sense of purpose and an informed point of view. Perhaps most obvious is that the most agile among the eight accept a high degree of uncertainty and say things such as, "I have what I need and I'm not waiting for more direction." One of the more agile category GMs in a region said recently, "I don't have a problem gaining alignment between my two matrix bosses. They understand what I'm trying to do, and I am able to influence them into alignment." These leaders are willing to proceed as if they have authority, and are willing to accept when they do not have it. They behave like owners of the business in every regard and teach their team members to do the same. The team members who report to these leaders demonstrate more confidence in what they can do in their markets. As the most successful new category VPs acted in highly resourceful ways, so did those on their teams.

But, others among the eight leaders struggle with the transition. They continually seek more clarity about the ultimate shape of the new business units, the components to be included in the P&L, and the pace of the transition. They insist on the importance of more direct authority over resources when faced with push back from regions, including marketing spend and local adjustments in product plans. When confronted by resistance, they tend to lose a sense of urgency or avoid difficult problems. Overall, they have more challenges gaining alignment with geographies for their initiatives, despite the fact that one of them demonstrates high degrees of creativity in product-line ideas.

Finally, a third sub-group among the eight category VPs demonstrates a blend of the behaviors of the successful candidates and the behaviors of those who struggled. Overall, they are mostly successful with occasional setbacks. They find themselves on a steeper learning curve, but remain highly motivated to make the organization model work.

While it is too soon to judge the ultimate effectiveness of the eight leaders, all of these high-potential leaders remain valued players with bright futures. But the experience of leading change in a complex, matrix organization provides insight into what kinds of future roles each player is best suited to assume in the future. The assessment of their efforts in the roles also enables more focused effort to build on obvious strengths, and to shore up gaps, through targeted development programs.

Conclusion

Increasingly, companies seek to develop executives who can lead major change. Ultimately this objective is best served with a mix of development tactics, based on key experiences across diverse challenges, supported by targeted management education, action-learning teams and effective coaching. Organization designs should seek to create opportunities to shape larger, more self-contained roles that provide general-management breadth to high-potential leaders, when possible. But, as organizations are re-configured, companies can provide leaders with exceptional learning experiences – as well as challenging tests of leadership skills – by asking them to lead transitions from existing structures and processes to substantially new ones. The best development opportunities occur under pressure. Major organization changes provide those challenging environments for growth. Engineering these transitions to maximize learning means creating a framework for change leaders to follow and providing support and coaching through the change process. And it means assessing leaders to identify those who thrive in the inevitable uncertainty of major change. The rewards of this conscious, planned approach to change are significant for the business and its emerging leaders.

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