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Leaders at All Levels

Deepening Your Talent Pool to Solve the Succession Crisis

THE SUMMARY IN BRIEF

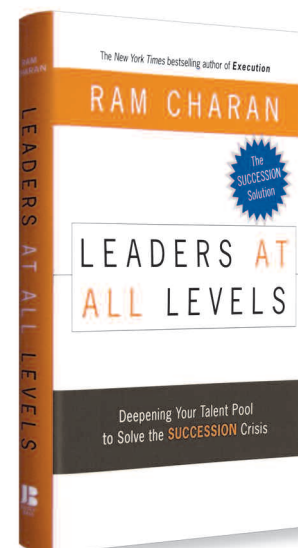
Companies are too often short on the quantity and quality of leaders they need at all levels. But they could fill their leadership vacuum, says business adviser and author Ram Charan, if they knew how to spot and develop their potential leaders.

Most processes for finding and developing the potential leaders within an organization are deeply flawed. Companies need a completely new approach. This new approach, outlined in *Leaders at All Levels*, is called the *Apprenticeship Model*. It focuses on spotting leaders early and putting them in situations that drive them to grow fast. It transforms leadership development from a discrete activity run by the human resources staff to an everyday activity that is fully integrated into the fabric of the business, and in which line leaders play a central role.

The Apprenticeship Model of leadership development requires profoundly different attitudes and mind-sets as well as major organizational changes, and the results don't come quickly. But it is eminently practical, based on decades of observation of hundreds of leaders in dozens of companies. Companies that have embraced Charan's leadership development model have built powerful talent engines that give them an edge.

IN THIS SUMMARY, YOU WILL LEARN:

- How to sharpen your power of observation to spot potential leaders within an organization.
- How to accelerate leadership growth, build core capabilities and acquire new ones.
- How to apply the processes and tools that bring the Apprenticeship Model to life.
- How aspiring leaders can use the Apprenticeship Model as a road map for taking charge of their own growth.
- How to give each promising leader the opportunities that are right for him or her at the fastest pace of growth he or she can handle.



by Ram Charan

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THE COMPLETE SUMMARY: LEADERS AT ALL LEVELS

by Ram Charan

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A New Way to Fund the Leadership Talent Deficit

Leadership matters. It creates and harnesses the energy of people, gives them direction and synchronizes their efforts. It is a leading indicator of a company's prospects, unlike financial results, which tell you only where the company has already been.

Boards of directors and senior executives know this. They realize that the selection of a new CEO is one of the most important decisions a board ever makes and should be planned well in advance. They also understand that the quality of leadership at every level has a huge impact on the everyday running of the organization as well as the pool from which CEOs are chosen.

Yet, it's no secret that succession planning and leadership development fall woefully short in delivering on their promise. Companies must often resort to bringing in outside talent because they have failed to produce the leaders they need. Recruiting CEOs from outside has always been risky; now it is getting harder and costly.

Nobody Wins in a Bidding War for Leaders

Shareholders have grown impatient with CEOs who don't perform, so boards are faster to dismiss chief executives. And a revolving door at the top is disruptive to the organization.

This doesn't have to happen. It is possible for companies to build a steady stream of leaders and CEO contenders. Some companies — General Electric Co, Procter & Gamble, Colgate, and PepsiCo, among them — are net producers of senior leaders. Companies can grow all the leaders they need once they think clearly about what a leader truly is and what's required to develop one and then take decisive action to shape their leadership gene pool. ●

How Apprenticeship Turns Potential Into Leaders

It's hard for most people to picture a corporate executive as an apprentice, but the concept of apprenticeship is at the heart of this new approach to leadership development. The apprenticeship concept means that those who have a talent for leadership must develop their abilities by practicing in the real world and converting that experience into improved skill and judgment. That conversion does not take place in a classroom, and not everyone can make that conversion.

Companies using the rigorous Apprenticeship Model put leaders in jobs carefully chosen to build on their existing talents and test their ability to discover or acquire new capabilities. They also provide feedback in real time so the leaders continually improve their skills and judgment. At least once a year, their companies review the learning that has taken place and identify the learning that must come next for each leader to build his or her own brand of leadership.

Identify Leadership Talent Early and Correctly

Finding leadership talent early is essential. A high-potential candidate will exhibit the drive to master new skills, the ability to rapidly absorb knowledge and then communicate it, and a natural bent to build lasting relationships and mobilize others to get things done. Most important, he or she will have business acumen, a knack for understanding how a company makes money.

Once a high-potential candidate has been identified, his or her fundamental development is done through a series of planned apprenticeships. There will be on average just five jobs between entering the work force and assuming a top leadership job. Therefore, the design or selection of



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those jobs is crucial.

The Boss as Mentor

In the Apprenticeship Model, the boss becomes a mentor and takes a close personal interest in guiding and developing his or her young leaders, helping them to broaden their thinking, sharing experience and wisdom, and digging deep to pinpoint each leader's specific talents.

Some bosses will be better at the role of mentor than others. Those bosses who show a lack of interest or mentality to observe a subordinate's actions, decisions and behaviors; fail to give feedback and coaching; and/or fail to make incisive observations and judgments about the potential leader, shouldn't be bosses.

However, even the best mentor-boss can't do the job without the help of senior leaders and human resources. Those collective insights help detect the trajectory of a leader's growth and inform decisions about where the leader should go next.

Adopting and executing the Apprenticeship Model will require committed effort because it involves changing the way people think and act throughout the organization. You have to accept that truly high-potential leaders are different from other people and warrant the disproportionate share of time and attention. At the same time, you have to be clear that although leaders are different, they are not superior human beings. Companies should instead see leadership for what it is: a distinct job that requires distinct talents that not everyone has to the same degree.

Choosing the Next CEO

Filling the CEO job is the ultimate challenge of any succession and talent development system; it takes a ton of leadership ore to produce an ounce of CEO gold.

The job of a CEO is more intellectually, socially, politically and psychologically demanding than ever. It takes keen mental ability and seasoned judgment to be a leader at the highest levels, the kind our best leaders have acquired through a lifetime of experiences and learning. But such judgment doesn't have to take a lifetime to acquire. Given true leadership potential and the right experiences, a person's judgment can improve faster than you think.

With a cadre of leaders given precisely the kinds of experiences they need to expand through the Apprenticeship Model, the company can expect to have two or three viable candidates to be CEO when the succession decision is imminent. Naturally there is no guarantee any candidate will succeed in the job, no matter how impeccable the preparation. The odds increase greatly when leaders get the right opportunities and

feedback, when the board is involved early and gets to know the candidates well, and when the process for choosing the next CEO is rigorous.

Why the Apprenticeship Model Works

Concentric learning is a key concept in the Apprenticeship Model. Think of a high-potential leader's career progression as concentric circles of expanding scope and complexity, with the innermost circle being the person's fundamental capabilities. If the next job involves greater scope and complexity and the leader has the talent to rise to the challenge, he or she will figure out how to apply the core capabilities to the new situation.

Deliberate practice is another key concept, one that goes hand in hand with concentric learning. Deliberate practice — in short, practice of core capabilities combined with feedback and self-correction — is how business leaders refine their abilities and judgment. Leaders benefit the most when the feedback is specific, constructive and in real time. That is why bosses should provide it as they are the ones who observe leaders practicing their core capabilities. ●

How to Recognize Leadership Potential

The Apprenticeship Model depends on spotting leadership talent early and correctly. Colgate-Palmolive, a company whose secret weapon is the depth to its leadership, all the way to the top, is a good example.

Daniel Marsili is the trustee of the company's talent machine, which at any given moment is working closely with about 500 or so people among Colgate's 36,000 worldwide employees who have been identified as "global high potentials."

Colgate's leadership identification and development process takes place at three levels: local, regional and global. The company's high-potential leaders are selected on strict criteria. No matter their country of citizenship, fluency in English is a given, as is an undergraduate degree from a respected university.

Focusing on Leadership Qualities

Colgate's real selection begins with a focus on several qualities of leadership:

- **How well the person demonstrates a set of leadership competencies that are more or less common to any company, such as people and communication skills.**
- **How well the person operates within and sets an example of Colgate's unique culture**

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Other Indicators of Leadership Potential

Beyond the essentials, other criteria that are observed in leaders in any business include:

- **The capacity and inclination to see things in a broader context.**
- **Drive and aggression are common criteria and are conveniently easy to observe even in very young people.**
- **The ability to analyze and synthesize large amounts of data and make a decision based not only on the data but also on intuition.**
- **The passionate quest to continually learn and grow.**
- **Integrity to tell the truth at all times fearlessly and without weighing the consequences.**

and value system.

- **How well the person produces results and how those results are achieved.**

Colgate's talent identification process emphasizes early identification of high-potential leaders. Once identified, Colgate proceeds to treat them as high-potential leaders, and is consistent and clear about the earmarks of leadership potential. The challenge, according to Marsili, is to have really good mechanisms to ensure that no mind is wasted and to stay current on people's abilities, aspirations, limitations and capabilities.

Focusing on the Essentials

One way to think about the raw talent of a business leader is to think of two strands of a helix: people acumen and business acumen. The beginnings of these strands are pretty much in place in individuals by the time they reach their 20s. After that, we can test someone's people acumen and business acumen and give them opportunities to expand them. But we don't yet know how to implant them in mature people who lack them entirely.

- **A leader with people acumen** selects the right people and motivates them, gets them working well as a team and is able to diagnose and fix problems in coordination among groups of people. They also exhibit an enthusiasm for selecting people who are better than they are, and then using those subordinates to lift the organization and themselves to new levels of accomplishment.

- **A leader with business acumen** has the intuitive ability to comprehend the total picture of a business, how it makes money and how profits and losses interact with the company's balance sheet. With practice, any leader

can improve his or her business acumen, but some leaders are naturally better at it.

Diversity and DNA

Companies will want to go beyond general criteria to particular qualities, skills and even attitudes relevant to their business. Doing so will give them an edge by differentiating themselves from other companies. The challenge is to define what your company considers important in its leaders and to ensure the criteria are up-to-date and anticipatory of where the company will be in the near and distant future.

Every company's leadership pool has a "DNA," or commonality in the basic makeup of its leaders. The best companies are conscious of their DNA, not only to ensure that they choose leaders who mesh with it but also to shape it and intentionally differentiate it from the competition. They design into their leadership selection criteria precisely the characteristics, skills and capabilities they want emphasized.

Where to Find High-Potential Leaders

The search for high-potential leaders begins with recruitment. Avoiding common errors — identifying as leaders people who really aren't, or missing great leaders in your midst — means continually revisiting the talent pool, removing those whose talents didn't materialize and allowing for the possibility of adding leaders whose talents have suddenly come to light.

Recruiting potential leaders from other companies is important to keep the talent pool diverse and flexible. Although an influx of outside talent can disrupt an organization's cohesiveness, the value of new ways of thinking makes it worthwhile to bring in outsiders as leaders at several levels below the CEO.

The military is another source of leadership talent. Its leadership training is second to none. People who have been through it and seem to have a natural interest in business can be a good bet. ●

Customizing Leaders' Growth Paths

The Apprenticeship Model requires companies to be creative in custom designing talent tracks that take each leader wherever he or she needs to go to unleash his or her talent quickly. You are not only handpicking your leaders, you're also handpicking their jobs so that each assignment provides the right kind of developmental challenge for that leader to grow as fast as possible. Bosses must be willing to take some calculated risks by

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giving leaders jobs that stretch them.

High-potential leaders often grow in spurts, and their talent tracks must allow for that kind of expansion. They should be given jobs that are several notches up in scope and complexity and that force them to exercise the mental skills to find a clear path through it.

When is a leap too great? When it puts the leader or the business at undue risk. Companies must be sure they can withstand the consequences if the leader doesn't rise to the challenge.

Defining the Growth Path

The search for the right job for each leader turns conventional practice on its head. Most companies try to find the people for the jobs. In the Apprenticeship Model, the job is chosen, redesigned or even created specifically for each leader. The content of the jobs you give your leaders is the crucial difference in whether you're developing them or just moving them around.

Profit-and-loss (P&L) responsibility early on is crucial for leaders to develop their CEO nucleus. Any staff people who have leadership potential should get it. Some staff people rise high in their organizations through a functional silo, and only when they're near the top do they catch the eye of the CEO or board. By then it's almost too late to put the person in contention for a senior leadership position. This is why so few CEO candidates emerge from information technology, human resources, finance, legal and strategic planning.

Being able to handle the myriad challenges of the global environment is an imperative for many leaders today, so leaders must expand themselves beyond a single culture. It's not good enough to have direct reports in other countries. Running a business in China from New York is a completely different experience from living in China while running the business.

Not every leap in learning requires a new job. Some functionally organized companies provide important experiences by putting potential leaders on task forces. WELLPoint Inc., one of the largest administrators of health plans in the United States with some \$50 billion in annual revenue, tests young high-potential executives in their regular jobs by assigning them to projects that are part of the company's ambitious "2010 Plan." Those projects tackle a range of real company issues, some of which involve the P&L. The leaders assigned to them have mentors, and an HR person administers the program.

Clearing the Path

No matter how well you plan for your promising leaders, you're bound to run into a variety of organizational

and practical difficulties. You'll have to be creative in finding ways to keep them from blocking the leaders' progress.

One of the most challenging tasks may be to unblock a job held by a leader who has done his or her job well but is no longer growing. These situations must be handled carefully because every leader must be valued and treated with dignity. You can ease the disruption by making sure they, too, get jobs in which they can discover new talents and expand.

You may encounter resistance from bosses of high potentials, and you have to understand its root. Some bosses resist having a rising leader assigned to them because they don't want to take a risk on someone whose skills and capacities are untested, or they may be afraid of being outshined by an ambitious and aggressive person.

Resistance can't be tolerated. The deployment and development of leadership talent needs to be a corporate priority that every boss understands and acts on. It is a core value. Anyone who doesn't subscribe to it doesn't belong in a boss's job.

Freedom to Fail

Whatever the specifics of the talent tracks you design, they have to give your developing leaders the chance to make their own success — or not. The learning experience won't be complete, and the test won't be valid, if a leader isn't free to fail. The environment you put leaders in must meet three criteria:

- **The freedom to set ambitious targets for themselves that redefine their job.**
- **The latitude to lead the team they inherit in whatever way best suits them, making their own judgments about people and motivating them to achieve goals.**
- **The freedom to determine how best to balance the business' short-term and long-term needs.**

Failure is not necessarily the end of a leader's talent track. Many people who fail in one job flourish when they are reassigned to another that better fits their talents and skills. ●

The Crucial Role of Bosses

The Apprenticeship Model makes every boss a mentor and coach who invests energy and care in helping develop the high-potential leaders who report to him or her. Bosses are the eyes and ears of the company, gathering information about the leader, to answer a crucial question: What learning is in fact taking place?

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Periodically the boss and others should take the time to pool their observations of the leader's *actions, decisions* and *behavior*. From that, they can crystallize where each leader is on his or her growth trajectory.

The point is to keep leaders focused on the one or two things they must deliberately practice so that their personal traits get honed and their skills get tested and hopefully expanded. This is the process of concentric learning. The more frequent the *deliberate* practice, the more the capabilities expand and the deeper the core capability becomes etched.

Deliberate Feedback

When feedback is deliberate, leaders sincerely appreciate it. In fact, they actively pursue it, and the whole relationship between the boss and the leader becomes more open and trusting. Communication gets more honest and spontaneous, and the learning and self-correction happen faster. If the leader doesn't listen and adjust, he or she can no longer be considered to have high potential.

Deliberate feedback should be a natural part of the monthly and quarterly operating and budget reviews bosses already conduct. The boss should ask questions and get into specifics to know how things are progressing, why and how the leader is handling situations as they arise — all crucial for execution.

Every up-and-coming leader benefits from deliberate feedback, but for high potentials, it is essential for maintaining their momentum. Once that is understood, it should be clear why bosses are the best people to provide it and why outside coaches so often disappoint. They are brought in for their skills in the psychological and behavioral aspects of leadership, but they're not in a position to see the leader in action in a variety of situations.

Keeping Track of a Leader's Growth

Every boss should have a routine to periodically take pause and consider the progress of each direct report. For some bosses, once a quarter is sufficient. Those who make a habit of it look forward to those moments, just as they eagerly track their quarterly numbers.

This should be in addition to performance evaluations and other kinds of numbers-driven assessments. Most people think evaluations based on numbers are the ultimate in objectivity, but numbers alone can be misleading. Evaluations that rely on them are often shallow and sometimes even dangerous when ethics and corporate culture are so important to the long-term health of a business.

Organizations should help the boss with an annual "leadership recalibration session" that combines the observations and thinking of several people who know a

leader and whose sole purpose is leadership development. These sessions should be designed and conducted to allow all dimensions and nuances about the person to emerge. This is a way to correct misjudgments by the boss and prevent the wrong leaders from moving up the leadership trajectory.

Dialogue as the Principal Tool

The key to developing an accurate and nuanced calibration of a rising leader is periodic facilitated dialogue among several people who have observed the leader in action. The Apprenticeship Model elevates those conversations beyond gossip while allowing people to discuss each leader in everyday language, unconstrained by the predefined competencies some companies use.

A dialogue session should involve at least four people who have direct knowledge of the leader, including the person's boss, several of the boss's peers and preferably leaders at a high level. HR should moderate the dialogue.

The focus should be on getting the group to dig deeper to pinpoint the positives. There will be a tendency at first for the group to find flaws, but that is a waste of time. It is the positives that make the person a valuable leader. If the positives aren't there, the negatives simply don't matter. ●

Managing Apprenticeship Systematically

Every company has a formal routine for collecting financial data and sorting, shifting and analyzing them. These systems give managers at all levels and the board of directors consistent and integrated data for making decisions based on hard facts. But few companies systematically compile comparably useful information about their leadership resources.

Colgate-Palmolive's Successful Process

Can it be done? Absolutely. Colgate-Palmolive, for one, has mastered such a process and is enjoying tremendous success using it. Colgate measures and manages its leadership talent as carefully as it does its market share, finances and brand equity. It also frequently assesses its specific leadership needs to identify any gaps between the leaders it has in the pipeline and its emerging needs.

How does Colgate execute these tenets? It begins with methodologies and mechanisms that are uniform across the globe, ensuring the same process for identifying and developing leaders is used at every location and encompasses all functions — not just line and general managers.

The criteria are explicit, so everybody has the same

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concept of what leadership potential looks like, but they are not set in stone. Colgate senior management constantly fine-tunes the mix in light of new requirements to meet competition, consumer tastes, shifting channels of distribution and changing modes of communication to consumers in the more than 160 countries in which the corporation operates.

The Colgate-Palmolive Model

Colgate begins at the country level. At least once a year the leadership team devotes one or two days to succession-planning discussions. These discussions result in updated training and development plans for each person. All the information goes into a database and generates a profile of a person that shows in a single page their personal information, work history and education, performance ratings, strengths and development needs. The database also includes recommendations for the leader's next two moves, recommendations for developmental actions and even the names of potential successors for his or her position.

Armed with all that information, a boss attends an off-site meeting prepared to discuss his or her people, get input from colleagues and make some commitments. A typical result is that one person may be tapped to go to Colgate's New York headquarters. When the off-site session ends and people have committed to the agreed-on developmental actions, the HR department takes the responsibility for ensuring that they happen. This provides follow-through.

The same process occurs each year at the geographical division level — North America, Europe, Latin America, Asia, Africa and the Middle East. The key difference is that global high potentials become possible successors for key regional and global positions. Because those kinds of moves involve many stakeholders, the discussions are more complex.

The final step in the process occurs at the board level where a personnel and organization committee gets presentations from the senior team about critical operational leaders who have a shot at the top jobs. The committee makes sure that Colgate has a good balance of talent around the world by function and geography.

Rewards and Recognition

Rewards and recognition are an important part of Colgate's talent development process. Colgate ensures that their high-potential leaders are compensated at rates above the marketplace average and they use special recognition tools, such as providing them with stock ownership when they otherwise wouldn't be eligible.

Colgate periodically rewards top-performing leaders at all levels by having them participate in what it calls "visibility programs." In the first five years of their career, for example, young leaders might be invited to participate in a "Leadership Challenge" that brings high potentials from all over the world to New York for a week. ●

Choosing the CEO Who Is Most Likely to Be Successful

The Apprenticeship Model goes a long way toward deepening the pool of potential CEOs. But when a decision is imminent, the board must use tools and techniques designed to delve into the specifics of the CEO job with great granularity and sharp focus. The board must take hold of the selection process and approach it with a fresh and objective eye.

Three fundamental principles should guide the CEO succession process:

1. Recognize that *the CEO's job is quantitatively and qualitatively different from all other jobs.*

2. Recognize that *no two CEO jobs are alike.* Every company has unique needs and opportunities that the CEO must recognize and act on. The concept of "fit" is paramount.

3. Recognize that *CEOs are people, complete with their share of human flaws.* The key is to understand the candidates in their entirety, to pinpoint the talents that make a particular leader stand out as the best possible person to lead the business at that time. Boards have to draw out the best thinking of all their members and make this judgment collectively.

Determining the CEO Criteria

Nothing is more important than pinning down the right criteria for a new CEO. Many boards go wrong by relying too much on the givens, which are the usual content of generic job descriptions and search criteria. Boards have to dig deeper into their company's situation, pushing and probing, bringing in outside experts if necessary, until they have a clear picture of what a new CEO must do well. They need to iron out any underlying disagreements about company direction or gaps in understanding the business and its external context. They cannot stop until the board has boiled it all down to the three or four specific skills and abilities that are critical. These are the non-negotiables.

Helping the New CEO Succeed

Becoming a CEO is a big leap for leaders. The CEO must take hold of the job within the first three to six

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months, and the board members should provide whatever help they can, whether it's coaching from a seasoned director or concrete suggestions for how to complement the CEO's expertise.

Boards should be sure their new CEO is seeking and listening to their input but not completely deferring to them either. Consider, too, the impact of letting the outgoing CEO retain a board seat. Generally, this arrangement inhibits the successor.

Those Who Are Not Called

If there are other inside candidates for the CEO position, the board and the outgoing CEO may try to mandate that the new CEO take steps to retain the contenders. This is a mistake. If they wish to stay, fine. But the new CEO should be free to assemble his or her own team and not have to go through needless turmoil because his or her former competitors are being forced on him or her. It is almost certain that the other contenders for the CEO job will leave the company within a year or two no matter what the new CEO does, if only because headhunters will hotly pursue them. ●

Adopting the Apprenticeship Model

Only a few companies have in place a leadership development process that follows the tenets set forth in this summary. But an increasing number have realized the need for comprehensive leadership development processes and are in various stages of executing them. The Apprenticeship Model does not demand that companies follow it in every detail; it's the principles that ultimately count.

Any company attempting to build a better leadership development program can learn from those who have gone before. Your efforts will almost certainly differ in some fundamental ways. But you will surely face some of the same problems that others encounter. Some will be philosophical, some will be cultural and some will be merely mechanical. ●

What Can a Leader Do?

Individual leaders can and should embrace the Apprenticeship Model — even if their companies don't. Those who believe they have leadership potential that is undiscovered should take charge of their own learning and development. They should make their own luck.

The leader can create his or her own luck by figuring out when and where opportunities lie. If not in your

When Is It Right to Choose a CEO From the Outside?

Most companies would prefer to select an inside candidate for CEO. On the other hand, there are times when an outsider has a clear edge, when, for instance, the company needs:

- A turnaround (think Alan Mullaly at Ford).
- To restore credibility (Ed Breen at Tyco).
- To undertake a culture shift (Randy Tobias at Eli Lilly).
- A radical change in strategic direction (Fred Kindle at ABB).

current company, then search for a place where your talent can be used, recognized, encouraged and developed.

The search, which will continue throughout your career, is a three-part undertaking:

- **Begin by identifying what your potential is.** This requires introspection and the utmost intellectual honesty.
- **Find ways to nurture that potential.** You need to continually search for the job in which your talent and potential are likely to be best deployed.
- **Be aware of those things that can derail you as your potential develops.**

Some people may at some point have to face the realization that despite their aspirations to leadership, they really don't have the raw talent for it. It may take some testing and some brutal honesty to determine whether leadership is truly the best path for you, or whether your natural gifts should take you in a different direction. Remember that leadership is a job, not a badge of honor. ●

RECOMMENDED READING LIST

If you liked *Leaders at All Levels*, you'll also like:

1. **Know-How by Ram Charan.** Charan has developed an integrated, holistic approach to what executives must do and be to become successful leaders, identifying the eight skills that separate leaders who perform from those that don't.
2. **Execution by Larry Bossidy and Ram Charan.** Subtitled "The Discipline of Getting Things Done," *Execution* sets out a five-step process for getting successful results. Bossidy, CEO of Honeywell, and Charan contend that leaders must get more involved in the details of execution if they want to get the job done.
3. **Leading at a Higher Level by Ken Blanchard.** Blanchard, a leading management consultant and author of *The New York Times* best seller *The One Minute Manager*, and his colleagues at the Ken Blanchard Companies have spent over 25 years helping leaders and organizations become great and remain great. They have brought all of that knowledge together and distilled it into *Leading at a Higher Level*.