



Total Shareholder Return – Design of Performance – Managerial Structure Analysis – Accountability - Developing the Size of Person – Growth Assignments – Sustained Value Creation

THE VERTICAL DIMENSION

Blueprint to Align Business
and Talent Development

Contents

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This is the third chapter of the book “The Vertical Dimension: Blueprint to Align Business and Talent Development”, written by Jan De Visch, 2010, ISBN 978-94-9069-538-5.

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Jan would like to invite you to share your learning experience while reading and using this chapter. Do send him your comments, questions and insights. He will be happy to open the dialogue, to build cooperation and further unravel the mysteries of collaborative action. He welcomes your e-mail on jan.de.visch@connecttransform.be.

You can order the full electronic copy of the book on www.biz-info.eu/shop

Two readers comments on the book

"In his book "The Vertical Dimension" Jan confronts all of us seeking to grow our businesses with our weakness and struggle to align the talent and staff commitment we know we need to succeed. His analysis and suggested remedies provide the insight (thoughtfully and underpinned) how to connect both, and how surprisingly easy it can actually be to put in motion. My own experience: yes it is, with the right focus and courage to challenge and change old beliefs."

Anso Thire – CEO, Euroclear, Sweden

“In this thought provoking book, Jan De Visch challenges us to rethink the way we build organizations. With engaging stories he shows how to align the ‘sizes of roles’ with the ‘sizes of persons’, two concepts that help to understand how we can create sustainable growth. For anyone hoping to compete and win in today’s economy, *The Vertical Dimension* is essential reading. I greatly enjoyed it.”

Prof. Dr. Bruno Tindemans – Dean, Flanders Business School, Belgium

Chapter 3

Developing the ‘Size of Persons’: Managing the human capital risk in execution (*)

Successful strategy execution requires a match between key peoples’ developmental level and the complexity of their work

Part One: A Broader Conception of Talent

Do you have a breakthrough strategy for your business? But are you worried your management team might not have the capability to implement it successfully?

Everyone agrees that the key to strategy is execution. What use is a great strategy if the people in an organisation cannot implement it? But opinion is divided on where to focus. In one camp the belief is that people are the source of competitive advantage – hire the best, and the rest will follow. In the other camp, the belief is that strategy must be determined first and then people found to implement it. In our experience, CEOs that adopt either belief are faced with a problem. Those in the first camp worry that the focus on recruiting and building their talent pools will not translate into actual business results. Those in the second camp worry that their people are not up to delivering the strategy that’s been agreed. Both camps then look to their HR functions for a talent management solution. However, the assumptions about managerial competence that underpin most talent management practices are flawed and lead to hidden risks. Both camps are thinking about the problem in the wrong way. Like the chicken and the egg, neither strategy nor people come first. Strategy and people go hand in hand and evolve together because how the capabilities come together in an organization sets a limit for its strategy execution.

Strategy development and talent development can be seen as two sides of the same coin. Our experience in companies such as Johnsons Controls, Bayer, Athlon Car Lease, Tinfos Nizzi and many others show us that although they are the domain of separate functions,

(*) The original version of this chapter was co-written with Nick Shannon, therefore I use the ‘we’ and ‘our’ form in this chapter.

they should not be separated. The role of the CEO is to bring them together. Balancing people and strategic issues is often merely a purely intuitive exercise. However, by understanding the twin concepts of 'size of role' and 'size of person', how these two concepts relate, and by using the "Constructive Development Framework" developed by Laske, a CEO can align strategy with talent development, and increase the probability of successful execution.

Let us look at the case of Bart Jenkins to illustrate this point.

The case of Bart Jenkins

Bart was the 37 year old, high-flying, sales director for a major international infrastructure company. Holding a masters in engineering and economics, Bart had a successful management track record over the last 10 years with his current organization. The firm, which has over 1600 dedicated and qualified engineers, has recently emerged as one of the most quality conscious companies in its field. As part of its drive to improve the quality of management succession, the company's talent management process has been professionalized in the last seven years.

Last year, the company's talent steering group reported on Bart's potential as follows: -

"Bart values managing and leading people; in other words, he doesn't lead mechanistically with a carrot and stick. He is intellectually curious, always seeking new ideas and being open to new ways of thinking and working. He knows our products, technologies, processes and markets and acknowledges that there is no simple formula for winning. He continuously strives to discern the underlying principles that allow him to leverage every resource within his control. He recognizes that he can never table out all the answers by himself. He seeks input from his people, shares their thinking, and encourages debate in order to get to the best possible understanding. Then, he pushes to action.

His track record with key accounts and the teams he has lead in Europe is outstanding. He is ambitious and ready for a new challenge. Willing to re-locate, he could usefully take a leading role in improving our presence in developing countries".

On the basis of this excellent behavioral assessment report, Bart was assigned by the CEO to manage an organic growth strategy in the North African and Middle East region. As a vice president of business development he was responsible for operations in Algeria, Morocco and Libya and was tasked to build synergies with existing operations in Saudi Arabia, Mauritius and Oman. He was expected to develop strategic relationships with parties that might have led to future business opportunities, to create joint development agreements that could leverage the company's engineering and development expertise and to identify potential customers, contractors, utilities and financial investors. Working closely with the

COO, he developed the regional business plan, determined pricing, and negotiated terms. In collaboration with senior technical staff, operations and supply chain he developed and oversaw product life cycles. His role was to create \$10-50M per year of organic growth.

However, recently things did not go Bart's way and he just lost a major contract that everyone was confident the company could win. On paper, Bart has ticks in all the right boxes. His competency ratings are higher than any of his peers. But now, the CEO is not only no longer sure that Bart is the right man for the job, he is beginning to doubt the judgments of the talent steering committee. Meanwhile the company's strategy has stalled. So what went wrong?

Was it Bart's inability to adapt to local conditions? Did his selection focus too much on his technical skills and not enough on the personal characteristics needed by expatriates - such as being a culturally adaptable and flexible person? Or was it that Bart was insufficiently well briefed about the way that business is done in North Africa? Perhaps it was not that Bart was personally at fault, but that the context in which he found himself or the company itself were to blame. Were his accountabilities sufficiently clear? Was the company wrong to assume that synergies could be created across different geographical areas? Did the company even have the right structure in place to support such organic growth?

Another way to look at Bart's capabilities – the Constructive Development Framework

The Talent Steering group's report on Bart's described a mix of his behavioral and personality characteristics. Taken together with his excellent track record, this was enough to put him high on the succession planning list. But his assessors neglected two basic questions – what degree of complexity could Bart intellectually cope with, and what level of complexity of work was inherent in his new role. They made the assumption that the qualities that had made him successful as a key account manager in Europe would enable him to be equally successful managing the North African and Middle Eastern operations. This kind of reasoning overlooked the issue of whether Bart had the capability to manage the additional complexity implicit in managing a business in such a culturally diverse region.

The Constructive Developmental Framework (CDF) provides measures of managerial capability. We refer to managerial capability as 'size of the person' . The 'size of person' needs to be matched with the level of work complexity, or "size of role". Taking measures of these two characteristics we are able to ensure that the "size of person" fits the "size of role". Without such measures, any organisation executing its strategy will be exposed to the human capital risk that its managers are not up to the task set for them. CDF is rooted in the theory that adults develop over their life span in two ways; cognitively, i.e. they learn to think and interpret their perceptions of the world around them in increasingly complex ways, and social-emotionally, i.e. they learn to respond differently to the social and

emotional pressures they experience. Literally, the way people make sense of their world and the way they make meaning of their world changes as they develop. Findings from the science of adult development indicate that adults develop in these two dimensions in a predictable way. Not all adults reach the same level of development, but all follow the same path.

Our perception is that an individual's developmental profile is related to their effectiveness in managing complexity. Insufficient development renders someone incapable of successfully performing roles with a specific level of complexity. With CDF we can start to see that Bart's lack of success in his role might be related to his present level of development, which defined the way he thought and felt about his role. As Bart considered how best to win business in North Africa, he applied the same logic that he had used successfully in Europe. He knew he did not himself have the knowledge necessary to put in winning bids himself, but he supposed that there were people in and outside the organisation whose knowledge he could tap, and that if he did so with sufficient vigour and speed the right answer would emerge. He also assumed that the North African market was homogenous and that once he found the right approach, he could replicate it in every situation, just as he had done in Europe. He felt that his bosses expected no less of him than that he should pursue a winning formula that could be applied across the region. Although some of Bart's colleagues tried to alert him to the fact that North Africa "is not like Europe" Bart mindset caused him to seek out a set of common characteristics rather than to treat the region as a patchwork of many markets. He was simply not able to see it any other way, and moreover he did not think his bosses expected him to do so.


Roger Martin in his book *The Opposable Mind* demonstrated how successful leaders think differently from other people. The simple logic of "either...or" is not for them. They integrate seemingly opposing ideas. The shift in thinking from linear logical mental models to broader, more fluid thinking is a Constructive one for managers as they confront greater complexity in their roles. Robert Kegan, author of *The Evolving Self*, showed how adults progress through differentiated stages which define their attitudes towards themselves and others – their social-emotional selves. Such progression is reflected in the way managers transition through the phases of their career, most notably their move from "other dependant" to "self-authoring". At the self-authoring stage, managers are no longer compelled to "manage up" – they stand, in effect, on their own two feet believing that they know what they need, and have what it takes, to succeed. CDF combines these two lines of development together to define the "size of person" and links this to work complexity – "size of role". In table 3.1 below we bring together our notions of "size of role" and "size of person".

Table 3.1: Matching the 'Size of role' to the 'Size of Person'

Size of Role	Size of Person		
	Levels of work complexity, defined in accountability themes	Implicit frame of mind towards decision making	
Cognitive Knowledge construction and decision making		Social-Emotional Self-Other dynamic	
Level 1 Executorial and/or service Excellence	Concrete, procedural frame of reference. Common sense, rule-based and procedural decision making (categorising and responding).	<i>Instrumental</i> -> <i>Other Dependant</i> : Decision making based on seeking short term, concrete advantage for self.	Up to 6 months
Level 2 Service differentiation and optimisation	Conditional, effectivity based frame of reference. Diagnostic (analysing causes and responding), rule bounded decision making.	<i>Other Dependant</i> : Decision making based on internalized expectations of others.	Up to 1 year
Level 3 New process and/or value streams, rethinking operational flows.	Systemic, team-team, re-engineering frame of reference. Rule extrapolation and decision making based on probing and redefining (linear) relationships.	<i>Other dependant</i> -> <i>Self Authoring</i> : Decision making starts to be based on starting to write an 'own story'.	Up to 2 years
Level 4 Creating breakthroughs, reshaping profitability, testing alternative strategies and structures.	Complex system mapping frame of reference. Multiple contexts, identified emerging changes and abstract modeling provide the framework for decision making. Rules are changed.	Self Authoring → Fully Self-Authoring: Independent, value based decision making, respecting others 'my world' hypothesis.	Up to 5 years
Level 5 New business model, reshaping the relative competitive position.	Viable whole business systems frame of reference. Holistic integrative systems thinking provides the framework for decision making. New rules are made.	Self-authoring -> Self aware Decision making based on questioning the scope of own belief systems.	Up to 10 years

The table indicates what we see as the optimal match between what a role requires as defined by the complexity of work involved and the cognitive and social-emotional developmental profile of person in that role. There are five levels depicted by the table, but, of course, actual work roles often involve work at multiple levels. We believe however that a job-holder maximises his or her value to the organisation when he or she works at the level of complexity matched by his or her developmental profile. Work at different levels is characterised by differences in scope and scale, variety, uncertainty and decision-making authority. The left hand column lists the type of work inherent in a particular managerial in order of ascending degrees of complexity. Typically, the work at the first level would be

undertaken by someone in a first line management role. The work at level five and higher is the work of CEOs and other board members in multinational corporations. The next two columns relate to minimum required capability of the person doing such work in terms of their cognitive and social-emotional development – the “size of person”. Note that in addition to their base level capability, individuals also need other factors to do the work at such a level, such as knowledge and certain skills. However, we believe that these can always be acquired given adequate capability. The fourth column “planning horizon” gives an indication of the longest time frame in which a work project initiated by the person doing the work might be completed. Whilst some industries are associated have significantly longer work project timeframes than others – for example, in the aeronautics industry the product life cycle of a new aeroplane jet engine might be as long as 20 years, where as in Investment Banking product life cycles might be as a little as one year, we believe that most large organisations operate optimally when they institute a hierarchy where at progressively higher levels the time horizon of managers in those roles lies further and further into the future.



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Where might we locate Bart Jenkins on this table? The work which had been assigned to him was at the fourth level of complexity. In organisations we refer to this as a stratum 4 role, following Jaques’ notion of organisational levels of hierarchy. But what was Bart’s level of capability – his “size of person”? For him to carry out his work effectively he would need to be at the corresponding levels of cognitive and social-emotional development. He would need to be capable of thinking in terms of complex systems dynamics, and he would need to be social-emotionally “self-authoring” i.e. beyond any dependency on others in the way he felt and behaved. The self-authoring individual is able to take full responsibility for their own feelings and actions and, while able to see other peoples’ points of view, comfortable going their own way even if this risks disagreement and conflict. But before we reveal Bart’s “size of person” we will explain in more detail how we measure such aspects of capability.

Part 2: Measuring Capability and Matching it to Role Complexity

Inside of “size of person” – social-emotional and cognitive profiles.

Whilst modern Human Resource thinking is largely concerned with competence – how a person behaves, we feel it makes more sense to think about what causes someone to behave in certain way. The debate about IQ v EQ is just such a debate, but in attempting to explain EQ, exponents have over-emphasised the behavioural aspects. Simply put, people


think and feel before they behave. They do not just act. So character, disposition and motivation clearly play a part in determining whether and how someone might exhibit a competence. But what determines these? Two key building blocks that determine how people feel and think, and therefore how they subsequently act, are social-emotional and cognitive development. However, these dimensions of a person are largely hidden, especially to the individuals themselves. Thanks to research into adult development, we now have a way to measure these dimensions.

Kegan's social-emotional model distinguishes four levels of consciousness: the instrumental, the other-dependant, the self-authoring and the self-aware. Typically, people pass through the instrumental level in childhood and early adolescence, the other-dependent level in late adolescence and early adulthood, and the self-authoring level in middle adulthood to late adulthood. But not all adults attain the self-authoring level and only about 10% of all adults ever achieve the self-aware level during their lifespan. The levels are characterized by increasing degrees of self-awareness and emotional maturity. At the highest level, the self-aware person is uniquely aware that her conscious processes construct her reality, and that what she thinks and feels is real is not necessarily what others might take as their reality. Consequently she is not afraid to "reframe" her view of the world, and most likely actively seeks to do so in dialogue with others. For her, it is truly not a world of "either...or" but one of many different possibilities. Being able to hold multiple perspectives of the world in mind, and not being tied to any one world view, enables the self-aware person to synthesize and integrate new ways of working and doing business. By contrast, the person at the other-dependant level is locked into seeing the world according to what he believes is a single, "correct" way to see it. The way he sees himself and the world is, in effect, determined by others particularly those he holds out as authorities – perhaps parents, teachers or bosses. He does not think so much for himself, more he thinks about what the *right* way to behave might be, which is determined by how he thinks others would expect and want him to behave. In addition, since he derives his sense of self from others' opinions of him, work is a means to gain their approval, and he identifies himself strongly as member of particular group. He is perhaps a true "team-player".

However, humans are rarely static, and rarely are they located exactly at one specific level. In Kegan's model people progress through the stages sequentially at different rates and can therefore be conflicted between one level and the next. Under certain circumstances, which they might experience as pressure or stress, they can also regress to lower levels. For managers, we believe that a key transition is the one from "other-dependent" to "self-authoring". In this transition a manager becomes able for the first time to manage herself fully, and therefore is able to manage others according to her own set of rules and principles. She sees herself as being in charge of her career and able to take risks without worrying about what her bosses might think. She has sufficient self-confidence to go her own way, and is now in a position to create or adapt new ways to execute strategy. Able to


challenge established ways of thinking, policies, processes and procedures from her own standpoint she is at last, a true “change agent”.

In parallel with changes in social-emotional development, and perhaps partly responsible for them, humans develop greater fluidity in their thinking during their lives. At least in the western world, formal education largely emphasizes logical thinking, and gifted students who can perform this accurately and quickly, and who have good memories, are richly rewarded at school. It is not until tertiary education that adults start to get a glimpse of what might lie beyond logical thinking, and then only to a limited degree. But out in the business world, managers soon realize that pure logic alone will not solve the myriad of problems they face on a day to day basis. For a start, data is very often ambiguous or incomplete, or both. Approximations and assumptions need to be made. And somehow situations are often too complex with many more variables than can sensibly be predicted. Managers are therefore engaged, whether they like it or not in a game of approximations, or “satisficing” (Simon). But as Martin suggested, some managers think in very different ways and appear to see possibilities in situations that others simply miss. And clearly, higher levels of accountability call for more sophisticated thought processes. What accounts for such practical wisdom?



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Approximations and assumptions need to be made. And somehow situations are often too complex with many more variables than can sensibly be predicted. Managers are therefore engaged, whether they like it or not in a game of approximations, or “satisficing” . Some managers think in very different ways and appear to see possibilities in situations that others simply miss.



For some while we have been studying the structure of managers’ thinking - the *way* they think rather than *what* they think. In order to do so we have used as a framework the principles of dialectic thinking, first applied by the philosopher Hegel, and empirically operationalized by Michael Basseches who found that adult development is inseparable from the growth of post-formal ways of thinking using a broad variety of what we call “schema’s” or “thought forms”(Laske, 2009). Dialectical thought forms enable the thinker to think about problems in ways that are non-linear and not strictly “logical”. They help illuminate the implications of concepts that we use (for example – *efficiency*) and spell out or remediate what is missing from those concepts (for example, the notion that efficiency is purely relative). We can now measure the sophistication of a manager’s thinking (which we consider as broader and more varied than what Martin refers to as Integrative Thinking) in terms of his use of such thought forms. We have found that leaders who successfully manage very complex businesses access and apply more of these thought forms in their thinking about the problems their businesses face. They are able to interpret the scope of problems, the context in which problems lie, the interrelationships between different

aspects of problems, and systemic variables in rich and complex ways. Managers who cannot reach beyond formal logical thinking approach problems mainly from a sequential point of view, following a process such as problem definition, information gathering, option identification and evaluation. At the lowest three strata of work complexity, such thinking is sufficient. The world is seen as it presents itself to the manager and he is comfortable with what he can see and even touch. He sees results flowing directly from the action he takes to achieve his goals

However at the fourth and higher strata, logical thinking falls short. The results that a manager wants and is tasked with achieving cannot be reached directly. Many different systems and outside influences have to be taken into account. Consequently the manager must take in and organize information more holistically, seeing interrelationships, connections and abstract patterns.

Here's an example of the differences between different levels of thinking at the lower end of the spectrum. An engineer is given a truck with a broken gearbox. At level one, the engineer sees that a straightforward repair would fix the "problem" right away. At level two, the engineer suspects that the gearbox was broken as a result of the way the driver operated it, and considers how future drivers could be instructed to use the gearbox in a more gentle way. At level three, the engineer considers the problem lies in the design and manufacturing process of the gearbox. At level four, the engineer might see the problem as the use of trucks for freight transit in general and question whether the work that the truck performs could be done in an entirely different way. Each engineer is convinced that his way of viewing the problem is the most appropriate.

A good example of a thinker at the higher end of the spectrum is Mike Moritz, the Silicon Valley venture capitalist who took a stake in Google and turned the initiative in one of the greatest business successes of our time. Working with Moritz is described as follows: "If you weren't accustomed to his methods, of course, working with Moritz could be disorienting. He was constantly pushing his companies for quick pivots. No 'plan' lasted longer than necessary. There was only ceaseless interaction and experimentation... Watching Moritz think through an investment was like watching one of those Evelyn Wood-trained speed-readers who could take in an entire page at a time... Moritz's genius was that he wasn't cutting companies up as he looked at them but placing them in context. The forces shaping the technology market, consumer demands, changes in software design, shifts in micro-chip pricing, the up-and-down emotions of the founder – he was watching all these for signs of change. His point was that you might have a dream of what you wanted to do – index the Web, help people talk as they traveled – but unless you constantly refined that dream, constantly updated it, your chances for success were limited. For this reason, one of the critical features of the tech business is the constant revising of products, operating systems, and software. There is no right, final 'view' of the world. Rather, the correct image is more of a manic movie: World 1.0, 2.0, 3.0 – and so on into history."

A dialectical thinker like Mike Moritz consciously or unconsciously sees the world through four different lenses. These lenses focus his thinking in 4 different but related directions. Firstly the dialectical thinker sees all events in the world as occurring within a certain *context* and being intrinsically part of that context. Typically, business problems sit within a structural context, perhaps that of the organisation itself, or the market. The essence of this lens is that whatever we look at, it is part of something larger and therefore there may be a host of external factors that are being brought bear or could be brought to bear. The second lens is one of emerging change or *process*. It tells the dialectical thinker that things are never static, although we may refer to them as such. There is always an underlying process and change occurring. There are therefore forces at work for and against that appear to be keeping something static, and an ebb and flow that will eventually not only result in change, but in transformation. The third lens is one of common ground or *relationship*. Whatever we can point to in the world is related in some way to something else. Things happen for a *reason*. Whatever happens to something will have an impact somewhere else, and things that appear to be quite separate always have something in common. The fourth and last lens is the most powerful lens of all – that of systems in transformation. This lens enables the dialectical thinker to see that there are positive and negative aspects within any system that impact on its stability. Eventually such positive and negative aspects integrate with each other leading the system to self-transform.

In dialectical terms, Moritz' thinking style might best be described as 'taking in everything at once instead of fixating on pieces (=contextualization), looking at all the forces that might influence the technology and market development (=looking at what emerges) and filtering the information and reweaving the pieces (=looking for interconnections & common ground).

Dialectical thinking processes are characterized by continuously receiving, creating and processing information in more complex forms than logical patterns. Open to the constant flow of additional information to consider, a dialectical thinker constructs in her mind conceptual systems to understand the complex world, free of the closed-loop linear logic that convinces others that they understand how the world works and that there is a definitive solution for every problem.

Table 3.2 summarizes these conceptual systems, which we call thought forms (or constellations of thought forms), categorized by the lens which they utilize. By identifying their use within the underlying structure of peoples' dialogue, we are able to evaluate the breadth and depth of their thinking, and consequently measure their cognitive capability.

Table 3.2: Table of thought forms by lens

Context	Emerging Change	Common Ground/ Totality	Systems in Transformation
Pointing to parts within a whole	Pointing to unceasing change	Recognizing & describing limits of seeing things separated	Recognizing & describing the fragility of systems (including how quantitative changes lead to qualitative changes)
Pointing to the organized whole	Recognizing & describing what might become through including opposites	Recognizing & describing the value of bringing into relationship	Recognizing & describing contradictions and sources of disequilibrium between systems as a source of development
Recognizing & describing integrated structures and system functionalities	Recognizing & describing through weaving different change processes	Critique reduction of complexity by describing neglected issues or the absence of common ground	Evaluating and describing the new equilibrium following resolving contradictions
Recognizing & describing assumptions and theories behind the context	Recognizing describing patterns of interactions that change	Recognizing & describing common values or judgment systems	Evaluating and comparing different systems (equilibrium, inclusiveness, differentiation, integration)
Recognizing & describing the stability of system functioning	Recognizing & describing the active creation of knowledge	Evaluating & describing the formal structures that tie issues together	Evaluating and integrating that two or more systems can be coordinated
Evaluating meaning from different frames of reference	Evaluating how 'form' evolved from a 'process'	Evaluating & describing the patterns of Interaction in relationships (with focus on common ground)	Evaluating and describing the emerging, self transformational character of systems
Evaluating theories and ideas from multiple contexts (statically by horizontal accumulation)	Evaluating the embeddedness of change processes in larger change processes ,presence of past in the presence)	Evaluating & describing higher order preceding relationships (Intrinsic relations (preceding what they relate)	Evaluating and integrating multiple perspectives for the sake of doing more justice to the complexity of reality

Assessing social-emotional and cognitive capability

CDF as a background framework and as a high level interview technique

We use a semi-structured interview technique to assess a manager's social-emotional stage and level of cognitive capability. Respectively, unlike normal interviews that resemble question and answer sessions relating to someone's experience or views about certain subjects, in a CDF interview, the interviewer engages in a conversation with the interviewee. To measure social-emotional level, the interviewee is invited to choose from a variety of prompts so as to talk about four experiences that have special significance to him, such as a recent success, or a time when he had to make a strong stand on an issue of importance to him. The interviewee's comments are recorded and transcribed, then analyzed using a rigorous methodology. Similarly to assess cognitive capability, the interviewee is asked to elaborate on how he sees his work using a conceptual framework that divides his perceptions into a number of themes. Here again the interview is recorded, transcribed and analyzed for the number, variety and clarity of thought forms used by the speaker. Content is seen as rooted in the structure of thinking. The interviewer focuses solely on *how* the interviewee is thinking (whether the interviewee uses or not uses thought forms)..

We can see an example of such analysis by looking at an interview fragment of Steve Jobs, CEO of Apple, telling the story of the iPod. In what follows the thought forms in use are shown in italics between brackets.


“With technology out there to digitally download free instead of paying \$19 for an average CD, the trend toward digital music was clear. This trend was underscored by the fast growing demand for MP3 players that played the mobile digital music (*Jobs identifies the conflict between different modes of distribution and predicts that it will be developmentally resolved in favour of the internet = a transformational thought form*). In agreement with five major music companies – BMG, EMI Group, Sony, Universal Music Group and Warner Brothers Records – iTunes offered legal, easy-to-use, and flexible à la carte song downloads (*Jobs identifies a variety of stakeholders and unites them = a “finding common ground” thought form*). By allowing people to buy individual songs and strategically pricing them far more reasonably, iTunes broke a key customer annoyance factor: the need to purchase an entire CD when they wanted one or two songs (*Jobs sees the developmental potential that would emerge after breaking the implicit rule that songs should be bundled together in an album = another transformational thought form*) ... Customers have been flocking to iTunes, and recording companies and artists are also winning. Under iTunes they receive 65 percent of the purchase price of digitally downloaded songs, at last financially benefiting from the digital downloading craze. In addition, Apple further protected recording companies by devising copyright protection that would not inconvenience users – who had grown accustomed to the freedom of digital music in the post Napster world – but would satisfy the

music industry. The iTunes Music Store allows users to burn songs onto iPods and CDs up to seven times, enough to easily satisfy music lovers but far too few times to make professional piracy an issue.” (*Jobs critiques formalistic thinking, accordingly unifying a diversity of approaches, which is a transformational thought form*).

It is clear that executives who go on to make convention-altering, strategic moves across conventional boundaries of competition must think by weaving together a variety of different thought forms. Our assessments using CDF enable us to see what thought structures a manager can (or cannot) use to conceptualize how they might reconstruct existing market elements across industry and market boundaries so as to free themselves from head-to-head competition. ©

DESTINY as assessment tool

CDF provides a structure that helps to look at the kind of meaning making and sense making and the behavioural strategies that will, or will not, be effective for managers in the long run. After reading Otto’s most insightful books *Measuring Hidden Dimensions of Human Systems* the insight grew that we could integrate the CDF interview techniques in an existing method, the DESTINY. The DESTINY method©, developed by Bridges for Choice and Connect & Transform, was an answer to failing classical competency based assessment methods who gave a summary of one’s behavioral strengths and weaknesses, but failed to make clear at what level of added value managers deal with complexity and fail to answer the question “Are you (developmentally) big enough for the job?,” and thus fail to predict future development.



The D.E.S.T.I.N.Y.© is a *structured interview* that lasts between 1.5 and 3 hours and is based on a set of cards. The candidate chooses a statement that best represents his/her own level of functioning. S(he) then illustrates the choice with personal examples from work. Through probing, cognitive fluidity and social emotional development phase are assessed. Via the D.E.S.T.I.N.Y.© we can draw conclusions with regards to the candidate's present and future functioning (over the next 5 year) on a scale of 5 complexity levels.

DESTINY was a *higher level framework* that enabled us to look at the level of complexity individuals can cope with. We operationalized complexity in terms of different ‘themes’ colouring decision making as well as the associated competencies needed for functioning on a certain level of complexity.

The central idea was that a competency would express itself differently at a different level of complexity. That is why, e.g., some competencies in some systems were seen as threshold competencies needed to be screened at graduate recruitment level, while others appeared to become distinguishing for success at higher management levels and to be screened in

potential assessment. In fact they belonged to the same competency cluster but their expression took a different format. That is what we also built into our approach: different generic behaviour descriptions for a specific competency at the 5 first levels of work complexity.

DESTINY is an acronym. It not only defines the different competency themes at the different levels of complexity, but also indicates that the result can be mapped on a *talent development chart*. We further made a logical distinction between *work related competencies* (categorised according to input-throughput-output related competencies), *social competencies* (categorised according to self management, working with others and leading the efforts of others) and an *ethical competency* (focusing on living or setting norms, values, culture).

Acronym	Themes
D	Defining vision and objectives (Work-Input) This dimension sheds light on the way a person deals with objectives
E-DM	Enabling; Judgement and Decision Making (Work-Throughput)
E- Am	Enabling; Coping with Ambiguity (Work-Throughput)
E-PI&Org	Enabling; Planning and Organising (Work-Throughput)
S	Succeeding (results orientation) (Work-Output)
T	True Self (Social-Self) This dimension reveals one's ego-strength: how easily the candidate learns from experience and how resilient is s(he).
I	Interpersonal Skills (Social-Other) This dimension describes how one involves and influences others in the realisation of plans.
N	Nurturing (leadership) (Social-Managing) This dimension examines one's coaching competencies.
Y	Integrity This dimension regards the manner in which one deals with values

Research and experience have shown that working with sort cards encourages people to talk about their outlook at work, and to speak about their experiences and contributions to the organization. We decided to establish a card system with 2 descriptions of a particular competency at a certain work level. This resulted in “trigger cards” (9 competencies, 5 levels, 2 descriptions) into whose content a speaker could project him- or herself.

We also knew from experience that a structured interview process helps to make the translation from generic statements to the unique situation of the person one is assessing or consulting to. Therefore we developed an interview approach that would enable the individual to provide us with real data on how s(he) approaches work. We do not present all the cards at once, but do so based on an original judgment of the level of work of an individual (based on how individuals describe their accountabilities), we offer cards in pairs. People choose the card that best presents the way they work and give us examples. We keep offering extra cards until we have a clear idea of the level. This has the advantage that

we do not bore a level 5 person with level 1 descriptions, or we do not scare a level 1 person with behavioral descriptions that do not make any sense to them.

The CDF interview method was integrated in the DESTINY in a double way.

In each theme mind opening questions were integrated as probing questions. The probing questions were meant to invite the interviewee to demonstrate the fluidity level of use of thought forms. Table 3.3 illustrates this for the theme ‘succeeding’.

Halfway the interview, we made a link between the theme and a related the social-emotional question. For instance, we added the question ‘for whom was it a success and why?’. For the ‘Interpersonal skills’ discussion we added the question ‘can you think of a situation where you suddenly became very conscious that you saw yourself as not fitting in, being an outsider, and how did this make you feel?’

A necessary condition to work with the DESTINY method is a good understanding of the theory of work levels, combined with high level CDF interview skills ensuring that a maximum of relevant information is gathered. The method will elucidate competencies that show a level of capability differently from the one the interview is probing, in that some competencies might be “forerunners” of unrealized potentials (misleading management about the actual capacities of an individual), while others may “lag behind” existing strengths of the person, thus being an obstacle to fulfill an existing potential.

*Table 3.3: Example of interview questions – theme ‘planning and organizing’
(C = context, EC = emerging change, CG = common ground, T = transformational question)*

Dimension Enabling – Planning and organizing	
<p>Lead question: <i>Can you give me an example of how you organize and plan things?</i></p> <p>Probing questions (C) Is the planning you are describing part of a larger integrated planning? (EC) How has the planning you described changed over time? (CG) What ties the different ideas on planning together? (T) How are the different elements that influence the roll-out of the planning coordinated?</p>	<p><i>Cards Chosen</i></p> <p>1 2 3 4 5</p> <p>1 2 3 4 5</p>
	<p><i>Level of explanation</i></p> <p>1 2 3 4 5</p>
	<p>Thought form category</p> <p>Context Emerging Change Common Ground Transformational</p>

Bart's developmental profile

Let us look now at where Bart was in terms of his social-emotional and cognitive profile. To understand his level of social-emotional development we must first form a hypothesis as to the likely upper and lower limits. At a minimum we would expect Bart to be at the other-dependent level. This is because to have achieved a successful track record within the organization to date he would at the very least have needed to be in tune with the expectations of his seniors. He could not have just “gone his own way” from day 1. In fact Bart was very aware of what the organization and his bosses wanted from him, and in being ambitious, he was very keen to comply. He had taken his development seriously in terms of meeting and exceeding the standards for the competences that he was required to exhibit. But, we have already said that the work Bart was tasked to perform in his new role required him to be at the fourth level – self-authoring. Had Bart attained that level? There was a fair amount of evidence to suggest that he had not. For one thing, Bart seemed very concerned to follow the way he had been trained by the company in Europe. He knew he had to work in a certain way, to understand his clients and to lead his team by involving them, but he did not try in any way to adapt this style when he arrived in North Africa. He assumed that the principles that had served him well before, would continue to do so. He did not develop his own unique way of doing things by seeing the limitations of what he had been taught, and by stepping outside of what he thought his boss expected. The competences or behaviors that he had learned were still very much part of the way he operated, and he did not stop to question or challenge them. Perhaps unconsciously he thought to do so would be too risky. At least (he might have reasoned), if he followed company procedures then he would be able to defend himself in the event that results were not forthcoming. So Bart was most likely conflicted between what he thought was expected of him and his own best thinking. In other words, he was somewhere behind where he needed to be in terms of social-emotional level. At level 4, he would have been able to challenge his organization's and his bosses view of the correct way to proceed, and to make his own judgment about the path to follow.

What of Bart's cognitive profile? How did he see the “problem” of breaking into these new markets? It is clear that he had difficulties understanding North Africa's complex, interconnected, globalized nature. He saw the challenge in terms of competing on price and service offering. He tried to solve that challenge ‘logically’ by gathering information on the service that his customers had received in the past, and what he thought his competitors would likely offer now. But he missed the point that many infrastructure projects were being initiated by a mix of community development and NGO financing. By focusing solely on aspects of competition that were similar to those he had experienced in Europe, he missed seeing the developmental context underpinning the way investment decisions would be made. He was also unable to see that potential customers in North Africa did not procure services in the same way as did those in Europe. On the surface, they appeared to want competitive pricing and products with advanced features, but underneath, what made the difference to them was whether they felt they could trust Bart. And to do that, they had to

see if he could behave like one of them. Had Bart been thinking more dialectically, he might have understood the broad context in which he was working – the fragmentation of the local marketplace, the power of small NGO organizations, the links between religion, urban development and politics in contracting and financing, the importance of relationships and rituals, and the difference between what a customer said and what he meant. But as primarily a logical thinker, he thought the process was much more straightforward – identify customers’ needs and wants, establish price parameters, specify competitive offering, win tender. Bart failed to understand and make explicit the context in which he was doing business. For example, he could hear what his client’s concerns were but he was unable to link those concerns to the larger religious and cultural whole of which they were a part through relational thought forms. So he missed the need to get other stakeholders on his side in his negotiations to achieve common ground despite diversity.

Bart might also have brought to bear the second class of thought forms – those of emerging change. These could have helped him see that there was no one best way to win business in North Africa – no “best” practice, only *good* practice. Hence he would have realised that he would need to use an iterative process in order to discover how to appeal to his customer, and to see each failed attempt as an opportunity to learn from failure.

The third class of thought forms – common ground – would have helped Bart search for interrelationships between apparently conflicting points of view and enabled him to integrate what he had learned as the method for winning business in Europe with a new way of working in North Africa. He would have seen that although different on the surface, there were patterns of interaction that were similar. He could then have used these insights to craft a strategy to his superiors that did justice to the diversity of points of view in existence (and could have justified it).

Lastly Bart might have applied the fourth class of thought forms – “systems in transformation” to understand that the market in North Africa had the potential to be transformed through his and his competitors’ interventions, and that some of the outcomes were essentially unpredictable. He might therefore have considered and allowed for a variety of different scenarios that could have unfolded in time and could have taken more risks.

Bart was clearly a competent manager. But his competence went only as far as his experience and developmental level would allow him to go. He was neither able to think sufficiently broadly about his work, nor was he able to separate himself from the expectations of those above him sufficiently to take an independent standpoint. He was, in effect, stuck. He was obliged to follow what he thought was “best practice” - the way he had learned to do things. Following the “Peter” principle, Bart had been promoted to his level of incompetence, which in effect meant that the role was too large for him. Let us now look at how one can measure “size of role”.

Elliot Jaques taught that higher levels of accountability in organizations required higher levels of thinking in order to manage higher degrees of complexity. He found that there was natural order to this hierarchy and identified 8 levels of complexity which he associated with 8 strata of accountability. We take into account a number of factors when considering the level of work complexity at which a role sits. These are:

- a. The stated purpose of the role in terms of the value that it is expected to deliver. Typically this will be referred to in job descriptions as “Key objectives”.
- b. The breadth of the complexity of collateral working. For example, some roles require the incumbent to work with people only in a local workgroup, others require the incumbent to work with people distributed functionally and globally.
- c. The complexity of the leadership role and degree of integration needing to be managed. The integration of business units is a more complex task than the integration of two teams within the same function.
- d. The complexity of external interaction. For example, client relationship management is generally more complex than service provision.
- e. The extent of resources under management. The variety and amount of assets at the job holder’s disposal.
- f. Performance outcomes. The complexity of the criteria by which performance will be measured.
- g. Extent of change required. The degree to which the job-holder must come up with new and different ways to do things.
- h. The time span for completion of the work (planning horizon).

In table 1.2 (chapter one), we differentiated the levels of complexity in terms of the dominant theme of the work required. These themes give a flavor of the way in which the role at that level adds value to an organization, and the accountabilities and decision rights that a typical role at that level would involve. The holder of a particular role would expect to be held accountable for certain typical outcomes and results, and such accountabilities are expressed by the way performance is measured, by the time span for completion of work, and by the resources allocated to the task and the quantity/quality standards to be applied. Decision rights are defined by the decisions that a role-holder is authorized to make on his own, i.e. without securing a higher manager’s approval. Decision rights are implicit in the organization’s description of the role, and the role-holder is legitimately expected to apply them on his own initiative.

The kind of work defined at level 1 is typically carried out by supervisors who are tasked with getting things done, almost immediately, at a defined quality standard and using specific resources, all within a targeted completion time. Such roles require executional and/or service excellence and a decision making based on professional expertise and common sense. Their managers, at level two, are accountable for delivering against operational expenses budget, including staff costs. This requires objective setting, analysis of a wide

variety of case problems and optimizing standards and procedures so that the front line can do their job in a more effective way.

Work at the 3rd level of complexity is normally carried out by middle managers. Their focus is on functional execution, productivity and value streams. They may be engaged in rethinking the way collaboration is organized throughout the company, e.g. how sales and production plan work together, how IT and product development can improve collaboration, how terms with company's suppliers might be renegotiated. These accountabilities generally involve the role-holder in thinking within a two year time horizon.

At the highest levels of complexity, CEOs of global corporations may be tasked with reshaping their enterprises in order to meet changing industry dynamics within a shifting economic and social-political environment. The changes they make could take up to 20 years to unfold, possibly longer still.

The challenge of matching “size of person” with “size of role”.

Jaques coined the term “requisite organization” for an organizational structure that was optimized in terms of hierarchy and accountability. He thought that many typical sources of inefficiency within an organization such as poor communication, weak leadership, bureaucracy, lack of lateral cooperation stemmed from an under optimised structure of role assignment. The basic rules for requisite organization are that each successive stratum of accountability: -

- has a unique contribution and a requirement for more complex innovation that will create value for customers, shareholders and society;
- has a planning horizon that is further into the future;
- has discretionary control over a broader and more complex set of resources;
- holds the role holder accountable for contribution to financial results reaching farther into the future and deeper into the income statement and balance sheet;
- requires the integration of an increased variety and complexity of entities, such as teams, functions, business units, companies etc.

Jaques saw, and many others have confirmed, that organizations frequently over or under tier their management structures. That is to say, they put managers working at the same level of complexity in charge of one another, or they leave unfilled gaps between managers working at levels of complexity that are separated. From a talent management perspective, such configurations are destructive as they either stifle talent in the first instance, or stretch talent too far in the second. Was Bart a victim of such a mistake?

We have already pointed out that Bart's work was at the fourth level of complexity in that he was required to develop an entirely new market. Meanwhile Bart's boss was heavily focused

on directing and sustaining engineering efforts for the firm's existing products, by defining and implementing technical problem solving methodologies – third level of complexity tasks. He had little interest in, or authority over, the restructuring of the organisation so as to create new products suited to the customers in Bart's region. By consequence Bart was required to work at a level of complexity above that at which his boss was working. This inevitably resulted in Bart feeling unsupported and blocked in his role.

Matching the capability of people with the scale of the task they have to undertake sounds obvious and simple, but it is rarely done through objective measures of capability and role complexity. Instead, many organizations rely solely on competency models that are behaviorally focused and do not take into account the complexity of work. Why do organizations persist with such limited methods? Possibly because the methods are put forward as “best practice” by HR professionals and first line managers who are themselves not yet “self-authoring” nor capable of thinking effectively at the fourth level of complexity. Consequently their thoughts and actions are constrained by what they believe are the expectations of other senior managers. In our experience, the practice of building competency frameworks relies too heavily on the mental frameworks of the participating line managers. This commonly leads to the definition of sets of behaviors for each competency that differentiate between the first two or three levels of work complexity, but which do not differentiate effectively at higher levels.

CDF provides a precise methodology for measuring the “size of person” and size of “role” and a theory which links the two together. Organizations that successfully make such matches at senior levels are much less vulnerable to two kinds of human capital risk. Firstly they will avoid staffing roles with people of inadequate capability, and thus they stand a better chance of being able to execute their strategy. Secondly, they will not waste resource by putting people into roles which are beneath their capability. Effectively they will maximize their return on human capital.

Part 3 - Connecting Strategy with Talent Management

The need for growth assignments

We have already indicated that people are rarely static at a particular social-emotional stage or level of cognitive capability. By understanding the developmental level and trajectory of its' talent, an organization can plan to meet the staffing requirements of its strategy. More significantly, an organization can actively develop its talent and execute its strategy at the same time through the medium of “developmental growth assignments”.

According to CDF, adult development determines learning, and learning takes place when people are put in situations that require them to think and act in new ways. The realization

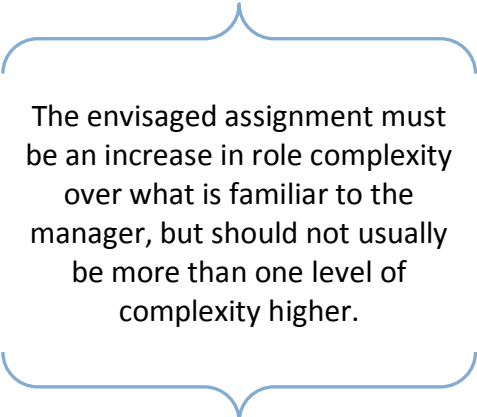
that a new way must be found typically comes after failure with old ways, and therefore a manager must be given opportunities to “fail”, to reflect on that experience, to formulate new ways of thinking and acting, and to practice those new ways in the real world. Classroom learning, while useful, does not afford such experiences. Hence we recommend that managers are progressively given roles of increasing complexity and decision-making authority, which then create the need for them to broaden their frame of reference. We call such roles “growth assignments”. These roles need to be carefully chosen, taking into account what the manager has already acquired and not being more than one complexity level higher than the one currently mastered.

The content of the roles given to managers makes the crucial difference in whether they are being developed or just moved around. Managers’ developmental growth occurs when they are given roles that are significantly larger in scope and complexity, as these roles require them to exercise new mental skills to find ways to create value without simply doing the job of those beneath them. The scope and complexity of roles can be increased in many ways: the degree of change required, the planning time-horizon, the amount of assets and capital under management, and the diversity and number of customer/stakeholder groups to be managed. Normally, it requires a manager once removed (i.e. two levels higher) to be able to determine which aspects of a role are more complex than others.

Managers in growth assignments also need to be mentored by someone at a higher level developmentally, and to be supported by the organisation when their initial efforts fail. Through the dialogue that mentors initiate, they can play a vital role in facilitating the thought processes of the manager by enabling them to see their situation in increasingly broader contexts, to notice the changing nature of those contexts, to see the relationships between different elements of the contexts, and to spot possibilities for transformation – in other words, to think dialectically. Mentors can also facilitate the social-emotional development of managers by providing feedback and helping them become more aware of the interpersonal processes at play, and the scripts, games, manipulations, power dynamics and patterns enacted in relationships.

Designing growth assignments

The main thing to bear in mind when designing a growth assignment is that one is looking to stretch the manager beyond his current social emotional and cognitive capability (not competence), but not by too much. Three questions that we ask ourselves to help determine whether a growth assignment is appropriate for a manager are as follows: -



The envisaged assignment must be an increase in role complexity over what is familiar to the manager, but should not usually be more than one level of complexity higher.

- What aspects of the assignment represent an increase in complexity by comparison with what the individual is currently comfortable?
- In what way will the assignment bring the individual into contact with roles and networks that are currently unfamiliar to him?
- What areas of the assignment will require the individual to make more complex decisions than are required of him in his current role?

Depending on the extent of the change in complexity, a growth assignment might involve the individual in a completely new work theme, or it may be a continuation of the theme with which the individual is currently occupied. Either way, the assignment should present the manager with a more sophisticated “problem” and require a broader, more holistic business perspective. The assignment should also bring the individual into contact with new roles, relationships and stakeholders that he is not involved with in the current role. Such contact helps the individual to encounter a broader set of perspectives about the problem and thus helps him shift his frame of reference. Finally, the role should require the individual to make decisions with further reaching implications than previously, and hence to take on the burden of greater responsibility.

Choosing growth assignments is not a precise science and there will naturally be some grey areas. If we try to control or micromanage growth assignments, we risk squeezing out the very life forces that give rise to successful development. The key is to focus on finding ways to nurture and accelerate the mental growth processes of individuals by creating opportunities for them to develop broader conceptual frameworks, increasing complexity one step at a time.

Table 3.4 brings together 4 core characteristics of growth assignments at different levels of complexity. The characteristics are:

- The locus of added value that the growth assignment is intended to produce
- The scope of the *problem space*. Here we refer to what the problem might contain (*the problem space*) as opposed to how a person might define it (*the problem*). *Problem spaces* at higher levels of complexity imply progressively broader accountability and decision authority.
- The focus of debate. We refer here to the kind of debate that someone undertaking the assignment would need to hold with himself and others in order to determine how to improve on what exists already. The individual’s line manager may well find such a debate threatening as it calls into question the management approach in use. We recommend that such debates are held between the individual and their manager once removed, who is best placed to broaden the individual’s mental framework by a process of interaction and feedback.

- The relevant performance indicators that demonstrate the value added by the person in the role.

Table 3.4: Characteristics of growth assignments: locus of added value, scope of the problem space, focus of debate and the related performance indicators, in descending order of complexity (the examples of performance indicators are based on Fairfield, 2005)

Locus of added value	Scope of problem space	Focus of debate	Examples of Performance outcomes
Transformational: New Business Remodeling and reshaping the relative competitive position.	Integrate all business entity functions and processes (8+)	Assessing business viability risks, risks to a community of stakeholders. Debating changes in value systems and the consequences of this to create conditions for the introduction of innovative products and services relevant to these changes.	° Future value creation to meet future stakeholders' needs. (growth, profit and return from existing and new business models, enterprise value)
Breakthrough: Develop and implement alternative strategies and structures.	Integrate 2+ functions and 2+ cross-functional processes.	Assessing business value risks (environmental, supply/demand chain). Debating whether the systems in the operational domain are really doing what they say, understanding the meaning behind any discrepancies, based on knowledge of changing value systems.	Future value creation indicators to meet future customers'/shareholders' needs (shareholder value analysis: relative competitive position, symbiotic partnership integration, development of viable new products, new services, new markets, return on equity, return on assets).
Systemic: rethinking operational processes	Integrate multiple teams across a process or value chain.	Assessing business operational risks. Debating whether means need to be allocated for alternative products/services to chosen clients and alternative ways to meeting the requirements.	Balanced scorecard indicators, integrating operations and customer management, innovation and regulatory/social processes. (such as total quality management, reliability based maintenance, strategic purchase segregation and inventory management, ultimately leading to year over year value creation, profit and loss).
Situational: optimizing practices and differentiating services	Building a functional team. Assessing person-team risks.	Debating whether the inputs to the process, the procedures and the tools are still the best for meeting the client's specific requirements.	Efficiency measures for current processes to respond to customer needs (combined performance measures, such as local sales, end of line inspection, eyeball check, cash flow, ...).
Procedural: better use of available resources	Integrate role within procedures.	Debating the relevance of the several specifications to learn what are the minimal critical specifications of the output, the input and the process itself, leading to more efficient work.	Task/Job concrete efficiency measures including Quantity, Quality and Service Excellence to customers (single performance indicators such as number of defects, sold items, nearly accidents, ...).

Examples of growth assignments at the first level of complexity are: quality improvement interventions; participation in departmental meetings where operational work is evaluated; combine elements of different types of executional roles; and investigating how resources can be used in a more efficient way. Such work requires the individual to manage him/herself and to apply practical judgment to make decisions about the way that resources such as time, skills, equipment and materials are deployed to optimum effect - neither wasted nor misused. There is usually a clear procedural framework employing simple models to guide decision making. Snowden (in his framework for organizational sense making) refers to such work being carried out in the “ordered domain of known causes and effects”, which is characterized by empirically validated, linear predictive models. It is “the domain of efficiency improvements”. The individual undertaking such an assignment learns to debate, compare and select the optimum procedure according to a defined set of rules.

At the second level of complexity, growth assignments involve developing customized solutions for internal and external clients and reviewing standards and procedures. This requires the use of more subjective judgment as there are no right or wrong answers any more. Several options may have to be considered, all with different pro’s and con’s. Six Sigma is an example of a popular model used to improve efficiency at this level. Judgments involve interpreting different, and sometimes conflicting, organizational priorities and making trade-offs between pursuing “correct” solutions and making a decision. The process is one of gathering facts and enough accurate information to come to a sound diagnosis of the situation. Development at this level involves learning managers how their work with team members is interconnected with a broader range of activities within the organization. They must learn to analyze discrete and non-routine problems, must know that knowledge is distributed in the team and that a variety of solutions is possible. Some fact gathering and diagnosis will be required to enable the appropriate solution to be found. The main pitfall is one of becoming involved in oversimplification and micromanagement. Examples of typical growth assignments are participation in contexts where trade-offs between different solutions and prioritization of activities essential. Often this involves participation in work groups, special projects, task forces, interdepartmental committees, leading or managing a service delivery work team or conducting research as part of a multidisciplinary team. Performance measures recognise the need for trade-offs to be made regarding factors such cost, quality, timeliness, safety and efficiency. Debating how to optimize such factors in order to best meet a client’s specific requirements causes the manager to employ a broader number of context thought forms.

At the systemic level (level 3), value lies in delivery of planned performance, while at the same time continuing to get better performance from assets and resources year on year by rethinking operational processes and deploying organizational resources by more economic and effective means. Clever refinement, adaptation, modification (possibly requiring patent protection) and operational innovation are the hallmarks of good development at this level. Planning beyond the current financial year (up to 2 years) is essential, as is monitoring actual

results against what was planned. Managers at this level normally work across group disciplines, functions within a business, and sometimes a number of countries, in order to improve the performance of their unit or department (by ensuring a product's critical path is met and launched on time, for example) or to rethink the delivery of a process, operational system, study or project. Managing and co-coordinating a variety of resources e.g. people, equipment, budgets and systems become the central focus, and connections and links between these different elements must be made in order to draw them together within a broad coherent framework. Managers at this level cannot tell colleagues what to do. Instead they must persuade, convince and cajole cooperation and support from people who have their own priorities and objectives. Typically therefore, growth assignments will involve change activities such as leading or implementing a 'whole' organization project, managing the interface between consultants and the organisation for a critical project, managing a temporary taskforce consisting of experts in a area that is not ones' domain of expertise, or bringing a successful conclusion to a conflict between teams, units or functions. Performance indicators for such assignments must take into account the impact that decisions have on overall customer revenues, market share and annual profit and loss.

The central theme at level 4 is more strategic than operational. It is not just a matter of ensuring existing assets continue to perform better. This is the thrust of accountabilities up to and including level 3. The manager will review the overall strategy and direction based upon analysis of gaps in the availability and performance of resources, product portfolio and systems. At this level, decisions are complex because a major change—a bad quarter, a shift in the distribution of power, a merger or acquisition—introduces unpredictability and the potential to derail plans. Hence, a broader mental framework must be employed to connect, see links and pinpoint alternative ways to achieve objectives. Managers need to think in terms of emerging change and common ground in order to spot potential hazards before they materialize. Such mental processes can be facilitated by a debate about how best to structure the provision of products/services to chosen clients and how to allocate resources for alternative products and services for known clients and alternative ways of meeting the needs of those chosen clients. The basic question here is how far and how late do we react to developments in the environment? In our view, in order to be successful at this level, a manager needs to be at least at the self-authoring stage and to be capable of the transformational thought forms needed to overcome the many traps associated with working at this level. One such trap is the common assumption that continuous improvement of current practices, products, systems and services will be sufficient to safeguard the competitive position of an organization. In order to avoid this pitfall, it is important to develop abstract ideas and concepts that are detached from previous business models and which create a new perspective of the business. By looking for the underlying patterns in events, redefining problems so that they can be approached from different angles, comparing the merits of alternative courses of action, calculating the risks and benefits and developing opposing points of view, a manager can come to make critical

decisions that take a business in new directions. Such opportunities open up in the debate about whether operational systems are really doing what they say and what the differences really mean, highlighting changes in value systems. A typical growth assignment might involve the integration of diverse systems and processes from a number of centralized units in a domain unfamiliar to the executive. Alternatively, assignment might involve at least one of the following: -experiencing and articulating an external (e.g. community, business, regional or international) changes in value systems of major stakeholders; leading projects with a full range of functions or processes (with e.g. manufacturing, selling and development activities involved); leading a project team with staff drawn from both different national offices and business partners; contributing to the management of the political-government interface. Performance indicators should include the future value creation for the company if the executive is to achieve real personal growth.

The objective at level 5 is to ensure the long-term financial and social viability of the enterprise itself. Here the manager has to identify changes in the economic, political, social, technological and environmental context that could impact on the organization's continued competitive position and bring into being those products/services, outside relationships, structures and systems that may be necessary to ensure sustainability. The executive has multiple responsibilities; she has to position the organization appropriately in the external socio-economic context (reporting to shareholders via the Board and to other stakeholders through appropriate channels); she has to create a culture that sustains a good work climate (especially in times of change and uncertainty); she has to determine the overall direction of the organization by setting targets and objectives; and she has to seek partnerships with stakeholders and nurture new possible business relationships. She brings her judgment to bear on decisions based largely on her assumptions about the impact of factors such as social, political, economic and technological trends, and the effect that a variety of possible future scenarios might have on the viability of the organization in the long term. In order to create the conditions necessary for product and service innovation, she needs to think highly flexibly by combining different categories of thought forms, re-assessing values, and creating new conceptual approaches to business. People can be prepared for this level by engaging in complex scenario planning, networks of captains of industry (e.g. Davos, Bilderberg group, ...), taking leading roles in employers' associations or participation in open innovation networks. Performance indicators include indicators of future growth, as well as current value creation for shareholders and other stakeholders.

The role of the manager-once-removed in growth assignments.

Growth assignments can create potential conflicts of priority and interest between the individual and his or her immediate superior. Specifically, line managers may find it frustrating that their subordinates are involved in activities that take them away from their usual role. The manager-once-removed (MoR) has a crucial role to play in helping the

individuals integrate such competing priorities. He should therefore act as a mentor to individuals involved in growth assignments.

Joining strategy and talent development

Some companies determine their strategy and then try to find people for the jobs. Other companies focus on getting good people, and allow their strategies to emerge as the talent gets to work. Our view is that a key part of both strategy formulation and talent management is for a company to take stock of the capability of their managers and the complexity of the tasks they are required to perform. Only then can strategy be confirmed and talent management implemented. The identification of talent with potential and the subsequent search for the right strategic assignment to develop that potential is the bridge between strategy and talent management, and turns conventional practice on its head. Once a company recognizes that strategy execution is dependent on having managers with the level of capability to match the complexity of the planned roles, it can align its growth plans to the developmental path of those managers and redesign or create roles and assignments specifically for each.

Instead of relying on high 'level' training programs to provide learning experiences that managers may or may not be able to put to use (an interesting side effect being the tendency of student MBAs to leave their current organisation once they have completed their studies), growth assignments can be designed that develop managers *and* achieve strategic objectives. Three perspectives need to be borne in mind: -

- 1) The strategic options open to the organization and the level of measured managerial capability required by the measured complexity of work entailed by such options.
- 2) The current levels of capability and growth potential within the existing talent pool.
- 3) The necessary requisite nature of the structure of the company. This last dimension is the most neglected one in current talent management practices.

Therefore the initial step when setting up an effective talent management system is to ensure that the organization is designed such that every level adds value, based on a hierarchy of increasing size of roles. This front-end accountability structure is required to ensure each manager adds value to the level below.

Guiding principles for the CEO

In thinking about how best to execute strategy, most people focus on what they see as required behaviors/performance, and these are certainly important. However, if employees at each level of the organization are to perform at their best and make the strategy work, they require leadership that pays equal attention to performance *and* development. The

following guidelines can help CEOs reduce the risk of failure when implementing the envisaged strategy:

- 1) Develop a top team with sufficient intellectual horsepower. Michael Raynor in his book *The Strategy Paradox* showed that organizations do not fail in their efforts to achieve their strategic objectives because of poor planning or execution, but simply because they overlook alternative scenarios and potential developments in their markets and commit to a single view of the future. The top management team must be capable of envisaging a broad range of possible futures and creating plans that can cope with the uncertainty inherent in time frames of 5-20 years into the future. Hence the CEO's first rule is to ensure that the top team has the cognitive capability to think fluidly about the future.
- 2) Blend strategy execution with executive talent development. By accepting that the strategy that will be realized ultimately has both planned and emergent components, and by being prepared to use growth assignments to develop executives and execute strategy simultaneously, CEOs can manage the risks associated with uncertainties about the future and the capability of the management team.
- 3) Underpin Talent Management with a framework that measures and matches "size of person" with "size of role". We submit CDF as an appropriate framework, and we imagine that there will be advances and improvements of it in years to come.
- 4) Engage "managers once removed" as the people ultimately responsible for the development of executive talent. Don't make executive development solely the preserve of executives' immediate bosses.
- 5) Accept that not all growth assignments will succeed, and that failure is as much a learning experience for the organization as success, if not more so.

What happened to Bart and why?

Let us now return to Bart's story to conclude what happened that caused the company's strategy to fail. When Bart began the role, he immediately started to look for opportunities to meet the needs of major cities for new infrastructure and for ways to overcome the funding difficulties of local governments by building a local network with a chain of suppliers. He wanted to put together a total solution to meet buyers' needs - something he had always been able to do successfully in the past. Although this strategy made sense at first sight, it did not take into account that key financing decisions were influenced by NGO's abroad; that local attitudes were changing for the worse towards Europeans; that there were differences in how financial sources assessed project risk in North Africa; and that religious status could have a profound effect in preventing access to local business networks. Therefore we may hypothesize that Bart's failure was related to his limited understanding of the business context in North Africa. He had a restricted appreciation of the emerging

changes in the marketplace; of cause and effect relationships; and of how to establish what might work in the situation.

A second hypothesis relates to the capability of Bart's boss. Here was a manager who concentrated on managing the current situation and performance by focusing on operational issues - constructing linear plans and implementing them. These are the preoccupations of a manager functioning at the third level of complexity. He was, therefore, unable truly to engage Bart in a debate about the broad variety of potentially critical uncertainties and ambiguities in the business context. Bart was predisposed to adopt his boss' view of the situation and had no-one to challenge his assumptions or to help him identify similarities and dissimilarities with what he had experienced before.

A related possibility is that Bart was insufficiently developed in social-emotional terms to resist his boss' advice and guidelines and hence to think independently of his superiors. Bart was in the process of evolving from the other-dependant stage (see table 3.1) towards self-authoring, but he was not yet sufficiently capable of generating the independent viewpoint necessary to create a breakthrough in a new market. Creating breakthroughs and reshaping profitability at the fourth level of complexity is not achieved by simply applying clear, technical, and universally applicable solutions to practical problems at the level of service differentiation/optimisation, but by making evidence based decisions emerging from considering multiple perspectives. Bart needed to use evidence based decision making on his own initiative in order to find a new way to operate, whilst using feedback and rigorous self-evaluation to offset the subjectivity of his thinking.

Bart has since reflected on how his way of looking at such business issues has changed over time, both generally as a result of his own mental growth and specifically as a response to the failure of his mental models for how to make sense of the North African situation. With retrospect he can see how potential customers in North Africa think differently from him about the way the supplier relationships should develop and the rules of doing business fairly. He now knows that although such views might not have been shared by headquarters in Europe at the time, this should not have deterred him. In his thinking, he was starting to develop and differentiate between a more diverse range of factors that could have determined the success of the North African business, but he was not given the time or support to develop his thinking in this respect. He now realizes that at the time he was, in effect, unable to separate himself from the internalized perspective he had on what clients, headquarters, suppliers and other stakeholders thought and expected.

Bart has since moved into a key business development role in the European headquarters, whilst his former boss left the company and was replaced by a high level 4 thinker. Together with his new boss, he is planning the start of a new growth process for the North African business.