



A Cultural Evolution—Changing How a Global Organization Defines Succession and Development

Overview

Employees:
25,000+

Sales USD:
\$5 Billion+

Industry:
Iron and Steel

Challenge

In 2001, a global leader within the metals industry purchased a North American steel organization, which solidified the organization's place as a dominant global player in the industry. "Our core competence is finding 'broken assets' and restoring them to profitability," commented the company's chief executive officer. However, for this company it was human capital, not financial capital, that would be the key to successful growth in North America. Organizational leaders realized the company would need to address critical succession and development issues in order to compete effectively in this new market.

The organization faced two major challenges. First, was the immediate need to change the business systems in the North American units to maximize operational excellence as they had in their home country. Next was the longer-term reality that 35 percent of its leaders would be eligible for retirement by 2015 and the talent pool for the steel industry in the U.S. and Canada was declining. To realize their growth strategy, the leaders of the organization focused on the need to develop and promote the best people to run their steel mills.

Solution

The organization contacted PDI, a global leader in leadership consulting that serves 80 of the *Fortune* 100 and 75 of the Global 100, to help them identify and develop the leadership skills that would be most essential to the transformation of the culture and competitiveness of the organization.

"The new CEO believed that while the organization had the resources, credit rating, and access to funds to succeed in this new market, the style and level of leadership would need to be elevated in order to ensure that qualified leaders would be ready for succession roles," explained PDI's Mike Catanzaro, a client manager working with the organization.

After several interviews with the executive team, PDI consultants identified five core competencies that would be essential for success as a leader in the

new organization—the foundation of which was helping leaders shift from a “command and control” to “coach and empower” approach. The organization then worked with PDI to conduct mandatory two-day workshops for managers to introduce them to and begin development work on topics such as leadership and coaching, leading change, and teamwork. These were conducted at four locations across North America.

After developing over 1,200 first-level, mid-level, and executive leaders for this company, PDI began to help them address the second major challenge: career and succession management. “We began by helping the organization identify their core philosophies and guiding principles about talent management. For example, ‘what does it mean to be high potential?’ and ‘do we believe in the 70-20-10 GE model?’” said Catanzaro. Once those core principles were established, PDI helped create a common language and method for evaluating performance, potential, and readiness so that they could assess the organization’s bench strength. For example, performance was redefined to include leadership behavior, as well as operational results—so it not only outlined what leaders accomplished, but how they accomplished it. PDI offered its Enterprise Competency Architecture to serve as the foundation for creating leadership success models for first-level leaders up to senior executives. “We worked closely with the organization’s senior leadership to make sure the competencies reflected what they perceived as critical to success and aligned with the corporate strategy,” said Catanzaro. The competencies were also designed to meet the legal requirements of the North American Standards of Uniform Guidelines on Employee Selection Procedures.

The company then used PDI’s TalentView of Performance® multi-rater tool to measure the “how” of leadership performance. This data was integrated into their SAP system so executives could use it for selection and development decision making.

Once a common framework and language were established, PDI created a two-day workshop to equip the organization’s talent review committee executives with the skills, knowledge, and data needed to conduct consistent succession planning and talent assessments each year. These processes were summarized in a *Career and Succession Planning Handbook* that leaders use to assess talent and plan for the future.

Result

“As a result of PDI’s engagement with the organization, there has been a shift in the leadership culture of the company. For example, the net change of people who agreed with the statement, ‘My manager trusts me to make good decisions’ had been rated favorably by only 22 percent of the hourly workforce in 2001. On the most recent survey, this percentage rose to 43 percent,” said Catanzaro. “In addition, leaders now realize that results include more than profit—they are also about people.”

More than 150 leaders have been equipped to make better talent decisions and have taken part in succession development programs. The organization measures “percent ready now” successors for its critical positions as a Key Performance Indicator (KPI) of the process. This number was 11 percent prior to PDI’s involvement. After the most recent talent review, this number has jumped to 27 percent.

“While we have more work to do, we have made significant progress in a short period of time,” said a senior HR director with the organization.

“The organization really went through a mind shift—where leaders in all areas of the organization, not just HR, now feel comfortable discussing development and succession planning. It really has evolved into a culture that embraces succession planning and development as a strategic business objective for success,” Catanzaro said.