

CHAPTER

12

PORTER NOVELLI

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Applying the Drotter "results-based" Leadership Pipeline approach to create a performance management system in a professional service firm.

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INTRODUCTION

The Drotter results-based approach is tailored to a professional services firm structure and applied in the development of a performance management system aligned with the business's strategy. Drotter's Leadership Pipeline approach is implemented, with the full performance definitions for each leadership level in the tailored pipeline becoming the basis for a new organization-wide performance management application. The Drotter full performance definitions subsequently become the "source code" for selection, talent management, and training planning applications. The focus of this paper is the first application, performance management.

Business Diagnosis and Assessment

In 2004, Porter Novelli, a leading global marketing communications firm, undertook a fundamental strategic assessment and visioning process to guide it through the next five years. The firm's CEO, president, and chief strategy officer led this process. The vision focused on a new approach to client account planning, a more client-centric structure, and a greater emphasis on operating interdependence between the globally dispersed offices in the service of multinational clients. It was felt that these three initiatives would dramatically increase the firm's capacity to win and grow large, complex, and geographically dispersed client accounts—the firm's strategic market target.

The senior management group identified the need to upgrade and align human resources management processes to successfully communicate and implement the new business strategy. The firm proceeded to hire a chief talent officer (CTO) to assist in the strategy implementation effort by designing and installing a more systematic, business-focused human resources management process.

In the CTO's opinion, the vision implementation challenge centered on creating the highest possible level of employee engagement with the vision in the short term—by providing people throughout the firm with a clear, specific understanding of what the business strategy meant for them.

His metaphor for engagement was specifying the "four entitlements of all employees." The CTO's experience with corporate change efforts had led him to the conclusion that specific answers to four fundamental questions were a reasonable baseline expectation for every employee, regardless of level or function:

1. What *specifically* do you expect of me?
2. How will you define success (and measure me)?
3. What's in it for me if I deliver the results you expect?
4. Will you provide me the resources I need/eliminate the barriers I face to achieve these results?

Individual role clarity and clear performance expectations are absolute requirements for these questions to be addressed. It was clear that the firm's current approaches

although based on current practice and invested with significant effort, were not meeting these requirements.

The CTO had previously become familiar with Stephen Drotter's Leadership Pipeline work, both as a client and as a consultant working with Drotter Human Resources. Drotter's primary focus has been executive succession and the related processes: executive assessment; organization and job design; succession planning; and tailored individual development plans. However, his core concepts add significant value in broader application, particularly for performance management, selection, and development planning at all levels. The emphasis on specific results required, as well as the positioning of management and leadership results as measurable business outcomes, aligned well with the needs of the firm.

Performance management practice was spotty at best, as the firm's current system—based on generic competencies—was complex and process-heavy. A leadership competency model upon which to base the system was missing. Professional development was considered important, and a full curriculum of professional training was offered. In the absence of a common "source code," the various HR processes did not align well, and therefore opportunities for mutual reinforcement were being missed.

Clearly, there were opportunities for human resources to make a business impact through better practice application.

Management Interviews Discussions with the CEO, president, chief strategy officer, and other senior managers both before and after the CTO commenced employment confirmed the need for a set of management processes that strongly reinforced individual accountability as well as the increasingly interconnected nature of the company's operations. Senior managers in all offices around the world would be asked to place global priorities over individual office considerations as multi-office and multi-region client accounts became the strategic imperative for growth.

The "Vision" Process "Vision 2004" was a combined business planning and senior management team-building exercise that involved detailed reviews of internal and competitive analysis, discussion of strategic alternatives, and development of the new client account planning approach for the company. A small internal team facilitated the process, which involved a global management meeting outside New York City, as well as a number of regional follow-up sessions. It provided the starting point for the strategy implementation effort. There were several significant outputs:

- i. Agreement on a new core client account planning perspective—that is, a new method for assessing a client's business situation and challenges and for developing solutions for the client;
- ii. Management training in this new methodology;
- iii. Confirmation of an emphasis on acquiring and growing large, complex client relationships;

- 3 Commitment to a closely coordinated “interdependent” operating approach across the global network; and
- 3 A project management structure to move these initiatives forward.

This set the stage for the communication and implementation effort. The chief talent officer joined the organization shortly after the first implementation projects had begun and moved quickly to review and recast the talent management portion of the overall plan.

Business Results A key assumption underlying the visioning logic was robust business growth over the strategic plan period. The company was solidly profitable, and the business was growing. The senior management group was confident that the enhanced focus on larger, more complex client relationships would take revenue and margin growth to new, sustainable levels. The bar was set higher.

Climate Measurement The company administers a biannual staff climate survey that measures operating culture along thirteen dimensions: teamwork; organizational culture; strategic planning; leadership; long-term focus; stake in the outcome; quality; client satisfaction; learning orientation; empowerment; communication; morale and loyalty; and survey results implementation. Scores in 2004 were on track with parent organization averages, but management wished to improve these scores on both a trend and relative basis. This would be an important metric for the effectiveness of the leadership and human resource management interventions being developed.

Feedback

As a member of the senior leadership team, the chief talent officer had abundant access to the other members of the group—the CEO, president, and the chief financial officer—to discuss his ongoing findings and developing recommendations. After the first ninety days, he had effectively presented his findings and made overall recommendations regarding priority areas to address and an agenda for the HR and knowledge development and learning functions.

The group’s frequent and informal open discussion format facilitated processing of the feedback and gaining consensus on how to move forward. The feedback and recommendations were

- 3 The business strategy was timely and sound, but it required better aligned human resources processes to successfully implement.
- 3 Important requirements of the business strategy—higher levels of sustained collaboration between senior managers across offices and geographies; a greater emphasis on leadership and management work; more explicit definition of role expectations and required performance at all levels; and stronger link between individual performance and reward outcomes—would be best achieved through revised role and performance definitions.

- The revised role and performance definitions could be best defined and delivered through an application of the Leadership Pipeline approach to work definition and performance standards development.
- Pipeline-based definitions of senior roles would more explicitly define management and leadership accountabilities for reinforcement with coaching, performance management, and revised incentive compensation plans. This would be effectively the first application of the Pipeline approach.
- The second application of the Pipeline approach would be a complete revision of the firm's performance management system. This was required to buttress reinforcement of individual accountability as well as support the updated performance-based pay and reward programs to be installed.
- The third Pipeline application would be selection practice, as an opportunity would be created with the new work definitions to introduce a more structured and consistent interviewing process.
- Another opportunity for Pipeline application would be to better organize and align the substantial existing training offerings with the company's career structure, as well as guide the prioritization of investments in new and revised offerings.

The general findings and recommendations were also communicated and discussed with the senior manager group over a number of regularly scheduled conference calls. There was broad acceptance of the conclusions and proposed direction, so program work was commenced.

Program Design Considerations

The appeal of the Pipeline model as the foundation for the new human resources systems was based on several opinions shaped by the chief talent officer's experience:

- Drotter's thinking takes us first to work, role, and organization analysis before classic human resource applications such as assessment/performance management, selection, development planning, and training are considered—moving from the "supply side" to the "demand side" for talent. People are ultimately treated better and more engaged if these role definition and organization design issues are addressed first. The approach constituted an ideal basis for specifying and communicating the new personal accountabilities required by the new strategy.
- The Pipeline model does not rely on competencies, but rather required work results by level for its core "source code." These required work results are actually the first element of a classic competency model development; the key notion is that focus is maintained on actual work results rather than abstracting one level to the associated knowledge, skills, and personal values/attributes. The CTO felt

this was fundamentally sounder for specific role and full performance definition purposes. Performance management and selection applications would be built on foundation of work results definitions.

- 1 The model focuses on the vertical distribution of work in the organization. Vertical organization and process considerations have frequently been overlooked as organizations have “flattened.” The process of de-layering actually places a greater requirement on thoughtful vertical task distribution, communication, and coordination across the enterprise. While recent organization design thinking has been around selecting the optimal horizontal structure (organizing by product, customer set, geography, process, function, or matrix), vertical considerations have been overlooked.
- 1 Drotter requires the same explicit definitions of management and leadership results by level as financial and customer results, making these accountabilities far more specific, measurable, and therefore understandable to employees. The down-to-earth, application-based approach demystifies leadership in particular and facilitates the introduction of simple models to describe and explain both activities.
- 1 The core Leadership Pipeline concept of a job is well suited to the fluid, fast-changing business environment of a professional services firm. A job is considered a collection of results to be delivered, many of which are shared with other employees and therefore requiring cooperation and collaboration to achieve. Required results change as business conditions change, giving the model great dynamism and flexibility. It is a particularly relevant approach for reinforcing an internal collaboration-based strategy.
- 1 Core Leadership Pipeline level, performance dimension, and full performance definitions can be used as the core work architecture—the “source code”—upon which all talent management and development applications are based. As a result of this common basis, the various programs would better align and mutually reinforce each other.

These last two points are contrary to the belief held by some that the Leadership Pipeline model is inflexible and geared primarily to large industrial company applications. The thinking has universal applicability, and the model is actually quite flexible. Frustration has resulted in some cases in which practitioners have attempted to literally apply the generic large company examples in *The Leadership Pipeline* (Charan, Drotter, & Noel, 2001). Drotter has actually been quite explicit in requiring that tailored pipeline level, performance dimension, and full performance definitions be developed for every company application. This development involves structured work content interviewing, analysis, and comparison with a large database of work results definitions across scores of companies.

Therefore, the chief talent officer committed to building a tailored leadership pipeline and installing it by creating results-based role definitions, performance management process, selection and training structure based on its "source code."

PROGRAM IMPLEMENTATION

Tailored leadership pipelines are based on the specific work requirements of the company. Typically, an implementation project plan includes the creation of a trained team of human resource professionals and line managers who conduct structured work content interviews with a sample of full performing employees at different levels across all functions in the organization.

Tailored Leadership Pipeline Development

The generic work content interview format must be reviewed and customized as needed to fit the individual company's operating culture and language—the goal being to make the questions as understandable and familiar as possible to employees unaccustomed to this type of information-gathering method. The customized work interview format was tested with several staff members before being used for project team training and actual information gathering. Several small language adjustments were recommended by the test subjects and subsequently implemented.

A core project team of two senior human resource managers and a senior line operating manager was trained in conducting structured work interviews and recording and analyzing the input data. This training took the form of a session explaining the interview format, question by question, and covering important interviewing techniques. The workshop was followed by two two-on-one interviews per team member with the CTO to practice interviewing and data recording skills and to receive coaching.

As the firm's history was the combination of acquired offices and companies, it was felt important to get a work interview sampling that ensured geography and legacy firm representation as well as level and work function coverage. This resulted in the completion of seventy-five interviews in ten of the firm's twenty-three offices across North America and Europe, with staff members ranging from entry-level professionals and administrative support people to senior partners. Every major legacy company location was covered.

An interesting and quite positive side-effect of the work interview process was the new insight gained by a number of staff members concerning the purpose of their work. When facilitated to first describe the actual results they were responsible for delivering, rather than work activities, tasks, or required competencies, interviewees gained a clearer understanding of their roles' key business purpose. For a number of managers, this produced not only a better understanding of their own work requirements, but also a clearer basis for determining account team capacity requirements by level.

Upon the completion of the interviews, the resulting data was analyzed and integrated by the project in a series of meetings facilitated by the CTO. The CTO then developed a draft work architecture for the firm, specifying both leadership levels and company-specific contribution dimensions that aligned with the business strategy and operating process. Full performance standards were created for each contribution dimension at each leadership level. The first determination was that the tailored leadership pipeline structure for the firm was constituted of five leadership levels, shown in Figure 12.1.

This structure appears to be typical of professional services firms, with the manager of managers level populated by the critically important client account directors who manage the firm's revenue-producing activities on an ongoing basis. The business manager level incorporates functional managers as well as classic P&L owners, and there are no true group managers in what is essentially a one-business model.

This structure works well in capturing both the client service and the support functions of professional services businesses. The client-facing function is supported by the specialty and support functions (research; planning; marketing; finance; human resources; information technology), and this simple two-function structure is represented by this architecture.

The work content analysis involved in the development of the essential pipeline "skeleton" provides the analyst with many rich opportunities for organizational diagnosis and enhancement. The first such opportunity occurred for the CTO when populating the new leadership levels with job titles. An operating complication for the various offices when attempting to create cross-office, cross-geography client teams was understanding and integrating the various title structures that existed in each

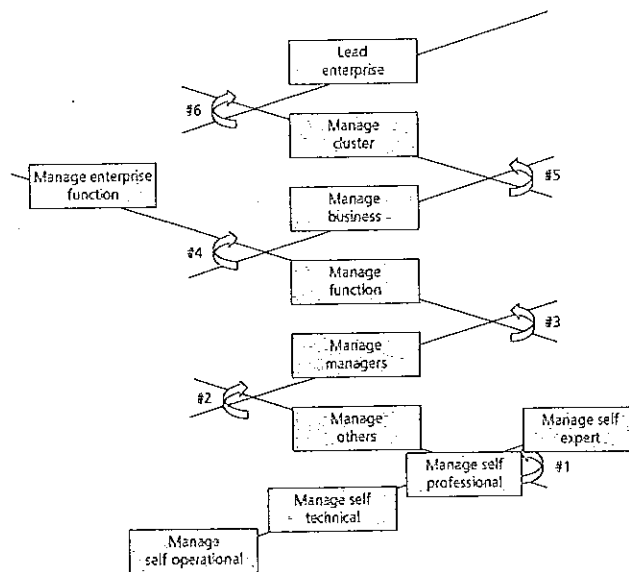


FIGURE 12.1. Leadership Pipeline for a Professional Services Firm

TABLE 12.1. Job Title Rationalization Using the Leadership Pipeline Levels

Leadership Level	Job Titles
Enterprise Manager	CEO; president; CFO; CTO; other C-level executive committee members
Business Manager	Subsidiary president/CEO; regional director; office managing director; global account director; director
Manager of Managers	EVP; SVP; account director; director; functional/specialty director
Manager of Others	VP; account manager; associate/deputy director; senior consultant; project manager; account supervisor; functional/specialty manager
Manages Self	Senior account executive; account executive; assistant account executive; consultant; junior consultant; coordinator; functional/specialty professional

country and in different legacy firm offices in the United States. The mapping of titles onto the enterprise-wide leadership layer architecture created a title rationalization grid that was distributed to all offices providing a global organization translation for team managers, as shown in Table 12.1.

The contribution dimensions identified for the firm were based on a literal analysis of the work content interviews, but also vetted against and aligned with the new client-centric strategy. The contribution dimensions are of critical importance, as they outline the "source code" to be used in developing performance appraisal, assessment, selection, and career development applications. Close alignment with the business strategy facilitates full line of sight for every staff member and powerful process reinforcement of the key strategic and operating cultural elements. The contribution dimensions were:

- a. Client Results
- b. Leadership Results
- c. Management Results
- d. Relationship Results
- e. Innovation/Creativity Results
- f. Business/Financial Results

The order in which the contribution dimensions are displayed and communicated was of primary importance in conveying the firm's full strategic message to its staff at all levels.

- 3 Clearly, a "client-centric" strategy must place the client as the first strategic priority, so this factor was listed first.
- 3 Leadership and management had been the great "wild cards" in strategy and performance discussions; everyone realized they were critically important, but everyone struggled to operationalize this importance as neither term was particularly well defined, and therefore not well articulated or measured. Now these dimensions took their appropriate places.
- 3 Relationships with clients had always been recognized as critical; the new strategy mandated a closer, more selfless "interdependence" between partners and senior managers than ever before, and this dimension captured the new emphasis.
- 3 Creative thinking and its business-focused application in the development of client strategies had a similarly traditional importance; the new dimension of innovation was added as new approaches to both client business solutions and growing the firm aggressively were viewed as critical for success.
- 3 Financial results were intentionally placed last. They had previously been so heavily emphasized that they had become the primary strategic goal, to the detriment of factors such as client satisfaction and professional work quality. This perception was confirmed in staff climate surveys that asked respondents to prioritize the importance of a number of key operating factors. Financial results had come in first. The CTO found this a particularly disturbing finding in the case of junior professionals at the firm—people who had no direct impact on the overall financial performance of the enterprise. So financial results were characterized as literally the "bottom line"—the result of excellence in delivering the first five dimensions. The message was that above expectation growth and financial returns would occur if clients, people, and the work were the primary leadership focus.

Finally, the work interview data and strategy input were analyzed against a database of other companies' standards to draft full performance definitions for each leadership level, for both client-facing and specialty/support functions. As the firm had been struggling with the fundamentals of good performance management practice—again, a rather typical professional services situation—it was decided that the first iteration of the performance model would follow the work architecture's simplicity. Therefore, only the full performance benchmarks would be detailed, with consideration of adding exceptional performance definitions left for later versions.

The draft performance standard definitions were presented and discussed with several focus groups of managers and professionals in the New York and London offices, as it was felt these large, central operations would most efficiently capture the full range of client and functional populations. Also, the U.K. groups were a critical test of the portability of the language, and in fact it was necessary to make significant modifications in the text to better reflect proper British English in this major operating location.

The architectural foundation was now established, and application development could commence. The CTO felt that the approach was sufficiently different that managers would first need an introduction and orientation to the core pipeline concepts. A three-hour overview of key concepts, as well as an introduction to the new model of management and leadership the CTO wished to apply, was developed. The title was "Achieving Excellence Through Your People" to reinforce both the business focus as well as the leadership emphasis of the new approach. A four- to five-hour version of the content with some added introductory skill building in goal setting and coaching was also developed for manager and staff member groups across the offices.

The concept orientation for management covered the following topics in an interactive discussion format:

- *A New Talent Management Focus:* Starting from the demand (work and organization design) side rather than from the supply (people acquisition and development) side to build the core architecture for talent management.
- *Understanding Performance as Results Achieved:* As opposed to activities or competencies alone, the key business requirements are every job being necessary and adding appropriate value, and every staff member being a full performer.
- *Understanding Development and Potential:* Potential is no longer defined as "high," "moderate," or "low," but rather is expressed as the assessed ability and readiness to do different work within the planning period.
- *Understanding the Work of Leaders:* A simple definition of leadership and management and how they interact and together create full capability.
- *Understanding the Pipeline Model:* People had to know its origins, its core definition as an application model based on differentiation of required output, and how each business's pipeline was unique (that is, the book cannot literally be applied). The firm's tailored pipeline model was introduced, along with the performance dimensions, and coverage included the definition of each layer as well as the transition points and associated changes in required skills, time applications, and work values.
- *The New Definition of a Job:* Understanding the new dynamic and interdependent definition of roles at the firm and their placement within the pipeline architecture. Jobs were seen as collections of results to be delivered, many of which required close collaboration with other staff members for achievement.
- *Three Key Skill Sets for Leaders of Other Professionals:* Assessment for selection, performance planning, and assessment for developmental appraisal; coaching for current improvement and future development.

Sessions were held in the major offices, and the reception the concepts received was uniformly positive. While human resources people in particular found the emphasis

on results rather than competencies a bit unsettling, line managers and professionals found the approach far more in tune with the reality of their work situations and refreshingly free of process complication and jargon. In particular, people found the concepts and language easy to embrace. Initial signs were hopeful.

PERFORMANCE MANAGEMENT SYSTEM DEVELOPMENT

The core element of the new talent management implementation was to be a completely revised performance management system, and this application is therefore our focus. The CTO felt the key business drivers of revised, specific, and reinforced role definition, significantly strengthened operating concepts of personal accountability, and a clear definition of the management and leadership roles were best covered by this first step. In addition, new cash compensation designs being anticipated were more heavily dependent on a robust performance management process. The other executive committee members agreed.

Design Considerations

The existing, competency-based system was not widely used. There were several reasons for this. Generic competencies were applied, creating the challenge of relating each behavioral definition to each staff member's level and role. The process itself was quite complicated, and the formats were long and daunting for busy managers and their staffs to use. Training and reinforcement had not been adequate to overcome these shortcomings.

As a result, the challenge was to re-introduce performance management as a core management discipline with the new approach. Reaction to the announcement that the old system was being discontinued was universally positive. As the new system needed to be as user friendly as possible, the process design needed to simultaneously:

- Align with Leadership Pipeline principles;
- Provide both specificity and flexibility in defining job requirements and personal accountabilities; and
- Be as easy to understand and use as possible, for people new to both goal-setting-based performance management as well as the results-oriented approach. This last requirement proved to be the most difficult to achieve.

Chosen Approach, Format Development, and Introduction

The new system was titled "Results Based Performance Planning and Appraisal." The business context for this approach was made clear: clients paid the firm for results, not for competencies, capabilities, activity, or effort. Therefore, the new "true north" on management's compass would be the results that individuals, teams, and the firm delivered to clients, staff members, and investors. This message had great resonance with people at all levels in the firm.

Instrument development took the CTO in a different direction than previous pipeline-based performance management applications he was familiar with. The results profile for a client-facing manager (Figure 12.1) provides the rich detail a pipeline definition provides for role clarity, but can introduce a significant amount of process burden when literally applied to performance planning and management. Rather than compromise the comprehensiveness and detail of the results profile, the approach the CTO eventually chose used the results profile as a reference document with a separate instrument driving individual performance planning and review discussions. Both formats are for use by client handlers at the manager-of-managers level.

The CTO elected a simple goal-setting approach to provide individual role specificity to the general performance standards by level. A total of fourteen formats, conforming to the pipeline leadership levels for both client-facing and specialty/support functions, were created using the full performance standards as source content. There were multiple formats for several leadership levels, conforming to differentiated job categories within the lower leadership levels:

- c. The Manages Self or individual contributor level included forms for administrative support positions, junior individual professional, and senior individual professional positions.
- c. The Manager of Others level included forms for supervisors/project managers as well as managers. The supervisor/project manager position was a particularly important threshold management role and required some differentiation from the full manager position.

While this number of formats could be difficult to navigate the first time around, the introduction was supported with two-hour orientation and training workshops for managers and staff as well as an easy-to-use, step-by-step tutorial posted on the company's intranet. The overriding advantage of multiple, job-type-specific formats was the ability to use general full performance definitions as individual employee guidance, with specific goals being required in only a few results areas. This ease of use factor was considered very important in gaining early adoption.

The objective of the introductory orientation sessions and online support materials was to familiarize people with two fundamentally new concepts for them: first, the focus on results in defining jobs and performance within them, as opposed to competencies or activities, and second, the use of goal setting to further reinforce personal accountability. It was anticipated that two to three years would be required to achieve full adoption with associated skill mastery for the new system. The formats and process would be refined after the first and second performance management cycles were complete and feedback from managers, staff members, and human resources managers was analyzed.

The rating scale used, which followed the Pipeline approach, was also new for the firm. The three-point scale was created for developmental purposes and was comprised of "exceptional performance," "full performance," and "less than full performance."

The preponderance of ratings—75 percent—would be in the “full performance” range, consistent with the philosophy that virtually all staff should be delivering full performance if properly managed and engaged. “Exceptional performance” was defined as not only significantly superior to full performance on an ongoing basis, but unique and different. Exceptional performance was the qualifier for promotion to significantly greater accountability.

This simple rating system avoided much of the “fluffing” of ratings prevalent in most traditional systems that was caused by managers wishing to avoid demotivating good employees by assessing them as merely “average” or “meeting expectations.” Lake Woebegone, that place where everyone is above average, was therefore avoided.

The CTO added an additional performance point, establishing two levels in the full performance category, for base salary planning and administration purposes. This was subsequently implemented and worked well in reinforcing the pay-for-performance approach.

The new formats were tested in several large offices, and these pilots provided valuable feedback regarding changes to process instructions and on-line support content. The formats were introduced in early fourth quarter of 2005 for 2006 performance planning. Managers and employees were given the option of using the new formats for 2005 reviews if they had not had any performance discussions for the year. A number took the CTO up on the offer.

Experience and Action Learning

For performance year 2006, formats were posted as downloadable Word documents in a new suite on the company’s human resources intranet site. Support tutorials were also posted. Take-up varied from office to office; however, reported participation and completion rates were significantly higher than with the old system.

An early problem that developed was difficulty in understanding and applying goal setting for many managers and staff members. The CTO, having come from environments with long-established performance management practice, had fallen into the trap of assuming too much familiarity with basic performance management concepts. Follow-up remedial workshops addressed the issue, and for performance year 2007 a performance management workshop focused on skills in creating SMART goals and cascading goals from manager to subordinates in a work team was offered ahead of the performance planning period.

The workshop also provided guidance on completing the performance appraisal step by covering the gathering of performance evidence to properly justify and document assessments. It was offered throughout the course of the year as well as at the commencement of the 2007 appraisal preparation season.

2006 was a year of significant change in other areas of human resources and talent management. The CTO had gained management approval to move to a common base salary review date as well as a common appraisal schedule that supported a pay-for-performance approach. The introduction of the new results-based approach was

advanced and reinforced with a more disciplined pay-for-performance process; however, more simultaneous change was heaped on managers already under pressure to maximize personal billability. The CTO had hoped to lessen this impact with an employee-initiated planning and review process; however, both planning and appraisal periods were lengthened and made more flexible to accommodate overloaded managers.

Strong positive feedback was received regarding the effectiveness of the process in clarifying and prioritizing job expectations, as well as structuring development discussions on more specific, quantifiable work requirements for different job levels. The previous competency-based approach had been roundly criticized for its ineffectiveness in specifying differences in performance expectations and standards from job level to job level in career hierarchies.

For 2008, the president had led an effort to update and focus the company's strategy. The strategy coalesced into three results areas (the results concept had been thoroughly embraced and was a prominent part of the operating vocabulary): serving and growing clients; developing people; and cultivating new client prospects. The CTO and his staff updated the core results by level definitions and performance standards for client staff, grouping them into these three strategic buckets to map the strategy goals to every staff member's job. For functional and support staff, the three buckets became professional work product; developing people; and integrating the functional work into the business strategy.

In addition, the 2008 performance management process went to a fully online format for enhanced accessibility and ease of use. Training was further evolved to address reported concerns as well as to orient new managers and staff members in the process. The company entered 2008 having attained an over 95 percent appraisal completion rate and a virtually 100 percent on-time salary adjustment administration performance for 2007—unprecedented in the firm's history.

EVALUATION

Business Results

It is frequently difficult to connect talent management practice directly with business results. Intermediate measures such as unwanted turnover, survey trends, and the like provide more credible evidence of efficacy. Overall, the company produced the best two financial performances in its history in 2006 and 2007, no doubt aided by the strong economic environment that existed in the United States and Western Europe through mid-year 2007. The focus on results, as opposed to activity or effort, and the strong emphasis on personal accountability can certainly be cited as contributing factors.

Employee Climate Survey Results

Survey results are considered proprietary and cannot be cited in detail. However, it is notable that a pulse survey administered in late 2006 showed significant positive trends in all thirteen measured organization climate dimensions. Particularly significant

improvements were shown in Morale and Loyalty (the key engagement measure); Quality (that includes performance communication and management practice); and Leadership.

Turnover Results

Overall turnover decreased 24 percent from 2005 to 2006, before rising 14 percent in 2007, amidst a particularly competitive labor market. Turnover of identified high-potential managers stood at virtually 0 percent for 2006 and 2007.

Anecdotal Evidence

The professional services audience easily and enthusiastically embraced the Pipeline concepts. While performance management is still no doubt seen as a difficult and time-consuming process, this is in comparison with very little prior subscription to any performance management activity. Leadership feedback is consistent with other feedback that Drotter has received from other companies: that there is a strong connection with business context and a refreshing absence of professional "jargon." It is viewed as conceptually elegant and easy to embrace. The language of results and accountability, as reported earlier, has become a core part of the leadership language.

Beyond the scope of this paper are the additional applications of the Pipeline concepts for selection, talent inventory, and training planning that were put in place, as well as new management variable compensation plans dependent on the results-based performance management system.

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