



July 19, 2011

# The Discipline of Building Leaders—Lessons from the Top Companies

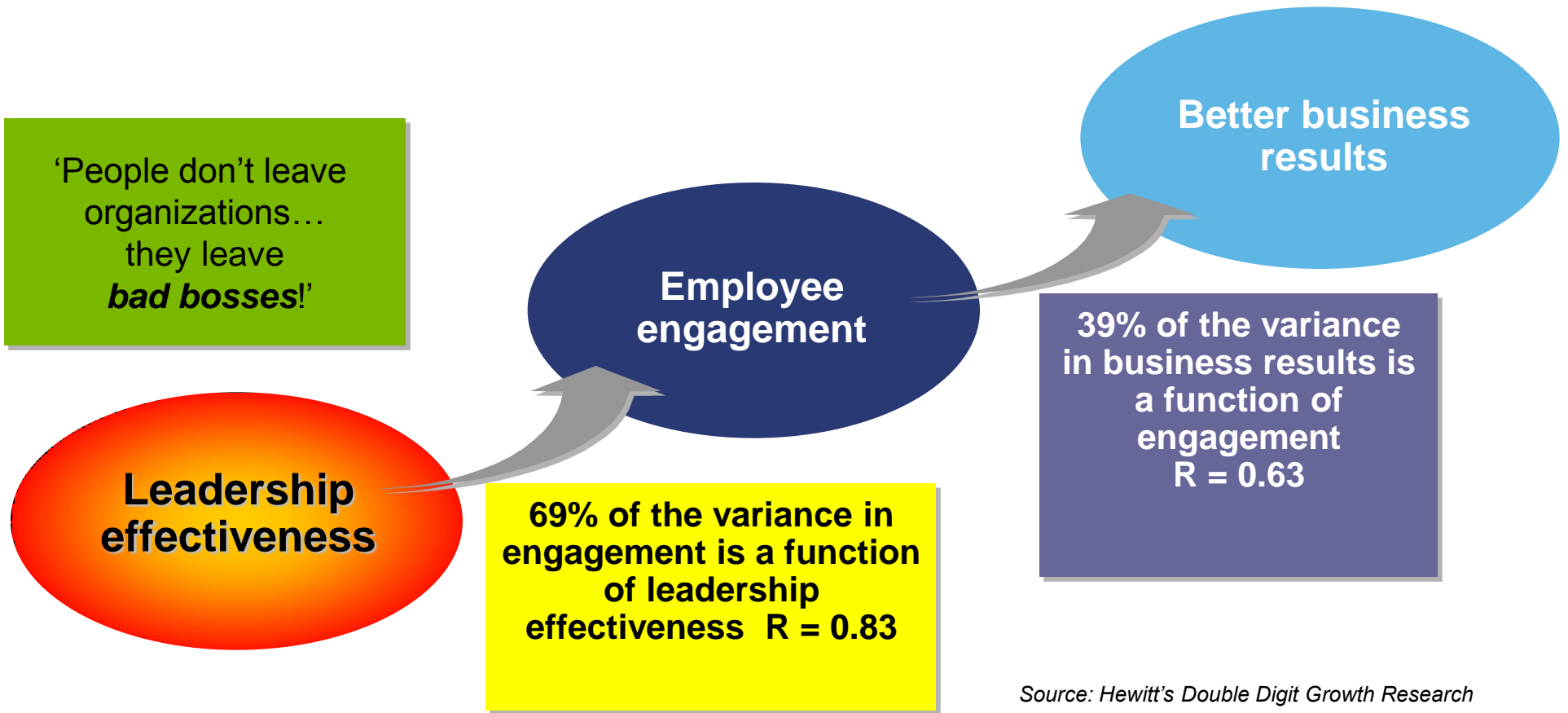
# What We'll Cover Today

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- Why Leadership Matters
- About Aon Hewitt's Top Companies For Leaders Research
- Research findings
  - What It Takes To Be A Top Company For Leaders
- Laying the Foundation for Success: What Companies Must Get Right

## Why Leadership Matters

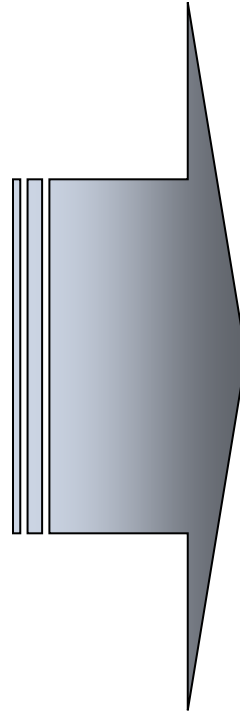
*There is a strong link between business performance and leadership effectiveness...*



# What's More, Organizations Face Major Leadership Challenges, Regardless of the Economy

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- Limited success in buying leaders at the top of the house
- Inadequate leadership pipeline
- Aging leadership workforce
- Ongoing competition for top talent
- Anticipated business growth and expansion
- Shifting capability requirements for leaders
- Globalization

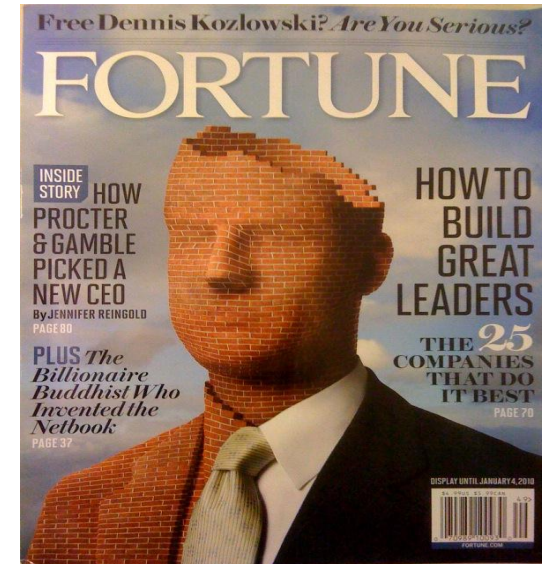


*'If our best bet is to grow our own leaders, what's the most effective way to grow them quickly?'*

# Aon Hewitt's *Top Companies for Leaders* Research

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- Most comprehensive, global research on leadership and talent in the market, examining the link between practices and financial results
  - Explores how organizations select, develop, assess, and reward leaders
  - Over 830 data points
  - Over 200 executive interviews
- Conducted in 2002, 2003, 2005, 2007, and 2009
  - 537 Global Participants and 217 finalists in 2009
  - Study results published in the December 7 edition of *Fortune* Magazine
  - Regional studies in North America, Europe, Asia-Pacific, and Latin America, using a consistent methodology and global rollup
- 2009 Partners: *Fortune* Magazine and The RBL Group



## Top Companies for Leaders 2009



# 2009 Top Companies for Leaders Selection Process

## 537 Global Participants

- 29 countries
- Participants completed detailed questionnaire
- Hewitt analyzed responses for strong leadership practices

## 217 Global Finalists

- In-depth interviews with HR leaders
- Senior executives interviewed
- Hewitt scored data by assigning points to questions and responses
- Companies screened for financial performance relative to industry

## 47 Top Companies

Panel of judges gathered in each region to select and rank Top Companies

**Global (Top 25)**

**North American (Top 25)**

**Asia-Pacific (Top 12)**

**Europe (Top 5)**

**Latin America (Top 5)**

## **North American Top Companies**

1. IBM
2. The Procter & Gamble Company
3. General Mills, Inc.
4. McKinsey & Company
5. McDonald's Corporation
6. General Electric Company
7. Colgate-Palmolive Company
8. Deere & Company
9. Whirlpool Corporation
10. 3M Company
11. Cargill, Incorporated
12. Target Corporation
13. Eli Lilly and Company
14. PepsiCo, Inc.
15. American Express Company
16. Lockheed Martin Corporation
17. Intel Corporation
18. DaVita Inc.
19. FedEx Corporation
20. Sonoco Products Company
21. Cummins, Inc.
22. V.F. Corporation
23. Capital One Financial Corporation
24. Hewlett-Packard Company
25. Raytheon

# What It Takes to Be a Top Company for Leaders: The Four Disciplines

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## 1. Leaders Lead the Way

Senior Leaders  
have a passionate  
and visible  
commitment to  
developing leaders

Leadership development is at the top of the CEO and senior team's agenda.

Leaders model the behavior they expect of others and are dedicated to the development of talent and building a pipeline of leaders.

## 2. Unrelenting Focus on Talent

An intense focus on  
talent permeates  
every  
level of the  
organization

Developing talent is seen as a mission-critical business process; differentiation of top talent is a given.

Involves more than just developing people, but also how you hire, coach, promote, and reward.

# What It Takes to Be a Top Company for Leaders: The Four Disciplines

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## 3. Practical and Aligned Programs and Practices

Leadership strategy  
clearly reflects the  
overall business  
strategy

Leadership programs and practices are closely aligned with business goals.

Banish “nice to have” programs and practices, and scrutinize the actual shift in leader effectiveness.

## 4. When Leadership Becomes a Way of Life

The development of  
leaders is an  
institutionalized  
practice and mind-set

It is a way of behaving that is woven into every aspect of the business—the culture, the way decisions are made, and the growth strategy.

Think in terms of rhythms, not initiatives. There is no “end state” in mind. Once a rhythm is in place, sustain it as an ongoing discipline.

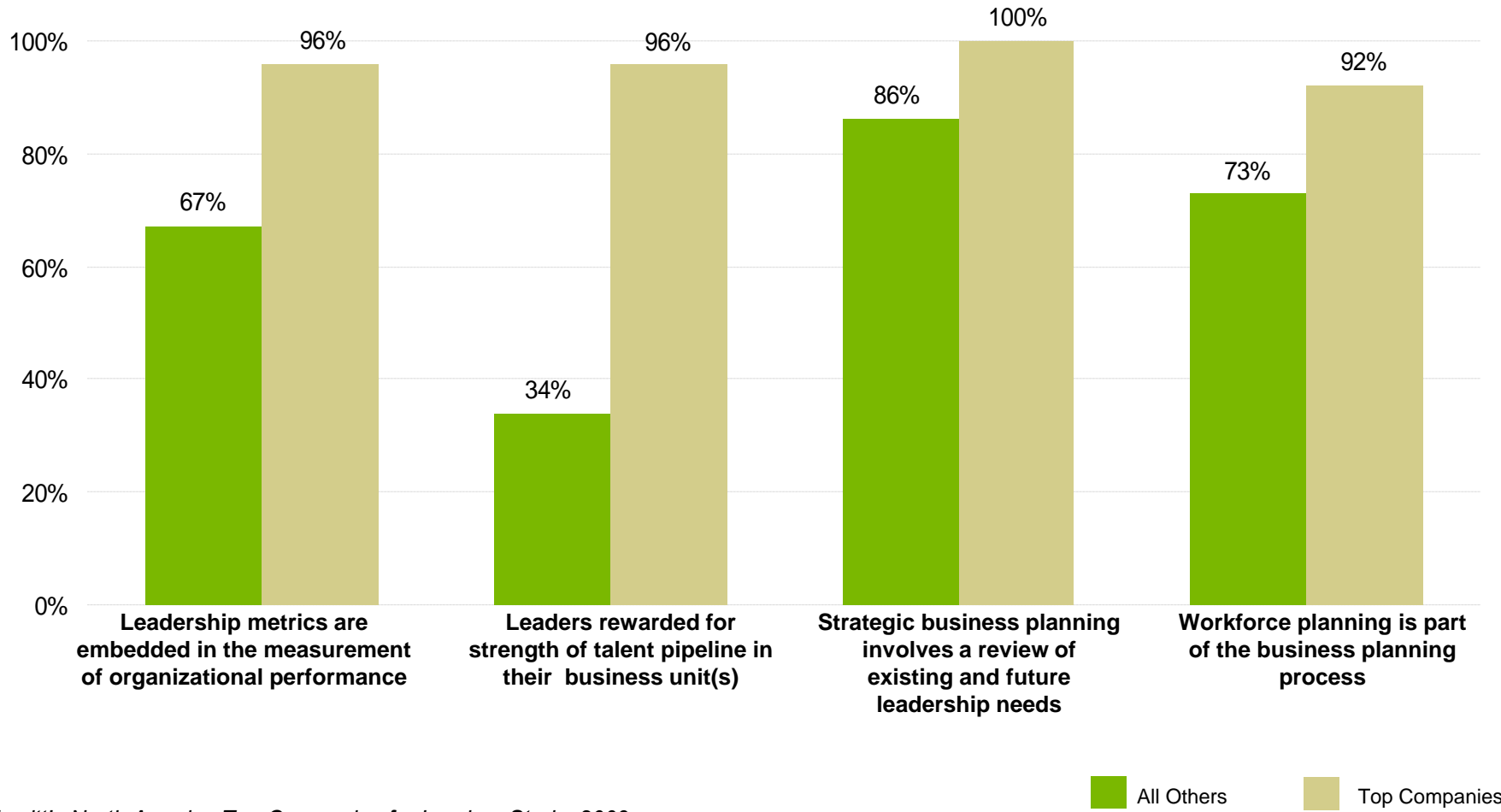


# Laying the Foundation for Success: What Companies Must Get Right

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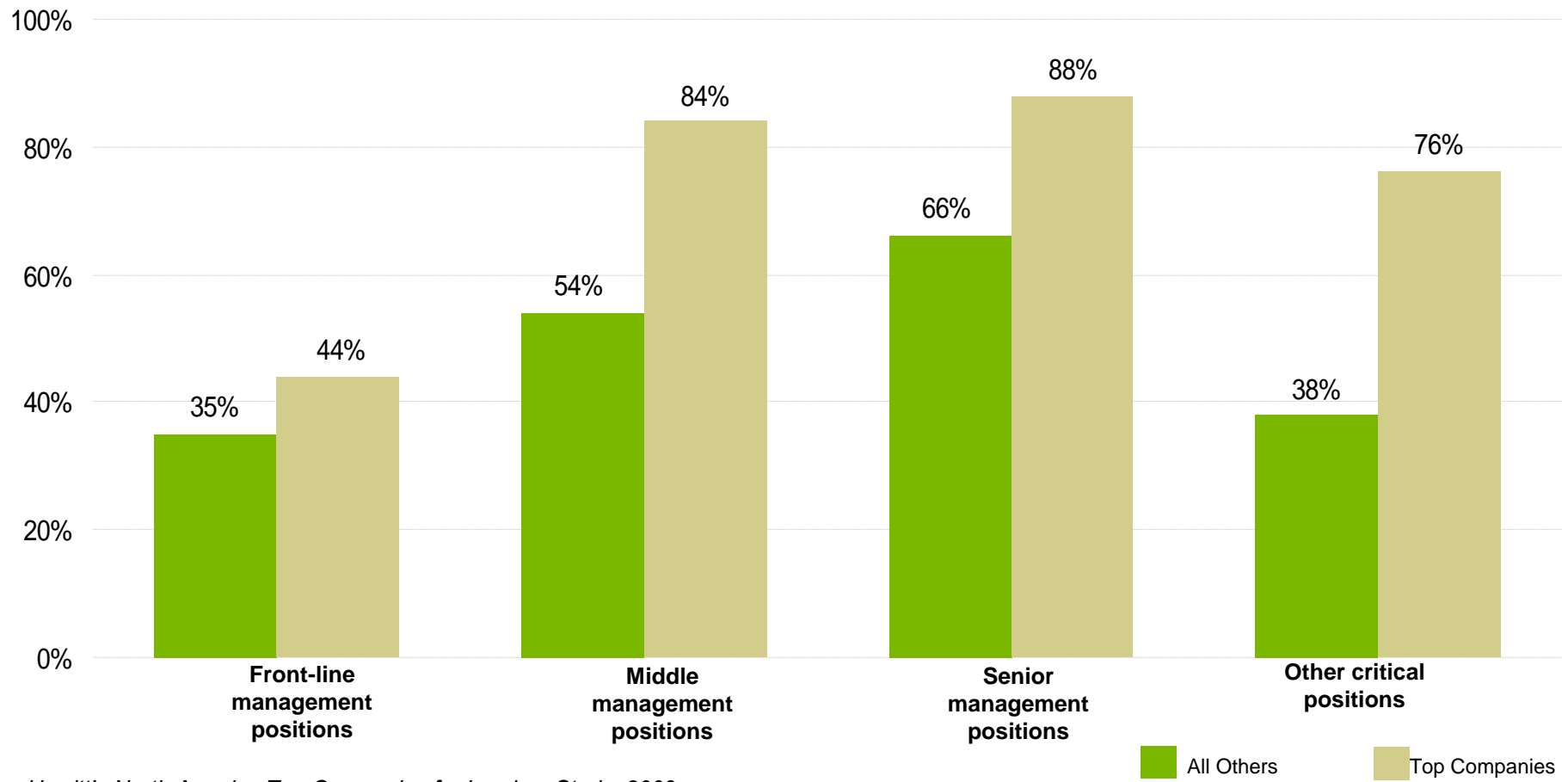
- **Leadership and talent strategy**—closely aligned to and executed against organizational goals
- **Selection and onboarding**—a rigorous and consistent approach
- **Leadership**—right leaders, right behaviors, and right skills
- **Robust talent reviews**—honest talent-management discussions facilitated and calibrated consistently; transparent and strong performance-management expectations
- **Development**—accelerated development through experiential, relational, and traditional processes; driven from the top
- **Succession management**—deep and robust talent pipeline
- **High-potential and critical talent**—definition, identification, calibration and development
- **Metrics**—to drive desired results, differentiated compensation, and rewards

# North America Top Companies Closely Align Leadership and Talent Strategy with Organizational Goals



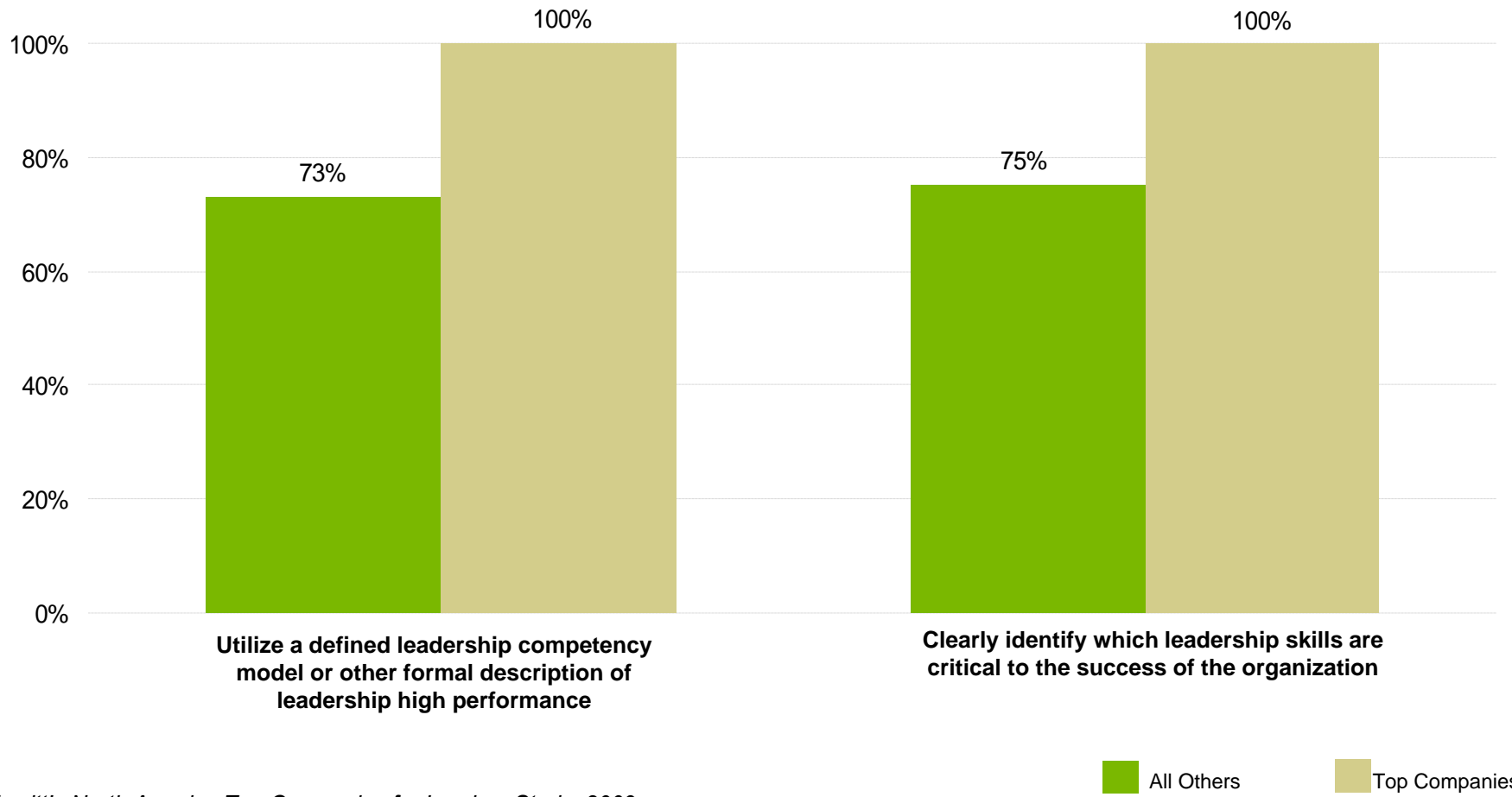
Source: Hewitt's North America Top Companies for Leaders Study, 2009

# North America Top Companies More Frequently Fill Leadership Positions with the Named Successor



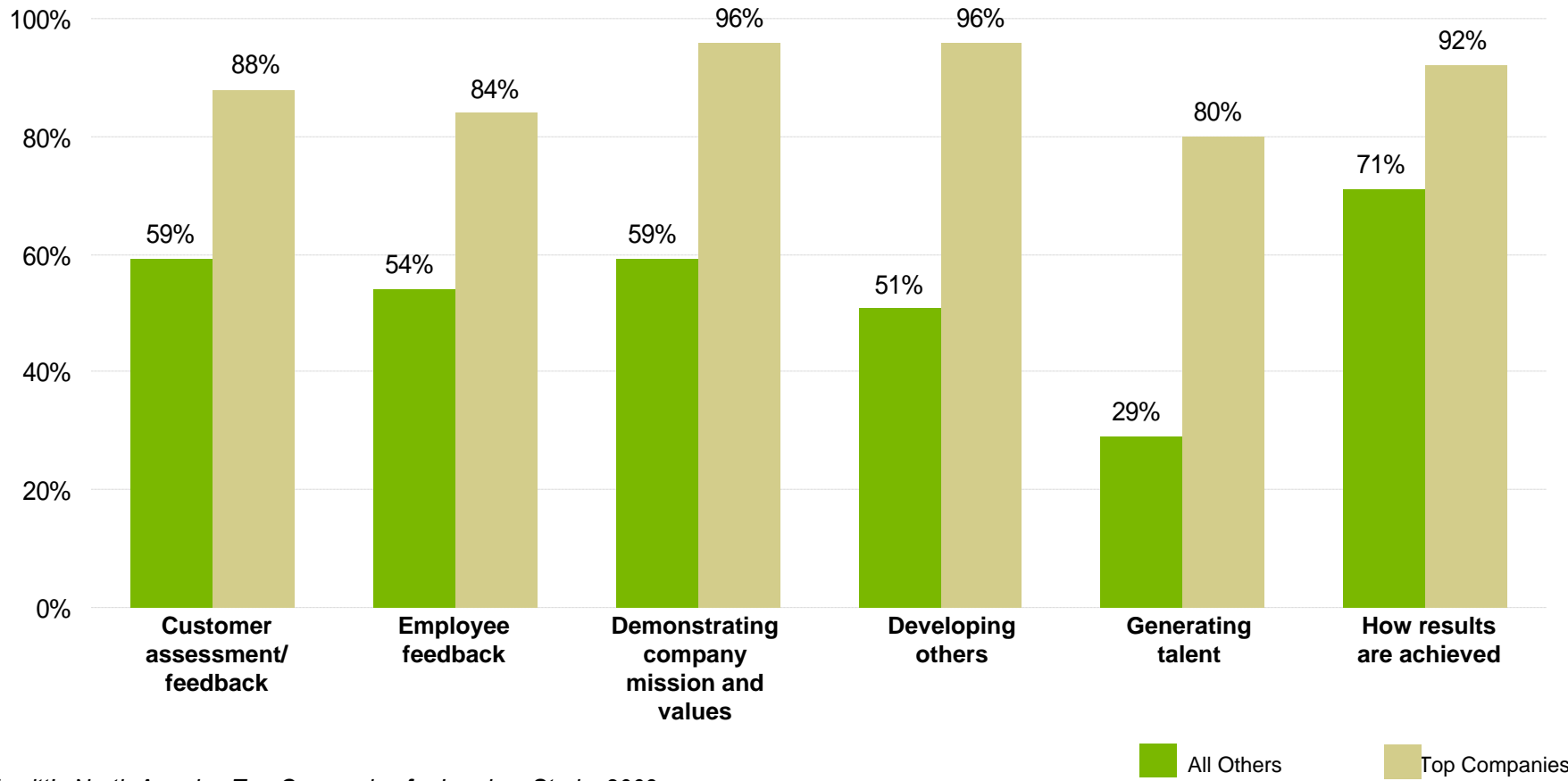
Source: Hewitt's North America Top Companies for Leaders Study, 2009

# North America Top Companies Use Defined Leadership Competency Models and Identify Critical Leadership Skills



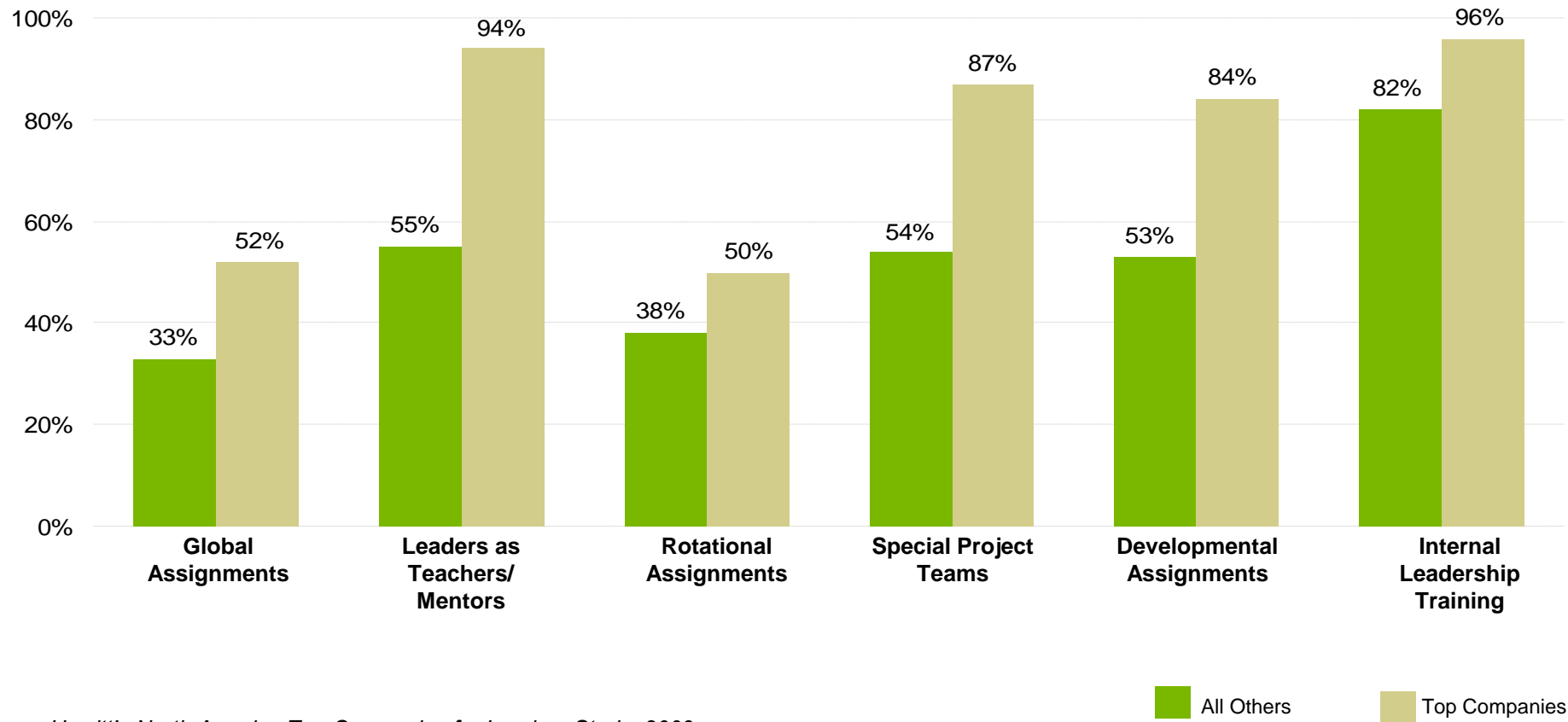
Source: Hewitt's North America Top Companies for Leaders Study, 2009

# North America Top Companies Assessment of a Leader's Performance Extends Beyond Traditional Measures



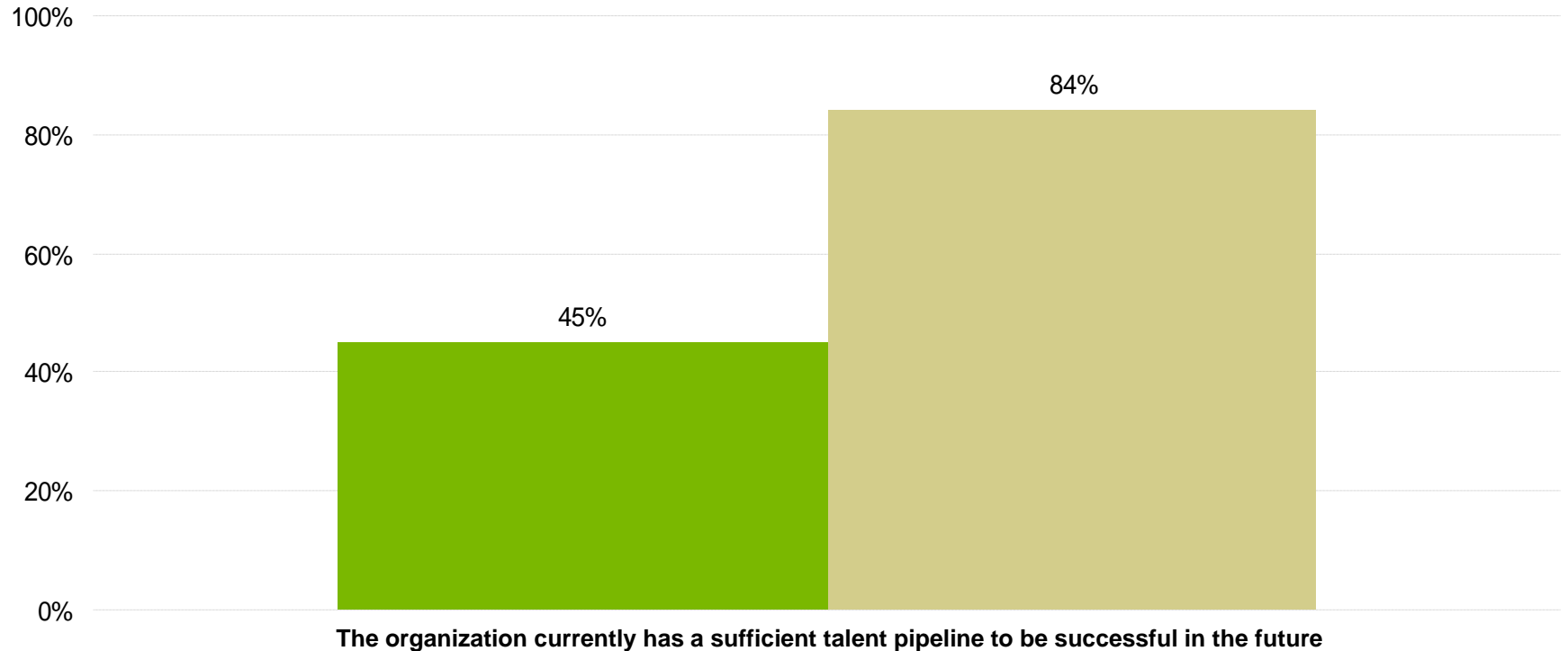
Source: Hewitt's North America Top Companies for Leaders Study, 2009

# North America Top Companies Focus On Accelerated Development--Driven from the Top



Source: Hewitt's North America Top Companies for Leaders Study, 2009

# North America Top Companies Have a Sufficient Talent Pipeline to be Successful in the Future



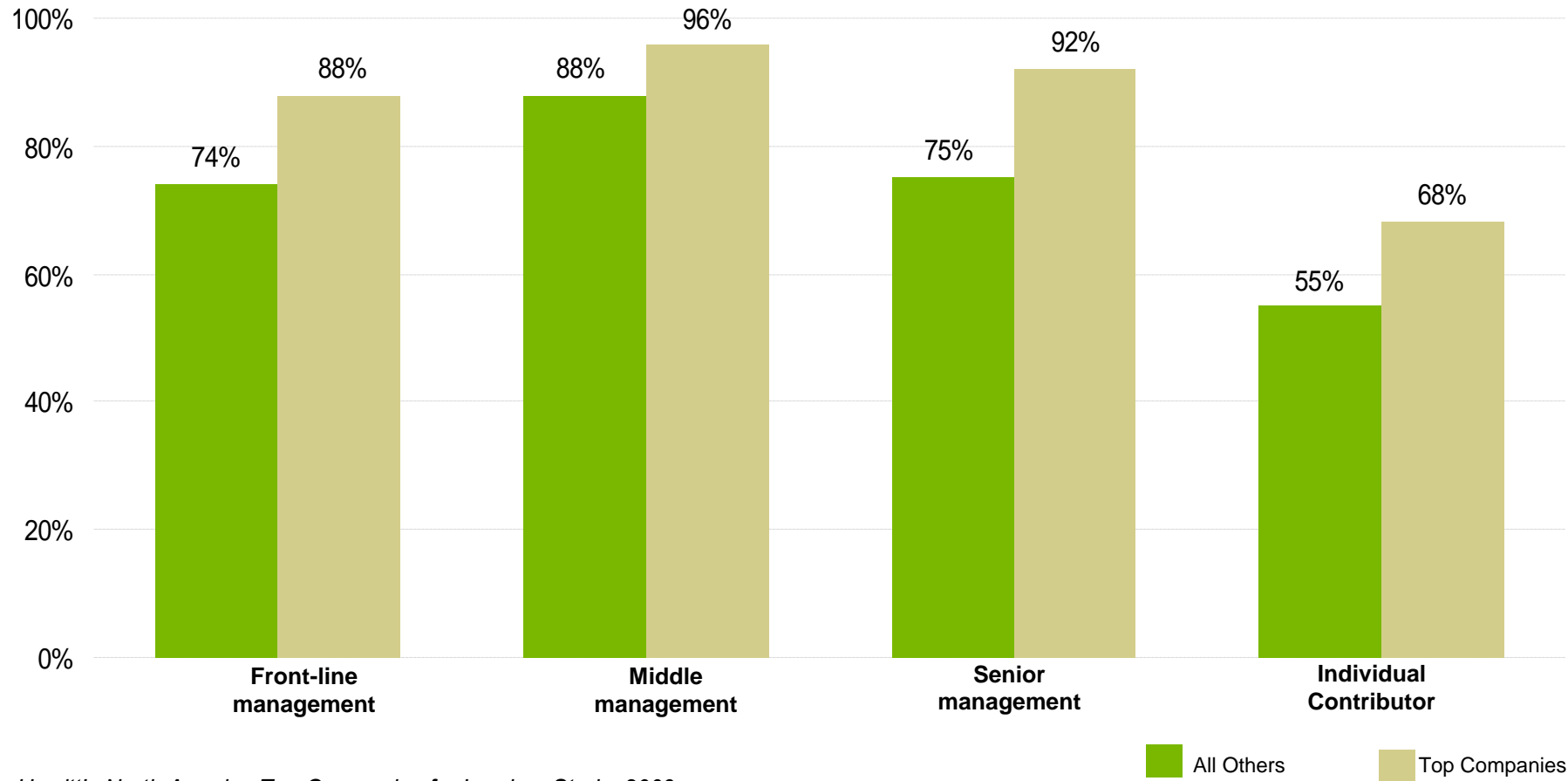
The organization currently has a sufficient talent pipeline to be successful in the future

All Others

Top Companies

Source: Hewitt's North America Top Companies for Leaders Study, 2009

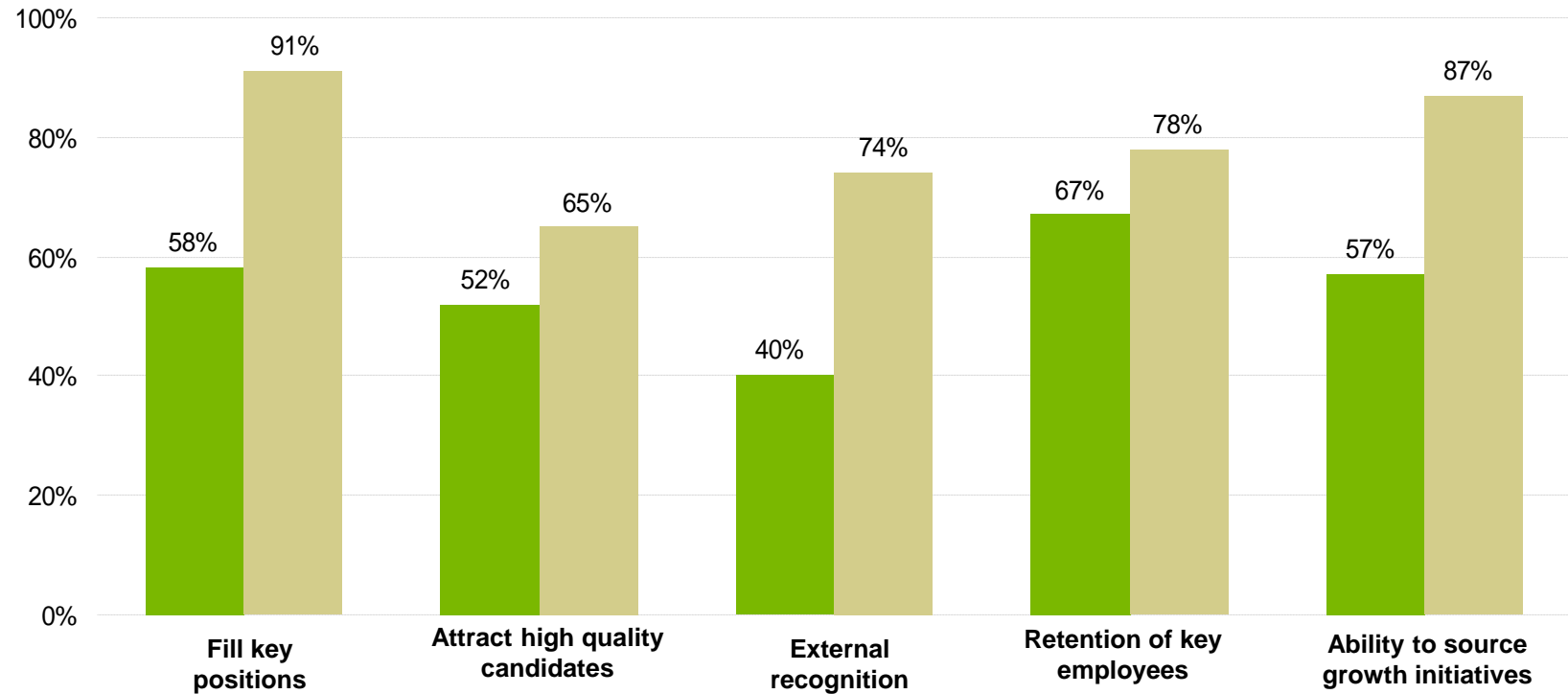
# North America Top Companies Identify High Potentials and Critical Talent Deeper in the Organization



Source: Hewitt's North America Top Companies for Leaders Study, 2009



# North America Top Companies Use Metrics to Drive Desired Results



Source: Hewitt's North America Top Companies for Leaders Study, 2009

 All Others  Top Companies