Building a Leadership Pipeline: A Case Study of NTPC

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Abstract

Building a leadership pipeline is an alarming challenge in today's competitive business environment. The insufficiency of available leadership talent is the utmost limiter in a company's development. Companies arrange a wide range of leader development processes, emphasizing on tailor made learning interventions for fulfilling individual leader's development needs; and experiential and action learning practices linking leader development to environmental challenges and company's growth. Linkage of efforts for leader development towards organizational performance could suggest greater awareness in developing leaders at all levels in an organization. This research paper studies the system for building a leadership pipeline in NTPC, one of biggest power utilities in the world and gives suggestions for making the system of leadership pipeline more effective.

Keywords: *leadership, development, pipeline*

Building a Leadership Pipeline: A Case Study of NTPC

A young struggling artist took $500 from an uncle to get his first filmmaking business in 1923. The uncle became adamant on repayment in cash rather than taking an ownership interest in the business. That young artist, Walter Elias Disney, founded a company using the art of animation which has today changed the culture.

Walt Disney explained his success this way: "*I dream, I test my dreams against my beliefs, I dare to take risks, and I execute my vision to make those dreams come true.*"

Dream, Believe, Dare, Do: These words echo the Disney achievement year after year. Everything Walt did – every choice he made, every strategy he tracked – evolved from these four concepts. And these Values decided how Disney should run his company. Thus, the system of training and empowering employees, creativity and innovation were managed by these four-pillars.

Ram Charan, Stephen Drotter, and James Noel developed the Leadership Pipeline Model, based on 30 years of consulting work with Fortune 500 companies. They published the model in their 2000 book, "The Leadership Pipeline". The model helps organizations grow leaders internally at every level, from entry level team leaders to senior managers. It provides a framework that can be used to identify future leaders, assess their competence, plan their development, and measure results. According to the model's developers, leaders progress through six key transitions, or "passages," in order to succeed. These six leadership transitions are shown in The Leadership Pipeline Model. Each leadership stage needs different skill-sets and values, and, at each transition, leaders have to develop these in order to lead successfully.

There is a scarcity of leaders who are prepared to face today's changing business environment. Many companies struggle to find successors for their leadership positions. Companies usually have shortfall of the number and quality of leaders they need at all levels. Companies like GE, Procter & Gamble, Colgate, PepsiCo, etc. have an effective system of building leadership pipeline. According to the survey conducted by Hewitt – Best Employer in Asia Study, Leaders at *The Best* have the maximum level of engagement therefore they are able to build a workforce that is as passionate, encouraged, and committed to the organization's goals.
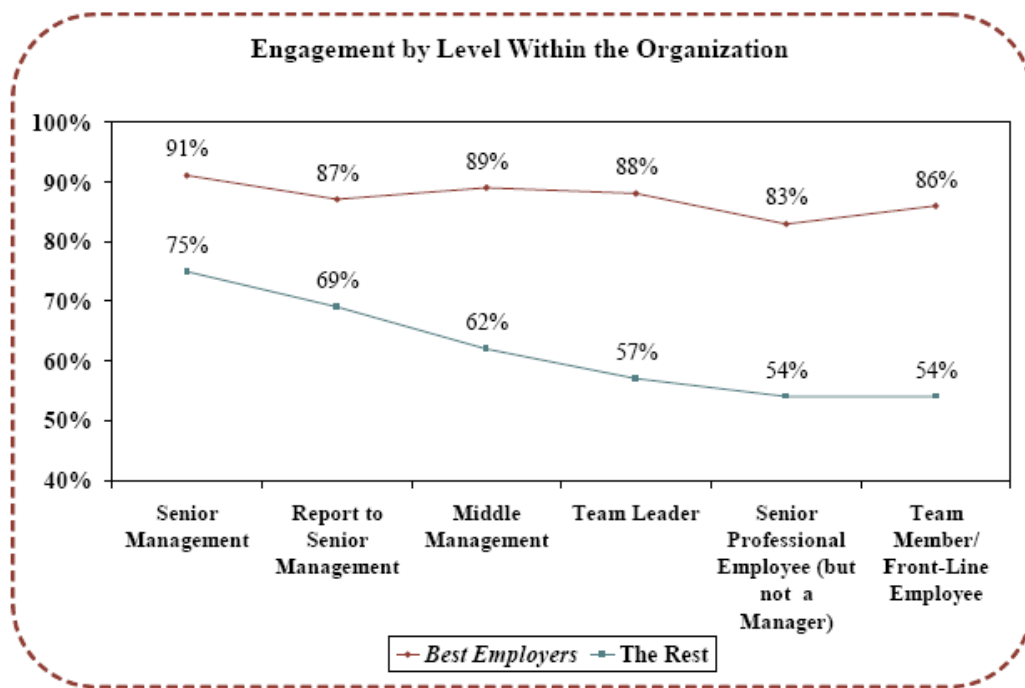
Figure 1: Hewitt Best Employer in Asia Study

Leadership Development in an Organization

In the shift from traditional business to e-business, the privatization and globalization has generated strong competition from local as well as international business. High quality, enhanced productivity, efficiency of organizations and development of leadership pipeline are required to face the intense competition. This has generated a need to have a new Leadership Model for the organizations with focus on long-term goals.

The figure 2 explains the broad leadership development system for any organization, however figure 3 explains different leadership development models. The ideas and commitment of the top management marks improvement in the work culture, concern for employees as well as business and approach for leadership development. This forms the basis for the formulation of the systems and various developmental initiatives for building leadership pipeline in the organization. The entire method leads to superior succession planning and career growth of the talent pool.

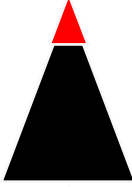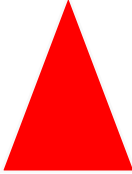Figure 2: Leadership Development Process

Leadership Model	Characteristics	Implication for HRM
Executive Leadership Model	• Values & vision disseminated globally through elite cadre • Focus on top executives • Highly centralized and standardized training	• Highly mobile expatriates • Standardized executive development and training • 360 deg feedback
High-Potential Model	• High-potential employees identified and developed throughout organization • All grade levels considered	• Focus on entire organization, assessment and identification tools • Incentives and rewards for high performers
Company-wide Leadership Model	• Every employee considered "high potential" and recruited as such • High standardization of values, processes and systems	• Recruitment and screening are critical • Prefer "promotion from within" • Relatively high use of local nationals

Figure 3: Leadership Models

Building a Leadership Pipeline

There are many questions in mind while brainstorming for building a leadership pipeline like-

- Does the organization have a scheme of succession planning?

- From where future leaders will emerge?

- Does the organization have ensured continuity in getting leaders?

Details of Research

NTPC Ltd.: NTPC Ltd., India's largest power producer was set up in 1975. NTPC was ranked **337th** in the '**2012, Forbes Global 2000**' ranking of the World's biggest companies. It has a generating capacity of 41,184 MW and plans to become a 128,000 MW company by 2032. 'People before PLF (Plant Load Factor)' is the guiding philosophy at NTPC. NTPC has approximately 26,000 employees posted across more than 60 locations within and outside India.

Objectives of the Research

1. To find the business impacts of leader development
2. In-depth study of the current leadership building system in NTPC
3. To suggest a roadmap to make the existing system more robust and effective.

Survey Methodology

Primary data was collected through Organizational Culture Survey circulated amongst middle and senior level executives of NTPC. The questionnaires were personally distributed in corporate office of NTPC, in addition to the circulation via e-mail to distant offices. Sample size for the survey was 270 out of which 253 questionnaires received were analysed. Personal Interviews were also conducted of top management (Directors and Executive Directors – 20 nos.) to seek opinion of employees from departments like HR, Engineering, Corporate Planning, Corporate Monitoring Group, Research & Development, etc.

The Organizational Culture Survey

The *Organizational Culture Survey* studied the culture prevalent in the organization which fosters the creation of leader's pipeline and development of leaders through the top management support, organizational strategies and practices.

Secondary data have been taken from the leadership practices of other organizations, studies carried out across the world, files, reports, records, policies, in-house magazines and journals, books, articles, websites etc.

Existing Leadership Development System in NTPC

A formal career path and development process exists in NTPC. Promotions within each career path are aligned with the needs of the organisation. Anyone joining the organisation can choose to pursue a generalist or specialist career path and is put through specific training interventions and job rotation for becoming a generalist or specialist. Potential employees are assessed for leadership competence and are groomed to occupy leadership positions in the organization. Individual development plans are made on the basis of gaps identified to assure that the process of development and growth is meaningful.

Leadership Assessment and Development System (LEADS) **-** LEADS was introduced in 2005 (for E7A and above level) to build effective leadership pipeline in NTPC and to provide

objective and fair assessment of competencies and potential for different levels of leadership. The system measures competencies through –

1. LEAD Centre (assess the managerial and leadership potential - competencies through multiple tools & exercises by external/trained internal assessors in a simulated work environment) and

2. LEAD Circle (assess the behaviour demonstrated in the actual work situation by the members in one's role-set such as self vs. - superiors, peers, subordinates and other stakeholders)

Leadership Development Program (through IIM – Bangalore) - People who are high performers are sent to IIM-B for LDP. At the end of the program, action learning projects are assigned to all under a mentor-director and project guide from IIM-B. Presentations are made before CMD and Directors who advise all the GMs to implement their action learning projects in NTPC.

Executive Coaching (focus on Individual Development Plan) - Focused areas of development as per the individual LEAD Centre report are addressed. The program is a combination of learning, incorporation of the learnings into real life situations by its application. The facilitator of the program is in continuous touch with the participants and their reporting officers for 5 weeks during and after the regular sessions.

Findings of the Organizational Culture Survey

- 54% employees responded that leadership development strategy is reinforced throughout the company culture.

- 66% responded that NTPC clearly identifies the talent it needs, through recruitment.

- 37% responded that performance management systems in NTPC clearly identify and promote the talented employees.

- 55% responded that competencies required in an employee for a particular position are developed through training and other learning methods.

- 58% responded that NTPC value the talent by recognizing and promoting their career growth.

- 43% responded that employees are given job according to their competencies.

- 46% responded that employees are given adequate amount of power and resources to perform their jobs.

- 36% responded that NTPC reward policy identifies the talented people in the organization.

- 33% responded that there is an organizational plan to retain the talent in NTPC.

- 77% responded that seniors often communicate with subordinates regarding leadership development.

- 55% responded that top management allocate time and money to leadership development related activities.

- 46% responded that top management actively review talent / future leaders.

- 46% responded that high potential employees are communicated of their status as successors for leadership roles.

- 50% responded that high potential employees are prepared for the future roles by giving them important work areas or key positions.

- 46% responded that succession planning is used to make actual selection decisions.

- 50% responded that compensation should differ for high performers in the same role.

- 48% responded that talented people occupy the leadership positions in NTPC.

- 50% responded that competency model should also be used when hiring from outside.

- 47% responded that there are plans to fulfil the leadership needs of NTPC in view of increasing capacity and diversification of business.

- Training is considered as the major source of leadership development as compared to other developmental methods.

- Employees believe that development of leaders must start right from the lowest level.

- Action learning and cross-functional experience is also important along with training.

- Development of leaders results into increase in profit, productivity and decrease in turnover and hence due importance must be given to leadership development.

- The top three barriers in developing leaders are: 1) availability of resources, 2) lack of a process to identify leaders within company, and 3) lack of feedback about performance.

- Greatest contributors in developing leaders: 1) support from senior executives, 2) clear leadership competencies, and 3) leaders' understanding of organizational goals/strategies.

- No practice followed other than training for development of junior and middle management. Methods like special assignments; psychometric tools etc. can also be used.

- Succession planning should be used for making selection decisions.

- A vast number of leaders are retiring / resigning without leaving effective successors.

Comparative Table of Leadership Development in various Organizations

After studying the Leadership Development System of various organizations, a comprehensive table was made see the existing sub-processes in these organizations.

NTPC vs. OTHER ORGANIZATIONS

	An Integrated Leadership Development Policy	A dedicated Leadership Development Centre	A separate Leadership Development Group	Competency Framework	A formal Succession Planning Policy
NTPC LTD.	For senior leadership positions only	-	-	✓	-
WIPRO	✓	-	-	✓	-
ADITYA BIRLA GROUP	✓	✓	-	✓	✓
INFOSYS	✓	✓	✓	✓	✓
ARTHUR ANDERSEN	✓	✓	✓	✓	✓
GENERAL ELECTRIC	✓	✓	✓	✓	✓
HEWLETT PACKARD	✓	✓	✓	✓	✓
JOHNSON & JOHNSON	✓	✓	✓	✓	✓
ROYAL DUTCH SHELL	✓	✓	✓	✓	✓

Table 1: Comparative Table

Recommendations

In NTPC, there is a need to move from Leadership Model which focuses just on senior management development to Organization Wide Leadership Model which focuses on developing leaders at every level. Major recommendations for NTPC are listed below:

Role of Leaders -

- Have a detailed leadership strategy and strengthen it through the organizational culture in an effective manner.

- Active involvement, time and effort of leaders in frequent reviews, talent management, training and mentoring will impact employees.

- Effectual communication and distribution of resources by leaders on succession plans and leadership issues.

Leadership Development System -

- Organization should have well defined leadership competencies to select leaders.

- Organization should continuously assess leader's behaviour and competencies.

- Successful execution of leadership programs, job rotations, and global assignments for high potential leaders.

- Early identification of leaders through well defined succession planning process.

- Always keep a pool of leaders.

Approach for Implementation

There is a need to recast the existing Leadership Development System into the proposed Leadership Framework given below: There are Three Stages in Leadership Development -

Stage 1: E1 (Asst. Officer) to E4 (Dy. Manager)

Competency Building for E1-E2A through:

1. Psychometric tool – using the tool for recruitment as well as for personality development purposes.
2. Functional Competency development programs relating to once own work areas.
3. Programs for development of Behavioural Competencies like Customer Focus, Team Spirit, Creativity, Communication etc.

3X3 matrix at E3 level:
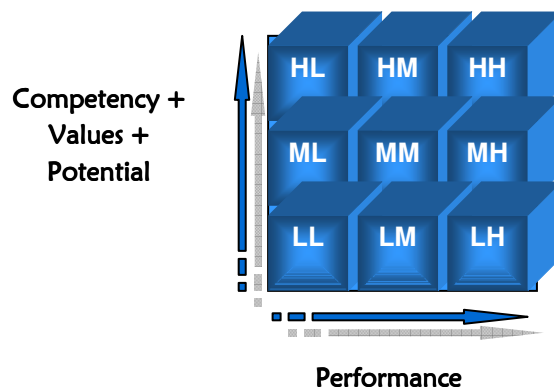
Plot the employees in 3X3 matrix and according to his position in the quadrant an Individual Development Plan can be made for the development of his / her areas of gaps.

Individual Development Planning (IDP):

1. Consultation with superior & Leadership Development Group facilitator

2. Action Plan for development of competencies

3. Take the developmental Initiative

4. Yearly review by the superior

Competency Building Programs for E3-E4 level in the areas given below:

Behavioural

- Analytical Ability
- Business Attitude
- Communication Skills
- Interpersonal Skills
- Managerial Effectiveness
- Innovation and Creativity
- Team Building
- Adaptability
- Decision Making
- Empowering and Motivation
- Resource Management
- Cost & Quality Consciousness

Potential

- Change Management
- Coaching & Counselling
- Networking & Relationship Building
- Visionary & Strategic Thinking

Functional

- Technical Competencies
- Job Rotation
- Special Project

Stage 2: E5 (Manager) to E7 (DGM)

Development at E5 Level:

- Use Development Centre to identify the weak areas

- Individual Development Planning

- Competency Development Program in the areas of gaps

3X3 matrix at E6 level:
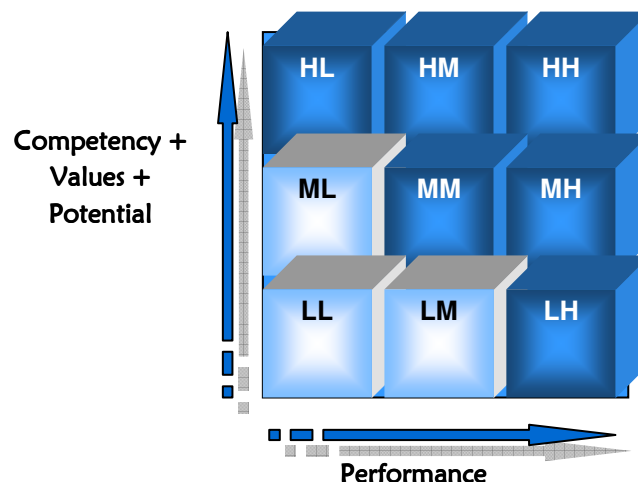
At E6 level, we can focus on 6 quadrants for potential leaders – HH, HM, HL, MM, MH & LH. According to the person's place in the quadrant, his strong and weak areas can be addressed through following initiatives.

Leadership Development at E6 & E7 Level:

- Development of Coaching & Mentoring skills

- Use of Psychometric Tools like MBTI, FIRO-B for self and interpersonal skills development

- Use of OD Interventions like Change Management, Team Building, Communication etc.

- Development Assignments like job rotation, cross-functional exposure, short and strategic assignments etc.

Stage 3:E7A (AGM) to CMD/Directors

Assessment at E7A & above Level:

Once at each level conduct of -

- LEAD Centre (Assessment & Development Centre)

- LEAD Circle (360 degree feedback)

3X3 matrix at E7A level:
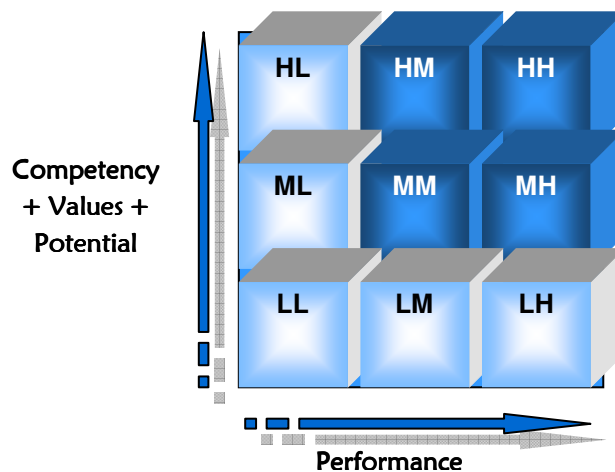
At E7A level, we can focus on 4 quadrants for potential leaders – HH, HM, MM & MH. According to the person's place in the quadrant, his strong and weak areas can be addressed through following initiatives.

Leadership Development for E7A and above Level:

- Executive Coaching – coaching for leadership development

- Customized LDP – according to the areas of gaps of employees, a tailor made Leadership Development Program can be made

- Development of Coaching & Counselling Skills so that these senior people can act as mentors and coach to their successors / future leaders / direct reportees

- Development assignments - exposure in diverse areas through job rotations and cross-functional assignments

- Action Learning - assign projects to the potential leaders under a guidance of a senior person who will act as a mentor

- Global Exposure – Nominate employees for relevant foreign training, industry exposure

Organizations put leaders in positions cautiously selected to put up on their existing talents as well as their capability to acquire new potentials. At every level leaders not only have to groom their own leadership capabilities; they must also play a role in identifying and developing other leaders' talents by becoming a mentor for other potential leaders. Finding leadership talent before time is vital. As soon as the potential leader is identified, development process can start. Finding the right talent is also equally important. Each job

assigned to a potential leader must be such that it develops natural leadership talents and tests

ability to develop new skills and capabilities and to improve personal characteristics.

Conclusion

A variety of unforeseen situations like - demographic shifts, downsized management levels, economic growth, new business opportunities, and competition for talent - has significantly raised the importance of building leadership pipeline. Developing an effective leadership pipeline requires a proactive approach and development of leaders from a very early stage. Integrate various leadership development initiatives and practices to achieve the double purpose of leadership development and business objectives. Create a succession planning process that deals with the future requirement of the organization. NTPC being a Public Sector Organization has implemented a robust Leadership Development System, however it needs to be made more effective and keeping in view the competition from private players it's time to build leadership pipeline within the organization.

"Set a strategy for building leadership: right people, right place, and right time".

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Appendix

QUESTIONNAIRE FOR SURVEY

SN	Questions	Strongly agree	Somewhat agree	Neutral	Disagree	Strongly disagree
1.	Leadership development strategy is reinforced throughout the company culture.					
2.	NTPC clearly identifies the talent it needs, through recruitment.					
3.	The performance management systems in NTPC clearly identify and promote the talented employees.					
4.	Competencies required in an employee for a particular position are developed through training and other learning methods.					

5.	NTPC value the talent by recognizing and promoting their career growth.					
6.	Employees are given job according to their competencies.					
7.	Employees are given adequate amount of power and resources to perform their jobs.					
8.	NTPC reward policy identifies the talented people in the organization.					
9.	There is an organizational plan to retain the talent in NTPC.					
10.	Seniors often communicate with subordinates regarding leadership development.					
11.	Top management allocate time and money to leadership development related activities.					

12.	Top management actively review talent / future leaders.					
13.	High potential employees are communicated of their status as successors for leadership roles.					
14.	High potential employees are prepared for the future roles by giving them important work areas or key positions.					
15.	Succession planning is used to make actual selection decisions.					
16.	Compensation should differ for high performers in the same role.					
17.	Talented people occupy the leadership positions in NTPC.					
18.	Competency model should also be used when hiring from outside.					

Development practice	Top management	Middle management
Cross functional experience		
Job rotation		
Global/regional assignments		
Internal training		
External training		
Formal education		

Barrier	Tick the options
Availability of resources	
Process to identify leaders within company	
Feedback about performance	
Clear leadership competencies	
Business acumen of employees	
Recruiting leaders from outside the company	
Company culture	
Support from senior executives	
Prior leadership experience	
Understanding of organization goals/strategies	
Industry knowledge/experience	
Support from board of directors	
Compensation of top leaders	

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