

Continuous Performance Series: Building leadership capability



By Richard Hasty and Aaron Andrade

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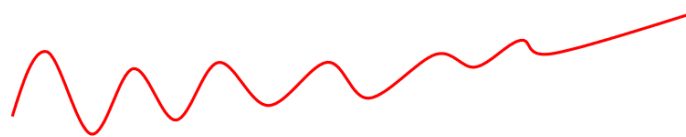
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Leadership Capability Maturity Model

Level definitions



Key Measurement factors	Level 1 Initial	Level 2 Repeatable	Level 3 Defined	Level 4 Managed	Level 5 Optimizing
High Level Characteristics	Entrepreneurial environment with little structure and future dependent on few individuals. No repeatable processes exist.	Recognized need for structure and leadership. Success dependent on one or two key executives, results are repeatable in similar circumstances.	Leadership demonstrated and rewarded at various levels of organization conforming with business needs.	Effective leadership demonstrated and replicated throughout organization, consistent performance across organization.	Leadership surplus; management focused on improving people, products and organizational results.



Each successive maturity level describes capability that delivers greater degrees of predictability in results. Based on Carnegie Mellon's groundbreaking IT Capability Maturity Model.

Introduction

In any organization, the development of leadership and management capabilities is critical for achieving sustained success and delivering consistent business results. The Leadership Capability Maturity Model (LCMM) and Management Capability Maturity Model (MCMM) are frameworks designed to assess and improve an organization's effectiveness in developing leaders and managers. These models are catalysts for evaluating the current state of leadership and management within an organization and identifying areas for improvement.

Background

The LCMM/MCMM are based on a classic model developed by the Massachusetts Institute of Technology (MIT) to measure the maturity of technology organizations. Recognizing the importance of both leadership and management in organizational success, these models have been adapted to focus specifically on these two categories. The distinction between leadership and management is crucial:

- Leadership involves guiding and mentoring, focusing on long-term vision and organizational culture.
- Management involves skills development and job performance, focusing on short-term objectives and operational efficiency.

Purpose of LCMM and MCMM

- LCMM: Evaluates the organization's ability to build leaders and achieve organizational excellence.

Leadership Capability Maturity Model

Management Capability Maturity Model

- MCMM: Assesses the capability of individual managers to lead their teams and achieve personal and team objectives.

Structure of the Models

The LCMM and MCMM are divided into several "swim lanes," each representing different aspects of leadership and management capability. These swim lanes guide management in determining the effort required to achieve increasing levels of predictable organizational results and objectives.

Assessing Leadership and Management Maturity

The LCMM and MCMM use a maturity scale to assess the current state of leadership and management capabilities. This scale typically includes levels such as:

1. Initial: Processes are ad-hoc and chaotic, with little to no standardization.
2. Repeatable: Basic processes are established, but they are not consistently followed.
3. Defined: Processes are documented and standardized across the organization.
4. Managed: Processes are monitored and measured, with management actively ensuring they are followed.
5. Optimized: Continuous improvement processes are in place, with the organization consistently striving for excellence.

Each successive stage of the maturity models describes progress toward an "Optimized" environment where leadership or management are in a constant state of improvement. Not every company will want to achieve the highest level. During the assessment process, a company will be evaluated to determine their current state of development and collaboratively decide their ultimate objective and the effort required to transition from their current state to their desired future state.

Organizations may or may not choose to undertake the effort to achieve an optimized (continuous improvement) stage for each swim lane, but rather choose where their efforts will bring the most benefit to the organization. A plan is built to address the current state of each competency (swim lanes) and achieve the desired future outcomes.

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<ul style="list-style-type: none"> Employee Loyalty and Productivity Decision-making Financial Results Non-financial Results Learning and Accountability Change Management Business Process Improvement Ethics and Integrity 	Results are either positive or negative, but in either case unpredictable. There are often significant swings in financial performance. Management does not demonstrate consistency in hiring, decision-making or problem solving. Management does not recognize need to formally develop leadership skills. Management does not anticipate change demanded by economic or market conditions and has no formal approach to process improvement	Results are generally positive and show some consistency. Management has difficulty recognizing key factors for success or failure. Management recognizes need to develop consistent leadership capabilities throughout organization and desires to understand dynamics of change and how to effectively manage it. Very limited numbers of employees have authority or autonomy. Accountability is driven from the top down.	Results show positive and clear trends – both growth and reductions in revenue/profits are predictable and can generally be managed. Employees are given appropriate levels of authority and autonomy. Effective leadership development tools and techniques have been implemented at all management positions. Formal change management tools are implemented. Employees recognize accountability on a peer level.	Results meet forecast expectations throughout the organization. Leadership capability is recognized at all levels of the company and all management teams are expected to participate in developing future leaders. Adaptation to change is anticipated and welcomed. Change management is considered a key management discipline and a formal process is utilized throughout the organization. Peer and subordinates hold one another accountable for results.	Financial and non-financial forecasts are highly reliable and demonstrate ability to anticipate market and economic shifts. Leadership Development is recognized as a vital competitive advantage. Effective change management is viewed as an essential discipline. Leadership initiative and accountability are demonstrated and rewarded at all employee levels. Organization experiences an abundance of leaders – recognized across their industry.

LCMM Swim Lanes

1. **Employee Loyalty and Productivity:** This swim lane focuses on the organization's ability to foster loyalty and productivity among its employees. Effective leadership in this area results in higher employee retention rates, increased engagement, and overall productivity improvements.
2. **Decision-Making:** This area assesses how leaders make decisions within the organization. It evaluates the consistency, speed, and quality of decision-making processes, ensuring that leaders can make well-informed and timely decisions that drive the organization forward.
3. **Financial Results:** This swim lane measures the impact of leadership on the organization's financial performance. It examines how leadership decisions and strategies influence revenue, profitability, and cost management, aiming to achieve strong financial outcomes.
4. **Non-Financial Results:** Beyond financial metrics, this area evaluates the effectiveness of leadership in achieving other important organizational goals, such as customer satisfaction, employee well-being, and community impact. It encompasses various qualitative and quantitative non-financial indicators of success.
5. **Learning and Accountability:** This swim lane assesses the organization's culture of learning and accountability. It focuses on how leaders promote continuous learning, knowledge

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sharing, and accountability for results. Effective leadership in this area leads to a culture of improvement and personal development.

6. **Change Management:** This area measures the organization's ability to manage and implement change effectively. It evaluates how leaders plan, communicate, and execute change initiatives, ensuring that the organization can adapt and thrive in a constantly evolving environment.
7. **Business Process Improvement:** This swim lane focuses on the organization's commitment to improving business processes. It assesses how leaders identify opportunities for process enhancements, implement improvements, and sustain gains, leading to increased efficiency and effectiveness.
8. **Ethics and Integrity:** The leader sets the example for the entire team. Adhering to core values personally is essential to motivate and demonstrate the culture of the organization. It is critical that a leader reinforces cultural expectations through personal actions.

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Management of: <ul style="list-style-type: none"> •Self •Team •Communications •Decision-making •Planning •Growth •Innovation •Results •Customers focus •Integrity •Processes 	Results are either positive or negative, but in either case unpredictable. There are often significant swings in financial performance. Management does not demonstrate consistency in hiring, decision-making or problem solving. Management does not recognize need to formally development leadership skills. Management does not anticipate change demanded by economic or market conditions and has no formal approach to process improvement	Results are generally positive and show some consistency. Management has difficulty recognizing key factors for success or failure. Management recognizes need to develop consistent leadership capabilities throughout organization and desires to understand dynamics of change and how to effectively manage it. Very limited numbers of employees have authority or autonomy. Accountability is driven from the top down.	Results show positive and clear trends – both growth and reductions in revenue/profits are predictable and can generally be managed. Employees are given appropriate levels of authority and autonomy. Effective leadership development tools and techniques have been implemented at all management positions. Formal change management tools are implemented. Employees recognize accountability on a peer level.	Results meet forecast expectations throughout the organization. Leadership capability is recognized at all levels of the company and all management teams are expected to participate in developing future leaders. Adaptation to change is anticipated and welcomed. Change management is considered a key management discipline and a formal process is utilized throughout the organization. Peer and subordinates hold one another accountable for results.	Financial and non-financial forecasts are highly reliable and demonstrate ability to anticipate market and economic shifts. Leadership Development is recognized as a vital competitive advantage. Effective change management is viewed as an essential discipline. Leadership initiative and accountability are demonstrated and rewarded at all employee levels. Organization experiences an abundance of leaders – recognized across their industry.

MCMM Swim Lanes

1. **Self:** This swim lane focuses on a manager's ability to understand and manage their own behavior, emotions, and development. It includes self-awareness, self-regulation, and personal growth, which are foundational for effective leadership.
2. **Team:** This area assesses how managers build, develop, and lead their teams. It includes team dynamics, motivation, conflict resolution, and fostering a collaborative team environment.
3. **Communications:** This swim lane evaluates a manager's communication skills, both within the team and with external stakeholders. Effective communication is essential for clear expectations, feedback, and relationship building.
4. **Decision-Making:** This area focuses on a manager's ability to make timely and informed decisions. It assesses decision-making processes, risk assessment, and the ability to balance short-term and long-term considerations.
5. **Planning:** This swim lane assesses a manager's ability to plan and organize work effectively. It includes setting objectives, resource allocation, time management, and contingency planning.
6. **Growth:** This area evaluates a manager's ability to facilitate the growth and development of team members. It includes coaching, mentoring, training, and career development planning.
7. **Results:** This swim lane focuses on a manager's ability to achieve desired outcomes. It includes performance management, setting and achieving goals, and measuring and reporting results.
8. **Innovation:** This swim lane focuses on encouraging managers to foster a culture of innovation and creativity within their teams. It includes promoting new ideas, supporting experimentation, and integrating innovative solutions into the business.
9. **Customer Focus:** This area assesses how managers ensure that their teams prioritize and address customer needs and satisfaction. It includes understanding customer requirements, delivering high-quality service, and continuously improving the customer experience.
10. **Integrity:** This swim lane evaluates a manager's commitment to ethical behavior and integrity in their practices. It includes promoting ethical standards, ensuring compliance with regulations, and fostering a culture of trust and honesty.
11. **Processes:** This area focuses on optimizing processes and improving operational efficiency. It includes identifying inefficiencies, implementing best practices, and leveraging technology to enhance productivity.

Case Study: Implementation of LCMM and MCMM in a For-Profit Company

Background

Our example BrightFuture Tech, a mid-size technology firm with 500 employees, faced significant challenges in leadership and management development. High employee turnover, inconsistent team performance, and a lack of structured leadership development were hindering the company's growth and profitability.

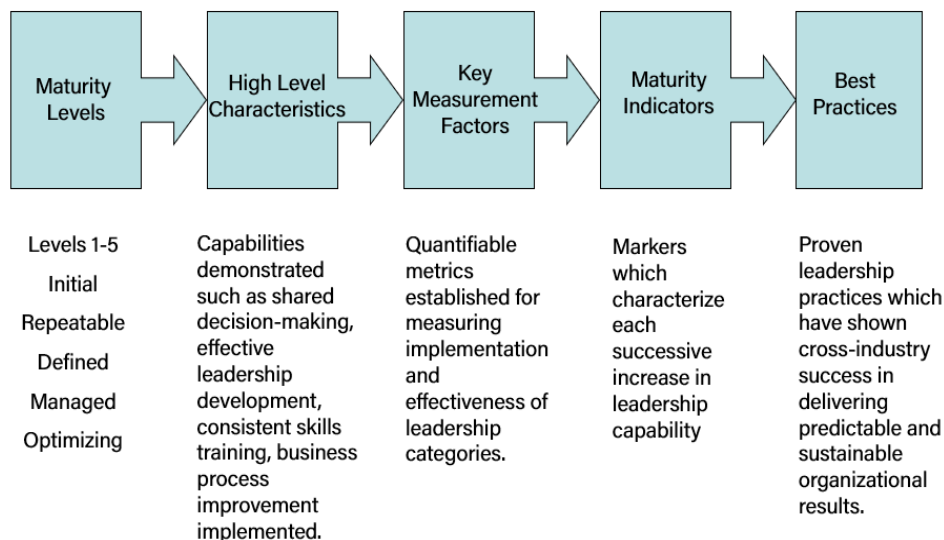
Challenges Before LCMM and MCMM Implementation

- **High Turnover Rates:** Many employees were leaving the company within their first year, citing lack of career growth and poor management.
- **Productivity Issues:** New hires were taking longer to become productive due to insufficient onboarding and training programs.
- **Inadequate Incentives:** The company's incentive programs were not effectively motivating employees or aligning with business goals.
- **Profitability Concerns:** Due to the issues above, the company struggled with maintaining consistent profitability and achieving financial targets.

Benefits of LCMM and MCMM Implementation



1. **Reduced Turnover:** By focusing on Employee Loyalty and Productivity within the LCMM, BrightFuture Tech developed targeted leadership programs that improved manager-employee relationships and career development opportunities. This led to a significant reduction in employee turnover rates, with retention improving by 30% within the first year.
2. **Accelerated Productivity of New Hires:** Utilizing the Growth and Planning swim lanes within the MCMM, the company revamped its onboarding and training programs. New hires became productive more quickly, with the average time to full productivity decreasing by 40%.
3. **Enhanced Incentive Programs:** Through better Decision-Making and Learning and Accountability swim lanes, BrightFuture Tech implemented more effective incentive programs that aligned with both individual performance and organizational goals. This increased employee engagement and motivation, leading to higher performance levels.
4. **Improved Profitability:** The focus on Financial Results and Business Process Improvement in the LCMM helped the company identify and implement efficiency improvements. Coupled with the overall enhancement of leadership and management practices, BrightFuture Tech saw a 25% increase in profitability over two years.

LCMM Key Features



Conclusion

The Leadership Capability Maturity Model (LCMM) and Management Capability Maturity Model (MCMM) offer comprehensive frameworks for developing strong leaders and managers within organizations. The case of BrightFuture Tech illustrates the tangible benefits of adopting these models, including reduced turnover, accelerated productivity of new hires, enhanced incentive programs, and improved profitability. By assessing and improving their leadership and management capabilities, organizations can achieve sustained success and deliver consistent business results. Implementing these models provides a clear roadmap for achieving excellence in leadership and management, ultimately leading to a more resilient and high-performing organization.

 AUTHORS 	
<p>Rick Hasty has been a management consultant, executive coach, and facilitator to senior executives and their teams for more than 30 years, working with leadership teams in multi-industries in North America and throughout the world. He is an author and keynote speaker on the important topic of leadership development.</p> <p>He formed LNG after serving in management roles at PwC for 12 years. He previously founded Conequity Resources, a management consulting firm acquired by PwC in 2010.</p>	<p>Aaron Andrade has 20 years' experience as a senior leader, executive coach and management consultant creating organizational development programs that increase employee engagement, develop leaders and achieve business goals.</p> <p>Working in multiple industries, his coaching and team building strategies have received recognition in leading companies like The Boston Globe, Year Up and the U.S. Army where he was awarded a bronze star for his service in Iraq.</p>