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## RELEASING THE POTENTIAL ENERGY OF YOUR FUTURE LEADERS

*Keys to unlock the cache of potential energy in emerging leaders as they transition from their management roles into new leadership roles.*

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In physics, potential energy is defined as “the energy stored in a body or system.” This concept is a useful analogy when thinking about the development of high-potential leaders and decision-makers. Potential energy is a necessary condition for subsequent action, but the potential energy of an emerging business leader, like that of a stretched spring, has no value unless it eventually is converted into kinetic energy through action.

At PriSim Business War Games Inc., we have developed thousands of leaders at major corporations across the world and at Northwestern University over the last 15 years. In doing so, we have observed a specific set of keys that are powerful in unlocking the cache of potential energy in emerging leaders as they transition from their management roles into new leadership roles. These keys are often hidden just under the radar of even the best Talent managers—and yet are of critical importance in freeing the talent stored within your organization.

### Unlocking the Potential Energy of Emerging Leaders

#### Energy Release Tip #1: Build team players instead of individual contributors.

As people make the transition from manager to leader, the “softer” business skills become more and more important to success. In this progression, leaders are judged less on their technical abilities, e.g., engineering expertise, and more on their ability to *lead* others to create results. This means working with people, which for a technical, analytical manager sometimes can be frustrating but which is absolutely critical to success. At PriSim, we routinely observe the “smartest” teams producing sub-par results as they run a simulated company because of breakdowns in team dynamics. As Daniel Goleman described in his *HBR* article, “What Makes a Leader,” Emotional Intelligence is twice as important as cognitive ability or technical skill in all jobs, and increasing so at the highest levels of the company.

**Actions:** Include soft-skills training such as 360-degree evaluations, Emotional Intelligence classes, and behavioral training as a core part of your development efforts. And make sure that these become part of your company’s corporate consciousness, not simply an add-on to hard-skills training.

#### Energy Release Tip #2: Provide a view of the business through many lenses.

Accountants tend to look at the world through their familiar “lens” of accounting, engineers through the lens of engineering. But the ability to think at a 30,000-foot view about the whole business and to integrate and align decision-making is a critical leadership skill at the higher levels of the organization. Not doing so, and focusing solely on one part of any system, results in what economists term “sub-optimization” of the potential output of the overall system.

**Actions:** Motivate your future leaders to view the business from many different angles such as through job rotations, working with cross-functional teams, and through strategic internal-consulting assignments. An “aha” moment for engineers participating in our business

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simulations at an aerospace and defense client often comes when they experience first-hand the reasons that drive the finance department's "tendency to say, 'No,'" to investment ideas.

Whole-company simulations can function as the "micro-worlds" described by Peter Senge in his seminal book on Systems Thinking, "The Fifth Discipline." Senge believed that complex business concepts can be learned best through experience, not by being taught. He proposed that experiential learning also must be rapid and iterative and must provide immediate feedback on the consequences and dynamics of decisions and actions. A useful tool to achieve this is computerized business simulations, where years of business dynamics can be compressed into a few days of intense experimentation within a laboratory setting.

**Energy Release Tip #3: Motivate adaptability, not comfort.**

The business world is, and has always been, in a state of continuous change. Customers' values migrate over time, competitors change their strategies and tactics, and the resources within the company itself are constantly changing. While leaders need to continue to do the things that have worked well in the past, they also need to develop the flexibility to change the things that haven't worked as well. No one likes being uncomfortable, yet, as the old adage goes, successful leaders learn to be "comfortable being uncomfortable." One of PriSim's senior clients recently said, "As I think about the roles in my 20-year career, I've never been comfortable."

**Actions:** Ensure that your emerging leaders learn that leadership is not about being comfortable. Work with your current leaders, up through the highest levels, to share "war stories" with emerging leaders of significant actions that they and the company have tried but that have needed to be changed or cast aside. Incorporate these stories in guest-speaking roles in the development programs and classes in your training curriculum. To quote **John F. Kennedy**, "There are risks and costs to a program of action. But they are far less than the long-range risks and costs of comfortable inaction."

**Energy Release Tip #4: Show that leadership is local.**

As Gandhi once said, "Be the change you want to see in the world." In this regard, successful leaders must lead from where they are. We often counsel the emerging leaders we teach to stop looking to the top level of the company for the change they want—and griping when it doesn't happen.

**Actions:** Make it clear to your future leaders that they have the responsibility to lead and to be active change agents. Strongly discourage complaining and griping unless it comes with a proposed solution to the perceived problem.

**Energy Release Tip #5: Develop doers, not just planners.**

More than just *talking* about or defining the direction that they and the company will go (a description of the potential energy in a situation), leaders need to actually take action and *execute* to convert great plans into reality. As described in Covey's 4 Disciplines of Execution, "doing" entails: focusing on a wildly important goal; translating it into actions; tracking the actions; and holding people accountable for results. A Booz Allen study on 21st century skills stated that "Companies...complain that managers roughly know what they need to do, but most don't do it...They require action-taking ability." Developing the capacity to follow through to achieve real results is a crucial skill for leaders.

**Actions:** Make sure that development activities, exercises, projects, classes, etc., that your high potentials engage in focus on creating results, and not just on creating ideas for the sake of ideas. Track these activities for implementation, and insist that real results are created and measured.

**Energy Release Tip #6: Teach the value of ruthless focus.**

A critical role of leadership is to make decisions. To do this, great leaders know when to use the word, "No." As Tim Cook said in 2010 when COO of Apple, "We say, 'No,' to good ideas every day. The table each of you are sitting at today, you probably could put every product on it that Apple makes, yet Apple's revenue last year was \$40 billion." Your leaders need to learn to say, "No," to an untimely idea; "No" to a questionable strategic direction; or "No" to a potential, but probably unprofitable, market opportunity.

**Actions:** Incorporate the concept of ruthless focus into your training courses. Encourage leaders to specify what they and the company will *not* do when formulating strategies and plans, as well as what they *will* do.

**Energy Release Tip #7: Insist on fluency in the language of business.**

Which is finance. Feared, complicated, and (perceived to be) difficult to learn, it's a requirement to understand what's going on in business. This has become one of the most important learning objectives in PriSim's classes, because we have found the lack of financial literacy to be astounding. As an example, in an industry-CFO meeting that PriSim facilitated, 68 percent of the CFOs in attendance did not know the correct definition of net profit margin. If your future leaders don't understand the fundamentals of income statements, balance sheets, and financial ratios, then they won't understand your business or your industry.

**Actions:** Incorporate managerial finance classes as a requirement in your leadership development curriculum.

**Energy Release Tip #8: There's no such thing as a stupid question.**

No one wants to appear incompetent, and so the important, but "101"-sounding, questions sometimes



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just don't get asked. It takes courage to say, "Can you go over that again, but more slowly?" or "What do you mean by...?" Serious business mistakes sometimes can be avoided by slowing down and taking the time to dig deeper beneath the fast talk and business acronyms. A USA Today article by Seth Freeman in January 2009 made the point that, "Dumb' is the new smart. A healthy willingness in business, finance, investing, and regulation to say, 'I don't understand,' to stop fooling ourselves and to ask dumb questions, could be as crucial to a bright future as anything else."

**Actions:** Foster courage in your emerging leaders to avoid "smart talk" and get comfortable asking "stupid," but important, questions.

**Energy Release Tip #9: Let failures lead to success.**

Emerging leaders don't know what they don't know. And they can tend toward overconfidence. This trait may be even more common in the Generation Y Millennials now entering the workforce in greater and greater numbers. While an inexperienced leader typically would not be allowed early in his or her career to make top-level decisions that could put a company at significant risk, overconfidence still can bring with it significant negative impacts for a business. Since overconfident people are "already so good," they may be resistant to important training and mentoring, and they may have unreasonable expectations of advancement opportunities in the company. If not detected in time by a watchful Talent manager, critical development could stall until a leader is in an actual role of power at the company—at which point the damage may already have been done. (See sidebar, "PriSim Research," below.)

**Actions:** Let your developing leaders fail. In fact, put them in positions where they are almost guaranteed to fail. "Give them glass balls and rubber balls to juggle"—your job as a Talent manager is to make sure they don't drop the glass balls, but to let them drop the rubber balls and, thus, gain the invaluable experience that comes with failure. To that end, provide a "business laboratory," such as a class, project, or business simulation, where they can experiment and practice—and where they can safely fail.

**PriSim Research**

PriSim has analyzed empirical data from more than five years of pre-course surveys from more than 1,000 attendees of 100-plus of our business classes. We have run these classes for leading U.S. companies (mostly F100 companies) across a diverse set of industries, with their high-potential employees in attendance. In these surveys, respondents were asked to score their own competency across several higher-level business skills including leadership, strategic thinking, plan execution, and financial metric analysis. This research points to an intriguing tendency toward overconfidence among inexperienced leaders in business. The approximately 100 survey respondents who had one year or less of real-world business experience self-ranked themselves on average as being a 4 on a 5-point scale (where 5 represents the highest level of competency) in leadership and in strategic thinking. Yet these are equivalent scores that on average all of the rest of the other 900-plus attendees, with an average of 16 years of business experience, scored themselves. In fact, approximately 14 percent of those with one year of experience or less scored themselves at the highest level possible with a competency of 5 out of 5. We found that those with one year or less of experience also scored themselves as being equally competent as the other 900-plus respondents in their competency in business planning, financial statement analysis, and financial metric analysis. Only their competency in plan execution was scored lower at 3 compared with a group average of 4.

That an essentially inexperienced group of people would self-score themselves so highly, particularly in two areas of business that most business leaders would agree take years to develop, appears to be a textbook case of the "overconfidence trap," one of the roadblocks to decision-making described in the classic HBR article, "The Hidden Traps in Decision-Making," by John S. Hammond, Ralph L. Keeney, and Howard Raiffa.

**Catalyze the Conversion of Your Future Leaders' Potential Energy into Kinetic Energy**

More than 40 percent of the U.S. labor force is currently made up of Baby Boomers (born between 1946 and 1964), according to the U.S. Bureau of Labor Statistics. And the first wave of executive retirements already has begun and will result in a loss of millions of years of on-the-job experience. Thus, it is possible that your high-potential emerging leaders may be called upon to step into a significant leadership role at your company sooner than you or they might think. The question is: Will they have converted their potential energy into kinetic energy by then and be ready to answer the call?

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