

POSITION PAPER 001

Building Leadership Capability as a Strategic Organisational Asset

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Executive Summary

Organisations invest continuously in leadership development, succession planning, talent management, workforce planning and promotion processes. Each of these activities is intended to strengthen leadership capability. Yet very few organisations can answer one fundamental strategic question with confidence.

Do we have the leadership capability to deliver our strategy, today and in the future?

The reason lies in where leadership capability actually resides.

Leadership capability is not created by leadership development, succession planning or promotion. It emerges from the interaction between systems that are governed separately, by design.

Capability is not missing because organisations underinvest in it. It is invisible because it lives in the interaction between systems, and no single function is accountable for that interaction. Development, succession, promotion and workforce planning are each governed separately, measured against their own success criteria, by people who are not accountable for how their decisions combine.

This paper argues that leadership capability cannot be made visible by improving individual components, however well each is run. It requires a governing system capable of examining the interaction between them. It introduces Leadership & Talent Architecture™ as that system.

We are asking the wrong question

Most organisations believe they have a leadership challenge, and set about answering it component by component. Do we need better leadership development. Should we redesign our promotion process. Do we need stronger succession planning. How do we identify high-potential talent. Should we invest in executive coaching.

These are reasonable questions, and every one of them can be answered well without changing the underlying picture at all, because none of them touches the condition that actually determines whether an organisation has the leadership capability it needs.

A better question exposes why. Do we have the leadership capability to deliver our strategy? That question cannot be answered by any single function, because no single function owns the answer. It shifts the conversation from programmes to systems, from interventions to governance, and from activity to organisational capability.

Capability is not owned, because it was never designed to be

Leadership capability does not sit within a learning programme, a promotion process, a succession plan or a talent review. It emerges from the interaction between all of them, in much the same way operational readiness emerges from the interaction between planning, resourcing and execution rather than residing in any one of those alone.

This is not a coordination failure that better collaboration would fix. It is a design feature of how most organisations are structured. Development typically reports through L&D. Succession sits with HR or the executive team. Promotion decisions are made by line leaders, often locally and inconsistently. Workforce planning belongs to a separate planning function entirely. Each is optimised against its own metrics, by people who are not accountable for how their decisions interact with the others.

Organisations don't lack leadership capability because they underinvest in it. They lack visibility of it because the systems that produce it, development, succession, promotion, workforce planning, are governed separately by design.

The consequence is not that any individual system fails. It is that capability is never owned anywhere, because it was never designed to be owned. It was designed to be assembled from parts that report to different people, are reviewed on different cycles and answer to different definitions of success.

The governance gap this creates

The consequences of this gap are rarely visible in the moment. They surface later, and by the time they do, they look like separate problems: a promotion process criticised for lacking transparency, a succession plan that turns out to have no ready successor when a senior departure actually happens, a workforce strategy that quietly becomes dependent on external recruitment because internal pipelines were never connected to development activity in the first place.

Each of these is investigated and addressed in isolation. Each tends to recur, sometimes for years, because the investigation never reaches the level where the actual condition lives, which is the interaction between the systems rather than the systems themselves. Inspection cycles, audits and governance reviews return to the same themes not because the organisation failed to act, but because every action taken addressed a component that was never the true source of the risk.

Boards and executive teams experience this as a puzzle. The organisation has invested. The organisation has acted. And the same concerns keep resurfacing regardless of what has already been done. That pattern, more than any single finding, is usually the clearest evidence available that the risk is architectural rather than procedural.

What this looks like in practice

Having assessed leadership pipelines and promotion systems across a global technology organisation, a multinational energy business and a public sector emergency service, I have not yet found one where the individual components were badly run. I have repeatedly found organisations where every component was defensible on its own terms, and where the organisation still could not say, with any real confidence, whether it had the leadership capability its strategy required.

A different way of thinking

Leadership & Talent Architecture™ was developed in response to this condition. It does not begin by asking what intervention is required. It begins by asking what is actually true, because an organisation cannot make a good decision about leadership capability until it can see the condition it is deciding about.

This reverses the sequence that underpins most leadership initiatives. Instead of intervention followed by evaluation, Leadership & Talent Architecture™ follows a different order.

Signal. Diagnosis. Governance. Development.

Development remains essential. It is simply no longer where the process starts. Diagnosis comes first, because without it, development is directed at whichever component happens to be visible rather than at the condition actually generating risk.

Leadership & Talent Architecture™

Leadership & Talent Architecture™ provides the governing system through which leadership capability can be examined as an organisational asset, rather than inferred from the existence of programmes. It assesses risk across six interconnected domains:

- Context and Strategic Reality
- Leadership Capability and Capacity
- Talent Systems and Decisions
- Culture and Informal Power
- Individual Energy, Identity and Trajectory
- Outcomes, Risk and Sustainability

No domain is assessed in isolation, and no domain is sufficient on its own to explain organisational risk. The value of the architecture lies in the interaction between domains, since it is that interaction, not any single domain, that produces leadership capability or allows it to erode.

From capability gaps to organisational judgement

This changes what is being asked of organisational leaders. The task is no longer to commission more leadership activity. It is to exercise better organisational judgement about where risk is accumulating and whether it warrants intervention.

Decisions become more defensible because they rest on evidence rather than assumption. Investment becomes more targeted because risk is visible rather than inferred from anecdote or turnover. Governance becomes stronger because leadership capability is treated as a strategic organisational asset, accountable at Board level, rather than as a portfolio of HR initiatives reviewed department by department.

The role of evidence

An argument like this only matters if it survives contact with a real organisation. Leadership & Talent Architecture™ has been developed and tested through direct application within complex organisational environments, not built in the abstract and applied afterward.

Each engagement tests the same question: does examining leadership capability as an interconnected system reveal risk that remains invisible when individual processes are reviewed separately? The evidence gathered so far indicates that it does, consistently and specifically enough to be actionable rather than merely suggestive.

Subsequent publications in this series present that evidence directly, beginning with a Leadership & Talent Architecture™ diagnostic conducted within a UK public sector emergency service, where every individual component of the leadership and talent system was reasonably well run and the interaction between them still produced material risk. Those publications are not offered to prove the theory correct. They are offered to show what the theory reveals in practice.

Conclusion

Leadership capability will be one of the defining organisational questions of the next decade, tested by growth, demographic change, technological disruption, public scrutiny and organisational complexity that shows no sign of easing. Most organisations will meet that test still governing leadership through disconnected processes, each well run, each accountable to a different owner, none of them accountable for the whole.

This paper has argued for something more specific than the claim that leadership capability matters. It has argued that capability is not missing from most organisations. It is invisible, because it lives in the space between systems that were built, deliberately, to be governed apart.

Leadership capability should be made visible. It should be diagnosed before it is developed. It should be governed with the same discipline applied to any other strategic organisational asset, at Board level, not delegated entirely to HR.

Leadership & Talent Architecture™ is Nudge's contribution to that work. It is not a leadership programme. It is a governing system built to help organisations answer one question with genuine confidence: do we have the leadership capability to deliver our strategy?