

Developing World Class Leaders:

The Rohm and Haas Story

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For nearly 25 years the Rohm and Haas Company, recently acquired by Dow, ran what was one of the longest continuous high-potential development programs in a global company. The manufacturer of chemical and electronic materials focused on its top 70 senior executives and high-potential managers who represented significant geographic, gender and race diversity. Further, an assessment of more than half of these business and functional leaders, conducted by an outside evaluator as part of the Rohm and Haas-Dow transaction, found many of them to be “significantly above the industry benchmark” in terms of customer and marketplace focus. A senior member of this outside evaluation firm described Rohm and Haas as one of the best “CEO schools” he had ever seen.

This program, named Leadership 3000, resulted in the development of a highly diverse group of global leaders and ensured a smooth leadership transition at the CEO level. Furthermore, the program helped deepen the self-confidence and preparedness of key business leaders who drove two of the company’s boldest initiatives through the last two decades. The first was the building of its electronic materials business. The second was the expansion of Rohm and Haas’ presence in Asia—ahead of its competitors. By 2008, more than half of the company’s earnings were contributed by electronic materials and business expansion in Asia.

Regarding business growth, in the space of 20 years (1988-2008) Rohm and Haas grew from a mid-sized hybrid chemical company (a combination of commodity and specialty chemicals) to a global leader in specialty chemicals and electronic materials. As measured by growth, profitability and valuation multiples, Rohm and Haas remained among the leaders in its industry. Clearly, both the quality of its business portfolio and leadership talent were recognized by major companies in the industry—including Dow—which purchased the company for a substantial premium.

Over the last decade, total shareholder return (TSR) far exceeded peer companies and overall market performance. During the last five years, Rohm and Haas TSR was at 17.3 percent compared to the S&P 500 of -4.8 percent. Finally, the closing price of \$79.40 per share represented an approximate 30 percent premium above the company’s all-time high of \$62 per share (July 2007).

We cannot yet fully assess how Rohm and Haas executives fared in the move to Dow. However, at this writing, the majority of Leadership-3000-trained executives found comparable or better positions in Dow or other companies. The C-suite executives who were retirement eligible (two) or who had a change of control provision (three) either left the company and retired fully or accepted C-suite roles in other public companies.

Leadership 3000: The Conceptual Spark

The conceptual spark for Leadership 3000 occurred in 1986 when then-CEO Larry Wilson charged his corporate head of human resources Mark X. Feck with the development of a program that would help groom the next generation of business leaders. At that time, the company’s portfolio was dominated by mature businesses with minimal growth potential so Wilson knew he needed leaders who had stronger strategic focus, creative thinking and business acumen. In addition to these leadership competencies, Feck believed that certain leadership behaviors—including courageous decision making, bias for action, boldness versus hierarchical approval-seeking and deepened self-awareness—also must be increased if Wilson’s objective were to be met.

Given both the competency-based and behavioral focus of this development initiative, Feck chose a clinically trained consulting psychologist (Wasylyshyn) as his program design partner. In expressing the philosophical core

of the effort Feck said, “We need to go inside out. We need to assess the whole person, not just one’s profile of leadership competencies. We need to have real relationships with these people, and they need to know themselves and understand what influences their behavior in good times and bad. Their accurate self awareness is essential for continued learning and personal growth. Continued learning and personal growth are essential for the development of world-class leaders.”

This view of high-potential development led to four principles that guided the creation, implementation and consistency of Leadership 3000:

1. a holistic development model;
2. trust grounded in confidentiality;
3. the power of psychological insight; and
4. the conveyance of executive wisdom.

Holistic Development Model

While the four-phase model of Leadership 3000 (described below) typically unfolded over a nine- to 12-month timeframe, it was positioned as a boundary-less process versus a contained program. In other words, after participants completed the four phases, they could continue consultative dialogues with anyone in their Leadership 3000 development “brain trust.” This “brain trust” included their boss, and at least one C-suite executive, as well as Feck and the consultant. An unforeseen *retention* benefit of this