

Preparing our leaders for the future

Steve Newhall



Steve Newhall is MD, DDI UK at Stoke Poges, UK.

Abstract

Purpose – Recent research released by global talent management company, DDI, shows that over the last decade, there seems to be little real improvement in leadership quality. In the most recent Global Leadership Forecast, only one in three leaders reported that their quality of leadership was high and only 18 percent of HR professionals reported strong bench strength to meet future business needs. Clearly a significant shift is required in developing our leaders if this trend is to change, so the aim of this article is to ask: what can DDI's 6th Global Leadership Forecast tell us about leadership effectiveness and development?

Design/methodology/approach – The Global Leadership Forecast is a comprehensive survey of the attitudes of leaders in relation to talent management practices, encompassing the views of more than 12,000 organizational leaders and 1,800 HR professionals from across 74 countries.

Findings – Leaders rate themselves poorly, do not possess the skills necessary for future business success and do not have a sufficient pipeline of talent within their organization. Leadership development, processes and practices require significant transformation if organizations are to meet the increasingly rapid pace of business change.

Originality/value – This article provides useful and current data on the attitudes of leaders to development and talent management as well as providing senior leaders and HR practitioners with a useful reference for planning an effective talent management strategy.

Keywords Talent, Leadership, Succession, Training, Development, Research, Leaders, Competitive strategy

Paper type Case study

In today's competitive marketplace, having the right talent strategy is critical for any organization's success. DDI's recent Global Leadership Forecast highlights some important trends – most notably that our leaders lack confidence in their leadership skills and are not necessarily equipped with the skills they believe they will need for the future (Boatman and Wellins, 2011). Organizations are also showing weakness in their bench strength, which begs the question – how sustainable is your organization's leadership capability and is it equipped for the future?

In a recent IBM study of 1,500 CEOs worldwide, more than 60 percent believed their businesses today were more volatile, uncertain and complex than ever before (IBM Corporation, 2010). Many of our business leaders had never experienced an economic downturn before, certainly not on the scale seen in recent years in many western countries, and, as a result, they had to rapidly shift their way of thinking, use different leadership skills and demonstrate a high degree of resilience while under intense pressure.

The tide seems to be turning and it would appear that the war for talent is back on. According to the Conference Board's 2010 study on CEO challenges, areas such as business growth, talent and innovation have risen to the top of the CEO agenda (Barrington, 2010). Many organizations are also increasing their R&D spend and evidence from the Leadership

Forecast shows that most organizations are increasing their leadership development spend in 2011/2012.

Leaders rate themselves poorly

The question for businesses is whether or not their leaders are fully equipped for the rapid pace of change ahead and whether their organization will ride the crest of the wave, or be washed away with it. According to the Global Leadership Forecast, only 38 percent of leaders, at all levels, rate their own organization's leadership quality highly (see Figure 1). Their HR peers rate organizational leadership even more poorly, with only 25 percent of HR professionals giving their leaders top marks. Alarm bells should be ringing for organizations, as there is a significant correlation between effective leadership and many measures of business success, including profitability.

Effective leadership leads to high performance

DDI scrutinized the data from high performing companies and those that under-performed against their competitors (see Figure 2). The comparison shows that when leaders reported their organization's current leadership quality as excellent, 78 percent were in organizations that out-performed their competition. Compare that to those who rated their leadership as poor and only six percent were in organizations that out-performed their competition. In fact, the research found that organizations with the highest quality leaders were 13 times more likely to outperform their competition in areas such as financial performance, quality of products and services, employee engagement and customer satisfaction.

Leadership quality doesn't just have an effect on profit; it also affects employee retention and engagement. The Global Leadership Forecast found that organizations with higher quality leadership were up to three times more likely to retain their employees than their competition. They also had more than five times the number of highly engaged leaders.

Case study: a unified approach to leadership

One of the world's largest electronics companies found that by implementing a more strategic approach to global leadership development, it achieved significantly greater competitive advantage in recruiting and hiring new leadership talent.

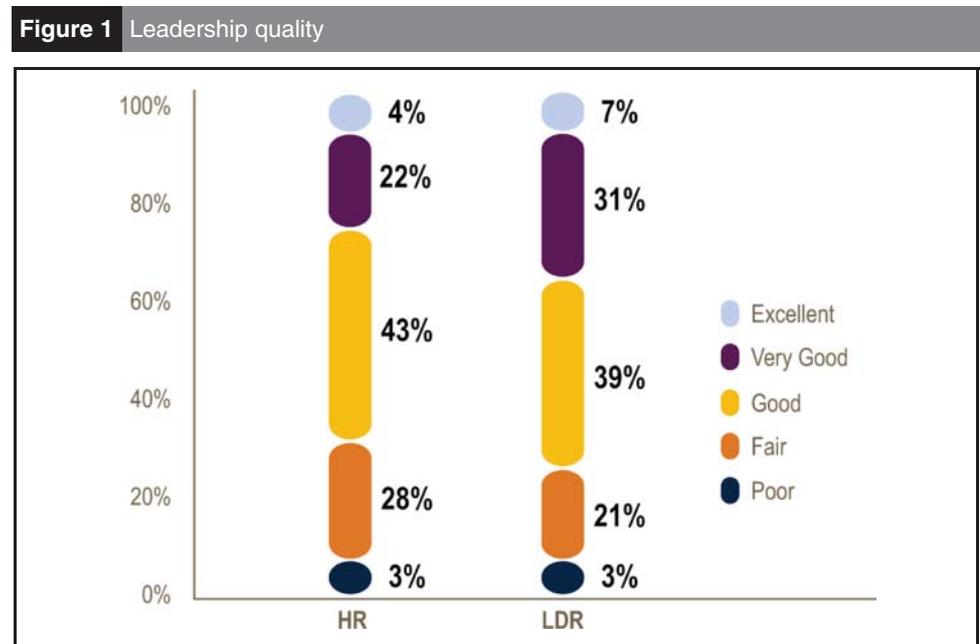


Figure 2 Leadership quality related to organizational performance



The company worked in partnership with DDI to align its talent management strategy across its whole organization, in 35 countries and with more than 11,000 leaders. Initially, the company worked with a large number of suppliers to provide and design training programs. This decentralized approach to training prevented the company from taking advantage of the economies of scale that could be realized by working with a smaller number of suppliers.

Working with DDI, it took the opportunity to look more closely at the learning needs across the whole organization and identified, through its employee engagement surveys, that its leaders were extremely strong in task orientation and getting results. However, there were indications from employees that in the areas of people management, coaching, people development and engagement, there were significant opportunities for improvement.

A framework for leadership development

The company developed a core curriculum of more than ten modules as part of the leadership development program, the purpose of which was to provide a more structured and unified approach to training high-potential leaders. The curriculum included modules relating to leadership skills, communicating for results, making effective decisions and contributing to change initiatives. The result was a development program that equipped the company's leaders with the skills and competencies they needed in their leadership role and, as a consequence, was also very appealing to new talent.

The company looked at the skills it needed in the future and implemented an ambitious development program to ensure its leaders continued to acquire and develop these skills. A consequence of being able to articulate the development program is that the company is more attractive to new talent, which helped the organization achieve a stronger and more sustainable talent pipeline. The global program director comments: "If you offer this training guide in which you say 'here are the learning and development opportunities within the

“The tide seems to be turning and it would appear that the war for talent is back on.”

company', it's an attractive element for new employees or future new employees, from a recruiting standpoint, it has had an enormous impact."

Preparing for the future

So how do we ensure that our leaders gain in confidence and have the skills required for the pace of future change? Here are some questions that HR leaders should be asking themselves.

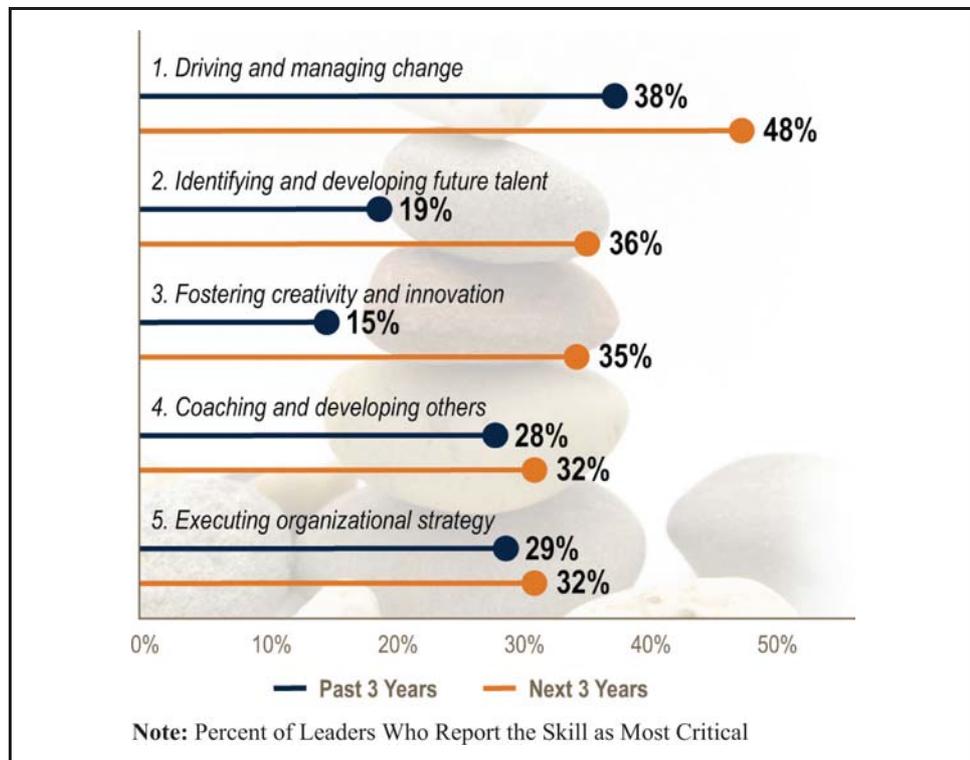
What skills will our leaders need in the future?

The Global Leadership Forecast provides us with an insight into the skills and behaviors that leaders themselves say are likely to be in most demand over the next few years – see Figure 3.

There has been little change between the top five skills needed and those that respondents think they will need in the future. Driving and managing change, executing organizational strategy and coaching and developing others are all cited crucial to leadership effectiveness. However, one of the skills rising to the top of the leaderboard is the ability to identify and develop talent. The war for talent is heating up again and especially so in emerging economies such as India and China, where organizations are likely to struggle to fill hundreds of thousands of job openings.

Another skillset that has entered the top five is fostering creativity and innovation. The number of leaders citing innovation as a critical skill increased more than for any other skill cited in the survey. Unfortunately, there is a large discrepancy between the skills that organizational leaders need and what they actually possess. When leaders were asked how effective they were at the key skills they identified, the findings were concerning. Only 50-60 percent of leaders said they were effective in any of the critical leadership skills they will need. Perhaps even more concerning is that some of the skills that leaders were least

Figure 3 Most critical skills needed in the past and future



effective in, such as innovation, were the skills that leaders required the most. Only 50 percent of leaders said they were effective at fostering creativity and innovation, which could be a problem over the long-term, as innovation is required to fuel growth, improve products and services and defend against new entrants and competition.

How do we select the right people?

Thirty-one percent of leaders and HR professionals rated leadership selection as the talent management system most critical to future organizational success, and for good reason. Most organizations have been victims of a poor hire and have experienced the consequences, both financially and in terms of loss of morale. The value of good selection processes cannot be underestimated and yet it seems one in three newly hired leaders are likely to fail in their role. For some organizations it will be sheer bad luck, but for many it is due to lack of good validation systems during the selection stage.

So what does effective selection look like? Effective selection starts with asking the following questions:

- What do successful leaders in the organization look like and what skills do they have?
- What knowledge and experiences must they have?
- What personality characteristics will support or undermine success?

The answers to these form the basis of a success profile. Once the success profile has been established, leaders can then use a variety of tools to assess the candidate. These can include assessments, psychometric tests, behavioral-based interviews and simulations.

Of course, an organization may not need to buy in new skills. Instead they may have the necessary pool of skills and experience within their own organization and evidence suggests that internal hiring is more likely to be successful than recruiting from outside the organization. Data from the Leadership Forecast shows nearly a 10 percent difference in hiring success as a result of internal hiring – see Figure 4.

However, a word of caution: Using the correct validation tools is just as relevant for internal hires as it is for external hires and should not be overlooked. Past performance is only partially predictive of future performance and is not a good measure of potential.

What development methods are most effective?

It would appear that the greater variety of leadership development methods, the better. Comparison data shows that the most effective organizations use a greater range of development methods compared to less effective organizations. Most organizations use a variety of formal training and coaching. However, there are variations across the globe according to the most preferred methods of development. For instance, compared to other regions, North American organizations tend to use web-based learning and virtual

Figure 4 Leadership hiring successes and failures



“ Leadership quality doesn’t just have an effect on profit; it also affects employee retention and engagement. ”

classrooms more and external coaches less, while Latin American organizations use manager coaching less than those in other regions.

Generally though, the survey’s data shows that organizations are under-utilizing coaching, with the majority only implementing coaching via line management. Only 27 percent of organizations are utilizing external coaches and only 39 percent are utilizing internal coaches successfully to develop their leaders, yet coaching is seen as an important element in the development mix.

When deciding which development methods to use, the 70/20/10 approach to leadership development is increasingly used as a method of structuring leadership development. In this model, 70 percent of skill acquisition is acquired through on-the-job experiences, 20 percent by learning from others, including coaching and mentoring, and 10 percent from formal training – see Figure 5.

When examining further the constituents of the 70/20/10 model, the Global Leadership Forecast found that formal training is disproportionately important and leaders consider it to be the most effective element of their development. However, it is important that organizations ensure that the 10 percent of formal training has a greater impact that goes far beyond the classroom. The learning that takes place needs to be clearly aligned to performance and business objectives and should be seen to have an impact on leadership behavior and performance.

How do we make our leadership pipeline sustainable?

One of the most worrying weaknesses for organizations is a lack of bench strength to support future challenges. Only 18 percent of HR professionals believe that their organization has the leadership bench strength it requires – see Figure 6.

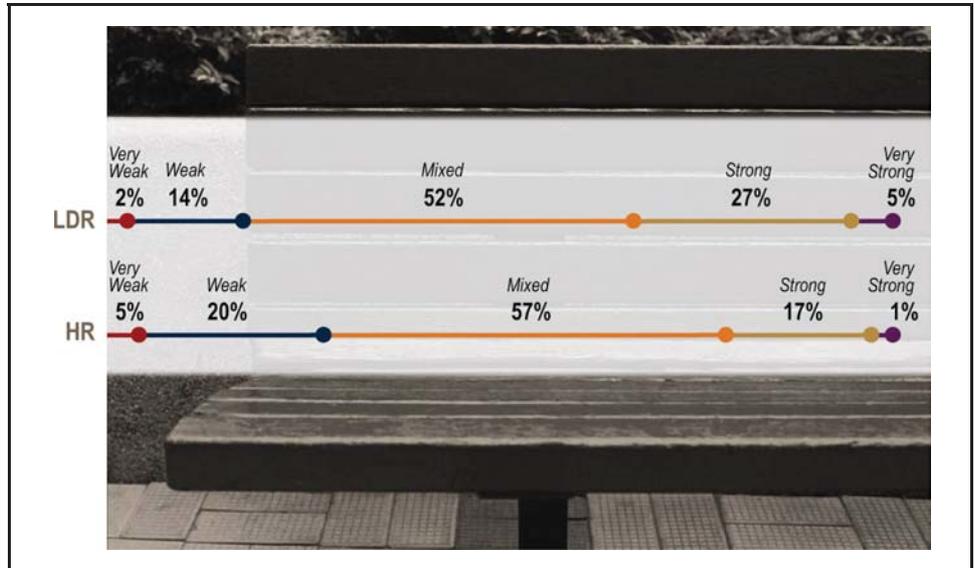
One of the key challenges organizations face is the requirement to fill the gaps in their leadership pipeline, yet the majority of organizations are not getting this crucial area right. Only one in five of organizations reported having strong leadership bench strength and frequently cited the lack of focus, strategy and formality in succession planning as the root cause. Sometimes the organization’s rapid growth was cited as the reason for this gap, but for the majority, it was simply a lack of foresight.

Many senior managers argue that they know who their successors are and they look at the next layer down the organization, but strength comes from spotting talented people five or even ten years away from senior roles and accelerating their readiness for bigger challenges. This should not become confused with decisions about readiness for bigger roles, which should always be based upon the company’s selection and assessment criteria, rather it is about narrowing the funnel to focus on key people with the most potential. That

Figure 5 The 70/20/10 approach to leadership development



Figure 6 Bench strength to meet future needs



way, the development budget can be aimed at those that are most likely to become leaders in the future.

Talent management starts from the top

Good talent management is not simply about providing the right development and the senior leadership should set the example. Senior management should work closely with HR to identify the critical skills leaders need and then get involved and provide opportunities to develop and apply those skills. They should also recognize that leaders thrive most in an environment where they have the freedom to make decisions and innovate and where there is transparency around the talent management strategy. Unfortunately, if the culture isn't right, even the best strategies will flounder.

Case study: measuring the impact of training

One of the world's leading producers of construction materials employs more than 80,000 people in approximately 70 production sites across the world. In recent years, the organization has experienced strong growth while facing challenges such as integrating frequent acquisitions and global market shifts. The company realizes that maintaining a global presence requires innovative thinking and strong individual leadership and as a result in 2007-2008 it partnered with DDI to design a global leadership development program called Leading for Accelerated Performance and Growth (LEAP). The program aimed to provide leaders with the opportunity to develop skills that will have a direct impact on their job performance, as well as that of their direct reports.

The program comprised five training modules that covered key leadership areas, including essential leadership skills, goal setting, coaching and performance management. It was delivered across 21 regions and included 775 leadership participants from first-level management to senior management. In addition, 1,049 observers participated. These were individuals selected to provide additional ratings of trainee behavior, both before and after the training and these typically included managers, direct reports and peers. These observers were essential for providing objective feedback about how effectively leaders were practicing their newly acquired skills.

After three to 12 months, feedback was sought to see how behavior had changed as a result of the program. Following are some of the results:

- Sixty-seven percent more leaders reported practicing effective leadership behaviors after attending the LEAP program. Observers supported this, reporting a 44 percent increase in effective leadership skills.
- There was a significant increase in effective leadership behaviors across all global regions in the study.
- More than half of participants reported that positive changes to leadership behavior at work had led to an increase in their productivity.
- A majority of observers reported that behavioral changes in leadership had increased their own loyalty or willingness to remain at the company.
- Leadership skills not only improved in areas identified as growth opportunities before training, but also in areas that were identified as strengths.
- The skills and concepts taught in the LEAP program are applicable across the globe and across a wide variety of leadership roles.

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About the author

Steve Newhall is MD, DDI UK. He has an extensive background in consulting and supporting global clients across all components of talent management, specializing in the early identification of leaders, succession management, leader and executive development and large-scale selection systems. Newhall joined DDI in 1998 as an Account Director and progressed to UK Managing Director. Prior to joining DDI, he worked for Inlingua, the world's largest chain of language schools. Steve Newhall can be contacted at: steve.newhall@ddiworld.com

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