A man in a dark suit is walking away from the viewer on a paved road that stretches into the distance. The sky is dramatic, with dark, heavy clouds and several bright lightning bolts striking down. The ground is a mix of asphalt and green grass. The man is holding a briefcase in his left hand.

The Global Leadership Forecast 2014/2015 indicates that leaders aren't ready for the challenges before them. But it also shows how organizations can close the gap.



# Seeking Answers

ON THE LACKLUSTER STATE OF

# Leadership

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BY EVAN SINAR, RICHARD S. WELLINS, AND REBECCA RAY

**L**eaders aren't ready for the challenges their CEOs need them to step up to. That's according to DDI and The Conference Board's Global Leadership Forecast 2014/2015, the most recent edition of the biennial leadership study first conducted by DDI in 1999. The study includes data provided by more than 13,000 leaders and 1,500 HR professionals from 2,000 organizations across 48 countries.

According to *The Conference Board CEO Challenge 2014: People and Performance*, the challenges CEOs see as most critical are human capital, customer relationships, innovation, and operational excellence. Yet, when asked if they considered themselves prepared for the top 10 CEO challenges, only 45 percent of leaders considered themselves "very prepared" for establishing high-quality customer relationships. The ratings are even lower for the other challenges keeping CEOs up at night: 27 percent for human capital (the top-rated challenge), 26 percent for innovation (rated second by CEOs), and 33 percent for operational excellence (rated third).

This alarming finding of the lackluster state of leadership amounts to a clarion call for change, but what exactly does that change need to look like? The Global Leadership Forecast provides some answers.

## Are leaders around the world ready to face the new reality?

One of the biggest reasons leaders are deficient in their preparedness to tackle the challenges CEOs see as most pressing is that they are leading in an environment that is unlike anything they, or their predecessors, have encountered before. One of the best descriptors of this environment is VUCA (volatile, uncertain, complex, and ambiguous), a term originally coined by the U.S. military but captures perfectly the unprecedented world in which leaders must now operate.

The study found that 25 percent of organizations report that their leaders are wholly incapable in the set of skills underlying VUCA. When we asked HR professionals to evaluate their organization's leaders' ability to meet the specific VUCA facets, about one-third or more said that leaders are incapable in each area (see Figure 1 on page 38).

Our belief is that these low ratings speak as much to the higher expectations for leaders as to the actual quality of leaders. In fact, despite the consistently low rating of leader quality over time, leader capability may be increasing. It just may not be keeping pace with the advancing rate of expectations for leaders, relative to VUCA.

As the Global Leadership Forecast reveals, organizations with leaders who have high VUCA capability are 3.5 times more likely than organizations with low VUCA capability to have a strong bench of prospective leaders ready to step into higher-level roles when needed. And, even more important, the top 20 percent of organizations in financial performance are three times more likely to have VUCA-capable leaders than the bottom 20 percent.

Leaders' ability to navigate the VUCA world may be a new way of considering leader capability, but it continues an ongoing trend of low leader ratings. Forty percent of leaders in the current study rate leader quality as high—a number that has only inched up from 38 percent since 2011. Among HR professionals, their bleak assessment of leader quality was the same in 2011 as it is in the current leadership forecast.

Given the ever-increasing pressures and the unpredictability of the VUCA world, leadership skills and capability need to be constantly evolving. Unfortunately, when HR professionals were asked to identify the most-needed skills for the future and also to point out the leader skills their organizations are focused on developing, a major disconnect was revealed. Organizations are focusing on building consensus and commitment and

communicating and interacting with others, yet these are two skill areas that HR deems less essential to the future, potentially due to HR's lack of recognition about the skills' importance to future performance.

On the other hand, two skill areas that HR considers most critical for the future—fostering employee creativity and innovation, and leading across countries and cultures—were the ones organizations were focusing on least. That's either because they don't know how, or haven't progressed leaders to these more advanced leader skills.

This misalignment may help explain why just 37 percent of leaders rated the quality of their organizations' development programs as high or very high.

### How can leaders around the globe improve?

As part of our analysis, we scrutinized the links between the experiences of the more than 13,000 leaders who participated in the leadership forecast survey and three outcomes: retention, engagement, and employee development focus. Specifically, we sought to identify those experiences that are primary drivers for each of these three outcomes for leaders.

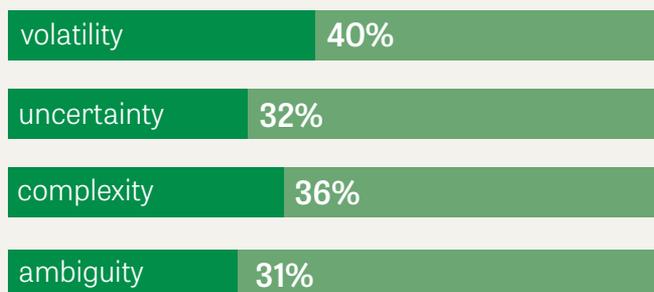
Three experiences in particular stand out: understanding one's career path, having opportunities to give feedback to senior leaders on strategy and culture, and having an up-to-date development plan. This makes creating these experiences for leaders a no-brainer, yet few organizations do. Just 66 percent of leaders indicate they have a clear career path, slightly more than those having opportunities to give feedback on strategy and culture. Just 36 percent have an up-to-date development plan.

We also looked closely at assumptions about how leaders learn—starting with the commonly held belief that a 70-20-10 approach (70 percent on-the-job learning, 20 percent learning from others, 10 percent learning from formal training) is the best ratio for developing leaders.

What we found was that 70-20-10 doesn't match either the reality of how leaders learn or how they prefer to learn (see Figure 2).

## Figure 1. Leaders' Ability to Face VUCA Challenges

Percentage of HR professionals who report that leaders are incapable of meeting the challenges of specific VUCA components



Source: Development Dimensions International

Organizations with high-quality leader development de-emphasized the “learn-as-you-go” approach that dominates 70-20-10. They leave just about half of development to on-the-job learning and use formal learning and learning from others as the foundations for on-the-job learning—which reduces the risk of squandering the potential value of such opportunities.

This research shows that the 70-20-10 model may be a misguided approach for planning leadership development because it bypasses the foundational role of formal learning and learning from others. However, the ratio is less important than how the different types of learning are integrated into a meaningful and deliberate learning journey in which development is an ongoing pursuit for leaders, and not just a one-time event.

### How can organizations create stronger leaders globally?

Our analysis of the Global Leadership Forecast data provides numerous proactive steps organizations can take to increase the capabil-

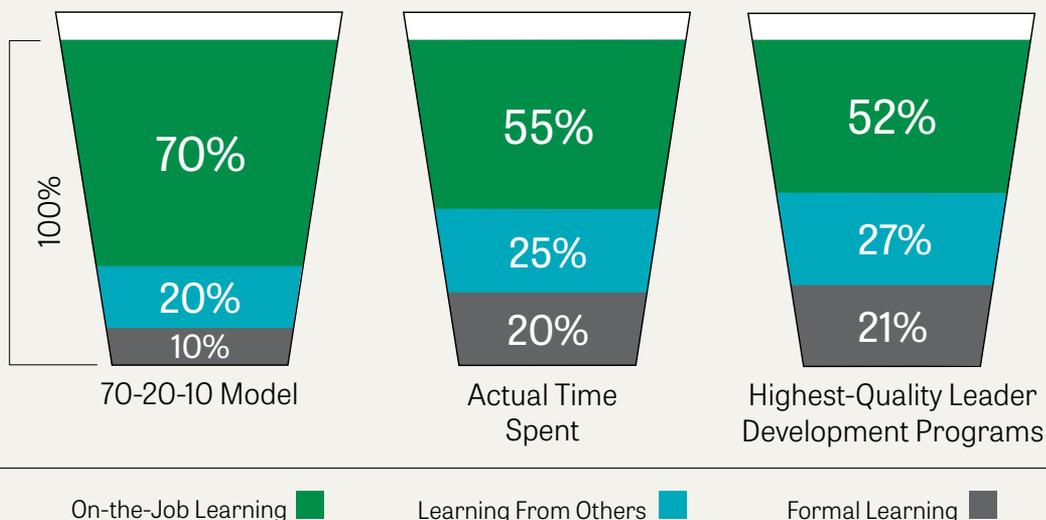
ity of their leaders and better position them to execute on the challenges that define their roles and their organizations. Some of these steps are alluded to above. Yet the data show that there is much more organizations can and should do. Four of the most striking implications from the research follow.

**Place a greater emphasis on effective interactions.** Organizations over-value managing and under-emphasize the interactions leaders have with their team members. We found that leaders who spend more time interacting are more effective at many leadership skills, including coaching and developing others, developing strong networks and partnerships, and fostering employee creativity and innovation. Meanwhile, leaders who spend more time and energy on managing report less job satisfaction, higher turnover, and lower levels of engagement.

We found that the tension between a leader’s roles of interacting with and managing his employees is a common one. However, organizations that buck the conventional thinking

**VIEW ALL DEVELOPMENT IN TERMS OF AN INTEGRATED LEARNING JOURNEY.**

Figure 2. How Leaders Learn



Source: Development Dimensions International

that managing is what contributes most to results reap considerable benefits, including greater leadership strength, financial success, and a greater number of leaders ready to fill essential roles.

Organizations can tap into the power of interactions by holding all levels of leaders accountable for using interaction skills as well as getting results. They also should ensure their selection and promotion decisions are made based on a valid measurement of interaction skills.

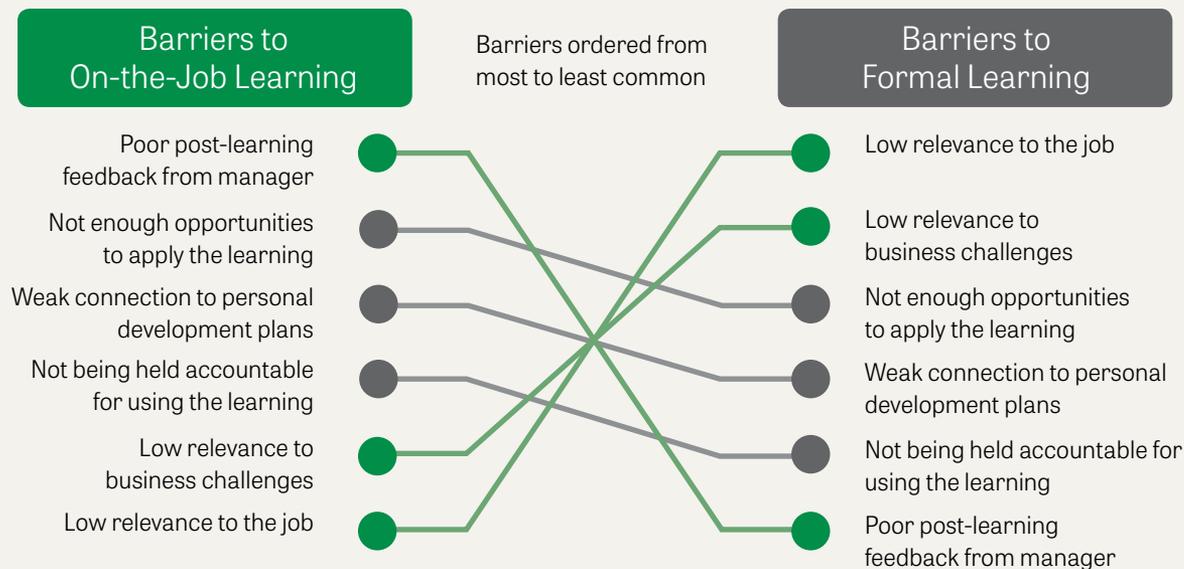
**Recognize—and attack—the top barriers to learning.** We asked leaders what was getting in the way of their learning, including the barriers that impede both on-the-job and formal learning (see Figure 3). Their responses suggest that leaders don't see the relevance of formal learning. They cited the top three barriers to formal learning as low relevance to the job, low relevance to business challenges,

and not enough opportunities to apply the learning. For on-the-job learning the most-cited barrier was poor post-learning feedback from their managers.

Organizations can attack these barriers by making training courses more like the job and the job more like the training courses. That means clarifying the links between development programs and organizational strategy, and the connection between the skills developed and their usefulness to leaders in their everyday roles. Talent development professionals charged with operating leadership development programs also should be cognizant of how shifts in organizational strategy make necessary changes in what is imparted in a training program and also how the program is communicated to leaders.

In addition, managers of learners need to step up to their role of reinforcing the use of newly acquired skills regardless of the setting

Figure 3. Barriers to Learning



Source: Development Dimensions International

## The Best Way to Implement a Global Program

Almost 70 percent of organizations participating in the Global Leadership Forecast 2014/2015 survey indicated that they plan to add offices or facilities outside their home country. That raises the question about the best way to put talent management programs in place across borders. Is it best to maintain corporate control, or to cede control to individual locations?

The right answer depends on the type of program. The HR professionals surveyed indicated that three programs in particular—performance management, senior leadership development, and leadership selection/promotion—are most effective when they are largely controlled by corporate. They also said that a balanced approach, where there is neither heavy corporate control nor heavy local control, is best for midlevel leadership development, frontline leadership development, and succession management.

Of course, the issue of how best to implement a global program also requires considering numerous factors, including scalability, technology, and development plans—the same factors that determine the ultimate success of any development program, whether it's global or contained to a single country or location.

where those skills are built—in effect, ensuring that the daily work environment is also a learning environment.

The most important adjustment an organization can make is to view all development in terms of an integrated learning journey. When a journey approach is employed, formal learning helps bring structure, planning, and accountability to development, while on-the-job learning serves to convert informal learning experiences into sustainable behavior change.

### Help high potentials reach their potential.

The survey showed that the factors high potentials see as having the greatest impact on development program quality are employed by fewer than six in 10 organizations. Most important of these in the eyes of thousands of high-potential leaders is having a mentoring/coaching program in place (59 percent of organizations). Having an executive who can provide guidance and advice is an invaluable resource for a high potential.

Close behind is measuring the effectiveness of programs for developing high-potential leaders (55 percent). This shows that though factors such as collecting objective assessment data (85 percent) do contribute strongly to high-potential program effectiveness, high potentials view mentoring and measurement as the key factors of program quality.

**High-quality leadership pays.** We examined historical data from organizations that participated in the Global Leadership Forecast in 2011 and compared their talent management and leadership development practices with the financial results they are seeing now. Organizations with highly rated leadership development programs were 8.8 times more likely than organizations with low-rated programs to have high leadership quality and bench strength. In turn, we found that organizations with high leader quality were six times more likely to be among the top 20 financial performers than those with lesser leader quality.

As these findings make clear, although there has never been a more challenging time for leaders, there also are considerable long-term benefits to organizations that invest in quality leadership development practices that, in turn, produce higher-quality leaders.

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071426.31610

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