Ready-Now Leaders:
Meeting Tomorrow’s Business Challenges
Global Leadership Forecast 2014|2015
Bigger Is Better

The Global Leadership Forecast 2014|2015

This Global Leadership Forecast 2014|2015 is the seventh report since Development Dimensions International (DDI) began this research in 1999. The current report—a joint effort of DDI and The Conference Board—includes survey responses from 13,124 leaders; 1,528 global human resource executives; and 2,031 participating organizations. To ensure that no individual organization dominated the overall results, a random sample was taken from any organization whose leaders comprised more than 1 percent of the global sample. Leader demographics are shown below.

The record-breaking size of the participant pool gave us sufficient sample sizes so that we could look at our findings from many points of view. We were able to dissect findings based on diverse perspectives spanning leaders and HR professionals, four leader levels, gender, 48 countries across all regions, 32 major industry categories, and multinationals versus local corporations. Special topical reports and separate country reports will be available at www.ddiworld.com/glf2014.
Our Region, Our Leaders

GLF Highlights for Australian and New Zealand Leaders

As part of the larger Global Leadership Forecast 2014|2015 study, this report highlights findings on the current state of leadership and leadership practices in Australia and New Zealand based on survey responses from 347 leaders and 111 human resource executives.

Throughout this report, you will see findings for Australia and New Zealand and the global sample of leaders. Where the global results are presented, they will be accompanied by this global icon to indicate that the findings are based on the global sample. Unless accompanied by the global graphic, findings throughout this report can be assumed to be specific to Australia and New Zealand.

Not all findings from the Global Leadership Forecast 2014|2015 are specific to Australia and New Zealand and are provided in this report. As such, please refer to the global report for additional findings. The global report can also be used as a comparative benchmark for findings provided in this report.

Australia, now in its twenty-third year of uninterrupted economic growth, has one the most resilient economies in the world.* Furthermore, Australia’s economic strength is built on a sophisticated knowledge economy, high-technology infrastructure, political stability, a skilled and multilingual workforce, strong export links, and proximity to the lucrative markets of the Asia Pacific area.

Despite our success, Australian organizations and leaders face several new and emerging business challenges. The capital investment in the mining sector that has underpinned much of our recent success is starting to slow. The workforce’s changing demographics are testing our ability to resource the human capital needs of our knowledge intensive organizations.

Sustained economic growth requires excellence in business leadership, and the characteristics and practices that have made us successful in the past may not be the ones that continue to drive our success. This report provides some important insights into the current state of Australian and New Zealand business leadership and, consequently, the region’s readiness to capitalize on future challenges and opportunities. We are confident that these results will offer you new insight into leadership practices, and we hope that it will stimulate your own thinking about how to enhance your organization’s leadership capabilities.

Questions That Produce Insight

We approached the Global Leadership Forecast 2014|2015 with a unique three-question framework leading to actionable insights.

# What Now describes a current situation. As an example, we now know that almost three-quarters of all high-potential programs are ineffective. This is where most survey research starts and stops.

? So What addresses the consequences of the current situation continuing. In our example above, forecast data show that participating organizations with the best financial performance are over three times more likely to have high-potential programs in place. (Financial performance was determined by analyzing the link between survey responses and a composite of external financial metrics for publically-traded companies for which this information was available.)

! Now What Here we turn insight into action. Given that high-potential programs have a positive financial impact, what specific actions or practices drive program effectiveness? Look for Now What sections throughout the report for actions you can take.
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The Leadership Development Road Map for Australia and New Zealand

Key Questions on the Path to Organizational Success

What's keeping CEOs up at night?

- Innovation: 31%
- Human Capital: 31%
- Operational Excellence: 41%
- Customer Relationships: 56%

% of leaders who are very prepared to meet top CEO challenges

Are leaders ready to deliver?

- 41% of leaders say the overall quality of their organization's leadership is high
- Only 17% of organizations have a strong bench
- 42% of critical positions can be filled immediately by internal candidates

With what are they struggling?

Least Effective Leadership Skills

- Leading across countries and cultures: 37%
- Inter-cultural communication within international business environments: 37%
- Integrating oneself into inter-cultural or foreign environments: 41%
- Fostering employee creativity and innovation: 49%
- Leading across generations: 60%

Data based on responses from

- 347 leaders
- 111 HR professionals
Leadership Development Methods Most Effective According to Leaders

- Developmental assignments: 61%
- Coaching you receive from your current manager: 57%
- Formal workshops, training courses, seminars: 56%
- Coaching you receive from external coaches/mentors: 51%
- Coaching you receive from internal coaches/mentors (other than your manager): 50%

How do they improve?

What Happens When Organizations Get it RIGHT?

- 20% higher than average leadership quality and bench strength
- 26% more critical positions can be filled immediately
- 2.3 times more likely to outperform other companies on financial metrics

Who Do Leaders Say is Not Involved Enough in Their Development?

- HR: 56%
- Senior Management: 53%
- Manager: 41%
- Employees: 18%

Top Obstacles to Growth as a Leader:
1. Not enough time or opportunity
2. Lack of support/autonomy
3. Lack of skill/knowledge

Leader Experience

- 94% of leaders are engaged with their role
- 97% feel accountable for being an effective leader
- 61% would nominate theirs as a top company for leaders
- 18% intend to leave their organization within the year
- 26% indicate intentions to leave have increased in the past year

What Happens When Organizations Get it WRONG?

- 67% lower than average leadership quality and bench strength
- 21% fewer critical positions can be filled immediately

Indicates results that are based on the global sample
CEOs’ Top Challenges

Leaders Aren’t Ready

The Conference Board CEO Challenges—Percent of Leaders Considering Themselves Very Prepared

Top Four CEO Challenges

1. Human Capital
2. Customer Relationships
3. Innovation (tied) Operational Excellence
4. Corporate Brand and Reputation
5. Global Political/Economic Risk
6. Government Regulation
7. Sustainability
8. Global/International Expansion
9. Trust in Business
10. (No specific challenges mentioned, but other issues may be included in the full report.)
Human Capital Is Important; Leadership Is Critical

In The Conference Board CEO Challenge®, more than 1,000 respondents indicated that human capital remains their top challenge, with customer relationships rising in importance in the past two years. Also, operational excellence and innovation remain vitally important for driving business growth and ensuring a sustainable future. These challenges, albeit in varying order, were the top challenges in all four regions included in the survey: the United States, Latin America, Europe, and Asia.*

When asked about the strategies to address the human capital challenge, 4 of the top 10 strategies CEOs selected (the full top 10 are presented in the chart at right) are focused on leadership: improve leadership development programs, enhance the effectiveness of senior management teams, improve the effectiveness of frontline supervisors and managers, and improve succession planning. CEOs know their organizations cannot retain highly engaged, high-performing employees without effective leaders who can manage, coach, develop, and inspire their multigenerational, globally dispersed, and tech-savvy teams.

CEOs also were asked to identify the leadership attributes and behaviors most critical to success as a leader. The top five prominent in every region globally were:

• Retaining and developing talent.
• Managing complexity.
• Leading change.
• Leading with integrity.
• Having an entrepreneurial mind-set.

The CEO Challenge looked at what must be done. For the first time, the Global Leadership Forecast asked leaders to assess their own readiness to execute these tasks. Their self-assessments are sobering (see illustration at left). In fact, in the human capital challenge, only 31 percent of Australian and New Zealand leaders reported they were “very prepared” to be the kind of leader that creates an optimal workplace where employees deliver their very best. HR leaders’ appraisal was even more harsh: Only 5 percent indicated their leaders were “very ready” to address the human capital challenge.


Now What

1. Better leadership can have a positive impact on CEOs’ top challenges; this study shows how better development can positively affect leadership. All leaders can learn to bring the customer voice into their organization, become talent scouts and advocates, and create an environment where innovation flourishes.

2. Improve performance management processes and accountability (the third human capital strategy below) is often the most neglected talent management system. To address this gap, ask these questions about your performance management system:
   • Is it used as a business system to help execute top-down strategy?
   • Do employees understand their goals, and are they held accountable for achieving them?
   • Do employees get feedback about strengths and development opportunities so they can grow?

CEOs’ Human Capital Strategies

<table>
<thead>
<tr>
<th>Global N=738 Human Capital Strategies 2014</th>
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<td>10</td>
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</tbody>
</table>

Source: The Conference Board, 2014

Indicates results that are based on the global sample
Working Within the VUCA Vortex

Leaders Need More Preparation to Face VUCA Challenges

Percent of HR professionals who report that leaders are incapable of meeting the challenges of...

- Volatility: 36%
- Uncertainty: 29%
- Complexity: 39%
- Ambiguity: 29%

Competencies required for success in key leadership positions are clearly defined.

Leaders’ performance expectations are linked to the organization’s strategy.

Leadership competencies serve as the foundation for multiple leadership talent management systems.

Six Leadership Practices to Mitigate VUCA

- Leaders have high-quality, effective development plans.
- Leaders regularly review their development plan with their managers.
- Leaders practice and receive feedback on key skills with their managers.
Leading in a VUCA World

A VUCA world is volatile, uncertain, complex, and ambiguous. First used by the United States military to discuss preparedness, the term was popularized in the publications of Bob Johansen of the Institute for the Future.*

This study measured leader readiness in four key areas from which we created an overall VUCA index:

- **V** - Anticipating and reacting to the nature and speed of change.
- **U** - Acting decisively without always having clear direction and certainty.
- **C** - Navigating through complexity, chaos, and confusion.
- **A** - Maintaining effectiveness despite constant surprises and a lack of predictability.

Only about two-thirds of Australian and New Zealand leaders said they were either “highly confident” or “very confident” in their ability to meet the four VUCA challenges. As illustrated at left, this less-than-encouraging view is echoed by HR professionals, about a third or more of whom viewed their organization’s leaders as not capable of meeting the challenges of volatility (36 percent), uncertainty (29 percent), complexity (39 percent), and ambiguity (29 percent). At best, only about 23 percent identified their leaders as “very capable.”

This does not bode well for businesses and industries. Indeed, in The Conference Board CEO Challenge®, CEOs indicated that among their top pressing issues were these elements of the VUCA world in which they must navigate: economic uncertainty in global markets (e.g. Europe), currency volatility, financial instability in China, labor relations, cybersecurity, volatility in energy and resources markets, activist shareholders, and government regulations to address corporate governance.**

Our research found that organizations whose leaders have high VUCA capability are 3.5 times more likely than those with low VUCA capability to have a strong leadership bench—that is, leaders ready to step in to meet future challenges. Also, VUCA capability links to financial results. The top 20 percent of organizations performing well financially are three times more likely to have VUCA-capable leaders than the bottom 20 percent.

Now What

A world that requires effective leaders is one with greater implications for sound decision making, high confidence, and ready adaptability. The illustration at left summarizes the talent management practices that—due to a prevalence in organizations ranked high compared to those ranked low in leaders’ VUCA readiness—consistently helped the leaders and organizations included in our research successfully navigate a VUCA world.

The impact of solid talent management choices will be further amplified by a focus on the right skill targets. Our research identified the top four skills that, when practiced effectively, had the greatest impact on leader preparedness and confidence in addressing the challenges of VUCA:

1. **Managing and introducing change.**
   Unsurprisingly, this was the strongest predictor of a leader’s confidence in the face of VUCA.

2. **Building consensus and commitment.**
   This skill is critical for eliminating discord and misunderstanding.

3. **Inspiring others toward a challenging future vision.**
   To induce others to act, leaders first must be inspired themselves.

4. **Leading across generations.**
   This skill is key to forging a shared purpose despite diverse employee viewpoints and motivations.

Indicates results that are based on the global sample.
Leadership Outlook

Going Nowhere Fast

Quality of Leadership over Three Global Benchmarking Studies

- 37% in 2009
- 34% in 2011
- 41% in 2014

- 29% in 2009
- 22% in 2011
- 24% in 2014

Percent of leaders who say the overall quality of their organization’s leadership is high
Percent of HR professionals who view their organization’s leaders as high-quality
Development Efforts Have Stalled

When compared to our last two forecasts, the number of Australian and New Zealand leaders who expressed confidence in the overall quality of leadership in their organization increased, from 34 percent of leaders in 2011 rating current quality as high to 41 percent in 2014 (see illustration at left). While this represents a move in the right direction, the overall level of confidence remains low. According to HR professionals, the needle has hardly moved. Approximately one in four organizations evaluated their overall leader quality as high, a small increase from our 2011 forecast.*

Why is leader quality going nowhere fast? Apparently, because leadership development efforts have stalled, despite the fact that it is estimated that some $50 billion a year is being spent on developing leaders worldwide.** In the current study only 45 percent of leaders rated their organization’s leadership development programs as effective, indicating little improvement over the past seven years. The overwhelming majority of leaders in Australia and New Zealand continue to note that they are not satisfied with their organization’s development offerings.

If organizations aren’t doing enough to push the needle, then the outlook for the future is even gloomier. Only 17 percent of organizations rated their future bench strength as strong (see illustration at right). Most organizations are still not confident that they have the leadership to address current and future needs. So, what can they do to improve? The message from leaders is loud and clear: Organizations need to refocus on improving their development efforts.

45% of leaders rated the quality of their organization’s development programs as high or very high.


Now What

1. A focus on developing future talent begins at the front line, with sustainable learning experiences that extend leaders’ growth and development on the job beyond formal learning.

2. Development efforts won’t have a lasting impact unless they are followed by opportunities for leaders to practice and use their newly acquired skills. Organizations that report their leaders practice and then receive feedback on key skills with their managers are five times more likely to have high leader quality and bench strength compared to those that don’t.

3. Leadership development, though closely tied to leader quality, is not its sole driver. Strong leadership selection and succession management systems also play major roles in driving leader quality.

Ready Now Leaders for the Future

9% 2011

17% 2014
Leadership Readiness
Which Countries Make the Grade?

<table>
<thead>
<tr>
<th>Country</th>
<th>Current Leader Quality</th>
<th>Future Bench Strength</th>
<th>Change from 2011 to 2014</th>
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<td>Australia/NZ</td>
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<td>Taiwan</td>
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<td>Thailand</td>
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<tr>
<td>United States of America</td>
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- 🕯 High
- 🕯 Moderate
- 🕯 Low
- 🔺 Increase
- 🔴 No Change
- 🔫 Decrease

*Indicates results that are based on the global sample.*
Some Are Improving Faster

Leadership readiness is a blend of quality and depth within an organization’s leadership ranks. We examined such readiness by country as it stands in 2014. We also looked at how leadership readiness has changed since the publication of our Global Leadership Forecast 2011. For each country listed, a minimum of 30 HR professionals evaluated their organization’s leaders.

Our findings are summarized in the figure to the left. Overall, we see wide variation around the globe in the quality of today’s leaders and in bench strength (i.e., the supply of leaders ready to step in to fill vital leadership roles). Along with this variability, country-by-country trends are troubling: Far too many countries have not seen an improvement in leadership quality, and for those where leader quality has improved, including Australia and New Zealand, their leaders are still failing to keep up with their peers.

For organizations in countries with a deficit in current leader quality, negative consequences await them as they struggle to succeed in the face of business demands with leaders who lack practiced and polished leadership skills. This situation is even more dire in countries whose bench strength also is low to moderate: Their insufficient talent pool of capable leaders means that tomorrow’s leaders may be no more ready to address business challenges than today’s. On the other hand, for countries where bench strength exceeds current leader quality, a new group of eager leaders is waiting impatiently to fill higher-level roles as they become available.

Countries that are low in bench strength, regardless of current leader quality, will not have the supply of future leaders they will need to fuel growth, innovation, and execution of business objectives. Countries with moderate or high bench strength probably have taken the steps needed to sustain forward momentum by selecting or developing leaders who are ready to take on more influential roles when needed.

On the whole, this view of the current state of global leadership illustrates the many challenges faced by multinational companies pursuing a common leadership standard in all of their operations. In many cases, leader quality and bench strength will vary substantially by country. This suggests the importance of having a differing initial focus for development programs as a precursor to deploying a more integrated and comprehensive talent development strategy.

While the overall picture for Australia and New Zealand may not be as dire as that for some other countries, these results suggest more needs to be done to improve the quality and readiness of current and future leaders.

Now What

1. Countries with a weak future supply of leaders should implement programs and policies that promote and encourage organizations to dedicate resources to developing more leaders with the skills they need to successfully address future business challenges.

2. Organizations that have an ample supply of leaders yet have a gap in leadership quality need to offer their leaders development programs and experience-based learning opportunities so they can progress in their jobs and effectively address real business issues.

3. Organizations with global operations must prioritize development offerings carefully by country, weighing the benefits of a fully consistent approach against the risks of programs that do not take into account differences in local talent pools.
Leadership Readiness
Which Industries Are Rising, Which Are Falling?

Leader Quality and Bench Strength Trends by Industry

Indicates results that are based on the global sample
Some Are Facing Greater Leadership Shortages

Which industries have the best supply of leaders prepared to tackle their business challenges? We examined how various industries have changed in the past few years and what leadership readiness trends have emerged since 2011 to address this issue head on, as shown in the figure at left. “Stay the Course” industries, such as business services, are in improving positions, probably because they are investing heavily in developing their leaders. For Australia, this finding holds promise because a large proportion of its workforce is either in or moving into these industries.

Industries that are “Headed in the Wrong Direction” are struggling due to changing business environments and demographics. The health care industry, for instance, faces intense talent shortages, an aging customer base that requires greater care, and evolving government regulations. This is an alarming position for Australia to be in: Its healthcare and social assistance industry, which is forecast to continue to grow over the next five to ten years, currently employs more people than any other industry.*

“Many Challenges, Few Leaders” industries lack a sufficient supply of leaders prepared to lead in fast-changing, technical environments. For example, STEM (science, technology, engineering, mathematics) and leadership skills can be a winning combination, but they also can be difficult to find in the current talent pool. In response, organizations need to provide acceleration programs for leaders in their leadership pipeline or attract new leaders from nontraditional external sources.

Leaders in “Eager and Waiting Impatiently” industries can offer improving leadership quality, though they need to continue to focus on enhancing their capabilities, especially in competitive industries like retail. Like healthcare, retail is a major employer in Australia and is also forecast to grow in the next five to ten years. A sufficient supply of leaders gives organizations a stable labor market, although recruiting top talent will likely remain competitive.


Now What

1. “Many Challenges, Few Leaders” and “Headed in the Wrong Direction” industries can consider expanding the pool of candidates to attract leaders from other industries and provide intense on-boarding experiences (e.g., coaching, mentorship, networking opportunities) to encourage their integration into the organization.

2. Leaders in “Eager and Waiting Impatiently” industries will demand more opportunities to develop. For that reason, organizations will need to explore new, unique ways to develop the required skills while promoting innovation and creativity among their leaders.
Critical Leadership Skills

What’s Important Is Being Ignored

Some of the Most Critical Skills Are Still Out of Focus

- Communicating and interacting with others
- Building consensus and commitment
- Leading across countries and cultures
- Leading across generations
- Intercultural communication within international business environments
- Integrating oneself into intercultural or foreign environments

- Managing and successfully introducing change
- Coaching and developing others
- Inspiring others toward a challenging future vision
- Identifying and developing future talent
- Developing strong networks/partnerships

- Fostering employee creativity and innovation

Future Skill Criticality

Higher

Lower
Time to Change Focus

We asked HR professionals to rank two leader skills according to how critical they are for leaders’ success in the next three years and how much their organization’s current development programs focus on them (see illustration at left). For many of these skills, the current focus corresponds with how critical they will be for the future (either as less critical with less focus or more critical with more focus). But there are some notable exceptions.

Only 43 percent of Australian and New Zealand organizations currently are focused on developing their leaders’ ability to foster innovation, even though they recognize these skills are critical for the future. With 49 percent of leaders currently effective, it is a skill area that deserves attention. Innovation has emerged as one of the top challenges for businesses; having leaders able to encourage innovation and creativity is vital if they are to lead in competitive markets.

HR hasn’t implemented initiatives that focus on the development of global leadership skills, along with building consensus and commitment. With no focus or importance placed on these skills it makes sense only one-third of leaders reported being effective in leading across countries and cultures and intercultural communication, the lowest rated skills in our survey (see illustration at right). As Australian and New Zealand organizations continue their march into global markets, particularly Asia, it’s important that they do not overlook these skill gaps.

While the relative importance of communicating and interacting with others may have declined (HR rated this leader skill lowest of all the skills critical for the future), they should still be considered important for future success, and in fact, are foundational to most other skills deemed critical for the future. Based on leader effectiveness ratings (see illustration at right), current development efforts in these areas appear to be having a positive impact and should continue.

Do organizations benefit from investing in building leaders’ skills in these critical areas? The answer is a resounding yes. We found that organizations that have been focusing on developing these skills, and whose leaders are now more effective, are three times more likely to rank in the top 20 percent for financial performance.

Now What

1. Design development programs around the skills your leaders need to succeed. The most critical skills are those that help them accomplish strategic objectives.
2. Multinational companies, in particular, should emphasize development in global leadership skills to prepare their leaders to meet intercultural challenges and drive global growth.
3. Innovation, a top Conference Board CEO challenge, can be influenced directly by leader behavior. Look for leaders who possess the skills to encourage risk taking, networking, and generating new ideas.

Ready Now Leaders for the Future

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<tr>
<th>Skill</th>
<th>Percentage</th>
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<tr>
<td>Communicating and interacting with others</td>
<td>75%</td>
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<tr>
<td>Managing and successfully introducing change</td>
<td>68%</td>
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<tr>
<td>Identifying and developing future talent</td>
<td>65%</td>
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<tr>
<td>Developing strong networks/partnerships</td>
<td>63%</td>
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<tr>
<td>Coaching and developing others</td>
<td>62%</td>
</tr>
<tr>
<td>Building consensus and commitment</td>
<td>60%</td>
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<td>Leading across generations</td>
<td>60%</td>
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<tr>
<td>Inspiring others toward a challenging future vision</td>
<td>54%</td>
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<tr>
<td>Fostering employee creativity and innovation</td>
<td>49%</td>
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<tr>
<td>Integrating oneself into foreign environments</td>
<td>41%</td>
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<tr>
<td>Intercultural communication</td>
<td>37%</td>
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<tr>
<td>Leading across countries and cultures</td>
<td>37%</td>
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Evolving HR
From Partner to Anticipator

How Do HR Professionals Contribute to Business?

13%
Anticipator
Uses data to predict talent gaps in advance; provides insights about how talent relates to business goals.

69%
Partner
Openly exchanges information with the business about current issues; collaboratively works toward mutual goals.

18%
Reactor
Ensures compliance with policies/practices; responds to business needs by providing tools/systems when asked.
Get Strategic, Sooner

Which is more critical to business success: strategy or the talent to execute it? Assuming they are equally important suggests that hiring and nurturing talent and conducting strategic planning should be done simultaneously, as one process. Yet, only one in four HR respondents reported participating early in strategic planning. The other three either were not involved or were asked to develop talent plans after the strategic planning process.

HR’s role needs to continue to evolve. For at least two decades, the challenge for HR was to move from being administrators or reactors to being business partners. HR units worldwide have made that shift. As shown in the illustration at left, 69 percent of our HR sample classified themselves as “partners.”

It’s now time to raise the bar for HR, to take on a new role we call “anticipator.” Anticipators are always looking for what might come next. They work with the business to predict future talent gaps, and then strive to close the gap. They are able to proactively advise leaders on the probability of their strategies succeeding based on available talent and its quality. However, as the illustration at left shows, fewer than 2 in 10 HR professionals place themselves in the anticipator category.

We also examined when HR gets involved in the strategic planning process—early, late, or not at all. As the illustration at right shows, anticipators are far more likely than their partner or reactor counterparts to be part of their organization’s strategic planning process. That involvement pays off big for their organizations, which are three times more likely to have stronger leadership bench strength and over six times more likely to have exhibited strong financial performance than organizations in which HR’s involvement in the planning process occurs late or is nonexistent.

While anticipators and partners generally are likely to use similar leadership practices, anticipators do six things differently than partners or reactors. Anticipators:

- Put a stronger focus on programs that foster employee creativity and innovation.
- Are more likely to position leadership development as an integrated journey rather than an independent series of events.
- Are more likely to institute negative consequences for managers who fail to develop their leaders.
- Help ensure that a higher percentage of leaders are promoted from within.
- Help leaders be more ready to meet the CEO challenge of human capital.
- Are much more likely to use advanced workforce analytics, particularly those that involve forecasting future talent needs.

Now What

1. Recognize the benefits and limits of an HR partnership orientation. Anticipators take a distinct approach to talent management (as described at left), which extends their influence and unlocks new forms of value for the organization.

2. HR needs to build a case for earlier involvement in strategic planning. Several organizations have done this with a set of practices called “strategic workforce planning,” which focuses on building future talent capacity tied to business goals.

3. HR needs to become more knowledgeable and self-aware in using talent analytics, including building specialized roles within their team. Analytics provide the data to more accurately predict talent needs as well as determine what works to close any talent gaps.

4. The skills and knowledge that got HR to where they are today probably won’t be relevant in the future. HR needs to be in a constant learning mode to avoid obsolescence. The role of human capital management will change more in the next 5 years than it has in the past 30 years.
70:20:10
The Right Ratio...
or So We All Thought

Leaders Thirst for More Structured Development and Learning from Others

- Leaders need more structured development and learning from others.
- Indications show that 70% of leaders want more on-the-job learning, 57% want more learning from others, and 52% want more highest-quality leader development.

Indicates results that are based on the global sample.
Get Rid of the Old Bumper Sticker

The most common piece of wisdom on how leaders learn is the 70:20:10 ratio—70 represents learning that occurs on the job; 20, learning from others; and 10, learning from formal development. This ratio originated in decades-old research that asked leaders to look backward at the retrospective value of learning types. It has evolved to something very different, however: a near-universal planning edict, looking forward to how leaders should seek and receive development. Even the ratio’s originators have stated publicly that they never intended it to be used as the prescriptive tool it has become.*

These disconnects—along with not a single piece of supportive recent research—prompted us to find out if this ratio is fact or myth when put to the test with over 13,000 of today’s leaders. As the illustration at left shows, the time leaders spend on learning has a very different ratio, one that significantly emphasizes formal learning and learning from others while de-emphasizing on-the-job learning. Surprisingly, leaders across the globe identified a ratio of 55:25:20 of actual learning time spent, a ratio that varies very little by leader level. Australian and New Zealand leaders identified a similar ratio of 57:26:17.

Next, we wanted to know what ratio is used by organizations that provide the highest-quality leader development. To do so, we isolated organizations that exceed their peers in leadership development quality as viewed by the leaders themselves. The resulting data showed that a ratio of 52:27:21 is strongly associated with high quality—a ratio that closely matches how leaders actually spend their time. We also asked leaders how much time they spend on leadership development as well as how much time they’d like to spend. Australian and New Zealand leaders reported that they spend 4.6 hours/month now, but would prefer to spend 7.9 hours/month on leadership development. When asked where they would most prefer spending those additional learning hours, the chart at right shows their pointed response: much more time in formal learning and learning from others.

From all these data we concluded that overreliance on 70:20:10 misrepresents leaders’ reality and doesn’t match the practices of organizations with the highest-quality development or what leaders themselves prefer. Even more problematic, the 70:20:10 ratio—in fact, any ratio—emphasizes the separation of learning methods rather than their integration. Allowing learning methods to compete rather than integrating them so they can build on one another undermines their impact and their value.


Now What

1. Though 70:20:10 does not match reality, leaders generally will spend a greater proportion of their time in on-the-job learning. As such, carefully choose and sequence components of formal learning with learning from others.

2. Do not place too much weight on percentages. Effective learning requires someone (a “master blender”) who can put together the right combination of learning activities to meet the needs of both learners and the business.

3. While experiential learning and learning from others are key to an effective blend, consider allocating more time on formal learning to build foundational leader competencies that can have wide-ranging benefits while matching up well with leaders’ learning preferences.

4. Organizations benefit when formal learning is a vital component of the learning mix, establishing a framework and foundation for on-the-job learning. This foundation enables job experiences to be easily converted into sustained, well-supported behavior change.

Percent More Time Leaders Want for Each Type of Learning
Drivers of Crucial Leader Outcomes

What Experiences Matter Most?

**Strongest Influences on Employee Development Focus, Retention, and Engagement**

- Manager is Effective at Developing Me
- Work-Life Balance
- Executives Committed to Developing Leaders
- Retains Information About Competencies and Skills Needed for Success
- Clear Career Path
- Opportunities to Give Feedback on Strategy and Culture
- Up-to-Date Development Plan
- Advancing Upward

*Indicates results that are based on the global sample.*
Focus on the Overlap

A leader’s immersion in the job and thoughts on staying long-term are influenced by his or her experience with a development-minded manager and the organization’s approach to leadership development. We found strong links between several such experiences and three outcomes: Engagement (the leader’s active involvement in the job); Employee Development Focus (the leader’s active pursuit of opportunities to develop their employees), and Retention (the leader’s intent to remain at the organization long-term). When everything cannot be a focus, organizations need to know which experiences most shape which outcomes to prioritize targeted leadership development practices.

We analyzed the links between the experiences of more than 13,000 leaders and these three outcomes to define more precisely what experiences matter most. The figure at left summarizes our findings, with each outcome represented by an overlapping circle. Experiences in each circle are top drivers of that outcome; experiences in areas where the circles overlap are drivers of multiple outcomes. Two factors stood out as heavy influences across all three outcomes: understanding one’s career path and having opportunities to provide feedback to senior leaders about the organization’s strategy and culture. In Australia and New Zealand, 48 percent of leaders agreed that they understand their future career path as a leader within the organization while 61 percent agreed that they have frequent opportunities to provide open feedback to senior leaders about the organization’s strategy and culture.

We also looked for signs of differences by leader level. Across all levels we found a nearly identical ordering of which experiences drive which outcomes, with one important exception. For Engagement, frontline leaders were heavily influenced by “Advancing Upward.” This makes perfect sense because front-line leaders are early in their careers and anxious to climb the ladder. On the other hand, “Manager Is Effective at Developing Me” had a stronger impact for higher-level leaders. This suggests that, although fewer advancement opportunities are available at higher levels, the development focus and their manager’s actions continue to shape engagement for mid- through senior-level leaders.

Most of the experiences listed have substantial room for improvement based on the views of the leaders in our research. Only 45 percent indicated their manager was effective at developing them as a leader (linked to Retention) and had an up-to-date development plan (linked to Engagement and Employee Development Focus). All other experiences were agreed to by barely half, ranging from 48 to 54 percent.

Now What

1. Work inward-out when prioritizing efforts to improve leader experiences. Start with the experiences at the center of the figure; these influence all three outcomes. To further target certain outcomes, take action to address those on the outer portions of the graphic.

2. Revisit the availability and awareness of processes for leaders to understand and plan their career development. Also, consider opportunities for them to openly share feedback with senior leaders about the strategy and culture. Despite the strong influence of these experiences, they often are under-communicated or lack credibility for leaders because of poor follow-through in the past.

3. When informing leaders about what they need to be successful, consider that detailed information (for example, specific skills, behaviors, and actions) has more impact on these outcomes than general information about higher-level domains or ill-defined competencies. Evaluate the specificity of your competency models and the outputs of associated assessment and development programs to make sure they provide the level of precision leaders are seeking.

Percent of Leaders Who Experience

<table>
<thead>
<tr>
<th>Experience</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequent opportunities to provide open feedback to senior leaders about the organization’s strategy and culture</td>
<td>61%</td>
</tr>
<tr>
<td>Information provided about the competencies/skill areas needed to succeed as a leader</td>
<td>54%</td>
</tr>
<tr>
<td>Commitment from Senior executives to developing the organization’s leaders</td>
<td>53%</td>
</tr>
<tr>
<td>A healthy balance between business and personal lives</td>
<td>53%</td>
</tr>
<tr>
<td>Upward advancement in the organization at an acceptable rate</td>
<td>48%</td>
</tr>
<tr>
<td>An understanding of their future career path as a leader within the organization</td>
<td>48%</td>
</tr>
<tr>
<td>A written and up-to-date development plan</td>
<td>45%</td>
</tr>
<tr>
<td>A manager who is effective at developing him/her as a leader</td>
<td>45%</td>
</tr>
</tbody>
</table>
Managing the High-Potential Dilemma
Who, How Many, and What Then?

**Targeting the Right Size Pool to Maximize High-Potential Engagement and Retention**

<table>
<thead>
<tr>
<th>Engagement/Retention</th>
<th>45% Lower</th>
<th>HIGHEST</th>
<th>33% Lower</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Potentials</td>
<td>5%–10%</td>
<td>15%–30%</td>
<td>35+%</td>
</tr>
</tbody>
</table>

Indicates results that are based on the global sample.
If Everyone’s Special, No One Is

While many leaders seek to be thought of as a “high potential”—someone who someday will do great things—the truth is that some people are above average and some are not. Identifying truly high-potential leaders is a daunting task. Even more challenging is creating an environment that allows developing leaders to achieve their potential while still retaining them within the organization.

The illustration at left encapsulates the dilemma that organizations globally face when they have too many or too few high potentials. Organizations with a larger pool of high potentials (35+ percent) risk lower levels of engagement and retention (33 percent) than those with a smaller pool (15–30 percent), likely because the additional resources focused on the former leaders are spread too thin. Meanwhile, organizations with too few high-potential leaders (5–10 percent) have an even greater risk of generating lower retention and engagement rates (45 percent).

Of the Australian and New Zealand organizations we studied, 71 percent reported that they have programs for identifying and developing high-potential leaders. As depicted in the figure at right, an overwhelming majority of those with high-potential programs indicated that they hold senior management accountable for identifying and developing high-potential leaders (79 percent). This has changed dramatically over the last seven years. In 2008, just 29 percent of organizations in Australia and New Zealand held senior management accountable for identifying and developing high-potentials.

Of concern to organizations in our region is that only half (51 percent) use objective assessment data on high-potential capabilities, potential and readiness. If organizations are not using objective data to identify high-potentials, how do they ensure they have the right people in the high-potential pool? Furthermore, if they are not using objective data to assess their readiness for more senior positions, how do they ensure development is focused in the right areas?

Our study shows that two design factors have the most impact on leadership development quality as viewed by high-potentials: mentoring/coaching programs and measuring effectiveness of programs. In the case of Australian and New Zealand organizations, only 46 percent have mentoring/coaching programs and just 39 percent measure the effectiveness of their programs.

Quality high-potential programs that are strongly supported can mean the difference between retaining or losing a high-potential leader. Roughly half the leaders who responded were considered high potentials. When asked about their level of engagement, those with weakly supported programs were twice as likely to indicate an intention to leave within 12 months (16 percent). Only 8 percent of those with strongly supported programs (half as many) indicated an intention to do the same.

Now What

1. Revisit your process of identifying high-potential leaders to ensure you have the right people—and the right quantity of people—in your pool.

2. Forty-six percent of HR leaders indicated that their organization has a mentoring/coaching program specifically designed to address high potentials’ unique needs. Yet, when asked what development practices most affected leadership development quality, high-potential leaders selected mentoring by a significant margin. HR groups need to address this disconnect between two very important organizational constituencies.

![Impact of High-Potential Program Design Factors](chart.png)

- 79% Senior management is held accountable for identifying and developing high-potential leaders.
- 51% We collect objective assessment data on high-potentials’ capabilities, potential, and readiness.
- 46% We have a mentoring/coaching program specifically designed to address high potentials’ unique needs.
- 42% High-potential leaders’ performance in developmental assignments is carefully evaluated.
- 42% The identities of leaders identified as high-potentials are well-known within the organization.
- 41% We focus on high-potential leaders across the full pipeline, from frontline to executive.
- 39% We measure the effectiveness of programs for developing high-potential leaders.
Interacting vs. Managing

Organizations Place More Value on Managing—and That’s the Problem

Leaders’ Balance of Time—Actual, Preferred, and Company Valued

- Actual: 43% Managing, 32% Equal, 25% Interacting
- Preferred: 14% Managing, 32% Equal, 54% Interacting
- Company Valued: 43% Managing, 32% Equal, 25% Interacting

Practice makes perfect!
We found that leaders who spend more time interacting are more effective at these skills:
- Coaching and Developing Others
- Communicating and Interacting with Others
- Developing Strong Networks/Partnerships
- Fostering Employee Creativity and Innovation
- Identifying and Developing Future Talent
Where Should Leaders Be Spending Their Time?

Many leaders ask themselves: What's the difference between managing and leading, and which is more important? We chose to reframe the issue by taking a closer look at managing and interacting. "Managing" is time spent planning, doing administrative tasks, scheduling, etc. "Interacting" is time spent in conversation with others, such as peers, team members, supervisors, and customers. We hypothesize that interacting is far more critical to successful leadership than is managing. In a *McKinsey Quarterly* article, the authors wrote that the quality of interactions has the potential to create durable, competitive advantage, and aptly label the ability of leaders to leverage conversations as relationship capital.*

We found that Australian and New Zealand leaders currently spend, on average, 43 percent of their time managing (see the figure to the left). In part, this is due to a perception among leaders that their organization’s senior leaders place more value on managing tasks than on interpersonal relationships. Given a preference, leaders would more than double the time they spend interacting and reduce time spent managing by about 30 percent.

There is a high cost to organizations that neglect striving for a better balance in how leaders spend their time. A heavier focus on managing leads to less job satisfaction, higher turnover, and lower engagement among leaders. If organizations signaled that time spent interacting was as valuable as time spent managing, they likely would have a stronger leadership bench strength, which in turn would be closely linked to superior financial performance.

DDI has evaluated thousands of leaders using a highly valid assessment center process. In simulated leadership environments, we assess a wide range of competencies, but also focus on key interaction skills:

- Maintains or enhances self-esteem.
- Listens and responds with empathy.
- Asks for help and encourages involvement. *(to enhance collaboration)*
- Shares thoughts, feelings, and rationale. *(to build trust)*
- Provides support without removing responsibility. *(to build ownership)*
- Facilitates discussions.

Leader performance on these interaction skills is sorely lacking, with less than one in three displaying high proficiency.** Not surprisingly, senior managers perform as poorly as new frontline leaders.

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**Matson, E., & Prusak, L. (2010, September), Boosting the Productivity of Knowledge Workers, McKinsey Quarterly.**


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Now What

1. Organizations need to hold all levels of managers accountable, in equal proportions, to their interpersonal skills and the results they accomplish. Measurement of employee engagement has come a long way in providing leaders with feedback (which can be used as benchmarks) on how others perceive them.

2. Ensure that your selection and promotion systems include a valid measure of interaction skills. A bias remains to select or promote leaders based on their technical skills rather than their leadership skills.

3. Building positive interaction skills is not easy. In our experience with training thousands of leaders, with years of practice coupled with a heavy dose of self-insight, but leaders can be trained and developed to interact better with others.

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* Indicates results that are based on the global sample.
Pipeline or Pipe Dream?
Avoiding the Nightmare Scenario

Talent Management Practices That Affect the Percent of Ready-Now Leaders

- Feedback on Key Skills given to leaders: 7%↓
- Leadership competencies are clearly defined: 8%↓
- Leadership competencies serve as the foundation for multiple leadership talent management systems: 8%↓
- Leader performance expectations linked to organization's strategy: 11%↑
- Systematic process to determine required leadership skills: 7%↑
- Managers regularly review leaders development plans: 7%↑
- Formal programs to ensure smooth leadership transition: 7%↑
- High-quality, effective development plans: 9%↑

Omission Impact: Not doing these = negative impact
Action Impact: Doing these = positive impact

Indicates results that are based on the global sample.
How Talent Management Practices Reduce Succession Risk

Growing your own leaders pays off richly. Organizations that fill a larger percentage of their positions internally have significantly higher leadership strength and financial performance (more than three times higher) than organizations that don’t. Yet, the ability to actually do this varies widely; in other words, it’s much easier said than done. For the average company, it’s not even a coin flip despite the higher stakes. In the Australian and New Zealand sample, less than half (42 percent) of critical positions could be filled immediately by internal candidates, on average.

If a full, capable bench is your organization’s goal, what are the best ways to increase your odds? We found that two types of talent management practices were closely linked—but in different ways—to the key metric of percent of critical positions that can be filled immediately by internal candidates. These practices are shown in the illustration on the previous page. On the left side of the tree are the practices that affected this metric through omission; that is, organizations that took these steps were still only average in their ability to fill critical positions, but those that failed to do them fell far behind their peers. The percentages in the leaves show how much the metric changes when these practices are not done. Notice that there are a few common characteristics among them. They deal with defining and providing feedback on competency skill targets for leaders, broadly using these competencies, and aligning leadership performance expectations with organizational strategy.

The practices on the right side of the tree affected organizations’ ability to fill critical positions through action. Companies that failed to take these steps were only average, but those that took them boosted their bench strength noticeably compared to others (indicated by the percentages in the leaves). These practices deal with forward-facing systems and processes and a future orientation for both individuals and organizations: determining leader skills linked to success, ensuring that leader development plans are high-quality and regularly reviewed, and facilitating smooth transitions among leadership roles.

Now What

1. First, focus on reducing the threats of omission on the readiness of your bench. Institute, reinforce, and systematize the talent management practices on the left side of the tree.

2. Next, once these are firmly in place and functioning effectively, differentiate your organization by aggressively pursuing the actions on the right side of the tree. These future-oriented practices have a clear association with a stronger bench.

3. Revisit these practices often to make sure they are being adhered to consistently. In particular, focus on these three practices that are not often done well but which have a large payoff: putting programs in place to ensure smooth transitions from one leadership level to the next (only 21 percent of organizations do this well), building high-quality development plans for leaders (33 percent), and ensuring regular reviews of these development plans (55 percent).

Percent of Organizations Instituting Effective Practices

<table>
<thead>
<tr>
<th>Practice</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders’ performance expectations are linked to the organization’s strategy</td>
<td>82%</td>
</tr>
<tr>
<td>Competencies required for success in key leadership positions are clearly defined</td>
<td>64%</td>
</tr>
<tr>
<td>Leadership competencies serve as the foundation for multiple leadership talent management systems</td>
<td>61%</td>
</tr>
<tr>
<td>Leaders regularly review their development plan with their managers.</td>
<td>55%</td>
</tr>
<tr>
<td>Leaders practice and receive feedback on key skills with their managers.</td>
<td>51%</td>
</tr>
<tr>
<td>A systematic process to identify the quantity and quality of leadership required to drive future business success</td>
<td>37%</td>
</tr>
<tr>
<td>High-quality, effective development plans for leaders.</td>
<td>33%</td>
</tr>
<tr>
<td>Formal programs to ensure smooth leadership transitions at all levels.</td>
<td>21%</td>
</tr>
</tbody>
</table>
Conclusion

Looking Back to Look Ahead

Talent Management Predicts Financial Success

There’s one proven way to forecast how your current talent management and leadership development practices will affect your organization’s financial performance over the next three years: Learn from the past. The best forecasters spend more time looking backward than forward because they know that to forecast future trends accurately, they first must recognize historical trends.

We applied this “learn from the past” approach to this report by looking at the historical data from organizations that participated in our 2011 Global Leadership Forecast. When we compared their talent management and leadership development practices then with actual financial performance now, we found some compelling links (illustrated below). Organizations with highly rated leadership development programs were 8.8 times more likely to have high leadership quality and bench strength compared to those organizations with low-rated programs. This indicates that effective leadership development is a strong driver of leader quality—not just now, but also for the future. Another benefit for organizations with higher-quality programs is that they were 7.4 times more likely to have leaders who were highly engaged and inclined to stay with the organization, demonstrating how development programs positively shape a leader’s experience and, in turn, affect their engagement and retention.

The Payoff of Better 2011 Leadership Development Practices

Indicates results that are based on the global sample.
The bottom line? Leader quality helps predict financial performance. Organizations with high leader quality were six times more likely to be among the top 20 financial performers of all organizations. Although there was no evidence of a direct link between leader experience and financial impact, positive leader experiences amplified the link between leader quality and financial impact greatly: Organizations with both high levels of leadership quality and leader engagement/retention were nine times more likely to outperform their peers financially. These links point to the future impact talent management and leadership development practices can have on financial success.

Looking forward, how can you ensure the right practices are in place to help your organization be where you want it to be, both in leadership quality and financial success, in three years?

Now What

1. Establish or reinforce the business case for prioritized and high-quality leadership development. Achieving improved leadership quality, bench strength, and leader engagement/retention along with the resulting financial impact will be much more challenging without an integrated and solidly reinforced strategy for leader growth.

2. Measure the effectiveness of current talent programs with a focus on improving the leader experience. The more engaged, developed, and empowered your leaders are, the more they can help drive business outcomes.

3. Use analytics to continuously learn from historical trends and impending talent needs in order to determine where to focus and how to optimize talent programs. The key to predicting future outcomes is to track, make sense of, and guide action using the right data.
### Leadership Practices Scoreboard—Across 1,500+ Organizations, Which Matter Most?

This table shows 20 leadership practices in three categories. For each practice HR professionals indicated whether it is the norm for their organization as well as what impact the practice had on four outcomes captured in the research: high-quality development; leader experience (engagement and retention); leadership strength (current and next three years); and the organization’s financial performance over the prior year.

<table>
<thead>
<tr>
<th>Category</th>
<th>Practice</th>
<th>HR Professionals</th>
<th>Impact %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Talent Management Practices</strong></td>
<td>Competencies required for success in key leadership positions are clearly defined.</td>
<td>Blue Circle</td>
<td>64%</td>
</tr>
<tr>
<td></td>
<td>Leadership competencies serve as the foundation for multiple leadership talent management systems.</td>
<td>Red Circle</td>
<td>61%</td>
</tr>
<tr>
<td></td>
<td>Validated tests and simulations are used for making leadership promotion and selection decisions.</td>
<td>Purple Circle</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>A systematic process (e.g., strategic talent planning) is used to identify the quantity and quality of leadership required to drive future business success.</td>
<td>Green Circle</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>We use formal programs to ensure smooth leadership transitions at all levels.</td>
<td>Orange Circle</td>
<td>21%</td>
</tr>
<tr>
<td></td>
<td>At any time, we know the up-to-date status of our leadership talent capability across the organization.</td>
<td>Red Circle</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>We use a formal process for identifying employees who could become global/multinational leaders.</td>
<td>Red Circle</td>
<td>41%</td>
</tr>
<tr>
<td><strong>Development Practices</strong></td>
<td>Our leaders have high-quality, effective development plans.</td>
<td>Blue Circle</td>
<td>33%</td>
</tr>
<tr>
<td></td>
<td>Managers who fail to develop their leaders receive negative consequences as a result.</td>
<td>Red Circle</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>Leadership development modules are positioned with leaders as a planned sequence rather than as independent events.</td>
<td>Green Circle</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>Leaders regularly review their development plan with their managers.</td>
<td>Orange Circle</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>Leaders practice and receive feedback on key skills with their managers.</td>
<td>Red Circle</td>
<td>51%</td>
</tr>
<tr>
<td></td>
<td>Leaders’ performance expectations are linked to the organization’s strategy.</td>
<td>Green Circle</td>
<td>82%</td>
</tr>
<tr>
<td><strong>Succession Management Practices</strong></td>
<td>Senior management is held accountable for identifying and developing high-potential leaders.</td>
<td>Blue Circle</td>
<td>79%</td>
</tr>
<tr>
<td></td>
<td>The identities of high-potential leaders are well-known within the organization.</td>
<td>Red Circle</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>We collect objective assessment data on high-potentials’ capabilities, potential, and readiness.</td>
<td>Orange Circle</td>
<td>51%</td>
</tr>
<tr>
<td></td>
<td>We have a mentoring/coaching program specifically for high-potential leaders.</td>
<td>Red Circle</td>
<td>46%</td>
</tr>
<tr>
<td></td>
<td>High-potential leaders’ performance in developmental assignments is carefully evaluated.</td>
<td>Green Circle</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>We do not focus on high-potential leaders only as replacements for the senior and executive levels.</td>
<td>Orange Circle</td>
<td>59%</td>
</tr>
<tr>
<td></td>
<td>We measure the effectiveness of programs for developing high-potential leaders.</td>
<td>Red Circle</td>
<td>39%</td>
</tr>
</tbody>
</table>

Key: No circle = nominal impact; ○ = moderate impact; ● = strong impact.
Organizational Factors Scoreboard—Across 1,500+ Organizations, Which Matter Most?

This table shows several organizational factors and their impact on four outcomes captured in this study: high-quality development, leader experience (engagement and retention), leadership strength (current and next three years), and the organization’s financial performance over the prior year. Because most factors listed are supported by a range of individual leadership and talent management practices, the cumulative impact of these factors tends to be stronger than many practices on their own.

<table>
<thead>
<tr>
<th>Organizational Factors</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have leaders with high VUCA capability</td>
<td></td>
</tr>
<tr>
<td>HR’s talent plans are connected early and strongly to strategic planning</td>
<td></td>
</tr>
<tr>
<td><strong>ANALYTICS USAGE</strong></td>
<td></td>
</tr>
<tr>
<td>Benchmark leaders against their peers within the company</td>
<td></td>
</tr>
<tr>
<td>Gather efficiency and reactions metrics about leadership programs</td>
<td></td>
</tr>
<tr>
<td>Gather results metrics about leadership programs</td>
<td></td>
</tr>
<tr>
<td>Gather business impact metrics about leadership programs</td>
<td></td>
</tr>
<tr>
<td>Use data to forecast future leadership talent needs</td>
<td></td>
</tr>
<tr>
<td>Value interacting more than managing</td>
<td></td>
</tr>
<tr>
<td>Higher percent of leaders are Millennials (more than 30%)</td>
<td></td>
</tr>
<tr>
<td>Higher percent of leaders are women (more than 30%)</td>
<td></td>
</tr>
</tbody>
</table>

**HR Benchmarks**

We asked HR participants to provide general information about the makeup and turnover and success rates of their leaders. The figure below provides median benchmarks from organizations across the globe. The bars represent the general range of responses received from HR respondents (between the 10th and 90th percentiles); the blue dots indicate the median of all organizations; and the green stars indicate how leading organizations (represented by those with the highest leader quality and bench strength) responded on average.
Appendix

Demographics

Organization Characteristics

Industry

1% Aerospace & Defense
2% Agriculture
2% Banking
2% Beverages
9% Business Services
4% Charitable Organizations
2% Computer Services
1% Computer Software
4% Construction
5% Consumer Products Manufacturers
1% Consumer Services
4% Education
5% Energy & Utilities
1% Entertainment
7% Financial Services
1% Food
4% Government
9% Health Care
4% Industrial Manufacturing
3% Insurance
2% Media
3% Metals & Mining
4% Other
3% Pharmaceuticals
3% Real Estate
4% Retail
1% Security Products & Services
3% Technology
4% Telecommunications Services
2% Transportation Services

Number of Employees

14% 1–200
21% 201–500
12% 501–1,000
22% 1,001–5,000
9% 5,001–10,000
11% 10,001–20,000
6% 20,001–50,000
5% 50,001 or more

Presence in Global Market

44% National
56% Multinational (own, operate, or have affiliate offices outside own country)
### Leader Characteristics

#### Leader Level

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Leader Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>First-level leader</td>
</tr>
<tr>
<td>38%</td>
<td>Mid-level leader</td>
</tr>
<tr>
<td>19%</td>
<td>Senior or Higher-level</td>
</tr>
<tr>
<td>6%</td>
<td>Executive or Senior-level</td>
</tr>
</tbody>
</table>

#### Organizational Tenure

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>Less than 1 year</td>
</tr>
<tr>
<td>41%</td>
<td>1–5 years</td>
</tr>
<tr>
<td>26%</td>
<td>6–10 years</td>
</tr>
<tr>
<td>14%</td>
<td>11–15 years</td>
</tr>
<tr>
<td>15%</td>
<td>More than 15 years</td>
</tr>
</tbody>
</table>

#### High-Potential Status

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>49%</td>
<td>Yes</td>
</tr>
<tr>
<td>51%</td>
<td>No</td>
</tr>
</tbody>
</table>

#### Generation

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>Millennials</td>
</tr>
<tr>
<td>73%</td>
<td>Generation X</td>
</tr>
<tr>
<td>23%</td>
<td>Baby Boomers</td>
</tr>
</tbody>
</table>

#### Age

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Age Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>Less than 25</td>
</tr>
<tr>
<td>12%</td>
<td>26–35</td>
</tr>
<tr>
<td>42%</td>
<td>36–45</td>
</tr>
<tr>
<td>35%</td>
<td>46–55</td>
</tr>
<tr>
<td>7%</td>
<td>56–60</td>
</tr>
<tr>
<td>4%</td>
<td>Over 60</td>
</tr>
</tbody>
</table>

#### Gender

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>Male</td>
</tr>
<tr>
<td>30%</td>
<td>Female</td>
</tr>
</tbody>
</table>
About DDI’s Center for Analytics and Behavioral Research

The Global Leadership Forecast 2014|2015 is part of the continuing series of trend research conducted by DDI’s Center for Analytics and Behavioral Research (CABER). CABER’s publications are designed to produce actionable, evidence-based insights to advance knowledge of current and emerging talent management topics such as leadership development, succession management, and talent acquisition.

CABER also conducts, coordinates, and champions analytical research with DDI’s clients to benchmark, evaluate, forecast the effects of, and optimize their talent management practices toward the goal of prescriptively aligning talent readiness with business objectives. CABER’s research, including this report, is available at www.ddiworld.com.

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What We Do. We help companies transform the way they hire, promote, and develop their leaders and workforce. The outcome? People ready to instigate, understand, and execute business strategy and address challenges head-on.

How We Do It. If you have ever had a leader you revered or marveled at how quickly a new hire came up to speed, you might very well be experiencing DDI at work. Often, we are behind the scenes, creating custom training or assessments that clients can roll out on their own. Other times, we are more visible, helping clients drive big changes in their organization. Always, we use the latest methods, based on science and the test of time.

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The Conference Board works within and across three main subject areas—Corporate Leadership, Economy & Business Environment, and Human Capital—to create a unique, enterprise-wide perspective that helps business leaders respond today, anticipate tomorrow, and make the right strategic decisions every day.
About the Authors

Evan Sinar, Ph.D., is DDI’s chief scientist and director of its Center for Analytics and Behavioral Research (CABER). Evan and his team conduct comprehensive analytical evaluations of talent management programs to gauge their impact and to forecast opportunities to better align with business strategy. They also produce contemporary, prescriptive thought leadership about talent management practices. Evan serves as a thought leader for DDI on topics such as leadership development, talent management analytics, data visualization, generational differences, social media, and pre-employment assessment. He is a member of the Society for Industrial and Organizational Psychology’s executive board and a frequent presenter at professional conferences. Evan’s work has been featured in Chief Learning Officer, the Journal of Applied Psychology, Personnel Psychology, and numerous other publications.

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