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The Leadership Forecast: A Benchmarking Study

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The Leadership Gap

The large baby-boom generation currently filling the nation's upper management positions is nearing retirement age. Who will replace these leaders? Where will organizations look to find talented individuals for so many open positions?

ASTD (1998) found that leader development offerings continue to increase, but does this mean that organizations are truly prepared for the future? The answer seems to be "no." There has been a relative lack of growth of succession management systems over the past 15 years. Sixty-eight percent of organizations reported having a formal succession plan in place in 1984 (Friedman, 1986). Today, only 61 percent of organizations reported having a formal plan in place to make succession decisions (Rioux & Bernthal, 1999). If little to no action is being taken, how will organizations fill the leadership gap?

This report documents the state of leadership and leadership development. We hope to repeat this survey every two years to measure the progress organizations are making. Future surveys will measure changes in perceptions and practices relative to this initial baseline.

Study Objectives

1. Link leadership strength to organizational outcomes.
2. Document the processes used to recruit and staff leaders.
3. Find out what leaders are doing to develop their skills.
4. Benchmark organizations' current leadership development programs.
5. Measure the state of leadership from several perspectives: human resources, leaders, and associates.

Method

Eighty organizations were contacted (telephone or in person) and asked to participate in the study. We asked these organizations to provide data from at least 20 managers, 20 non-managers, and one HR executive. Fifty-two companies returned complete sets of data, representing a response rate of 62.5 percent. Surveys were returned from 1207 leaders and 1157 associates from these companies.

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Confidence in Today's Leaders

Findings Overview

The majority of organizations do not have high confidence in the abilities of current leaders to guide and direct the organization in the future.

Most organizations have some confidence in their leaders' abilities to direct the future of the organization. However, of the three groups surveyed (HR professionals, leaders, and associates), less than half (36-47 percent) have high confidence in their leaders' ability. In fact, associates have the lowest confidence in their leaders (only 36 percent reported having high confidence).

Current and Future Leadership Skills

Findings Overview

Leaders lack strength in the skills deemed important for current leadership positions.

Of the top 14 skills deemed important for current leadership positions, leaders identified potential problems in almost half (less than 50 percent of leaders rated the skill as a strength). Associates' view of leaders was even more alarming. They believe that their leaders lack strength in 13 of the 14 most important leadership skills. Both associates and leaders agreed that leaders lack strength in the areas of Coaching, Strategic Decision Making, and Facilitating Change.

Leaders at all levels need to develop core leadership skills.

Regardless of level, leaders reported that they need to be strong in the following areas:

- Adaptability
- Building a Successful Team
- Communication
- Decision Making

- Building Positive Working Relationships

However, leaders at all levels reported the need to develop their communication skills and indicated that they were not particularly strong in Building Positive Working Relationships. Beyond these core skills, lower- and higher-level leaders differed in which skills were important for their jobs. First- and mid-level leaders identified people-oriented skills—such as Coaching and Building Trust—as important for their jobs. These leaders were not strong in skills related to Managing the Job or Coaching. Higher- and senior-level leaders identified strategically oriented skills—such as Visionary and Empowering Leadership—as important for their jobs. Notably, these leaders were not strong in important, long-range skills, such as Strategic Decision Making.

Today's leaders are not prepared for tomorrow's leadership positions.

Future leadership positions will require different skills than are currently required of today's leaders. While many of the same core skills such as communication and building successful teams will continue to be important, more long-range skills such as Strategic Decision Making will become increasingly important for leaders to possess in the future. Today's leaders, however, are not currently strong in 6 of the 10 skills that will be important for future leaders (numbers represent the percentage of leaders rating the skill a strength):

- Empowering Leadership (49%)
- Innovation (46%)
- Communication (44%)
- Visionary Leadership (30%)
- Aligning Performance for Success (27%)
- Strategic Decision Making (25%)

Leader Development

Findings Overview

Organizations expect to increase spending on leadership development programs in the future.

Organizations are gearing up for the projected leadership gap by increasing their budgets for training and development. Eighty-four percent of surveyed organizations indicated that they would increase their leadership development expenditures in the next year. Half of the organizations expect the increase to be beyond the adjustments made to cover normal inflation costs.

Aligning leader development programs with other systems is important.

Alignment among internal programs and strategies ensures that the same set of priorities is emphasized across the organization. When there was high alignment between leader development and other programs, leaders reacted positively. High alignment was associated with:

- Higher levels of trust
- Better information sharing
- Consistency among departments
- Better top-down communication flow
- More consistency between leaders

Leaders participate in development activities for both practical and personal reasons.

Leaders engage in development activities primarily for skill enhancement (94 percent) and personal growth (92 percent). However, many leaders (70 percent) also believe that development activities make them more marketable for other (future) jobs—and not necessarily jobs within their current organization.

Organizations often do not offer leaders' preferred development activities extensively.

Leaders' most preferred development activities were formalized workshops/training programs conducted either outside or inside the organization. A large number of organizations use *in-house* formal workshops extensively. However, few are making extensive use of leaders' number one preference for development—*external* formal workshops.

Leaders also prefer to discuss their skills with others as a part of their development, but only a small number of organizations (6 percent) make extensive use of mentors.

Impact on the Bottom Line

We created an index of organizational success that included growth in revenue, productivity, profitability, and market value. Based on this index, organizations were classified to be Higher Performing or Lower Performing. The following factors related to leadership development significantly predicted bottom-line outcomes:

- Quality and availability of leadership development programs
- Accuracy of selection and placement decisions
- Leaders' skills in coaching, associate development, and performance management

Closing Comments

The definition of what makes a good leader has changed over the past 10 years. While many leadership core competencies have remained the same, new ones are continually being added. Consider the emerging global leader. In the future more and more leaders will need to transcend cultures and geographic boundaries. Such change makes it difficult to prepare

leaders in the skills they need to be successful. But organizations are not helpless; they can give leaders the resources they need to be able to adapt to changing circumstances. Adaptability is one of the most important skills that leaders will need to meet the challenges of tomorrow.

The leadership shortage is real. Organizations need to develop their leaders, or those leaders will go elsewhere. In this survey almost three-quarters of the leaders indicated that they pursue development activities to make themselves more marketable for other jobs. In this age of corporate downsizing and right-sizing, organizations have failed to show loyalty to their employees. Thus, they should not expect employee loyalty in return. No organization will survive the impending leadership crisis by relying solely on acquiring outside leadership talent. They must be more serious about succession management by focusing on developing tomorrow's leaders from today's workforce.

In reaction to this situation, most organizations in this study reported that they plan to increase spending on leadership development programs. However, leader development cannot be promoted simply by throwing money at it. Leaders already use a wide range of development activities. So why do today's leaders still lack strength in critical leadership skills? What are organizations not doing right? Perhaps they should think of leadership development as a joint venture, with leaders taking responsibility for their own development and organizations empowering them to do so. Organizations can increase the impact of development by paying attention to leaders' preferred learning styles and by offering solutions that are tailored to each person's needs. Training is not always the solution, nor is mentoring or Internet-based learning resources. It's easy to jump on the technology bandwagon and believe that doing the latest thing is doing the best thing. Organizations need to listen to their leaders—they will say what they really need.

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