

AUSTRALIA/NEW ZEALAND GLOBAL COMPARISON

LEADERSHIP FORECAST 2005 | 2006

Best Practices for Tomorrow's Global Leaders

> Paul R. Bernthal > Richard S. Wellins > Mark Busine



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A Welcome from DDI Australia

We are pleased to present this report, which offers a snapshot of the current status of leadership within the business community in Australia and New Zealand as well as comparisons of our leaders' potential, problems, and promise with their peers worldwide.

This report grew out of a larger study, DDI's *Leadership Forecast 2005–2006*. Subtitled “Best Practices for Tomorrow's Global Leaders,” the forecast reflects DDI's belief that all leaders eventually will work within a world economy, one in which lines between countries and cultures are blurred. The challenges leaders face now, and will increasingly face in the future, are captured in the urgent questions the forecast—and this report—addresses: Does the

organisation have the right leaders? Do those leaders have the necessary skills? Are they ready?

DDI Australia believes that leaders and employees are the life force behind every successful organisation. To remain competitive, organisations must be able to select, develop, and grow their leaders. No single approach to leadership development is right for every organisation, but there are practices that work in most situations. We hope this report will provide insight into best practices and encourage further investments in leader development.



Bruce Watt, Ph.D.
Managing Director,
DDI Australia



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General Manager,
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ABOUT DDI

Since 1970 Development Dimensions International has worked with some of the world's most successful organisations to achieve superior business results by building engaged, high-performing workforces.

We excel in two major areas: Designing and implementing selection systems that enable you to hire better people faster, and identifying and developing exceptional leadership talent crucial to creating a workforce that drives sustained success.

What sets DDI apart is realisation. We focus on the needs of our clients and have a passion for their success. The outcome? You bring the best people on board, who get up to speed faster, contribute more, and stay longer—giving you the ultimate competitive advantage.

STUDY METHOD AND PARTICIPANTS

This regional report is based on responses from 627 leaders and 116 HR representatives based in Australia and New Zealand. One HR representative and at least 20 leaders from each organisation were asked to complete the survey. Findings for this regional report are drawn from the global *Leadership Forecast* study, which involved 4,559 leaders and 944 HR representatives from 42 countries. The global sample used for comparison purposes in this report was drawn from the organisations and leaders in locations other than Australia and New Zealand.

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INTRODUCTION

Australia, now in its 14th year of uninterrupted economic growth, has the most resilient economy in the world. Further, 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, the fastest growing economic region in the world. However, sustained economic growth also requires excellence in business leadership. This report provides some important insights into the current state of Australia's business leadership and, consequently, the country's readiness to capitalise on future growth opportunities.

It's been 10 years since the release of the Australian Industry Task Force on Leadership and Management Skills report (often called the Karpin Report in honor of the study's chair, David Karpin). That report concluded that Australian businesses needed to do more to develop and prepare their leaders for future challenges. The task force based its findings on exhaustive research conducted by local and international organisations, such as AGSM, Boston Consulting Group, and the Rand Corporation. Some 10,000 organisations and individuals in Australia and elsewhere were consulted during the study's three-year life span. The organisations that participated in the study included leaders in the field of management development, such as General Motors, Motorola, Harvard, MIT, and INSEAD.

The report's major finding was that while Australia's managers were equal to the best in the world, there were simply too few of them. The report found

that limited skills amongst managers would restrict efforts to improve organisational productivity and economic performance.

While not specifically addressing the Karpin Report findings, DDI's *Leadership Forecast* provides a useful insight—10 years on—into the practices, perceptions, and realities of leadership development and leader qualities in Australia. Have we been successful in preparing our leaders for the challenges of the 21st century? Have we enhanced the effectiveness of our leadership development offerings at organisational and institutional levels? Have we adequately addressed the gaps in our leaders' capabilities? This report will attempt to answer those questions and others.

This report is an outgrowth of DDI's *Leadership Forecast 2005–2006*, the fourth in a series of global leadership studies (the other reports were conducted in 1999, 2001, and 2003). This *Australia/New Zealand Global Comparison*, however, marks the first time we have reported findings specific to the Australia/New Zealand market. In presenting these findings, we have focussed on those that are particularly relevant to the Australia/New Zealand market and those that highlight key differences with participating leaders and organisations in the original report.

Against a backdrop of increased complexity, heightened stakeholder scrutiny, and a shrinking labour market, leadership development in Australia and New Zealand must be systematic and comprehensive to ensure that people have the capability, experience, knowledge, and self-understanding they will need as leaders to deliver business outcomes. This issue will not remain static, nor will it go away.

CONFIDENCE IN LEADERSHIP

The survey asked leaders and HR professionals to rate their level of confidence in their leadership's ability to guide the organisation over the next five years. The results for Australia and New Zealand suggest that these two countries may be facing a serious crisis in confidence. **Figures 1 and 2** show that, while our leaders are more confident in leadership than HR professionals, the overall confidence level is lower in Australia and New Zealand than in other parts of the world. However, like the global sample, leaders and HR professionals in Australia and New Zealand have the greatest confidence in senior leaders and the lowest confidence in first- and mid-level leaders.

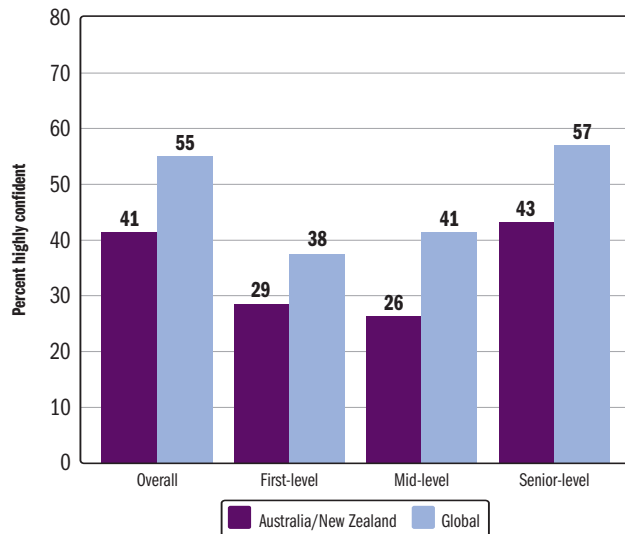


FIGURE 1: Leaders' Confidence in Leadership

This result is further supported in two subsequent responses. First, leaders were asked to rate their peers against a list of positive attributes (such as bringing out the best in people, openness to feedback, passion for results, and conceptual thinking). The scores for Australia/New Zealand leaders were, on average, about five percentage points lower than their global counterparts. Second, when asked what percentage of plans are executed effectively, 68 percent of Australia/New Zealand leaders responded positively, compared with a 74 percent positive response by their global peers. These findings raise several questions: Are we more critical of our leaders? Are we more aware of the challenges facing our leaders? Is there a genuine concern about the capability of our leaders?

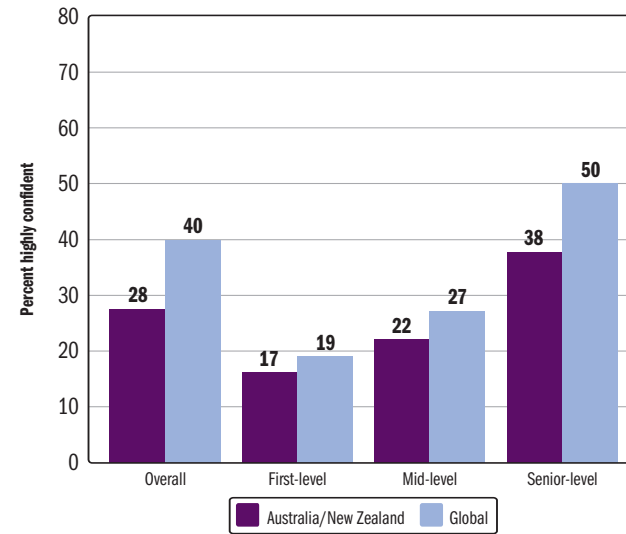


FIGURE 2: HR Professionals' Confidence in Leadership



INSIGHT: Standing the Test of Integrity

Could the situations that arose at HIH and OneTel happen again? Are the appropriate measures in place to manage and monitor such indiscretions? Do we have leaders with the integrity to manage the tension that exists in results-based commercial environments?

Whatever the answers to these questions, there is no doubt that the focus on corporate governance has intensified with recent initiatives aimed at minimising risks and establishing positive corporate practices.

The ASX Corporate Governance Council, formed in August 2002, brought together 21 groups from various businesses. In 2003 the Council published its “principles of good corporate governance and best practice recommendations” and proposed 10 core principles for good corporate governance:

1. Lay a solid foundation for management and oversight.
2. Structure the board to add value.
3. Promote ethical and responsible decision-making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Encourage enhanced performance.
9. Remunerate fairly and responsibly.
10. Recognise the legitimate interests of stakeholders.¹

While the focus of the principles and best practices is on systems and controls, underlying leadership intentions and qualities are the strongest drivers of behaviour.

The *Leadership Forecast* asked leaders to rate their peers against a set of key leadership qualities, one of which was Authenticity, defined as “genuine and true, integrity, promotes trust, confident.” Only 65 percent of leaders in Australia and New Zealand regularly display this quality. This, together with the finding that organisations and leaders emphasise “bringing in the numbers,” raises doubts about leaders’ ability to balance the tension that exists when trying to hit challenging business objectives.

¹ Principles of Good Corporate Governance and Best Practice Recommendations, ASX Corporate Governance Council, March 2003.

LEADER QUALITIES AND ACTIONS

Leaders were asked to select the one quality that garnered the most respect in their organisation. Like the global respondents, most leaders in Australia and New Zealand selected “ability to bring in the numbers” (see **Figure 3**). With its strong sales and marketing base, the Australia/New Zealand result was significantly higher than the global norm. Ranking lower in importance was the “people side” of leadership, although two of these qualities—the use of interpersonal skills and the ability to mobilise a team—were ranked higher by Australia/New Zealand leaders than their global counterparts.

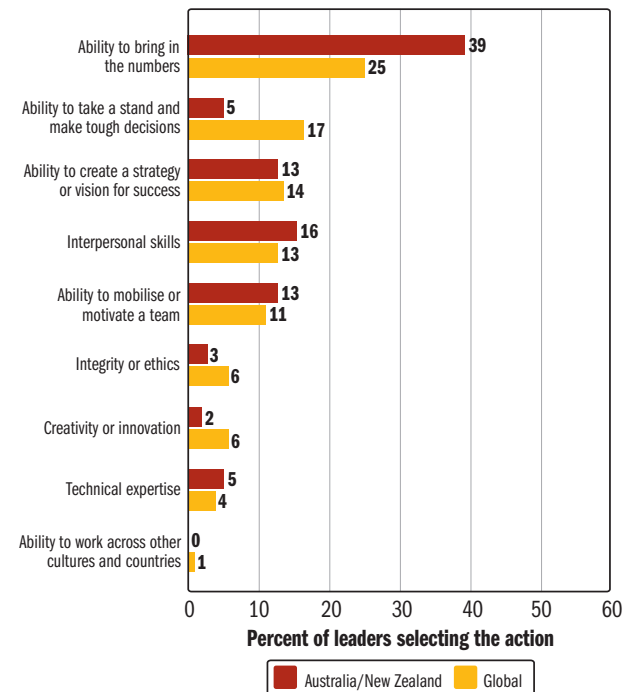


FIGURE 3: Leader Actions That Get the Most Respect



Interestingly, the quality that ranked significantly lower than the global norm was “the ability to take a stand and make tough decisions,” a possible reflection on the Australia/New Zealand spirit of “mateship” that encourages a fair go for everyone. With respect to people issues, the ability to make tough decisions ensures that minor issues do not escalate into serious issues and that performance expectations are communicated and understood.

The study found that what leads to respect may not be the same as what leads to failure. HR professionals report that 63 percent of leaders selected internally stay in their positions and are successful. Of the leaders who are not successful, most fail because of personal or interpersonal issues (see **Figure 4**).

Many would argue that the ability to bring in the numbers is an outcome of other key attributes and qualities (for instance, that the ability to make tough decisions, mobilise others, and communicate effectively will deliver results).

Leaders were asked to review a list of the 14 most important business priorities, then select those most applicable to their organisation. Leaders in Australia and New Zealand identified improving customer relationships/ service and improving/leveraging talent as the most important.

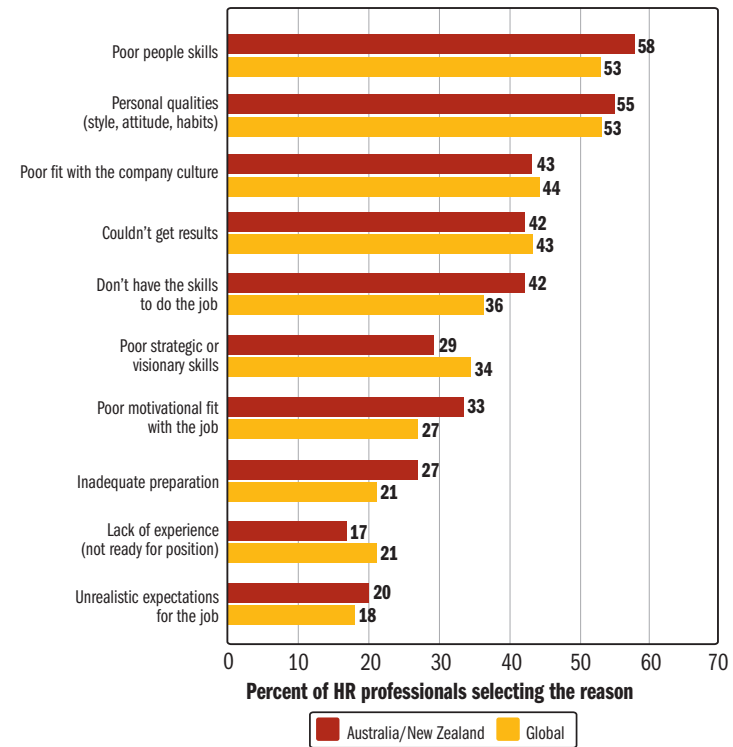


FIGURE 4: Reasons for Leader Failure

INSIGHT: Ready for Growth?

At a time when many organisations in Australia and New Zealand are focusing on growth, results from the *Leadership Forecast* raise the question: Have we created a generation of leaders who can think and act only in the short term?

While many leaders indicate a desire to make a greater contribution (69 percent of those surveyed want to move to more senior levels so they can make a greater contribution to the organisation), the intense public scrutiny of the last few years, the emphasis on business consolidation, and the focus on corporate governance suggest that leaders in Australia and New Zealand may know how to manage only for the short term. This seems only natural, given DDI's research, which shows that the most respected quality in organisations is the ability to bring in the numbers and, for most organisations, the most important business priority is controlling costs—both immediate, short-term objectives.

There is no question that a focus on results and cost control is critical and remains so in times of growth. However, with growth qualities, such as an ability to think strategically and mobilise people, lagging well behind other qualities, it's possible that many organisations and leaders are not ready for growth. (Only 13 percent of respondents rated both of these qualities as the most important.)

Organisational growth does not occur through the aspirations of its workforce alone. Growth demands different approaches, new ways of working, and an ability to take ideas from conception to deliverable. Only about two-thirds (68 percent) of respondents believe that their organisation's plans and strategies are effectively executed, while a bare majority of HR professionals (57 percent) believe leaders can think broadly and see issues from more than one perspective.

Growth also requires leaders who can engage and inspire their people. However, HR professionals in Australia and New Zealand reported that only 56 percent of leaders in their organisation are able to bring out the best in people (that is, optimise talent, inspire performance, and unite towards a common goal).

LEADER DEVELOPMENT

Development is critical to organisational success because it drives retention and promotes increased productivity. It is hard to imagine an organisation that does not benefit when its employees have a diverse set of skills and are willing to pick up new skills as the business environment changes.

Unfortunately, many organisations are failing to offer their leaders high-quality development opportunities. Only half of leaders surveyed are satisfied with the development opportunities available in their particular organisation. Less than half (42 percent) of HR professionals rated the quality of their organisation's development programs as "high" or "very high" (see **Figure 5**).

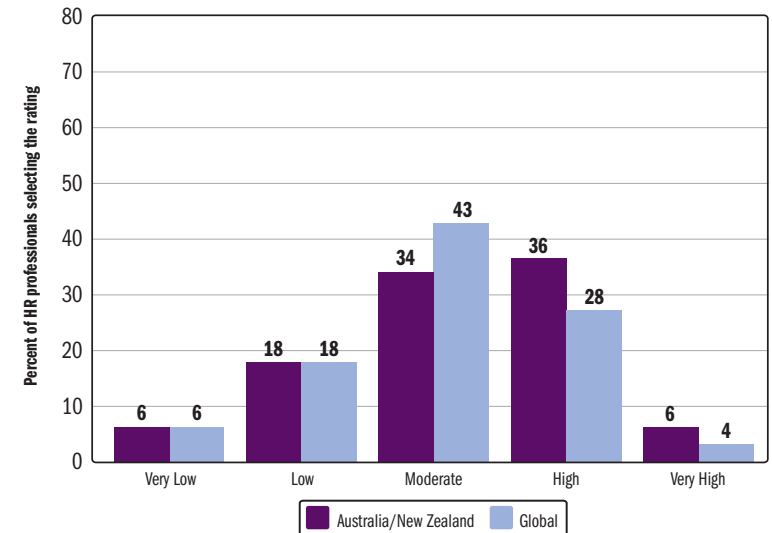


FIGURE 5: Quality of Leadership Development Programs

Every leader has different preferences for learning and a different learning style. It's important for HR professionals to accommodate this diversity by offering a range of development opportunities. We asked HR professionals to indicate the degree to which their leaders made use of a variety of leader development programs. **Figure 6** shows the percentage of organisations in Australia and New Zealand that use each practice “extensively.” The most common practice was formal workshops, training, and seminars.

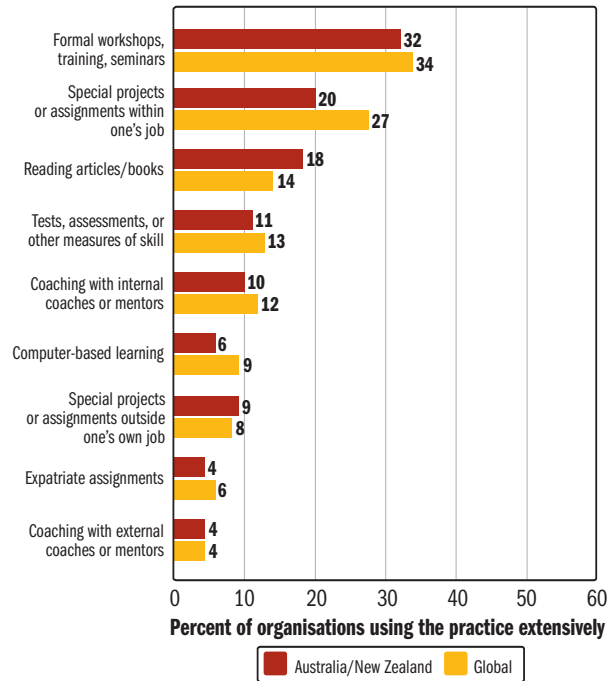


FIGURE 6: Use of Leadership Development Programs

Leaders were asked to rate the effectiveness of their leadership development activities; the three most effective activities they chose are shown in **Figure 7**. Clearly, special projects within and outside normal job responsibilities were perceived as most valuable. Expatriate assignments, another form of special projects or assignments, also were highly valued.

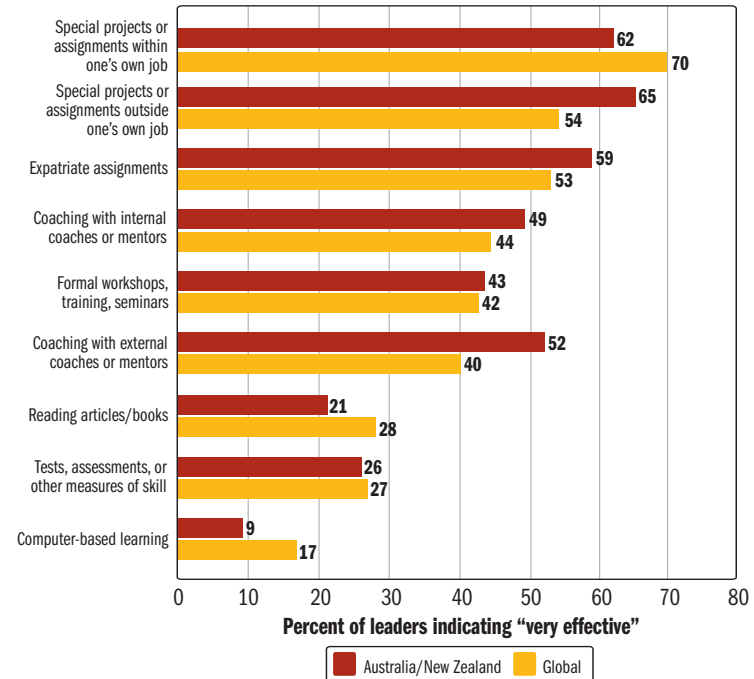


FIGURE 7: Effectiveness of Leadership Development Programs



SUCCESSION PLANNING

Only about half (53 percent) of Australia/New Zealand organisations in our sample have a succession plan (see **Figure 8**), despite the clear rationale for filling leadership positions from internal sources. Succession management helps organisations ensure that they have a ready supply of qualified leaders. But it also helps leaders, who benefit from opportunities to grow and develop that are inherent in such efforts. Organisations in Australia and New Zealand reported that succession planning covers only 25 percent of management and leadership jobs.

Like the global norm, organisations in Australia and New Zealand see a need for improving the quality of their succession management programs. For many organisations the process of developing a succession plan has been—and remains—a mystery.

HR professionals in Australia/New Zealand give their succession management systems a rating of 4.4 (on a 10-point scale, where 1 equals not at all effective and 10 equals extremely effective). This compares to 4.6 in the global group.

DDI's research and analysis shows that three characteristics are significant drivers of success in succession planning:

- > Involve the CEO (or most-senior leaders).
- > Involve line management to identify and develop candidates.
- > Collect objective assessment data on employees' current performance and their readiness and potential.

The study results suggest that these characteristics are not adequately provided for in Australian and New Zealand organisations. In Australia/New Zealand:

- > 59 percent of respondents rated the support of senior management as acceptable or a strength, compared with 73 percent in the global group.

- > 57 percent rated the involvement of line management in identifying and developing candidates as acceptable or a strength, compared with 65 percent in the global group.
- > 58 percent rated the objective collection of assessment data as acceptable or a strength, compared with 66 percent in the global group.

On a more positive note, 80 percent of respondents in Australia and New Zealand rated the involvement of the CEO as acceptable or a strength, a percentage point above the global group rating (79 percent).

Simply having a succession plan in place is no guarantee of success, system quality varies greatly across organisations. We found that only 63 percent of internally sourced management positions are successful (that is, people stay in the job).

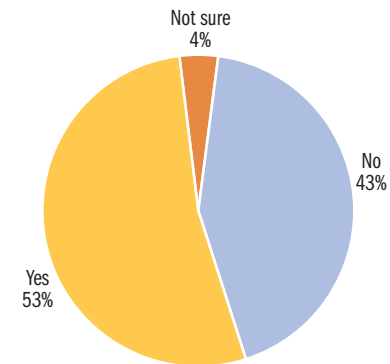


FIGURE 8: Prevalence of Succession Management Programs



INSIGHT: The Leadership Tightrope?

Imagine asking a group of individuals to climb a ladder 15–20 metres above the ground to walk a tightrope. No practice, no safety net, and no harness. Some may decline the request outright. Others may climb the ladder but elect to drop out once they realise the challenge they face walking the tightrope. Some more may take on the challenge but sadly fail in their attempt to cross. A small percentage, through a combination of talent and luck, may succeed in making their way up the ladder and across the tightrope.

If that scenario sounds crazy, then consider the reality for many leaders today. At a time when the demand for talent is increasing and the supply shrinking, most organisations create similar challenges for their leadership talent. Accelerating leaders toward senior roles, these organisations provide little structured preparation or development (that is, no practice) and little support (that is, no safety net or harness).

The *Leadership Forecast* research suggests organisations are not setting up their leaders for success:

- > Only 40 percent believe their organisation provides them with the things they need to develop.
- > Only half are satisfied with the organisation's current leadership development offerings.
- > On a scale of 1–10, Australian HR professionals give their succession management practices a rating of only 4.4.

It's obvious also that many leaders at all levels aspire to higher levels. About 75 percent of leaders indicated some desire to progress to more-senior levels; 41 percent indicated that their desire for promotion has increased in the last two years.

It is true that most leaders believe they learn through trial and error (69 percent) and by observing other leaders (70 percent). However, as the leader role grows increasingly complex, ad hoc approaches to development probably will be insufficient to fill the need.

If not managed carefully, accelerated leadership advancement can result in serious issues for both individuals and organisations, including contributing to leader dropout rates (68 percent of HR professionals have identified a degree of dropout among leaders), organisational havoc, poor business results, and leadership failure.

LEADERS' EXPECTATIONS

We asked both leaders and HR professionals if they thought people are expecting too much of senior leaders today. About one quarter of both leaders (27 percent) and HR professionals (23 percent) agreed or strongly agreed (see **Figures 9 and 10**). These figures are lower than those in the global group, where 40 percent of HR professionals and 47 percent of leaders felt that too much is expected of leaders. While these results suggest that Australian and New Zealand leaders deal with the challenges of leadership better than their global counterparts, other findings suggest otherwise.

Recent research into CEO tenure by the international consulting firm Booz Allen Hamilton found that CEO turnover in Australia (whether because of performance, mergers, or normal transition) is significantly higher than the global average. In 2004, Australian CEO turnover was 18.3 percent

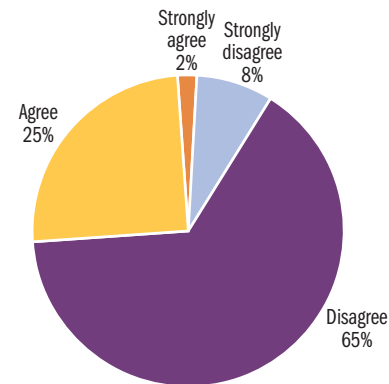


FIGURE 9: Are We Expecting Too Much of Leaders? (Leaders)

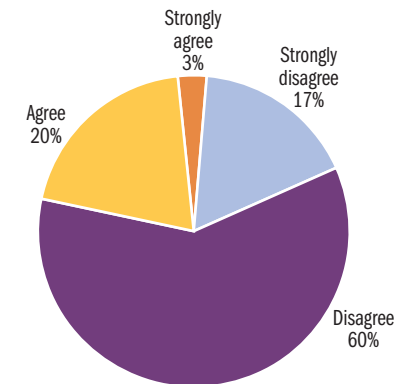


FIGURE 10: Are We Expecting Too Much of Leaders? (HR Professionals)

compared to less than 12 percent for North America, 14.7 percent for the United Kingdom, 16.8 percent for Europe, and 15.6 percent for Japan. By way of comparison, CEO turnover in North America reached a peak of 18 percent following the dot-com crash in 2000.² These figures were reflected in the *Leadership Forecast* too. That study reported that Australia and New Zealand have some of the highest turnover rates for first-level leaders (see **Figure 11**). Also, other levels of leadership in Australia and New Zealand posted some of the highest turnover rates.

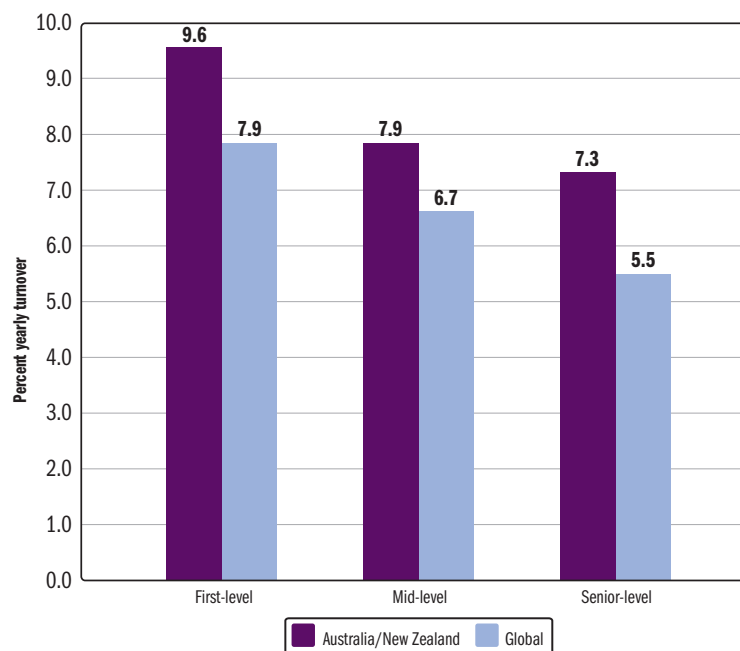


FIGURE 11: Leader Turnover

² “CEO Succession in 2004: The World’s Most Prominent Temp Workers,” by C. Lucier, R. Schuyt, and E. Tse, Summer 2005, *Strategy and Business*, p.39.

Findings from the *Leadership Forecast* suggest the pressure on leaders may be intensifying, with 68 percent of Australian and New Zealand HR professionals indicating that they have observed some degree of leadership “dropout” in the last five years. This compares with 63 percent for global respondents.

Despite a relatively buoyant period for Australian and New Zealand organisations, these results indicate that other factors, such as governance reforms and increased scrutiny, are indeed placing significant pressure on leaders. Furthermore, an Australian and New Zealand ethic of “no complaints” may help explain the discrepancy between what HR professionals and leaders are reporting on expectations and the reality of leaders dropping out.

LEADERS’ ASPIRATIONS

Excellence in organisational leadership is a prerequisite for the economic growth, wealth creation, and accrual of social benefits that underpin our society. In losing sight of this fact, we unwittingly denigrate the role of the executive to the extent that we discourage our most talented people from pursuing leadership roles. In an increasingly complex business environment where leaders must manage a myriad of roles, demands, and expectations, an obvious question arises: Who would want to be a leader?

With this unfortunate reality as a backdrop, the *Leadership Forecast 2005–2006* sought to understand leadership ambition and aspiration. It asked these questions:

- > How do leaders navigate their way to leadership positions?
- > Have aspirations for leadership changed in recent years?
- > Are pressures forcing leaders to question their role?



Some people equate organisational advancement with an ambitious drive for success and power. After all, highly effective leaders can achieve great heights and reap impressive rewards. In some cases they are driven by ambition, but our report found that many leaders say their drive to lead is fueled by a desire to grow and contribute to the organisation.

Fully 75 percent of leaders in Australia and New Zealand want to be promoted to higher levels of leadership. This motivation to be promoted has increased in the past two years (see **Figure 12**). Some HR professionals agree that leaders seem more willing than ever before to be promoted (see **Figure 13**). When asked about their motivations for advancement, the most common reasons for leaders were the desire to grow and to make a greater contribution to the company (see **Figure 14**).

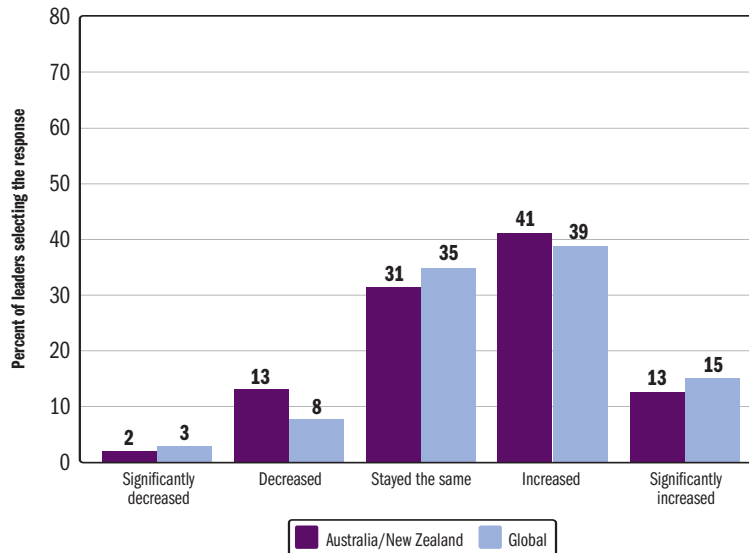


FIGURE 12: Change in Motivation to Be a Leader

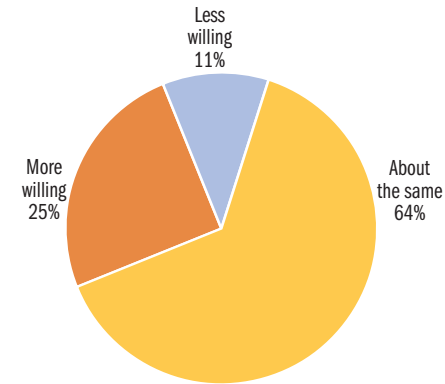


FIGURE 13: Change in Willingness to be Promoted (HR Professionals)

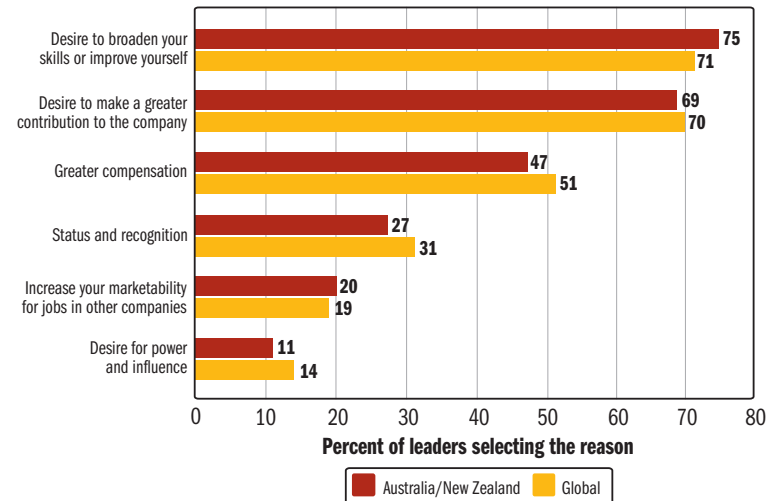


FIGURE 14: Motivation for Promotion

Most leaders appear to grow into their positions. When asked about their skills after they had assumed a leadership position, 66 percent of leaders indicated that they developed their leadership skills once in the role.

While leaders seem more motivated than ever, there is a substantial portion who wonder if the job is worth it. It is easy to imagine the overstressed leader with too much to do and no time for a personal life. But is this why leaders think about dropping out? When asked if they thought about giving up their leadership positions, 29 percent of leaders in our survey responded positively, a slight increase over the global group (24 percent).

When asked why they would consider giving up their positions, the most common reason leaders in Australia and New Zealand cited was the same as that in the global survey: a desire to redirect efforts toward other goals (see **Figure 15**). As already noted, many leaders are satisfied with their jobs and are loyal to their organisations. Our study reveals that the small percentage of leaders who do not want to continue in that role simply feel that they might be on the wrong path toward their goals.

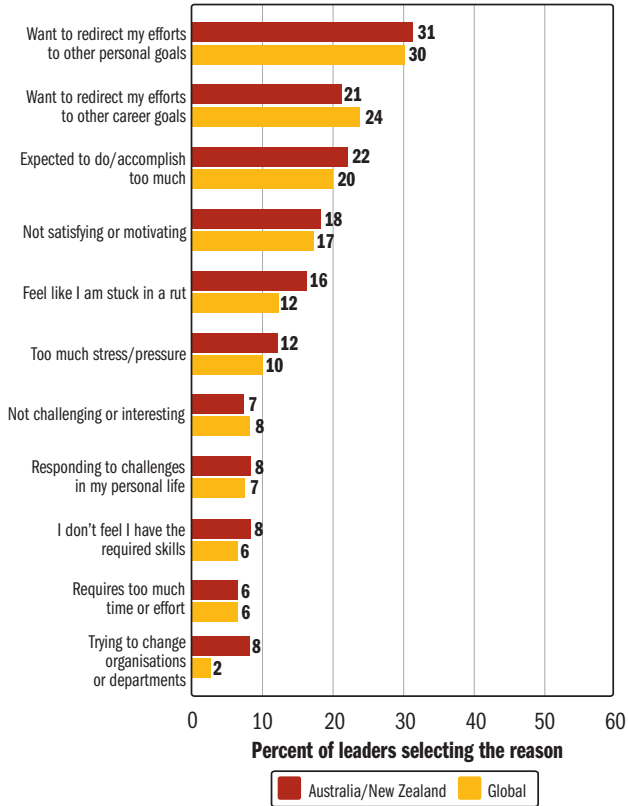


FIGURE 15: Reasons for Giving Up Leadership Position

WORK/LIFE BALANCE

The average leader in Australia and New Zealand works 51 hours per week, almost the same as their global counterparts (50 hours). When the pressures of family and personal obligations are added to this workload, it's easy to see how leaders can become overwhelmed trying to balance all their obligations. Some leaders can manage the pressures, but 32 percent are finding it much tougher to strike a balance (see **Figure 16**).

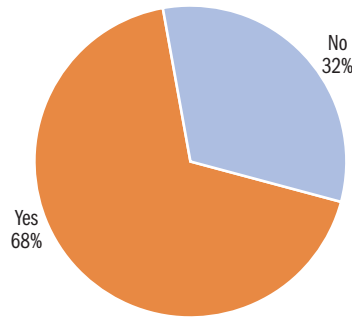


FIGURE 16: Work/Life Balance (Leaders)

Only 26 percent of leaders in Australia and New Zealand believe they have control of work/life balance. Most indicated that their problems with work/life imbalance stem from their ambition (“internal drive for achievement” and

“ambition to succeed”), with the amount of work they are expected to handle chosen as the third most common reason (see **Figure 17**). For Australia and New Zealand, leaders’ level of ambition is higher than the global norm. This finding mirrors that in another study which found that most employees agreed when asked if they were able to meet both non-work and work responsibilities and if they have a good balance between their work and others aspects of their life.³

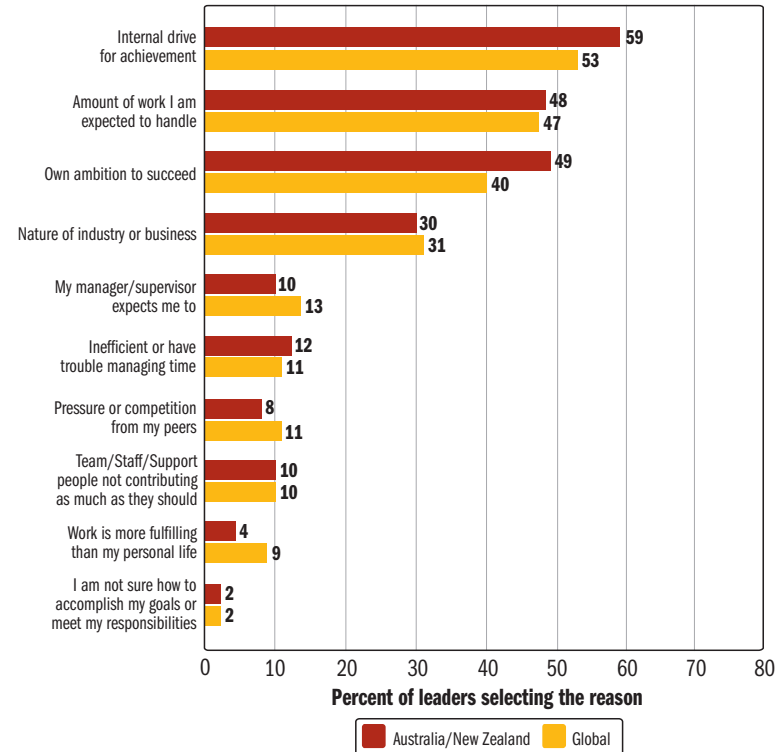


FIGURE 17: Reasons for Giving Work a Priority

³ “Debunking the Myths Around Work/Life Balance,” by P. Langford and L. Parkes, May 2005, *Human Resources*, (3), May 2005, p.14.



It can be argued that overburdened leaders need to do a better job of leveraging their resources and the talents of their employees. At the same time, leaders recognise that their own ambitions and drive for achievement can contribute to a work/life imbalance. While some leaders have objective reasons for keeping their positions, many deliberately choose to be leaders and are willing to accept the resulting work/life imbalance. About 57 percent are willing to give up even more personal time if doing so would help them reach higher levels of leadership (see **Figure 18**). This percentage is notably lower in Australia and New Zealand than in the global sample, where 68 percent stated a willingness to give up more personal time for advancement at work.

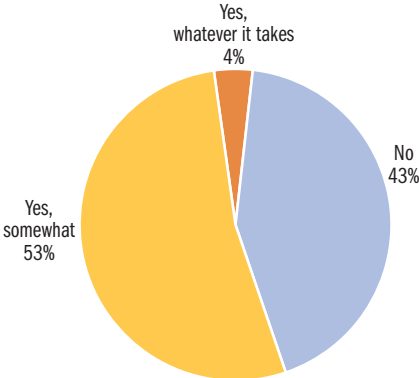


FIGURE 18: Am I Willing to Sacrifice More? (Leaders)

Clearly, many leaders are driven to succeed, and they take personal satisfaction from advancing their careers. Indeed, 95 percent of the leaders in Australia and New Zealand are satisfied with their jobs. Also, 95 percent are proud of being leaders (compared with only 88 percent of their peers globally).

Evidently, work/life balance, at least at the leadership level, seems of little concern to most organisations. In our experience it is far more likely to see a culture that rewards imbalance instead of balance. When asked about the challenge of maintaining leader work/life balance, most HR professionals (58 percent) in Australia and New Zealand reported that their organisations take a reactive stance to work/life balance (see **Figure 19**). About a third of organisations (about 33 percent) address issues of work/life balance before they arise to make sure their leaders can accommodate both professional and personal needs.

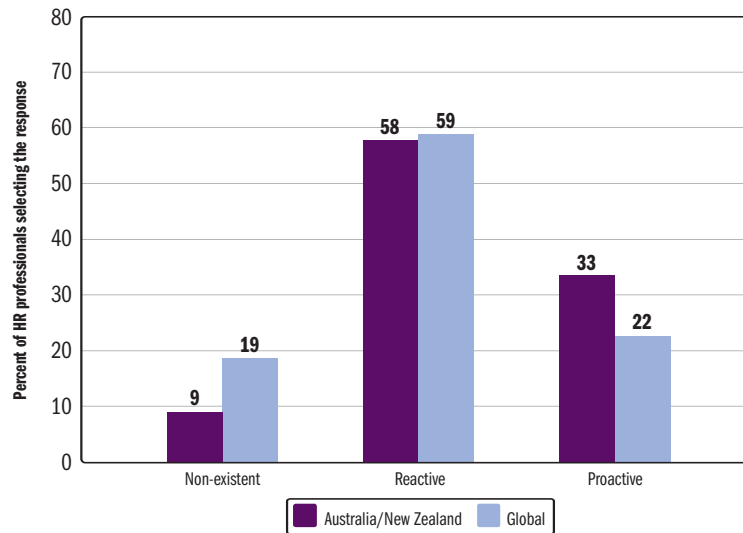


FIGURE 19: Organisational Responses to Work/Life Balance

LEADERSHIP CAPACITY

HR professionals in Australia and New Zealand believe it will be more difficult to find good leadership talent in the next five years at all levels: 43 percent believe it will be more difficult to find first-level leaders, and 57 percent believe the same about mid-level leaders. In the global survey these figures were lower: 27 percent and 52 percent respectively.

While most developed countries face a talent shortage, Australia's challenges are unique. The Australian Bureau of Statistics notes that in 2001 only 59 percent of Australian 19-year-olds held a Year 12 or equivalent education. Furthermore, it is expected that almost half of the Australian workforce listed as having post-graduate qualifications in 2001 will leave the workforce in the next decade.⁴ While formal education is not necessarily a prerequisite for success at leadership levels, Australia's educational standards may inhibit its capacity to fuel future business and economic agendas.

⁴ "Transition from Education to Work Survey," by the Australian Bureau of Statistics, September 2002.

CONCLUSION

The *Leadership Forecast 2005–2006* provides a powerful, important snapshot of leadership practices, development, and perceptions in Australia and New Zealand. The study suggests that despite increased focus and attention in the decade since the release of the Karpin Report, organisations and the broader business community still face many daunting challenges. While the issue of talent management is no longer a discretionary HR activity—and is widely acknowledged by boards and CEOs as critical—more is needed to ensure that organisations have a solid pipeline of capable and motivated leaders.

INSIGHT: The Karpin Scorecard

Ten years ago the Karpin Report provided the first sign that, as a nation, Australia needed to place greater emphasis on the development of leadership talent. It acknowledged the changing role of the leader and the apparent lack of leadership development options within Australian businesses. While the report raised awareness of the issue and provided the catalyst for initiatives during the mid to late 90s, did it adequately anticipate the significant social and economic changes experienced over the last 10 years?

Several findings from the *Leadership Forecast 2005–2006* suggest that while leadership development may have received greater attention over the last decade, many other challenges still exist:

- > Confidence in leadership at all levels is low.
- > Qualities identified in the Karpin report as critical to leadership in the 21st century are still relatively weak or are not valued to the same degree as hard (technical) skills and qualities, such as bringing in the numbers. For instance:
 - Only 57 percent of leaders believe peers demonstrate an ability to think broadly, see many perspectives, and think conceptually.
 - According to HR professionals, little value is placed on such qualities as being able to create a strategy and being creative.
 - Less than two-thirds (60 percent) of HR professionals believe interpersonal skills such as influencing, coaching, networkings, and communication are respected.
 - Poor leadership skills and personal qualities are the two most common reasons for leadership failure.
- > Two-thirds of leaders arrive at their new posts with no real leadership skills.
- > Leadership development and succession planning programs are not adequately addressing the needs of leaders and HR professionals:
 - Only half of the leaders surveyed are satisfied with their organisation's current leadership development offerings.
 - Only 40 percent of HR professionals give a “high” or “very high” rating to their leadership development programs.
 - 43 percent of organisations do not have a practical succession plan in place, and the quality of those plans that do exist is low.

DEMOGRAPHICS

Organisational N = 116

Public or Private

59%	Public
41%	Private

Number of Employees in the Entire Organisation

2%	1–10
3%	11–50
2%	51–100
5%	101–200
16%	201–500
20%	501–1,000
26%	1,001–5,000
7%	5,001–10,000
1%	10,001–20,000
10%	20,001–50,000
9%	50,001 or more

Presence in the Global Market

44%	National company—We do not own, operate, or have affiliate offices outside our country.
56%	Multinational company—We own, operate, or have affiliate offices outside our country.

Leader N = 627

Leadership/Management Level

16%	First-level leader—Supervisor, team leader, foreman, etc.
43%	Mid-level leader—Leader of first-level leaders (group managers, district managers, etc.)
32%	Higher-level leader—Leader/Manager of mid-level leaders (director, department head, vice president, etc.)
9%	Senior-level leader—Executives and those in policy-making positions (CEO, COO, CFO, executive VP, senior VP, plant manager, etc.)

Organisational Tenure

3%	Less than 6 months
4%	6–11 months
11%	1–2 years
27%	3–5 years
25%	6–10 years
11%	11–15 years
19%	More than 15 years

Note: Numbers may not add up to 100 percent because of rounding.



SUMMARY OF FINDINGS FROM GLOBAL SURVEY

How Effective Are Leaders?

1. Leaders think “ability to bring in the numbers” is the most respected leadership behaviour.
2. About one-third of internally sourced leaders fail, usually because of poor people skills or interpersonal skills.
3. Over the past six years, HR lost confidence in leadership, while leaders gained confidence.
4. Three out of ten leaders fail to demonstrate the key qualities necessary for effective leadership.
5. Strong leadership can increase successful execution of business strategies by at least 22 percent.

Leader Development

6. Only half of all leaders are satisfied with their organisation’s leadership development opportunities.
7. HR professionals have seen an improvement in the quality of leader development programs over the past four years.
8. Formal training is the most common leader development practice, but special projects or assignments are the most effective.
9. Leaders benefit greatly from using mentors or personal coaches.
10. Less than one half of leaders have a development plan.
11. Organisations with high-quality leader development programs and formal succession management programs have superior business performance (e.g., return on equity, profit margin).

Leader Turnover

12. In the past two years, leader turnover has decreased by almost one-third.
13. Current leaders are loyal and more motivated than ever to lead.
14. One in four leaders has considered giving up a leadership position, mostly because of a desire to pursue personal or career goals.

Growing Leaders

15. Nearly half of succession plans fail to support the development of future leaders.
16. Promotions are more successful when succession plans have CEO support, involve line management, and collect objective assessment data about candidates.
17. In the future it will be more difficult to fill senior leadership positions.
18. One-third of all organisational succession plans are ineffective, and they have not improved over the past two years.
19. While about half of organisations have a succession plan, there’s no evidence of increased use of such plans over the past two years.
20. Organisations predict an increase in their use of internal promotions to fill leadership positions.
21. While organisations are focusing succession planning on higher levels of leadership, one in four organisations covers frontline leadership positions with succession plans.

The Pressures on Leaders

22. Between one-quarter and one-half of leaders at all levels think too much is expected of senior leaders today. This finding varies greatly by region.
23. Leaders are most concerned with customer relationships, cost control, leveraging talent, and quality. Senior leaders, however, are focussed on growth and employee talent.
24. Compared to six years ago, about 20 percent more leaders are focussed on talent management and cost control.
25. Three out ten leaders have problems with work/life balance.
26. Work/Life imbalance translates to higher turnover and, therefore, higher costs.

27. Personal ambition and need for achievement drive many leaders to work/life imbalance.
28. Although work/life balance drives retention, only one in four organisations actively promotes this balance.

The Drive to Be a Leader

29. Three-quarters of leaders want to be promoted, mostly because they want to broaden their skills and make an even greater contribution to the company.
30. Most leaders arrived in their positions by working their way up the ladder, though other routes are possible.
31. Leaders learn the most by observing others and through trial and error.



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