



# OVERCOMING THE SHORTFALLS IN DEVELOPING LEADERS

## GLOBAL LEADERSHIP FORECAST 2008|2009 EXECUTIVE SUMMARY

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**Seventy-five (75) percent** of executives surveyed for the *Global Leadership Forecast 2008 | 2009* identified improving or leveraging leadership talent as a top business priority. By citing it most often from a list of 14 challenges, policy makers signaled at last the importance of leadership for organizational success.

Yet, despite recognition of its importance, leadership development is going nowhere fast. Confidence in leaders has declined steadily over the past eight years, and most leaders are not satisfied with their organization's development offerings.

*Global Leadership Forecast 2008 | 2009* examines why confidence in leaders continues to decline despite a heightened focus on developing leadership talent. Study participants included 1,493 HR professionals and 12,208 leaders from 76 countries. This summary points out major shortfalls in leadership development initiatives around the world and recommends vigorous approaches to overcome them.

## MIND THE GAP: SHORTFALLS IN DEVELOPING LEADERS

The findings of the *Global Leadership Forecast* pointed to five major failings of current leadership development efforts.

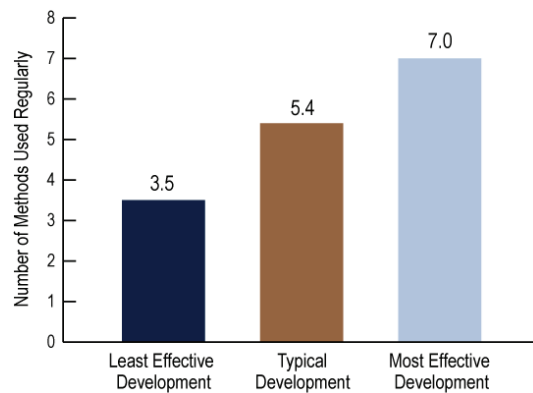
## Leaders Don't Get the Right Development

The *Global Leadership Forecast* showed that only 41 percent of leaders were satisfied with what their organizations offered to help them develop their leadership capabilities—a decline of 12 percentage points since the last *Leadership Forecast* was published two years ago. All major world regions showed similar declines, indicating serious and growing dissatisfaction among the customers of leadership development.

One source of leaders' discontent was the methods used for development. To leaders, the most effective methods were those embedded in their on-the-job activities, such as special projects or moving to a new assignment; however, only a small percentage of organizations used these methods extensively.

Most organizations fail to offer their leaders enough variety in opportunities to learn; those that do offer a variety were deemed to have the most effective leadership development programs. **Figure 1** compares organizations with the most effective leadership development efforts (i.e., 29 percent of organizations, in which HR professionals rated the quality of leadership development high or very high) with organizations with the least effective leadership development (i.e., 24 percent of organizations,

in which HR professionals rated the quality of leadership development low or very low). The most effective organizations used twice as many learning methods as those that were least effective in leadership development.



**Figure 1: Diversity of Methods and Quality of Leadership Development**

### Development Programs Are Poorly Executed

HR professionals were asked to rate whether 10 key elements of execution were carried out for their leadership development programs; the average proportion giving a positive response across all items was only 44 percent. The elements they were most likely to carry out concerned sending a consistent message about leadership development: communications about the importance of leadership development were clear, the leadership skills to be developed were aligned with business priorities and the performance management system, and leaders understood that they were accountable for their own development. Even on these items, only 55 percent of organizations on average were taking the necessary actions.

Organizations were least likely to perform the actions that would put muscle into leadership development programs. Most managers lacked the skills or the accountability for making sure they develop their direct reports. For example, 56 percent of leaders indicated that they and their manager had not agreed on a formal written plan for their development. Senior managers were even less likely to reinforce development efforts. According to the HR professionals, only 35 percent of senior managers were held accountable for the success of leadership development programs.

The greatest lapses in execution concerned measurement: Only about one-fourth of organizations monitor their leadership development programs or formally measure their results.

### Succession Management Is Incomplete

Unless organizations plan now to replace departing leaders, demography will become destiny. The Baby Boom generation is reaching retirement age, and the next generations simply don't have enough people to replace them. Yet, less than half of organizations have succession plans at any level. Among those that do have them, the plans are likely to be at the department level and above, ignoring leaders at lower levels. Moreover, an estimated 37 percent of succession candidates fail.

Half of the organizations in the study had a process for identifying high-potential leaders; yet, fewer than two in five had a program to accelerate their high potentials' development.

Although being a member of a pool might speed high potentials' ascent up the corporate ladder, without a specific development program, they could become discouraged or fail.

Leaders who move up the management ladder, whether in high-potential programs or not, face special challenges as they make the transition from one level of responsibility to the next. Leaders indicated that with each step up the ladder, the transition becomes more difficult. Still, 46 percent of organizations provide no development support at all for leaders making transitions. If transitions—especially to the highest levels—are that difficult, organizations are remiss in not helping their leaders understand the challenges of the next step up and develop the knowledge and skills they need to meet those challenges.

### **Multinational Leaders Are Neglected**

Multinational leadership can be a daunting responsibility. It requires making decisions in a complex and ambiguous environment, reading cultural nuances, and adapting one's leadership style accordingly. Among multinational organizations (that own, operate, or have affiliate offices in multiple countries), 28 percent of their leaders worked on assignments or in business units that require a great deal of collaboration with associates in multiple countries. Yet, only 29 percent of multinational organizations had processes to develop their multinational leaders.

The paucity of development programs for multinationals is perhaps one reason that the majority (61 percent) of them considered their preparation for multinational assignments fair or poor. Nearly half had an equally negative

view of the support they had received from the organization on their multinational assignments. By both accounts, multinational leaders are neglected leaders.

Given the low level of preparation of multinational leaders and the complex demands imposed upon them, it should be no surprise that in nearly every global region, the multinational leaders were considered lower quality than regular leaders. Organizations' hands-off approach to preparing leaders for these difficult assignments is likely to lead to increasing frustration and failure.

### **HR and Executives Are From Different Planets**

For many years HR directors have been advised to become a strategic partner to the top management of an organization, to get a seat at the table where business decisions are made. Some progress has been made toward this goal, but there is also some wishful thinking. Although 47 percent of the HR professionals in the *Global Leadership Forecast* survey claimed that the CEO often involves them as a strategic partner, only 30 percent of CEOs in another DDI study saw it that way (DDI-EIU, 2008).

In the *Global Leadership Forecast*, HR professionals and leaders appeared to hold the other primarily responsible for the failure of leadership development programs. HR professionals pointed to management's lack of accountability and commitment, while leaders showed limited confidence in HR. Unless HR and top management can make their partnership work, they will never see their dream of developing excellent leaders become reality.

## CLOSE THE GAP: PATHWAYS TO LEADERSHIP EXCELLENCE

The five major shortfalls in developing strong leaders just presented are not problems without solutions. In this section we suggest five approaches organizations can use to achieve leadership excellence.

### Begin With the End in Mind

Running an organization is as dependent on talent as it is on strategy. However, when formulating their business plans, few organizations take into account what kind of talent is needed and what talent is available. Those organizations that do address these issues are likely to think only of their immediate talent needs, not how to develop talent for their longer-term requirements. If organizations want to be certain they can achieve their business priorities, they must make sure that their business and talent strategies are intimately linked.

Most organizations identify their business drivers; that is, those business challenges that senior leaders must conquer to drive and successfully execute the organization's strategic and cultural priorities. Most organizations also identify a set of leadership competencies, or required leadership capabilities. All too often, however, the two are unrelated. Leadership development guided by a generic list of competencies is unlikely to get organizations where they need to go. Effective competencies should specifically operationalize the capabilities needed to achieve the business drivers. For example, driving growth will require a different set of leadership skills or competencies than would controlling costs. Organizations should identify the leadership competencies that are essential for attaining their business drivers, and then aim their leadership development efforts toward building those aligned competencies.

*Global Leadership Forecast* organizations with the most effective leadership development were more than twice as likely as those considered least effective to align the leadership skills to be developed with business priorities and their related leadership competencies. Eighty-one percent of the most effective programs began with the end in mind compared to 36 percent of the least effective.

### Turn Your Pipe Dream Into a Robust Pipeline

Organizations need to have a sustainable supply of quality leaders at all levels to meet current and future challenges. The business process that meets this need is called a leadership pipeline. Although some organizations have made substantive progress in filling their pipeline, most have gaps between their current leadership bench and the talent they need to drive future success.

There are many important steps to creating a robust leadership pipeline, including:

- > Identifying early in people's careers those with the motivation and ability to be future leaders.
- > Accelerating the development of these high-potential candidates.
- > Focusing on broad levels of leadership from bottom to top.
- > Identifying key competencies related to business goals at each leadership level.
- > Developing pools of candidates at each major leadership level.
- > Identifying and preparing leaders for major transitions.
- > Conducting in-depth assessments of leaders' capabilities and readiness to move up the pipeline.

Organizations in the *Global Leadership Forecast* with the most effective development were at least twice as likely as those with the least effective development to perform each of these steps.

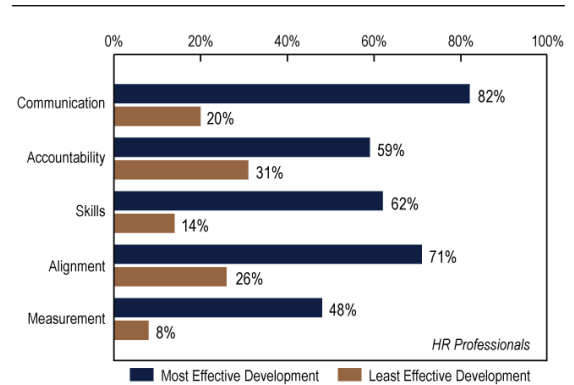
One key to developing high-quality leaders is involvement of the CEO. In organizations where HR professionals had high confidence in senior leaders' ability to assure long-term organizational success, 65 percent of the CEOs often spent time managing talent compared to only 3 percent of organizations where confidence in senior leaders was low.

### Focus Less on What, More on How

Organizations often are preoccupied with what goes into their leadership development curriculum. However, the topics addressed are much less likely to cause initiatives to fail than *how* the topics are delivered. Regardless of how well a leadership development curriculum is designed, the program is likely to be unsuccessful unless it is also well executed.

DDI advocates actions in five key areas to assure that a program is executed in a manner that will lead to desired business results. The *Global Leadership Forecast* survey included items representing each of these components: communication, accountability, skills, alignment, and measurement.

**Figure 2** shows the proportion of HR professionals indicating that their organization took appropriate actions in each key component of strategy execution. The component scores are averages of each item pertaining to that component.



**Figure 2: Quality of Leadership Development and Areas of Execution**

Organizations with the most effective development clearly outperformed the least effective organizations in every aspect of execution. The largest gap between the two groups was in communication: More than four-fifths of the most effective organizations clearly communicated the purpose, importance, and benefits of leadership development. Addressing this area up front could be a quick win for organizations and set the stage for addressing more effective program execution.

### Create Opportunities for Practice

Leaders responding to the *Global Leadership Forecast* survey identified skills rather than ingrained personal attributes, like personality or motivation, as the most frequent causes of leader failure. This is fortunate, in that skills can be developed, but it takes special circumstances to do so.

A lack of leadership and interpersonal skills was pegged as the primary reason that leaders fail. But interpersonal and leadership skills are unlikely to improve by experience alone; in fact, research at AT&T showed that, for most managers, these skills decline with the passage of time (Howard & Bray, 1988).

Experience is not equivalent to expertise. An extensive body of research has demonstrated that experts are primarily made, not born. Top performers in many fields, such as sports, chess, or visual arts, do not exhibit superior talents at the start; rather, they perfect them through years of purposeful practice. What is required is a passionate devotion to achieving excellence, a well-informed coach to provide guidance and feedback, and deliberate practice that continually focuses on mastering tasks beyond one's current level of competence and comfort (Ericsson, Prietula, & Cokely, 2007).

The same principles can be applied to developing leadership excellence. These would be consistent with leaders' ratings of on-the-job development as being more effective than off-site methods alone. Organizations should not only provide a greater quantity of on-the-job learning opportunities, but also enhance the quality of those experiences. Leaders need coaches to provide advice and specific feedback as well as ample opportunities to practice their skills, progressively raising the bar to a higher level of achievement.

### Measure What You Move

The deliberate practice required to build expertise requires one additional ingredient: measurement. As stated by British scientist Lord Kelvin, "If you can not measure it, you can not improve it" (Ericsson, et al, 2007).

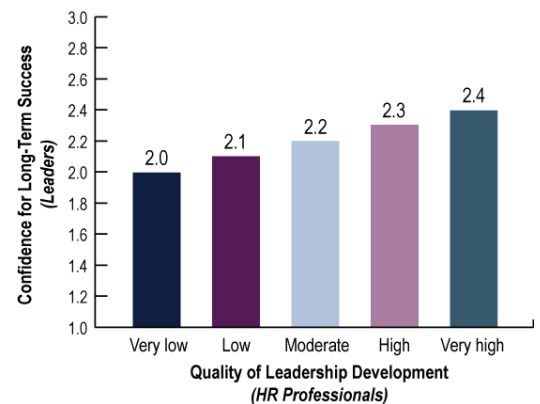
Measurement is beginning to get executives' attention. Publicity around the evidence-based practice of medicine has inspired managers to bring the same principles into work organizations. Evidence-based management encourages leaders to act and make decisions based on evidence and logic. This means putting aside long-held beliefs and conventional wisdom in favor of gathering the necessary facts to make more informed decisions

(Pfeffer & Sutton, 2006). Given the large investments they make in leadership development programs, organizations would be remiss if they gathered no evidence that these initiatives have yielded positive returns and helped drive organizational performance.

The *Global Leadership Forecast* found that most organizations launch leadership development programs, but then proceed to ignore them. They neglect to monitor what's happening and they fail to measure the outcomes. These are serious mistakes. Development programs considered very high quality were 10 times more likely to measure the results of their leadership development initiatives than those rated low or very low quality. Measurement drives accountability and can even drive organizational strategy.

### THE PAYOFF OF EFFECTIVE LEADERSHIP DEVELOPMENT

The *Global Leadership Forecast* matched leaders and HR professionals from the same organizations to examine the relationship between leadership development and quality. Results showed that the higher the quality of leadership development as rated by the HR professionals, the more confidence leaders expressed in their ability to assure the long-term success of the organization (see **Figure 3**).



**Figure 3: Quality of Leadership Development and Confidence in Leaders**

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Better leadership development should enhance the quality of an organization's leadership, which in turn can lead to other positive outcomes, such as more engaged employees, lower turnover, satisfied customers, and better organizational performance. If organizations follow the guidelines set out above, we are confident that they can reverse the negative spiral of leadership development and move forward on the pathway to leadership excellence.

## ABOUT THE AUTHORS

**Ann Howard, Ph.D.**, is DDI's chief scientist. She leads the Center for Applied Behavioral Research (CABER), DDI's hub for research to support evidence-based management. Ann directs research that measures the impact of selection and development programs on organizational performance and uncovers new knowledge and information about global workplace practices and issues. With special expertise in assessment centers and managerial careers, Ann is an internationally recognized author and thought leader. She is a past president of the Society for Industrial and Organizational Psychology.

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## ENDNOTES

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