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Leadership Forecast 2001: A Benchmarking Study

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Leaders and HR agree that Strategist and Captivator are the most important leader roles. However, more than two-thirds of leaders show some potential for becoming derailed.

More than one-third (38 percent) of leaders indicate a moderate chance that they will leave their organizations within the next year.

Study Objectives

This report documents the current state of leadership and leader development. Many of the measures are repeated from the original Leadership Forecast study conducted in 1999 (Bernthal, Rioux, & Wellins).

1. Benchmark current perceptions of leader strengths and capabilities.
2. Document the processes used to recruit, staff, and retain leaders.
3. Identify the most prevalent and useful leader development practices.
4. Identify differences in perceptions about leadership based on perspective: cross-cultural, human resources, leaders, and associates.
5. Link leadership to bottom-line organization performance.

Method

Each of the 187 participating organizations agreed to take part in the study based on initial telephone or

written contact. Some of the online responses were gathered by posting the survey on the HR.com web site. A total of 2,766 leaders and 2,969 associates from these organizations provided responses. Most organizations (67 percent) were multinational, and a large proportion (35 percent) were involved in manufacturing. The majority (57 percent) of participating organizations were not located in the United States.

Confidence in Today's Leaders

Selected Findings

The majority of organizations do not have high confidence in leaders' abilities. Confidence has dropped in the past two years.

Information was collected from three sources in each participating organization: leaders, line employees or associates, and one HR professional. For all three sources, less than half (33–43 percent) had high confidence in leaders' abilities. These results are

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three percentage points lower than in the 1999 study (36–47 percent).

Leader Strengths, Weaknesses, and Derailers

Selected Findings

Leaders and HR agree that Strategist and Captivator are the most important leader roles.

HR professionals and leaders were asked to rate each of nine roles in terms of overall importance (less important, important, or critical). Strategist and Captivator emerged as the two most critical roles.

Good Strategists understand business drivers, look at the big picture, and use the organization's vision and values to drive decision making. By acting as Captivators, leaders build commitment and instill a sense of belonging in associates.

Leaders believe that they are best at being Strategists, but associates and HR professionals disagree.

Leaders indicated that they are strong in the same roles that are most important for their success. From the perspective of associates and HR professionals, however, neither the Strategist nor the Captivator role ranks as one of leaders' top three strongest roles. In fact, HR professionals rated performance in all of the leader roles as less than acceptable.

The two most common derailers are being overly concrete and being a micromanager. More than two-thirds of leaders show some potential for becoming derailed.

Leaders and associates were asked to indicate which derailing behaviors leaders demonstrated most frequently. The derailers indicated most often are tending to be overly concrete (30 percent) and acting like a micromanager (23 percent). Focusing on the

concrete can present difficulties when playing some of the most critical leader roles. In particular, tolerance for ambiguity, forward thinking, and risk taking are all defining characteristics of the Strategist that conflict with concrete thinking. Micromanaging implies that leaders are unwilling to give up control and rely on associates to do their jobs. Therefore, a micromanaging leader might have difficulty in the roles of Talent Advocate and Mobilizer.

Recruiting, Selecting, and Retaining Leaders

Selected Findings

Most organizations (82 percent) have a hard time finding qualified leader candidates. The labor market has tightened and will become even tighter.

The organizations in this study see a limited number of candidates who would be available to fill vacant leader positions. A large majority (82 percent) said that it is somewhat or very difficult to find qualified candidates. In the 1999 study only 74 percent of respondents indicated it was somewhat or very difficult. Almost half (49 percent) the organizations also indicated that it will become either more difficult or much more difficult to find qualified candidates.

More organizations are relying on internal candidates to fill vacant positions. However, use of succession management systems has shown almost no increase.

Organizations are increasing their use of internal sourcing to fill vacant leader positions. Use of internal sourcing is often linked to use of a succession management program. In the current study about 63 percent of the organizations have a succession management plan in place for their leaders. This figure is about the same as the 61 percent quoted in 1999 by DDI's study of succession management (Rioux & Bernthal, 1999).

Leader Development

Selected Findings

Most leaders (59 percent) feel dissatisfied or neutral about their organizations' current leadership development offerings.

Leaders' ratings of their organizations' leadership development programs were much less than favorable. Less than half (41 percent) of the leaders in the sample are satisfied with current development offerings. Both HR professionals and leaders see room for improvement in the overall approach to leader development.

Funding for leadership development has increased dramatically. Leader development programs will receive more funding in the future.

In the 1999 study the estimate was that 18 percent of training and development budgets was spent on leader development programs. In the current study the figure has increased to about 26 percent. In the upcoming year most organizations in the current sample (69 percent) will increase the amount of money spent on training and development activity for leaders. For a large proportion (42 percent) this increase will go beyond the adjustments made to cover inflation.

Leaders want the proportion of learning delivered through alternative learning methods to be double current levels.

Traditional classroom-based learning is still the most prevalent delivery method (68 percent). However, when leaders were asked to indicate their preferred learning delivery methods, their ratings revealed a desire for much less use of traditional learning methods and much greater use of alternative delivery methods. In fact, more than half of leaders surveyed (53 percent) find the idea of learning via the Internet/intranet somewhat or very appealing.

Currently, most organizations (81 percent) offer some form of computer-based learning. However, computer-based learning is underutilized.

Most organizations (81 percent) offer some form of computer-based learning resources (for example, CD-ROM, Internet, or intranet). In fact, about one-third (37 percent) of organizations deliver learning resources via an intranet or the Internet. Although these methods are used by many organizations, they are not used extensively within the organization. The majority of organizations (53 percent) rarely make use of the computer-based learning available to them.

Leader Retention

Selected Findings

More than one-third (38 percent) of leaders indicate a moderate chance that they will leave their organizations within the next year.

Many organizations are concerned with retention of their leaders. DDI's 2001 study of retention in the workplace showed that 37 percent of organizations consider retention to be a top business priority. The current study asked leaders to indicate their chances of leaving their organization for another job. Although most leaders indicated they would probably not leave, about one-third (38 percent) indicated a moderate chance (greater than 25 percent) of leaving.

Issues related to career advancement and personal development have the greatest impact on leaders' desire to leave their organizations.

We asked high-risk leaders (that is, those with more than a 50 percent chance of leaving) to indicate which factors were driving their intent to leave the organization. Three out of the four most common reasons were related to limitations on opportunities to advance, grow, and find challenge in one's job. Although dissatisfaction with compensation ranked

second, leaders appear very concerned with gaining personal and career fulfillment from their jobs.

Changes in Leaders' Priorities

Selected Findings

For leaders, the greatest business priority is to maintain or enhance quality.

The study asked leaders to identify the most important business priorities that were demanding their attention. The most common priorities related to promoting quality, improving customer relationships/service, and improving production/operating efficiency. Leaders in the sample face many different demands. Company quality and efficiency are paramount, but leaders also recognize the need to address financial strength, culture, and other issues.

Leaders' jobs have been strongly influenced by technology and a focus on development.

Leaders see an increase in the time they spend at a computer (61 percent indicated an increase) and in meetings (61 percent indicated an increase). A parallel finding reveals that leaders have much greater access to information and people within the organization (61 percent indicated an increase). Frequent use of computers and increased time spent in meetings could mean that leaders are accessing more data and networking more frequently with others in the organization.

In the past two years, leaders have gained more control over how they spend their time. They are spending more time developing themselves and others.

Leaders who have more control over their time often chose to spend it developing their own skills or knowledge. In addition, leaders who have more control over their time and engage in development activity experienced an increase in job motivation.

Compared to two years ago, about one half of leaders (49 percent) are managing a greater number of direct reports. As one might expect, they are also spending more of their time interacting with direct reports. Those leaders spending more time with direct reports tend to devote more attention to developing, coaching, or guiding activities.

Impact on the Bottom Line

Selected Findings

Organizations with superior financial outcomes are more likely to have high-quality leadership development programs.

The study compared a financial performance index to HR professionals' ratings of the quality of their leadership development program. When organizations outperformed their competitors in terms of financial outcomes, they were more likely to have high-quality leadership development programs. More than one-third (37 percent) of the organizations with superior financial performance had high-quality leadership development programs. In contrast, only six percent of the below-average-performing organizations had high-quality leadership development programs.

Closing Comments

Addressing organizational leadership during the next few years will require a focused intervention plan. To achieve success, organizations must focus their attention on the following activities:

Defining Leader Competencies—Most organizations have a mission or vision that describes an end state they have not yet attained. Because leaders drive organizational decisions and guide the actions of associates, leader competencies need to be clearly

linked to the organizational mission or vision. Organizations need to take the time to identify their most important competencies for leaders and anchor those competencies in real-life behavioral examples that leaders can apply.

Diagnosing Leader Needs—After they have defined leader competencies, organizations will need to objectively and accurately measure leadership capacity. These efforts will yield an assessment of organizational and individual strengths and development needs. Methods such as assessment centers and 360-degree or multirater assessment can provide leaders with insightful feedback for development. In addition, aggregate summaries of leader strengths and weaknesses can be used to create an overall assessment of organizational bench strength.

Developing Leaders—Leaders place great value on the amount and quality of learning and growth opportunities their organizations provide, and organizations are spending more on leadership development every year. Although additional money is helpful, organizations must focus improvements on the most valuable interventions. Training continues to be a popular and effective means for improving leader skills. However, organizations should direct more of their funding to self-directed and just-in-time learning.

Deploying Talent—Deploying talent means putting the right people in the right place at the right time. Effective deployment starts with selection of the right

leaders. Organizations using proven methods, such as behavioral interviewing, testing, and online screening, will minimize turnover and maximize the impact of the individuals selected.

In addition to using good selection methods, organizations must turn their attention to creating focused succession management plans. Organizations need to assess leaders, provide feedback, create development plans, and specifically identify individuals who can step into leadership roles as soon as positions become vacant.

Ensuring Success—Lasting organizational success requires vigilance. Any program designed to strengthen leadership must also have a long-term plan for maintenance and improvement. Programs such as selection, succession management, and development plans must be periodically evaluated and adjusted to maximize impact. Leadership development does not come from HR alone. All parts of the organization must be aligned in the colossal effort to perpetuate strong leadership. This study has shown that leaders learn much of their behaviors from past and current managers. Everyone must be on board to ensure that the message is the same and that powerful leadership is a defining part of the organization's culture.

Reference

Rioux, S., & Bernthal, P. (1999). *Succession management survey report*. Pittsburgh, PA: Development Dimensions International.

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