



Increasing Your Supply of Globally Ready Leaders

Today's multinational enterprise leaders are expected to build partnerships and drive growth within and across cultural, social, political, and regulatory contexts as they expand their global presence. Of the 900 multinational enterprises (MNEs) surveyed in DDI and The Conference Board's *Global Leadership Forecast 2014|2015*, 52 percent planned on expanding their global operations over the next three years, yet only a paltry 16 percent of these organizations reported having sufficient ready leaders to fill many of their critical leadership roles. And, making matters worse, only one-third of the MNEs sampled reported expatriate assignment success rates above 75 percent.

Unfortunately, many leaders sent on international assignment are set up for failure. They are often selected for demonstrating great technical skill in the home office, but lack the developmental experiences and disposition needed to be an effective leader abroad—outside familiar cultures and contexts. In a rush to recruit the best technical skills, MNEs often fail to identify, develop, and deploy leaders who are globally ready to lead in a new environment, thus increasing the likelihood of poor performance once deployed. Furthermore, organizations rarely have a post-assignment strategic process for tracking development and re-engaging successful global leaders when they repatriate. Repatriated leaders are notoriously dissatisfied upon return because MNEs lack in-place systems to reassign those leaders to projects in which they can apply their newly acquired knowledge and skills. These front- and back-end failures in the global talent management strategy result in reassignment costs, loss of attractive talent to competitors, and delayed implementation or outright disasters when attempting to grow globally. Given these challenges, how can organizations close this global leadership readiness gap and propel growth?

Global leader readiness (GLR) refers to a leader's preparedness for meeting the challenges specific to leading in a global context. GLR was measured in this study by a composite of questions included in *The Global Leadership Forecast 2014|2015* that ask participants in the study about the challenges facing global leaders. The GLR composite included items on the following challenges and then was converted into a percentage.

1. Communicating and setting expectations with people from different cultural backgrounds.
2. Integrating into new foreign cultures.
3. Leading a global business expansion while managing international political and economic risks.
4. Removing barriers and adjusting strategy to drive cooperation and expansion, and secure high return on investment for their organizations.

The *Global Leadership Forecast 2014|2015*, which surveyed 1,344 mid- to senior-level leaders and representatives from corporate HR, identified three key talent management practices that can be used to increase global leader readiness.

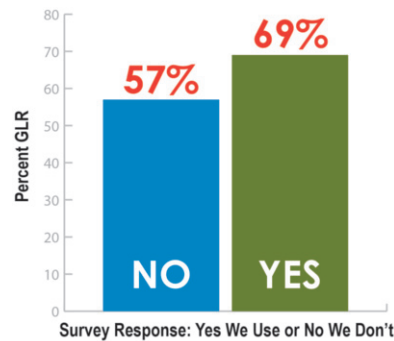
Best Practices That Increase Global Leadership Readiness

#1 Intercultural Skills Development: Communicating effectively in an international business context is essential for global leader success. Globally ready leaders are able to assess unfamiliar situations more accurately and, therefore, build trusting partnerships better than non-globally ready leaders. They navigate cultural differences while creating mutual understanding between key stakeholders in order to implement strategies. In the *Global Leadership Forecast*, DDI found a 12 percent increase in global leader readiness in multinational enterprises focusing on intercultural communication skill development compared to those without this training (Figure 1). And, given that only 15 percent of MNEs sampled were focused on these practices, integrating intercultural skills into development plans can provide a unique competitive advantage.

Figure 1:

Use of Intercultural Skills Development

Leaders from organizations focused on intercultural skills development had a 12 percent increase in GLR.

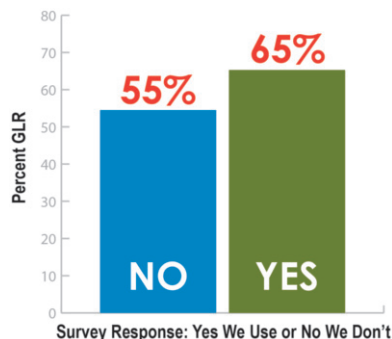


#2 Talent Analytics: The second best practice for increasing GLR is effective use of talent analytics. Talent analytics practices include leveraging data to connect leader capability to business metrics and predicting future talent supply needs in support of long-term business strategy. Leaders in organizations implementing a talent analytics strategy had 10 percent higher levels of global leader readiness than leaders in MNEs that did not (Figure 2).

Figure 2:

Use of Talent Analytics

Leaders from MNEs using talent analytics had 10 percent higher GLR.



#3 In-Depth Talent Assessment: Developing a pipeline of effective, globally ready leaders who can drive and sustain growth requires systematic assessment. An in-depth assessment strategy using validated “day in the life” simulations provides the most accurate data for identifying global leader readiness. Effective assessment begins with mapping the competencies that are critical to success in a global leader role. Those competencies then become the foundation for measuring behaviors and personality traits that predict global leader performance.

In the *Global Leadership Forecast*, DDI found seven elements of effective leadership assessment that were significantly related to higher global leader readiness (Figure 3). Accordingly, using rich behavioral assessment data can lead to better hiring and placement decisions, and also accelerate global readiness, thus mitigating the risks of poor global leader fit (skill and disposition) in MNE global brand, operations, and organizational culture.

Figure 3:
Use of In-Depth Talent Assessment

Leaders from organizations using in-depth talent assessment had consistently better GLR.



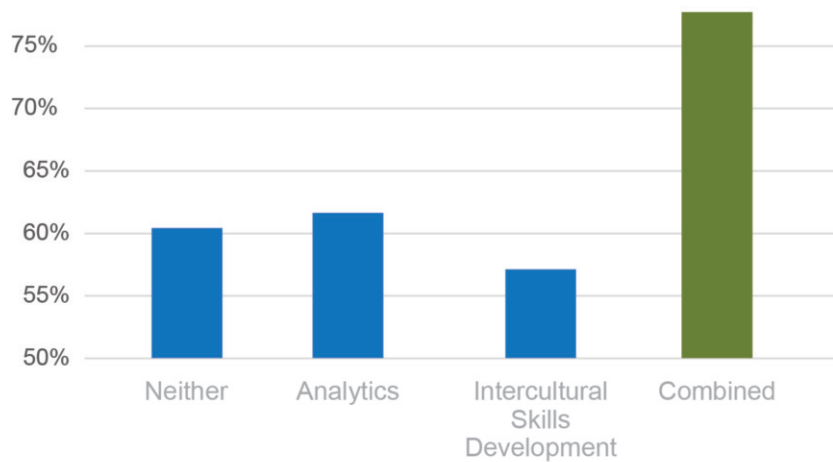
Integration of Best Practices Increases Impact

Individually, each of the aforementioned practices predicted incremental improvements in GLR; in combination, however, the predicted gains in GLR were even more significant. Examples of the most significant combinations are included below. For example, GLR jumped 15 to 20 percent when organizations paired intercultural skills development with talent analytics (Figure 4).

Figure 4:

Effect of Combined Best Practices on Global Leader Readiness

The combined use of intercultural skills development and talent analytics resulted in the biggest gains in leaders' GLR.



Similarly, when talent analytics was used in combination with validated talent assessments, leaders' readiness increased 12 to 30 percent.

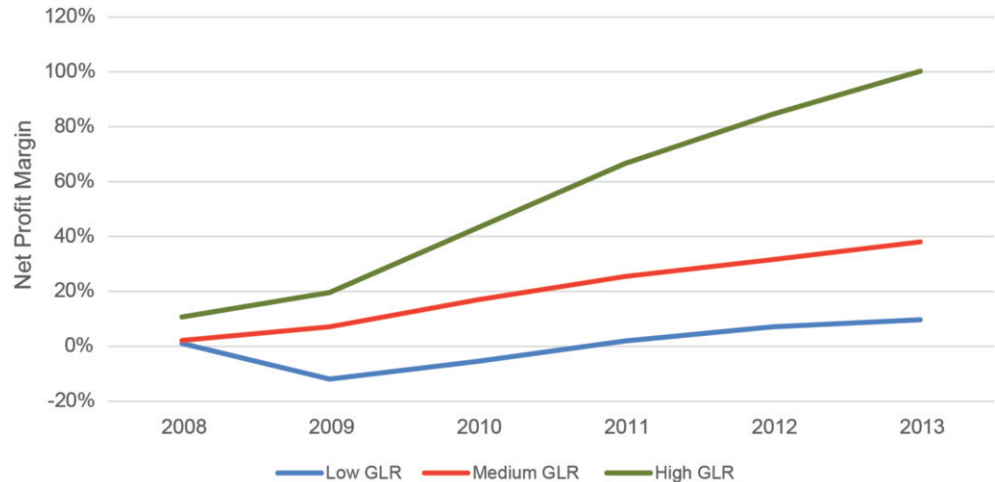
Better Global Leader Readiness Impacts the Bottom Line

How are these best practices linked to key financial indicators? In the current study, the financial performance (return on investment, net profit margin) of 37 large, publicly traded multinational enterprises was compared with the average GLR score of their leaders (data collected in 2013). Companies in the top group for GLR scores achieved substantially higher return on investment over the past six years versus those in the middle or bottom groups. Cumulatively, these high GLR companies achieved a return on investment of 119 percent in the same period, compared to the others that achieved ROIs of 69 and 41 percent, respectively. The high return on investment was also reflected in the net profit margins. As shown below (Figure 5), the companies with globally ready leaders reached a net profit margin averaging 17 percent per year—a 100 percent profit margin over the six years. Neither the low nor medium GLR companies came close.

Figure 5:

Cumulative Net Profit Margin

High GLR companies gained an incremental increase in net profit margin averaging 17 percent per year.



Conclusion and Next Steps

Even one failed global leader can derail a global expansion and damage the reputation of a company in a region for years. Leaders sent on expatriate assignment are notoriously expensive and have some of the worst retention rates of any leadership group. Our study demonstrates both the need to take the readiness of global leaders seriously and the impact that quality talent management systems can have on their development. Actions that can improve Global Leader Readiness include the following:

1. Include Global Leader Readiness as part of the larger plan to expand your business globally.
2. Focus leader development interventions on intercultural skills.
3. Create an accurate system to track global leader progress. Leverage talent analytics to measure the progress of your talent pool's global readiness and determine which development resources are paying off.
4. Formally assess your global leaders using validated assessments based on the right competencies.

Integrating the three best practices—intercultural skills development, high-quality leader assessments, and talent analytics—will enhance global leader readiness and, consequently, significantly improve key financial metrics, such as net profit margin. Given these insights, how will your organization respond to the call for globally ready leaders who can thrive across borders and drive business growth?



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