Ready-Now Leaders:

25 Findings to Meet Tomorrow's Business Challenges

Global Leadership Forecast 2014 | 2015

THE CONFERENCE BOARD

DDI

We asked leaders what would help increase their effectiveness. They answered: My Organization Needs to START...

Continuously developing leadership skills for all levels of management | Sponsoring recognized management courses so I can keep up to date on changing dynamics | Building programs where mid-level leaders can intern in another area to gain exposure and advance skills | **Offering an external mentorship program; an external coach may be more helpful for insights into a person's development** | Enhancing mentoring of new leaders by current colleagues and next-level leaders | Identifying individual strengths and weaknesses to help create a focused plan | Mentoring and guiding new leaders rather than removing them from leadership positions | Mentoring leaders for the first six months after they get promoted | Pushing leaders out of their department to see how other departments function; interns get to do this but managers do not | **Valuing leaders for spending time and effort in growing their people** | Promoting a culture of active mentorship outside of one's supervisor | Allowing time for development by reducing secondary responsibilities | Giving safe chances to sharpen leadership skills | Providing more venues for learning, such as special projects and rotational placements | Providing forums for managers to share ideas and discuss effective ways to handle issues | Organizing informal meetings to facilitate team bonding, identify talent, and increase job satisfaction | Allowing leaders to participate in outside organizations to network and better understand industry issues | Making sure all leaders have the opportunity to hear the stories of our VPs and AVPs just as the high-potential group does | **Showing support from upper management for leaders in the same manner that leaders are taught to support the line staff** | Giving more opportunity to learn how senior managers handle different situations/issues | Involving C-level executives in developing future leaders | Making senior leaders more accessible | Showing an interest in folks who are exhibiting our excellent leadership values | Walking the walk senior leaders talk; there is a serious disconnect between their vision and the implementation of that vision | Acting consistently with stated values; don't just say that people are our most important asset when action shows otherwise | **Motivating people, and not in terms of money; recognize people; give effective feedback; be honest; be clear** | Returning senior leadership to listening to first- and mid-level managers' viewpoints | Opening the lines of communication so that senior leaders know what's really going on and we know that senior leadership knows what's going on | Making sure managers understand their employees' aspirations and work closely to achieve them | Putting all leaders on the same page, with the same plan, using the same leadership tools, so we all do things the same way | Providing a detailed career path, and being honest about it; if there is no path, then say that; if there is a path, make sure it is understood and that I am getting the right education and information | **Outlining a five-year career plan with best- and worst-case scenarios** | Providing better tech tools to make managers more effective and give them more time to focus on learning and leading rather than day-to-day tasks | Ensuring that new and existing leaders are given the tools they need using a more structured on-boarding process | Recognizing the positive! Create a more fun, energetic, and vibrant company culture | Holding people accountable | Allowing employees to make mistakes in attempting new or innovative methods | **Creating more transparency, more attention to promoting women in leadership roles, and an atmosphere in which everyone has a chance to be a leader** | Allowing leaders to attend company-sponsored out-of-the-country assignments, training, and conferences | Communicating to the last mile | Increasing accountability and empowerment in the region; otherwise, it slows the company down in reacting to customer requests |Involving younger leaders in decision making; don't take them for granted; they are much more up-to-date, hence don't leave them in the name of seniority | Increasing staff levels so that we can work on being a leader rather than managing; workloads are too high to engage interaction and relational aspects of leadership and self-development | **Involving leaders in the process of "what's next"** | Providing regular feedback/ideas on how someone is doing good or bad in a leader role | Training all leaders, not just new leaders; the leaders who have been here so long have to get up to speed with the changing culture and times; ensuring that leaders can choose between a number of leadership development courses | Building sustainability processes to support development | **Creating development plans formally and making them transparent to staff so they are clear what they need to deliver** | Doing something might be a start | Arming me with context/information around the business challenge areas I am not prepared for so I can cascade down |

Bigger Is Better

The *Global Leadership Forecast 2014|2015*

This *Global Leadership Forecast 2014|2015* is the seventh report since Development Dimensions International (DDI) began this research in 1999. The current report—a joint effort of DDI and The Conference Board—includes survey responses from 13,124 leaders; 1,528 global human resource executives; and 2,031 participating organizations. To ensure that no individual organization dominated the overall results, a random sample was taken from any organization whose leaders comprised more than 1 percent of the global sample. Leader demographics are shown below.

The record-breaking size of the participant pool gave us sufficient sample sizes so that we could look at our findings from many points of view. We were able to dissect findings based on diverse perspectives spanning leaders and HR professionals, four leader levels, gender, 48 countries across all regions, 32 major industry categories, and multinationals versus local corporations.

Questions That Produce Insight

We approached the *Global Leadership Forecast 2014|2015* with a unique three-question framework leading to actionable insights.

 # What Now describes a current situation. As an example, we now know that almost three-quarters of all high-potential programs are ineffective. This is where most survey research starts and stops.

? So What addresses the consequences of the current situation continuing. In our example above, forecast data show that participating organizations with the best financial performance are over three times more likely to have high-potential programs in place. (Financial performance was determined by analyzing the link between survey responses and a composite of external financial metrics for publically-traded companies for which this information was available.)

! Now What Here we turn insight into action. Given that high-potential programs have a positive financial impact, what specific actions or practices drive program effectiveness? Look for Now What sections throughout the report for actions you can take.

#	?	!
What Now	So What	Now What

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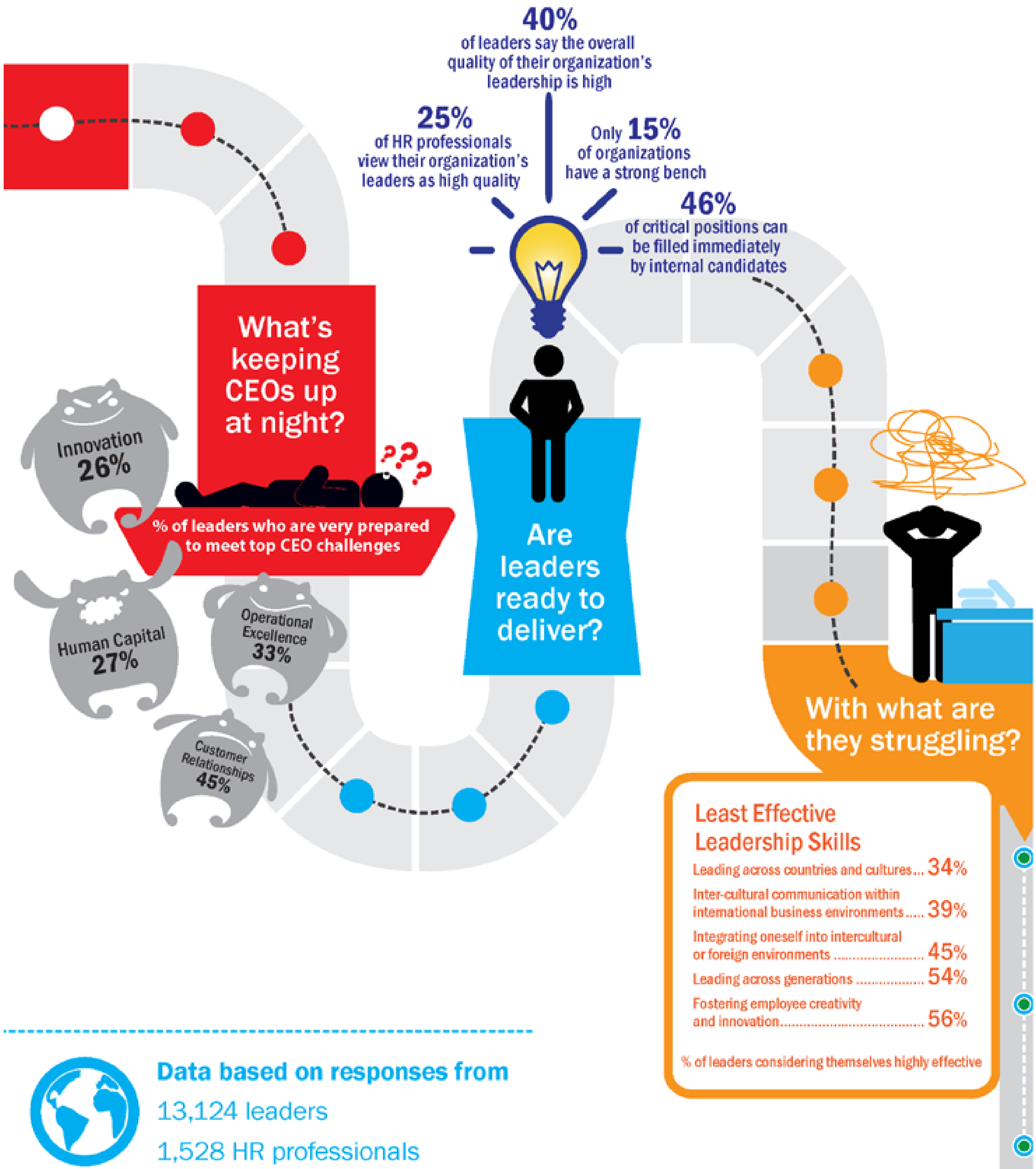
Key Questions on the Path to Organizational Success



Leadership Development Methods Most Effective According to Leaders

Developmental assignments	70%
Formal workshops, training courses, seminars	60%
Coaching you receive from your current manager	52%
Coaching you receive from external coaches/mentors	43%
Coaching you receive from internal coaches/mentors (other than your manager)	40%

How do they improve?

What Happens When Organizations Get it RIGHT?

- **20%** higher than average leadership quality and bench strength
- **26%** more critical positions can be filled immediately
- **2.3** times more likely to outperform other companies on financial metrics

What & who is holding them back?

Who Do Leaders Say is Not Involved Enough in Their Development?

HR	48%
Senior Management	46%
Manager	33%
Employees	22%

Top Obstacles to Growth as a Leader:

1. Not enough time or opportunity
2. Lack of support/autonomy
3. Lack of skill/knowledge

Leader Experience

92% of leaders are engaged with their role

97% feel accountable for being an effective leader

64% would nominate theirs as a top company for leaders

12% intend to leave their organization within the year

15% indicate intentions to leave have increased in the past year

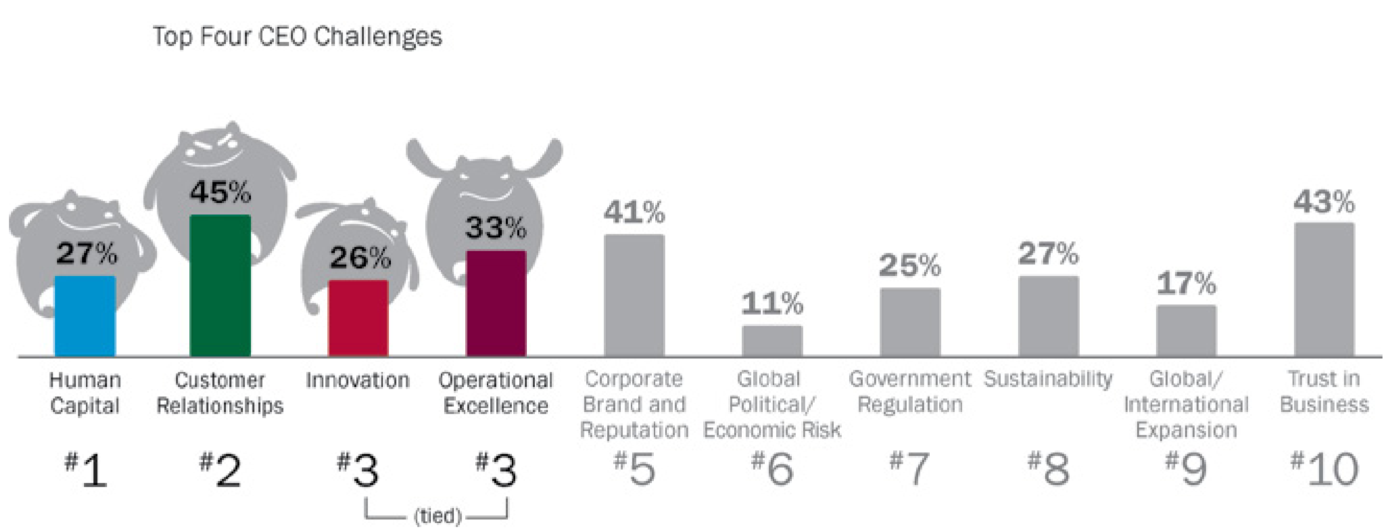
What Happens When Organizations Get it WRONG?

- **67%** lower than average leadership quality and bench strength
- **21%** fewer critical positions can be filled immediately

CEOs' Top Challenges

Leaders Aren't Ready

The Conference Board CEO Challenges—Percent of Leaders Considering Themselves Very Prepared



Human Capital Is Important; Leadership Is Critical

In *The Conference Board CEO Challenge®,* more than 1,000 respondents indicated that human capital remains their top challenge, with customer relationships rising in importance in the past two years. Also, operational excellence and innovation remain vitally important for driving business growth and ensuring a sustainable future. These challenges, albeit in varying order, were the top challenges in all four regions included in the survey: the United States, Latin America, Europe, and Asia.*

When asked about the strategies to address the human capital challenge, 4 of the top 10 strategies CEOs selected (the full top 10 are presented in the chart at right) are focused on leadership: *improve leadership development programs, enhance the effectiveness of senior management teams, improve the effectiveness of frontline supervisors and managers,* and *improve succession planning.* CEOs know their organizations cannot retain highly engaged, high-performing employees without effective leaders who can manage, coach, develop, and inspire their multigenerational, globally dispersed, and tech-savvy teams.

CEOs also were asked to identify the leadership attributes and behaviors most critical to success as a leader. The top five prominent in every region globally were:

- Retaining and developing talent.
- Managing complexity.
- Leading change.
- Leading with integrity.
- Having an entrepreneurial mind-set.

The *CEO Challenge* looked at what *must* be done. For the first time, the *Global Leadership Forecast* asked leaders to assess their own readiness to execute these tasks. Their self-assessments are sobering. For instance, never were more than 50 percent "very prepared" to address any of the challenges (see illustration at left). In fact, in the human capital challenge, only 27 percent of leaders reported they were "very prepared" to be the kind of leader that creates an optimal workplace where employees deliver their very best. HR leaders' appraisal was even more harsh: Only 9 percent indicated their leaders were "very ready" to address the human capital challenge.

Now What !

.01 Better leadership can have a positive impact on CEOs' top challenges; this study shows how **better development** can positively affect leadership. All leaders can learn to bring the customer voice into their organization, become talent scouts and advocates, and create an environment where innovation flourishes.

.02 *Improve performance management processes and accountability* (the third human capital strategy below) is often the most neglected talent management system. To address this gap, ask these questions about your performance management system:

- Is it used as a business system to help execute top-down strategy?
- Do employees understand their goals, and are they held accountable for achieving them?
- Do employees get feedback about strengths and development opportunities so they can grow?

CEOs' Human Capital Strategies

Global
N=738 Human Capital Strategies 2014

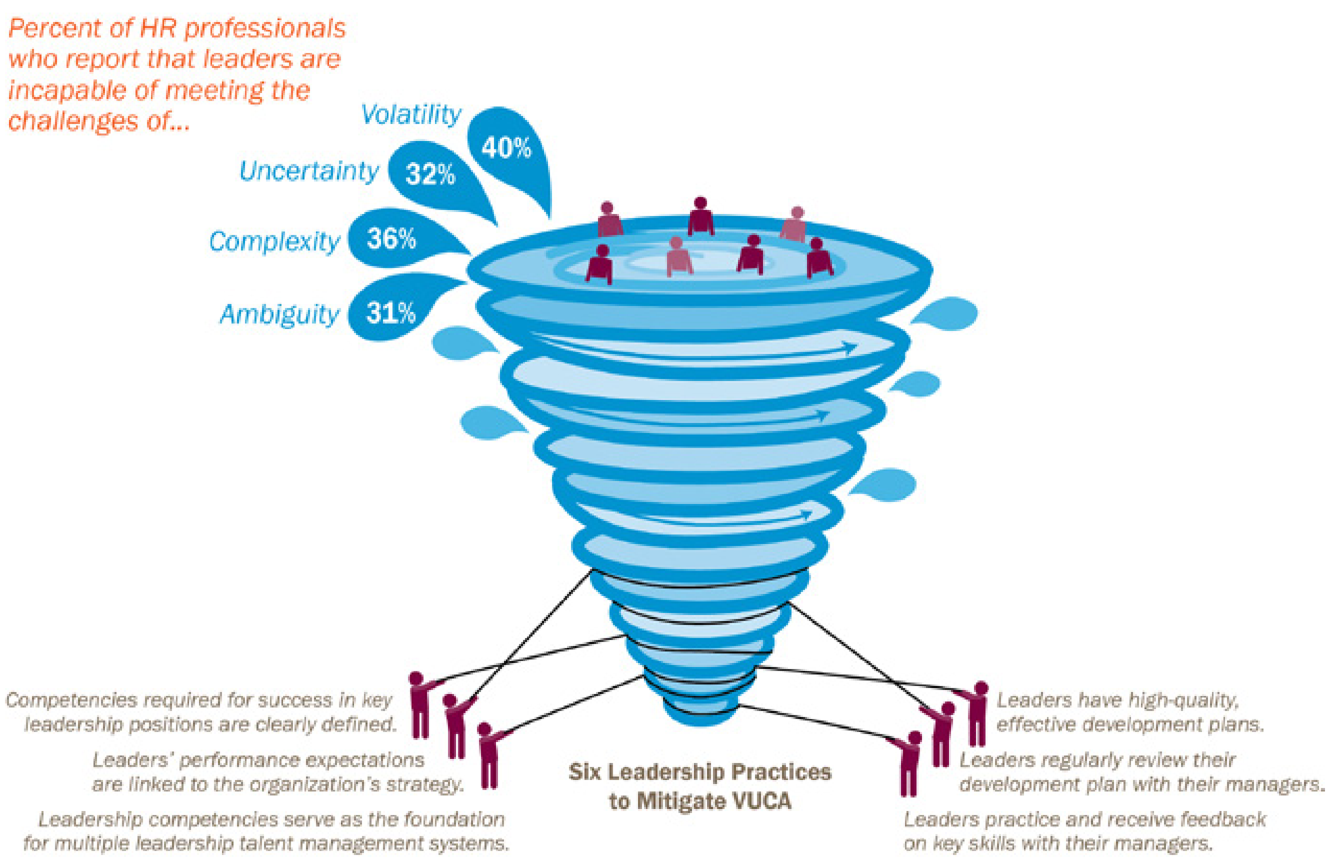
1	Provide employee training and development
2	Raise employee engagement
3	Improve performance management processes and accountability
4	Increase efforts to retain critical talent
5	Improve leadership development programs
6	Focus on internally developed talent to fill key roles
7	Enhance effectiveness of the senior management team
8	Improve effectiveness of frontline supervisors and managers
9	Improve corporate brand and employee value propositions to attract talent
10	Improve succession planning for current and future needs

Source: The Conference Board, 2014

* Mitchell, C., Ray, R.L., & van Ark, B. (January 2014), *The Conference Board CEO Challenge® 2014: People and Performance,* New York, The Conference Board, www.conference-board.org.

Working Within the VUCA Vortex

Leaders Need More Preparation to Face VUCA Challenges



Leading in a VUCA World

A VUCA world is one that is volatile, uncertain, complex, and ambiguous. First used by the United States military to discuss preparedness, the term was later popularized in the publications of Bob Johansen of the Institute for the Future.*

This study measured leader readiness in four key areas from which we created an overall VUCA index:

- Anticipating and reacting to the nature and speed of change.
- Acting decisively without always having clear direction and certainty.
- Navigating through complexity, chaos, and confusion.
- Maintaining effectiveness despite constant surprises and a lack of predictability.

Less than two-thirds of leaders said they were either "highly confident" or "very confident" in their ability to meet the four VUCA challenges. As illustrated at left, this less-than-encouraging view is echoed by HR professionals, about a third or more of whom viewed their organization's leaders as not capable of meeting the challenges of volatility (40 percent), uncertainty (32 percent), complexity (36 percent), and ambiguity (31 percent). At best, only about 18 percent identified their leaders as "very capable."

This does not bode well for businesses and industries worldwide. Indeed, in *The Conference Board CEO Challenge®,* CEOs indicated that among their top pressing issues were these elements of the VUCA world in which they must navigate: economic depression in Europe, currency volatility, financial instability in China, labor relations, cybersecurity, volatility in energy markets, activist shareholders, and government regulations to address bribery and corruption.**

Our research found that organizations whose leaders have high VUCA capability are 3.5 times more likely than organizations with low VUCA capability to have a strong leadership bench—that is, leaders ready to step in to meet future challenges. Also, VUCA capability links to financial results. The top 20 percent of organizations performing well financially are three times more likely to have VUCA-capable leaders than the bottom 20 percent.

* Johansen, B. (2009), *Leaders Make the Future: Ten New Leadership Skills for an Uncertain World,* San Francisco, Berrett-Koehler Publishers.

** Mitchell, C., Ray, R.L., & van Ark, B. (January 2014), *The Conference Board CEO Challenge® 2014: People and Performance,* New York, The Conference Board, www.conference-board.org.

Now What !

A world that requires effective leaders is one with greater implications for sound decision making, high confidence, and ready adaptability. The illustration at left summarizes the talent management practices that—due to a prevalence in organizations ranked high compared to those ranked low in leaders' VUCA readiness—consistently helped the leaders and organizations included in our research successfully navigate a VUCA world.

The impact of solid talent management choices will be further amplified by a focus on the right skill targets. Our research identified the top four skills that, when practiced effectively, had the greatest impact on leader preparedness and confidence in addressing the challenges of VUCA:

.01 **Managing and introducing change.** Unsurprisingly, this was the strongest predictor of a leader's confidence in the face of VUCA.

.02 **Building consensus and commitment.** This skill is critical for eliminating discord and misunderstanding.

.03 **Inspiring others toward a challenging future vision.** To induce others to act, leaders first must be inspired themselves.

.04 **Leading across generations.** This skill is key to forging a shared purpose despite diverse employee viewpoints and motivations.

25% of organizations report their leaders are not VUCA-capable.

3X Organizations whose leaders are VUCA-capable are three times more likely to have financial performance commensurate with the top 20 percent.

Leadership Outlook

Going Nowhere Fast

Quality of Leadership over Three Global Benchmarking Studies

Development Efforts Have Stalled

When compared to our last two forecasts, the number of leaders who expressed confidence in the overall quality of leadership in their organization increased just slightly: 40 percent of leaders rated current quality as high (see illustration at left). According to HR professionals, however, the needle hasn't moved at all. Only one in four organizations evaluated their overall leader quality as high, the same percentage as our 2011 forecast.*

Why is leader quality going nowhere fast? Apparently, because leadership development efforts have stalled, despite the fact that it is estimated that some $50 billion a year is being spent on developing leaders worldwide.** As in the last two forecasts, only 37 percent of leaders in the current study rated their organization's leadership development program as effective, indicating no improvement over the past seven years. The overwhelming majority of leaders are still saying they are not satisfied with their organization's development offerings. It's no wonder that, with leaders reporting a lack of improvement in their development, we aren't seeing a vast difference in overall leader quality.

If organizations aren't doing enough to push the needle, then the outlook for the future is even gloomier. Only 15 percent of organizations rated their future bench strength as strong, a slight decrease from our last forecast (see illustration at right). Most organizations are not confident that they have the leadership to address current and future needs. So, what can they do to improve? The message from leaders is loud and clear: Organizations need to refocus on improving their development efforts.

of leaders rated the quality of their organization's development programs as high or very high.

* Boatman, J., & Wellins, R.S. (2011), *Global Leadership Forecast 2011: Time for a Leadership Revolution,* Pittsburgh, PA, Development Dimensions International.

** Kellerman, B. (2012), *The End of Leadership,* New York, HarperCollins.

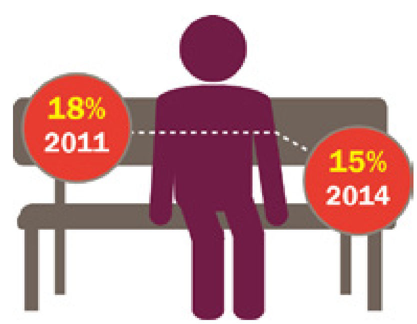
Now What !

.01 A focus on developing future talent begins at the front line, with sustainable learning experiences that extend leaders' growth and development on the job beyond formal learning.

.02 Development efforts won't have a lasting impact unless they are followed by opportunities for leaders to practice and use their newly acquired skills. Organizations that report their leaders practice and then receive feedback on key skills with their managers are five times more likely to have high leader quality and bench strength compared to those that don't.

.03 Leadership development, though closely tied to leader quality, is not its sole driver. Strong leadership selection and succession management systems also play major roles in driving leader quality.

Ready Now Leaders for the Future



Millennials

From Generational Differences to Generating Growth

Higher Growth, Higher Percentage of Millennials

Moving Up Faster

Aggressive-growth organizations, such as those in the high-tech industry, have a significantly higher proportion of Millennials* (30 percent) in leadership positions than organizations with cautious growth (25 percent) or no to low growth (21 percent). (See the illustration at left.) However, organizations that rely on a greater supply of younger leaders face unique challenges. Millennials report being less engaged in their roles within their organization. Also, they are more likely to intend to leave in the next 12 months than leaders in other generational groups.

Compared to those labeled Generation X, Millennials are less concerned with opportunities to provide feedback to their senior leaders about the organization's strategy and culture, the organization's communications about specific behaviors needed to succeed as a leader, and work-life balance.

Their preferences mirror those of other generations when using other methods for leadership development, such as formal workshops, training courses, online learning, and developmental assignments (e.g., special projects). Millennials also have a stronger preference for using social learning (e.g., social networks, wikis, and blogs) and mobile development (e.g., smartphones or tablets) for improving leadership skills than other generations, and they tend to learn from others more frequently. Given their preferences, Millennials may seek out more frequent opportunities to learn from others via social and virtual platforms, something organizations need to keep in mind as they work to design development efforts aimed at this generation.

Millennials also seem to receive a significantly higher percentage of promotions than do any other generation. This could be attributed to two factors: 1) They are starting at lower management positions with more opportunity for advancement or 2) organizations could be reacting to Millennials' reputation for readily changing jobs. Either way, the good news is that they are stepping up.

* The generally accepted definitions of "Millennials" and "Generation X" are as follows: "Millennials" were born between 1982 and 2000; "Generation Xers," between 1965 and 1981.

Now What !

.01 The engagement level of this group can be raised by providing them with a greater understanding of their career path as a leader and improving their manager's effectiveness.

.02 HR professionals can reevaluate their employee value proposition, especially as it relates to multiple generations. A flexible arrangement and offerings of value would support different employee needs and motivations. A career path framework would help younger employees understand available development opportunities to keep them engaged and remain with the organization.

.03 To implement leadership development initiatives that match Millennials' preferences, integrate social and mobile learning into development programs. For example, build virtual learning platforms and provide opportunities to connect with others, both virtually and in person.

Leadership Readiness

Which Countries Make the Grade?

Leader Quality and Bench Strength Ratings by Country

Country	Current Leader Quality	Future Bench Strength	Change from 2011 to 2014
Australia	Moderate	Moderate	No Change
Brazil	Low	Low	Increase
Canada	Moderate	Low	Decrease
Chile	Low	Moderate	No Change
China	Low	Low	Increase
India	High	High	No Change
Indonesia	Low	High	Increase
Japan	Low	Low	No Change
Malaysia	Low	Low	Decrease
Mexico	High	Moderate	Decrease
Philippines	High	Moderate	Decrease
South Africa	High	High	Decrease
Taiwan	Moderate	Moderate	No Change
Thailand	Moderate	Moderate	Decrease
United States of America	High	Moderate	No Change

High · Moderate · Low · Increase · No Change · Decrease

Some Are Improving Faster

Leadership readiness is a blend of quality and depth within an organization's leadership ranks. We examined such readiness by country as it stands in 2014. We also looked at how leadership readiness has changed since the publication of our *Global Leadership Forecast 2011.* For each country listed, a minimum of 30 HR professionals evaluated their organization's leaders.

Our findings are summarized in the figure to the left. Overall, we see wide variation around the globe in the quality of today's leaders and in bench strength (i.e., the supply of leaders ready to step in to fill vital leadership roles). Along with this variability, country-by-country trends are troubling: Far too many countries have not seen an improvement in leadership quality, and for those where leader quality has improved, their leaders are still failing to keep up with their peers.

For organizations in countries with a deficit in current leader quality, negative consequences await them as they struggle to succeed in the face of business demands with leaders who lack practiced and polished leadership skills. This situation is even more dire in countries whose bench strength also is low: Their insufficient talent pool of capable leaders means that tomorrow's leaders may be no more ready to address business challenges than today's. On the other hand, for countries where bench strength exceeds current leader quality, a new group of eager leaders is waiting impatiently to fill higher-level roles as they become available.

Countries that are low in bench strength, regardless of current leader quality, will not have the supply of future leaders they will need to fuel growth, innovation, and execution of business objectives. Countries with moderate or high bench strength probably have taken the steps needed to sustain forward momentum by selecting or developing leaders who are ready to take on more influential roles when needed.

On the whole, this view of the current state of global leadership illustrates the many challenges faced by multinational companies pursuing a common leadership standard in all of their operations. In many cases, leader quality and bench strength will vary substantially by country. This suggests the importance of having a differing initial focus for development programs as a precursor to deploying a more integrated and comprehensive talent development strategy.

Now What !

.01 Countries with a weak future supply of leaders should implement programs and policies that promote and encourage organizations to dedicate resources to developing more leaders with the skills they need to successfully address future business challenges.

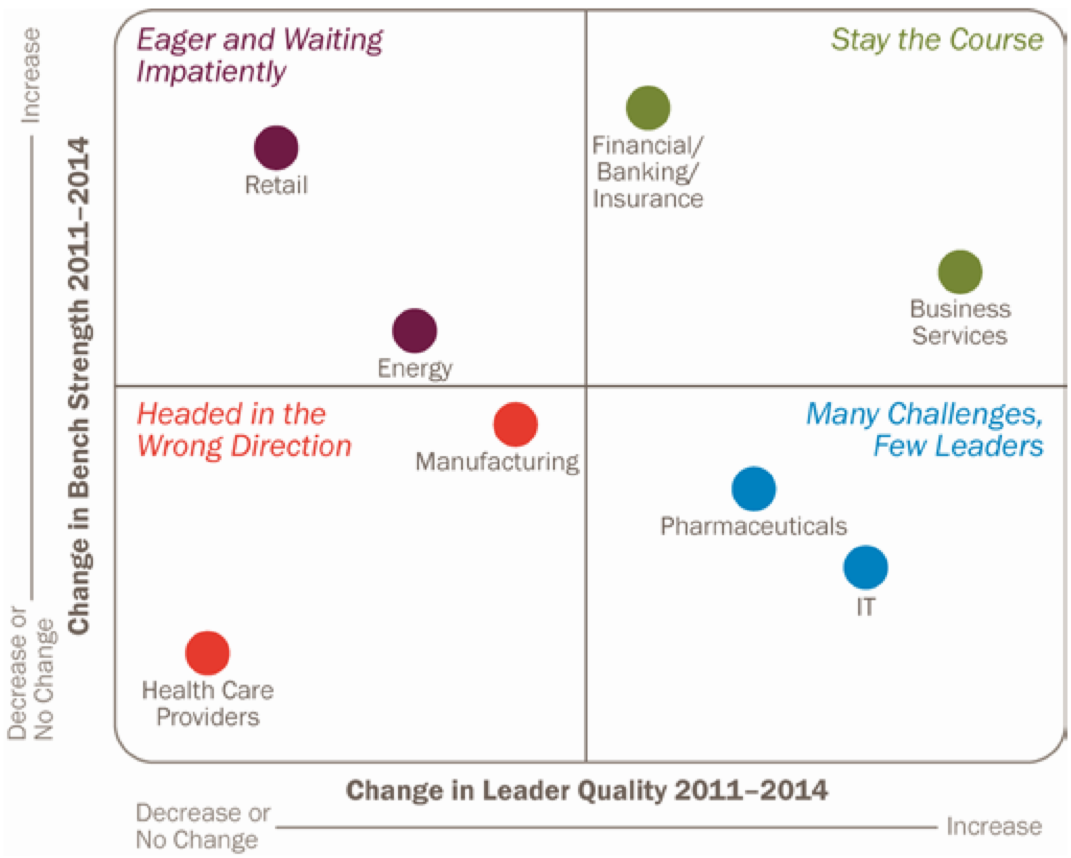
.02 Organizations that have an ample supply of leaders yet have a gap in leadership quality need to offer their leaders development programs and experience-based learning opportunities so they can progress in their jobs and effectively address real business issues.

.03 Organizations with global operations must prioritize development offerings carefully by country, weighing the benefits of a fully consistent approach against the risks of programs that do not take into account differences in local talent pools.

Leadership Readiness

Which Industries Are Rising, Which Are Falling?

Leader Quality and Bench Strength Trends by Industry



Some Are Facing Greater Leadership Shortages

Which industries have the best supply of leaders prepared to tackle their business challenges? We examined how various industries have changed in the past few years and what leadership readiness trends have emerged since 2011 to address this issue head on, as shown in the figure at left. “Stay the Course” industries, such as business services, are in improving positions, probably because they are investing heavily in developing their leaders.

Industries that are “Headed in the Wrong Direction” are struggling due to changing business environments and demographics. The health care industry, for instance, faces intense talent shortages, an aging customer base that requires greater care, and evolving government regulations.

Manufacturing also is dealing with an aging workforce in addition to slowing growth. These issues will continue to affect the ability of these industries to meet business goals. “Many Challenges, Few Leaders” industries lack a sufficient supply of leaders prepared to lead in fast-changing, technical environments. For example, STEM (science, technology, engineering, mathematics) and leadership skills can be a winning combination, but they also can be difficult to find in the current talent pool. In response, organizations need to provide acceleration programs for leaders in their leadership pipeline or attract new leaders from nontraditional external sources.

Leaders in “Eager and Waiting Impatiently” industries can offer improving leadership quality, though they need to continue to focus on enhancing their capabilities, especially in competitive industries like retail. A sufficient supply of leaders gives organizations a stable labor market, although recruiting top talent will likely remain competitive.

Now What !

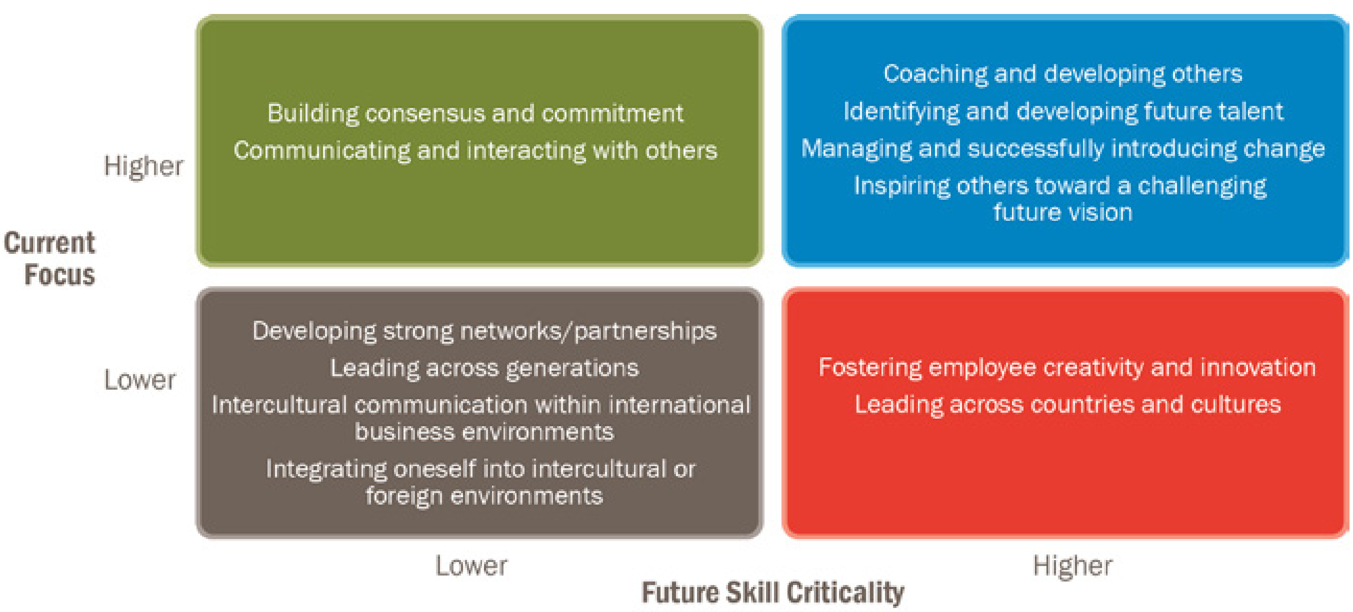
.01 “Many Challenges, Few Leaders” and “Headed in the Wrong Direction” industries can consider expanding the pool of candidates to attract leaders from other industries and provide intense on-boarding experiences (e.g., coaching, mentorship, networking opportunities) to encourage their integration into the organization.

.02 Leaders in “Eager and Waiting Impatiently” industries will demand more opportunities to develop. For that reason, organizations will need to explore new, unique ways to develop the required skills while promoting innovation and creativity among their leaders.

Critical Leadership Skills

What's Important Is Being Ignored

Some of the Most Critical Skills Are Still Out of Focus



Time to Change Focus

We asked HR professionals to rank two leader skills according to how critical they are for leaders' success in the next three years and how much their organization's current development programs focus on them (see illustration at left). For many of these skills, the current focus corresponds with how critical they will be for the future (either as less critical with less focus or more critical with more focus). But there are some notable exceptions.

HR currently is focusing heavily on two skills that they are not rating as critical for the future: *Building consensus and commitment* and *Communicating and interacting with others.* HR is either overemphasizing these with their current focus or undervaluing their future skill criticality, failing to recognize them as foundational skills. On the opposite side of the illustration, two skills that were noted as most critical (*Fostering employee creativity and innovation* and *Leading across countries and cultures*) are not being focused on. These two skills were identified among the most critical in our last forecast, but HR still doesn't focus on them in their leadership development programs. As a result, leaders have not improved.

Only one in three organizations currently is focused on developing their leaders' ability to foster innovation; only one in five is emphasizing development in global leadership. Though both skills are critical, HR hasn't implemented development initiatives that focus on them. Only one-third of leaders reported being effective in leading across countries and cultures, the lowest single skill effectiveness rating in our survey (see illustration at right). Multinational organizations that rely on their leaders to drive global growth should not overlook this skill gap. Similarly, with only 56 percent of leaders currently effective, fostering innovation is a skill area that deserves attention. Innovation has emerged as one of the top challenges for businesses; having leaders able to encourage innovation and creativity is vital if they are to lead in competitive markets.

Do organizations benefit from investing in building leaders' skills in these critical areas? The answer is a resounding yes. We found that organizations that have been focusing on developing these skills, and whose leaders are now more effective, are three times more likely to rank in the top 20 percent for financial performance.

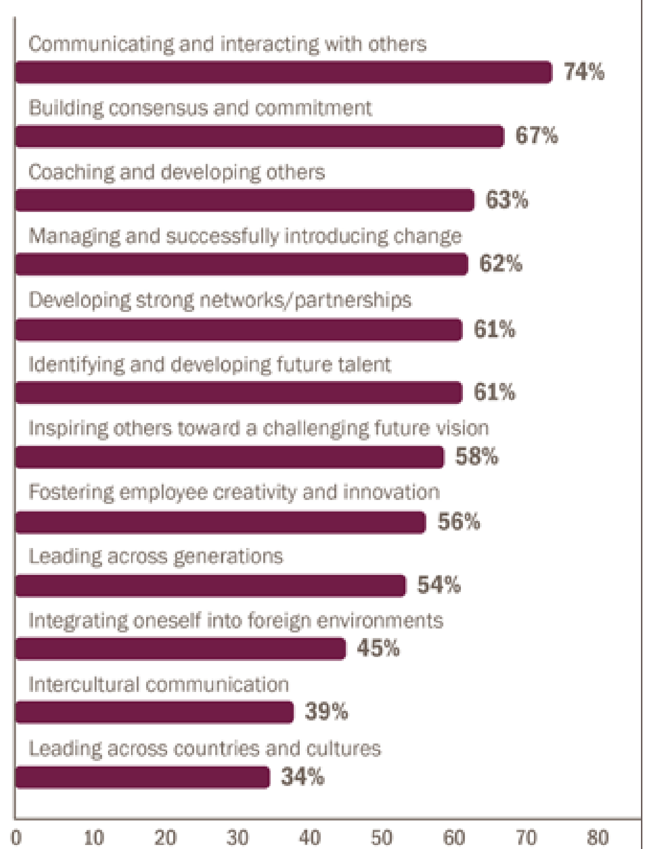
Now What !

.01 Design development programs around the skills your leaders need to succeed. The most critical skills are those that help them accomplish strategic objectives.

.02 Multinational companies, in particular, should emphasize development in global leadership skills to prepare their leaders to meet intercultural challenges and drive global growth.

.03 Innovation, a top *Conference Board CEO* challenge, can be influenced directly by leader behavior. Look for leaders who possess the skills to encourage risk taking, networking, and generating new ideas.

Percent of Leaders Considering Themselves Highly Effective



The Leadership Agility Tightrope

Mastering the Art of Change

Spotlighting the Ingredients of Leader Agility

Balance Leader Agility with Organizational Agility

Agile organizations possess the ability to anticipate trends, respond to problems, and adapt to change—important competitive advantages in a complex world. No surprise, agile businesses thrive when their leaders are agile, and vice versa. But what are the ingredients of leadership agility? To explore this, we created an agility index by combining leader capability in the four components of VUCA (volatility, uncertainty, complexity, ambiguity) with leader effectiveness in core behavioral skills strongly linked to these VUCA outcomes. (The figure on the previous page shows the capabilities and skills making up this index.) Across all leaders in our research, only 18 percent rated highly on this agility index—a clear wakeup call for those companies in which agility is a mandate for survival and growth.

Our forecast shows that the impact of an agile leadership pool—for those few companies able to achieve it—is enormous. We looked at a composite of metrics—profitability, earnings per share, five-year rate of return to investors, and stockholder equity—gathered from financial databases on 150 publically traded companies. We found that companies with a larger pool of agile leaders (30 percent or higher) are able to reduce the time it takes a new leader to be fully capable by an average of three months. Organizations in the top 20 percent of financial performance are 5.8 times more likely to have a high proportion of agile-ready leaders than those in the bottom 20 percent.

We also explored the relationship between rapid company growth and leadership agility. Fast-growth companies have 35 percent more agile leaders than their no/slow-growth counterparts; however, in no/slow-growth companies, agile leaders are 32 percent less engaged compared to those in high-growth companies. They also are 47 percent more likely to be looking for another job. Simply put, agile leaders are likely to clash more often with—and to depart more quickly from—a company that is performing poorly or that has a highly conservative culture. This finding points to a potential trap when it comes to agile leaders: Companies that can't follow through culturally and strategically promote agile leaders at their own peril, as they run a likelihood of losing them to more agile organizations.

Now What

.01 If agility is key to the future of your company, hire and promote leaders high in agility. Several validated assessment tools are available to help you do this. The term "learning agility" has come into vogue. A strong learning orientation is crucial to leadership agility, but it is more complex than a single factor.

.02 Avoid the agility mismatch; claiming to be agile but failing to back it up with decisive action and rapid decisions will push your most agility-capable leaders elsewhere.

.03 HR often plays a role in organizational design and process efficiency. While the term "reengineering" seems to have died, the tenet behind it is relevant. Simplify complex processes by reducing non-value-added steps and layers of approval. This capability, often found in people with organization development (OD) skills, can have a big impact on your company's agility.

.04 Some agility skills can be learned. One is learning how to introduce and manage constant change. Make sure your leaders are "change masters."

Impact of Agility on the Organization

Evolving HR

From Partner to Anticipator

How Do HR Professionals Contribute to Business?

18%

Anticipator
Uses data to predict talent gaps in advance; provides insights about how talent relates to business goals.

60%

Partner
Openly exchanges information with the business about current issues; collaboratively works toward mutual goals.

22%

Reactor
Ensures compliance with policies/practices; responds to business needs by providing tools/systems when asked.

Get Strategic, Sooner

Which is more critical to business success: strategy or the talent to execute it? Assuming they are equally important suggests that hiring and nurturing talent and conducting strategic planning should be done simultaneously, as one process. Yet, only one in four HR respondents reported participating early in strategic planning. The other three either were not involved or were asked to develop talent plans after the strategic planning process.

HR's role needs to continue to evolve. For at least two decades, the challenge for HR was to move from being administrators or reactors to being business partners. HR units worldwide have made that shift. As shown in the illustration at left, 60 percent of our HR sample classified themselves as "partners."

It's now time to raise the bar for HR, to take on a new role we call "anticipator." Anticipators are always looking for what might come next. They work with the business to predict future talent gaps, and then strive to close the gap. They are able to proactively advise leaders on the probability of their strategies succeeding based on available talent and its quality. However, as the illustration at left shows, fewer than 2 in 10 HR professionals place themselves in the anticipator category.

We also examined when HR gets involved in the strategic planning process—early, late, or not at all. As the illustration at right shows, anticipators are far more likely than their partner or reactor counterparts to be part of their organization's strategic planning process. That involvement pays off big for their organizations, which are three times more likely to have stronger leadership bench strength and over six times more likely to have exhibited strong financial performance than organizations in which HR's involvement in the planning process occurs late or is nonexistent.

While anticipators and partners generally are likely to use similar leadership practices, anticipators do six things differently than partners or reactors. Anticipators:

- Put a stronger focus on programs that foster employee creativity and innovation.
- Are more likely to position leadership development as an integrated journey rather than an independent series of events.
- Are more likely to institute negative consequences for managers who fail to develop their leaders.
- Help ensure that a higher percentage of leaders are promoted from within.
- Help leaders be more ready to meet the CEO challenge of human capital.
- Are much more likely to use advanced workforce analytics, particularly those that involve forecasting future talent needs.

Now What!

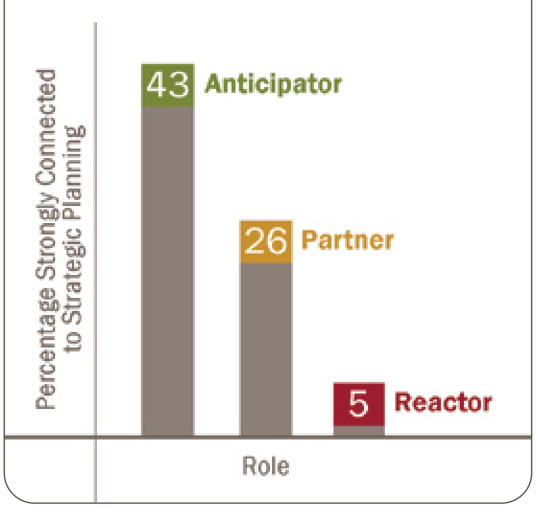
.01 Recognize the benefits and limits of an HR partnership orientation. Anticipators take a distinct approach to talent management (as described at left), which extends their influence and unlocks new forms of value for the organization.

.02 HR needs to build a case for earlier involvement in strategic planning. Several organizations have done this with a set of practices called "strategic workforce planning," which focuses on building future talent capacity tied to business goals.

.03 HR needs to become more knowledgeable and self-aware in using talent analytics, including building specialized roles within their team. Analytics provide the data to more accurately predict talent needs as well as determine what works to close any talent gaps.

.04 The skills and knowledge that got HR to where they are today probably won't be relevant in the future. HR needs to be in a constant learning mode to avoid obsolescence. The role of human capital management will change more in the next 5 years than it has in the past 30.

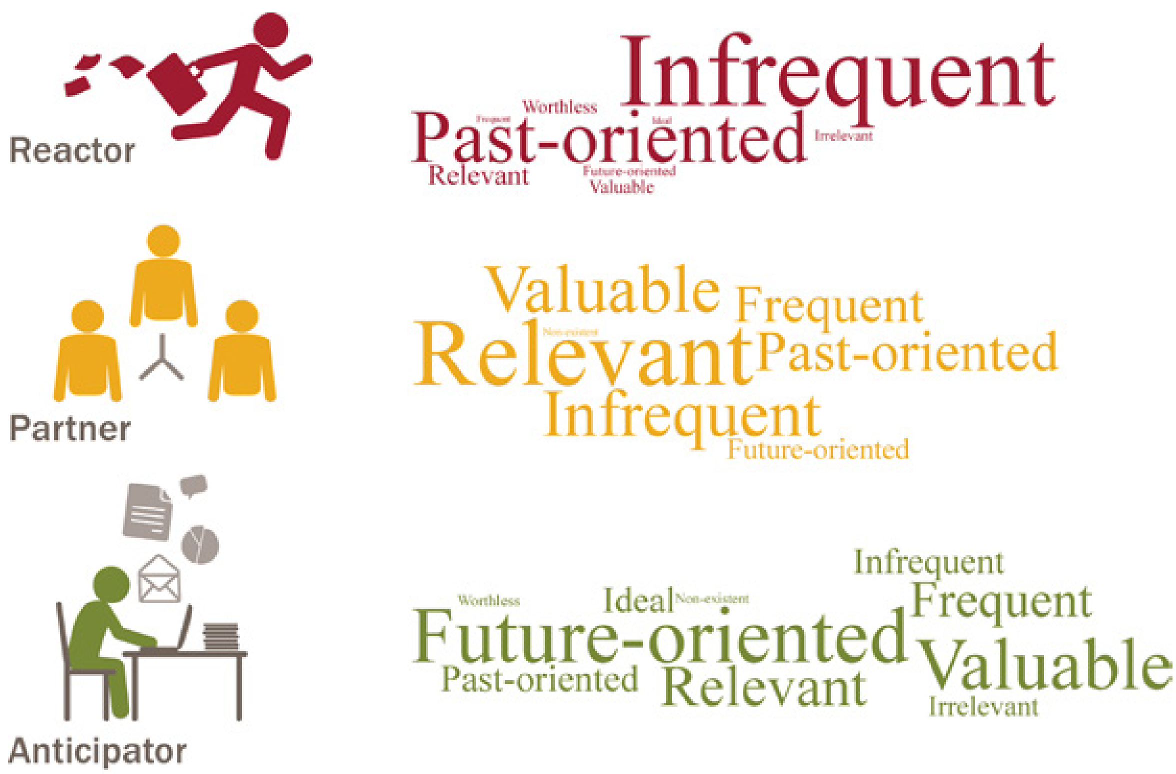
Who's Most Connected to Strategic Planning?



How They See You (and Why)

The Senior Leader View of the Business Value of HR

How Senior Leaders Describe the Data They Get from HR Reactors, Partners, and Anticipators



Larger font indicates more frequently used terms

To be an "Ideal" Business Partner, Think Future First

We asked HR professionals to evaluate their contributions to business by placing themselves into one of three roles:

- **Reactor**—Ensuring compliance with policies/practices; providing tools/systems when asked.
- **Partner**—Openly exchanging information about current issues; collaboratively working toward mutual goals.
- **Anticipator**—Using data to predict talent gaps; providing insights linking talent to business goals.

Our findings from these self-evaluations, described in the previous section of the *Global Leadership Forecast,* showed which tactics and practices drove HR's strategic influence.

The results, however, raised a key follow-up question: How do senior leaders view their HR counterparts? We conducted a targeted follow-up survey with 113 senior leaders in which we asked them to place HR into one of the three roles. Results are below, showing a stark contrast in views. Senior leaders considered nearly half the self-styled HR Partners as Reactors. However, HR and senior leaders largely agreed on the Anticipator role; that is, HR respondents vastly overestimated their ability to become Partners, yet were quite accurate about being Anticipators.

We then looked at the terms that senior leaders chose to describe the data they receive from HR counterparts they categorize into each role. Their responses, shown in the graphic on the previous page, showed how HR tactics differ between Reactors, Partners, and Anticipators. Most notably, "Future-oriented" surged from Partner to Anticipator, whereas "Relevant" and "Frequent" were used more often to describe Partners than Anticipators.

Senior leaders told us whether the data they received from their HR partners was "ideal"—this description was applied much more often to Anticipators. Future-focused was again a key differentiator, having three times the influence on ideal as "Frequent," and five times the influence as "Relevant."

As a final sign of the limitations of being a Partner, only 29 percent of senior leaders relied on HR Partners' data to a great extent when making strategic talent decisions, compared to 55 percent for Anticipators' data.

Now What !

.01 Focus on sharing talent data that look forward strategically, rather than backward and operationally, such as projected talent needs, business outcomes of talent programs, and "what if" scenarios for optimizing talent program impact.

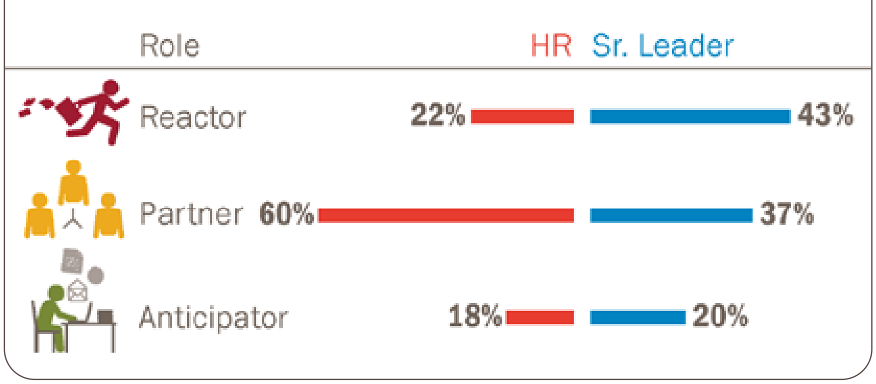
.02 Think beyond whether data are relevant now. To be an Anticipator leading the way, the value of your data may take time to become evident. Often, the most valuable data face initial temporary resistance because their relevance isn't clear.

.03 Consider downshifting the frequency of data you provide to business partners if, by doing so, you can place a heavier focus on the quality of the data and its implications for business planning. Data frequency alone isn't a differentiator for how senior leaders perceive value.

.04 See partnership as a waypoint rather than a destination. Many HR professionals who see themselves as Partners are viewed by senior business leaders as mere Reactors, showing that HR Partners often are poorly calibrated on how they are viewed by the business.

.05 Initiate an open dialog with current or targeted business partners on their views of the talent data you're providing them.

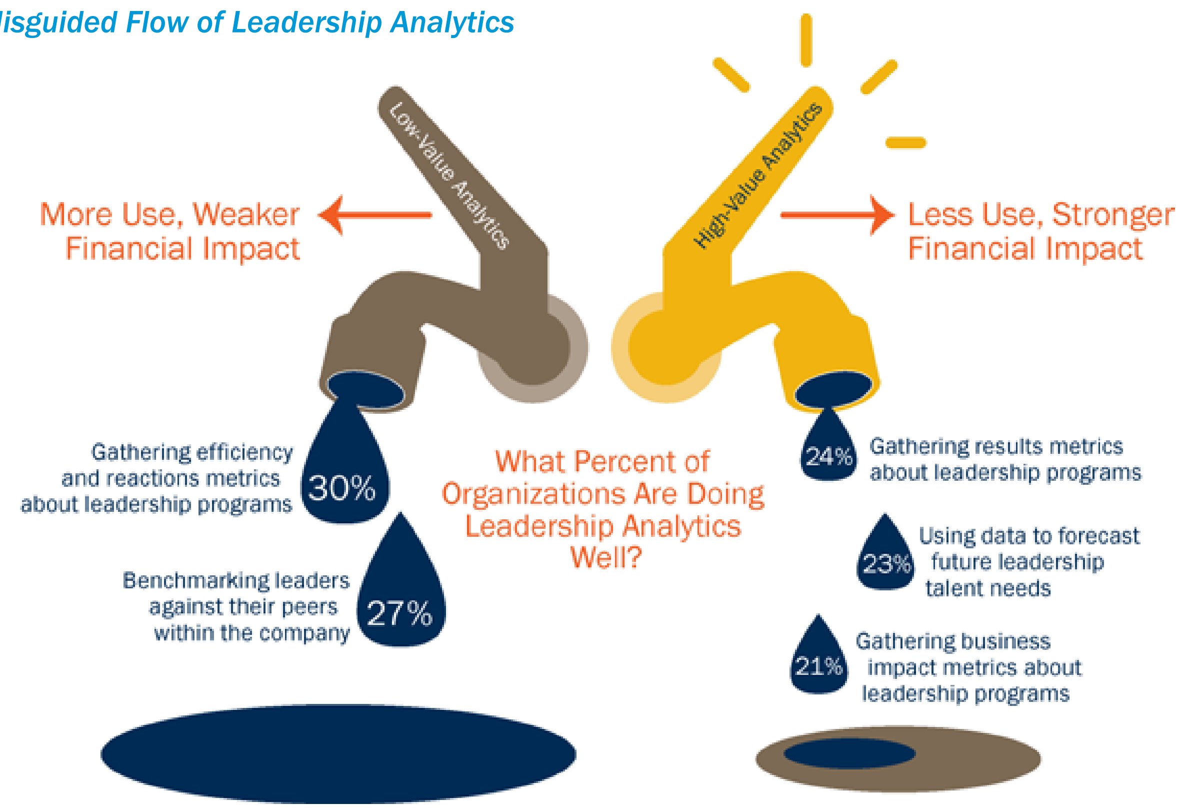
How HR and Senior Leaders Describe HR's Role



Leadership Analytics

How HR Can Use Big Data to Provide Big Value

The Misguided Flow of Leadership Analytics



Move Forward by Looking Ahead

Research conducted in 2014 by The Conference Board found that Big Data Analytics was the number one "hot button" issue for CEOs. However, Analytics was only number 19 (out of 22) in importance as a strategy to address the top CEO challenge, Human Capital.* This means that Big Data is hot and getting hotter because executives are putting increased pressure on finding ways to monetize data. However, these same executives do not recognize the potential of analytics.

To better understand the gap between HR analytics practices and recognized value to the business (and how it can be closed), we focused on several forms of leadership analytics, ranging from basic to advanced. We wanted to find out how often each was being done, how well it was being done, and most importantly, which forms of analytics link to financial outcomes. With these links we could see how well HR is responding to—or failing to respond to—organizations' need for value-added analytical insight.

The struggles of HR analytics are rampant, varied, and illustrative when viewed as detailed above. We found that 47 percent of organizations don't do any form of leadership analytics well. Only 1 in 20 does all forms well. Also, for almost every form, more companies have failed than succeeded. But we found an even bigger issue: What organizations do rarely produces value for the business. The figure at left shows these distinctions. On the left of the figure are forms of analytics more often pursued; on the right, forms that are less common. Unfortunately, those on the right correlate significantly with financial performance (a composite of external financial metrics). Those on the left do not.

* Mitchell, C., Ray, R.L., & van Ark, B. (January 2014), *The Conference Board CEO Challenge® 2014: People and Performance,* New York, The Conference Board, www.conference-board.org.

Now What !

.01 Recognize and inoculate against Big Data skepticism within the business community (both your own and in general). Although it is arriving long after other functions, HR has an opportunity to apply previously under-recognized structure, data qualification, and logic to analytics. Big Data doesn't need more hype; rather, it needs more rigor and realism, and HR is ideally suited to provide these critical voices.

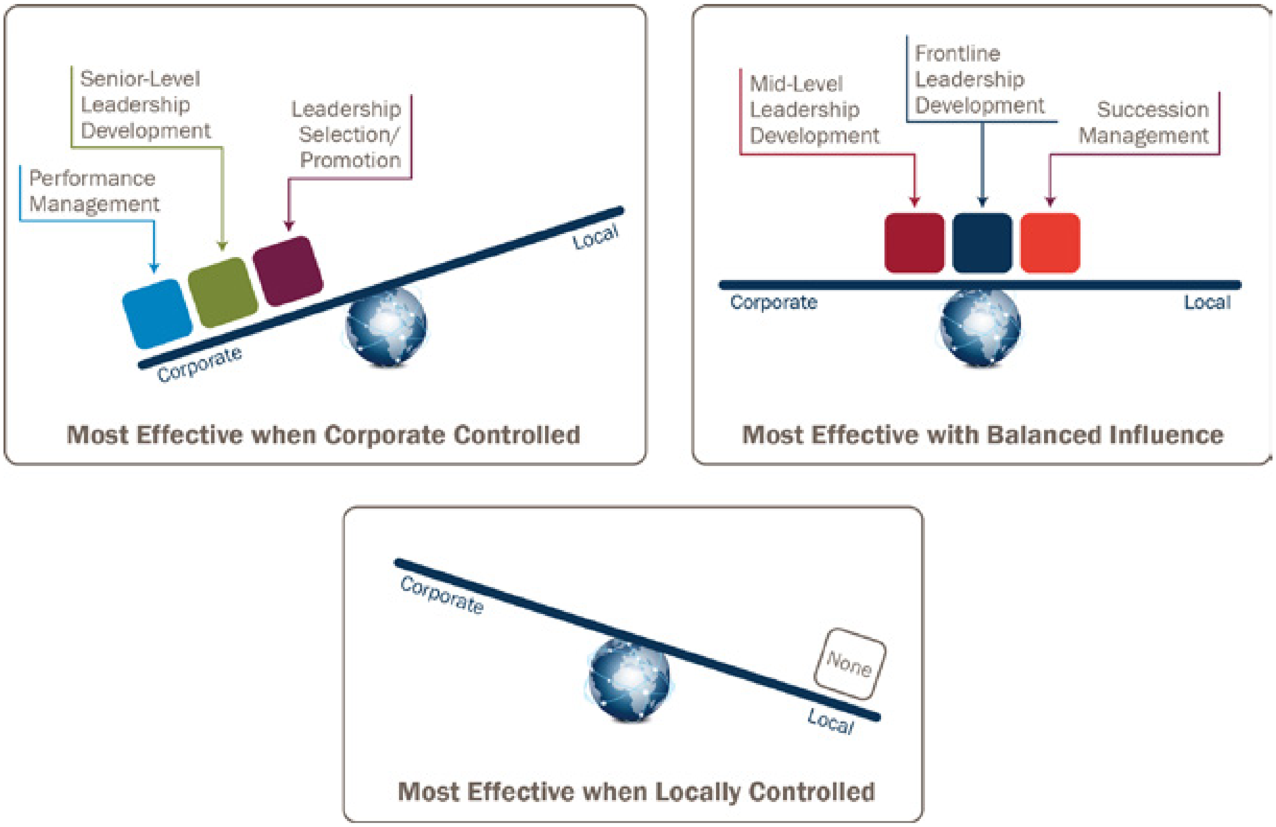
.02 Reevaluate your analytics focus. Is your perception of analytics the same as that of your business partners and senior executives? This doesn't mean, for example, you shouldn't gather reactions and efficiency metrics or benchmark internally. Simply don't expect those to be true analytics in the eyes of the business. Prioritize accordingly.

.03 Direct your organization's efforts toward future-focused and business-centric analytics that generate foresight about talent gaps and drive talent alignment with strategic goals. Without question, these are more complex and resource-intensive, but they also will help HR connect with Big Data and Analytics as a cross-enterprise business imperative, converting talent data to financial impact.

Global Program Implementation

Balancing Corporate vs. Local Control

Finding the Right Balance of Corporate vs. Local Control of Talent Management Programs



Finding the Optimal Balance

Deliberate international expansion—reaching customers beyond a headquarters' country and accessing foreign markets' growth potential—is a prevailing business imperative. In our research 69 percent of organizations indicated that they plan to add offices or facilities outside their home country. To grow talent along with operations globally, talent management functions face a core challenge: when and how to incorporate both global and local perspectives into program design and implementation.

More than 1,500 HR professionals evaluated the effectiveness of leader-focused talent management programs. We also asked them to indicate the degree of corporate versus local influence. By comparing these, we diagnosed which forms of influence produce optimum effectiveness. Findings are summarized in the figure at left.

In the upper left portion are three programs that worked best when corporate influence was heavier. For these programs, deviating too far from a uniform set of talent practices is linked to negative consequences. It's important to note that even in these situations, local influence serves a vital role by reducing the risk of an outdated perspective on the regional context. However, effectiveness suffers when erratic standards are used to define expectations for performance, selection, and promotion, and when development of the organization's senior-most leaders fails to adhere closely to a more centralized organizational vision. The costs of inconsistency are more severe for these programs than for others.

In the upper right portion are three programs optimized by a near-equal blend of corporate and local influence. For these programs, neither heavy corporate control nor heavy local control is right. For mid-level and front-line leaders, failing to consider local perspectives means ignoring or undervaluing cultural differences in learning styles and logistical parameters that field operations face (and which should affect program design). The positive impact of blended influence is similar for succession management, which, for most organizations, extends throughout the leadership pipeline rather than just in the executive ranks. For these programs, carefully managed "inconsistency" is beneficial and essential.

None of the leadership-focused programs we looked at were most effective when controlled locally. This does not mean that local influence is irrelevant, but it shows that negative consequences are almost certain when accommodating local perspectives becomes abdication of responsibility and an absence of corporate support.

Now What

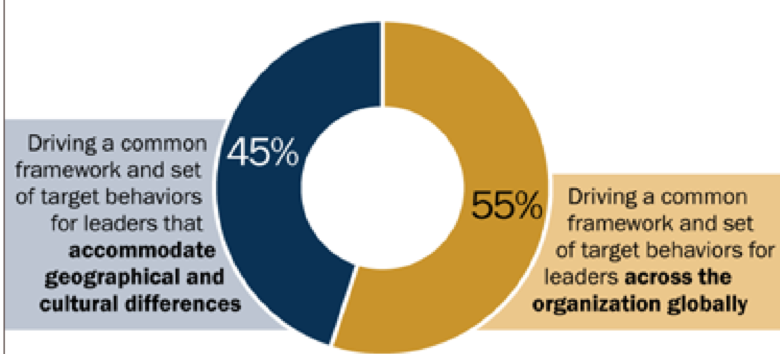
.01 Have the balance conversation today. Proactively plan flex points in program implementation, agree on and communicate the scope of autonomy for local decision making, and conduct regular audits to confirm alignment.*

.02 Be cautious when scaling back central influence on programs involving selection, promotion, and performance management decisions. These programs lose effectiveness without a common and globally agreed-upon leader success profile.

.03 For leadership programs extending across the leader pipeline, local influence is particularly critical. We found that failing to account for cultural differences in program implementation was more damaging than failing to account for differences in program design.

.04 Finally, several recent interviews with global HR heads revealed that, while the quality of the talent initiatives was critical, consideration of a host of implementation factors—scalability, technology, cultural adaptation, and development plans—was equally important. Consider these factors carefully as you plan for your global rollout.

Preferred Approach to Global Program Implementation

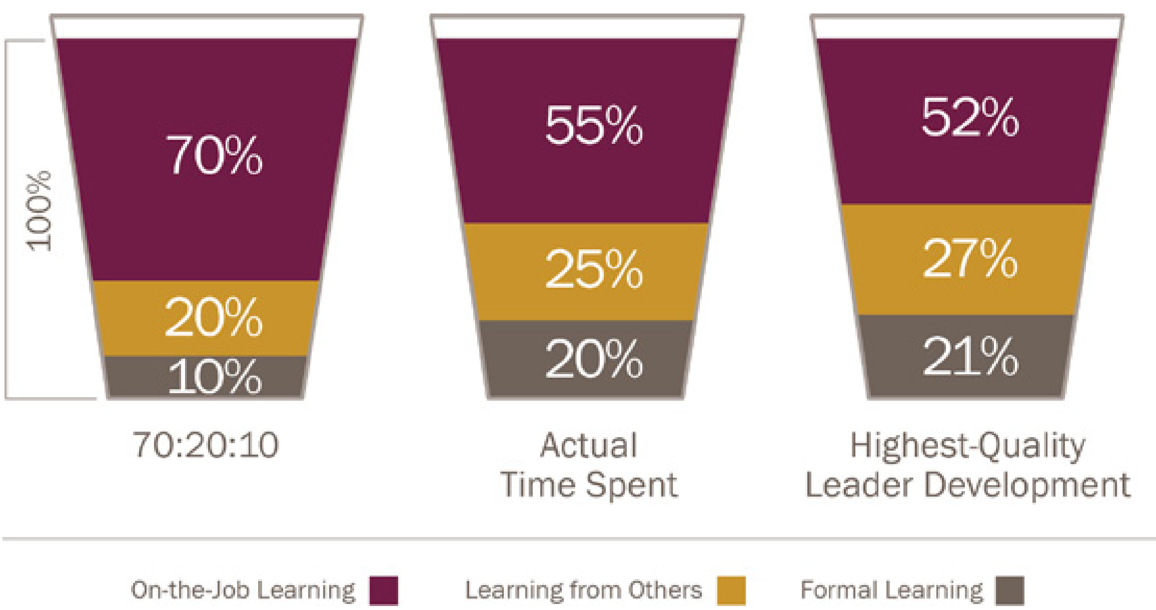


* Mitchell, S., Bolling, B., Phang, N., & Schott, T. (2013), *Talent Beyond Borders: An Organizational Guide to Delivering the Promise of Global Talent Management,* Pittsburgh, PA, Development Dimensions International.

70:20:10

The Right Ratio... or So We All Thought

Leaders Thirst for More Structured Development and Learning from Others



Get Rid of the Old Bumper Sticker

The most common piece of wisdom on how leaders learn is the 70:20:10 ratio—70 represents learning that occurs on the job; 20, learning from others; and 10, learning from formal development. This ratio originated in decades-old research that asked leaders to look *backward* at the retrospective value of learning types. It has evolved to something very different, however: a near-universal planning edict, looking *forward* to how leaders should seek and receive development. Even the ratio's originators have stated publicly that they never intended it to be used as the prescriptive tool it has become.*

These disconnects—along with not a single piece of supportive recent research—prompted us to find out if this ratio is fact or myth when put to the test with over 13,000 of today's leaders. As the illustration at left shows, the time leaders spend on learning has a very different ratio, one that significantly emphasizes formal learning and learning from others while de-emphasizing on-the-job learning. Surprisingly, this 55:25:20 ratio of actual learning time spent varies very little by leader level.

Next, we wanted to know what ratio is used by organizations that provide the highest-quality leader development. To do so, we isolated organizations that exceed their peers in leadership development quality as viewed by the leaders themselves. The resulting data showed that 52:27:21 is strongly associated with high quality—a ratio that closely matches how leaders actually spend their time. We also asked leaders how much time they spend on leadership development as well as how much time they'd like to spend. Their answers: 5.4 hours/month now, 8.1 hours/month desired. When asked where they would most prefer spending those additional learning hours, the chart at right shows their pointed response: more formal learning and learning from others.

From all these data, we concluded that overreliance on 70:20:10 misrepresents leaders' reality and doesn't match the practices of organizations with the highest-quality development or what leaders themselves prefer. Even more problematic, the 70:20:10 ratio—in fact, any ratio—emphasizes the separation of learning methods rather than their integration. Allowing learning methods to compete rather than integrating them so they can build on one another undermines their impact and their value.

* McCall, M.W., Yost, P.R., McHenry, J.J., O'Connor, P., & Plunkett, M. (2014, May), *Beyond 70-20-10 Leadership Development.*

Now What !

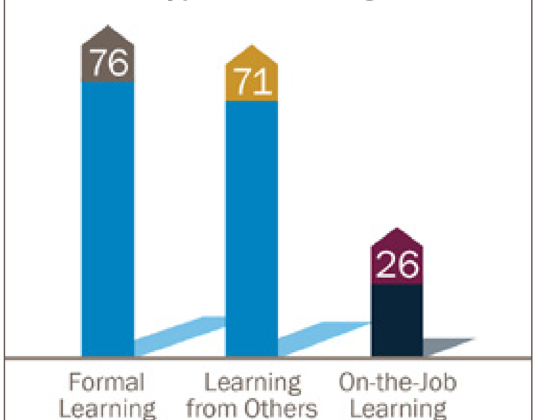
.01 Though 70:20:10 does not match reality, leaders generally will spend a greater proportion of their time in on-the-job learning. As such, carefully choose and sequence components of formal learning with learning from others.

.02 Do not place too much weight on percentages. Effective learning requires someone (a "master blender") who can put together the right combination of learning activities to meet the needs of both learners and the business.

.03 While experiential learning and learning from others are key to an effective blend, consider allocating more time on formal learning to build foundational leader competencies that can have wide-ranging benefits while matching up well with leaders' learning preferences.

.04 Organizations benefit when formal learning is a vital component of the learning mix, establishing a framework and foundation for on-the-job learning. This foundation enables job experiences to be easily converted into sustained, well-supported behavior change.

Percent More Time Leaders Want for Each Type of Learning



Critical Periods for Leadership Growth

Match the Timing to the Target

Rates of Leadership Skill Growth by Management Level

Leadership Skills	Front-line	Mid-level	Higher-level	Senior-level
Building consensus and commitment	Moderate	Moderate	Moderate	Slow
Coaching and developing others	Rapid	Moderate	Moderate	Moderate
Communicating and interacting with others	Slow	Slow	Slow	Moderate
Developing strong networks/partnerships	Moderate	Moderate	Moderate	Moderate
Fostering employee creativity and innovation	Rapid	Moderate	Moderate	Slow
Identifying and developing future talent	Rapid	Rapid	Moderate	Slow
Inspiring others toward a challenging future vision	Moderate	Moderate	Moderate	Slow
Integrating oneself into intercultural environments	Slow	Moderate	Moderate	Slow
Intercultural business communication	Moderate	Slow	Slow	Slow
Leading across countries and cultures	Slow	Moderate	Moderate	Slow
Leading across generations	Rapid	Rapid	Moderate	Moderate
Managing and successfully introducing change	Rapid	Moderate	Rapid	Moderate

Slow Growth | Moderate Growth | Rapid Growth

Leadership Skills Develop at Different Rates

Targeting development to stages of leadership doesn't have to be a guessing game. Certain skills tend to grow more quickly at certain times, such as when the topic matches the learner's experience and opportunity. Other skills grow slowly but steadily. Knowing what grows and when is critical to optimizing your leadership development investment; failing to take advantage of critical growth periods squanders time and effort. We looked at which skills grew most and when by comparing the average self-reported skill levels between high- and low-tenure leaders at each level. This review produced data-driven guidance for how to plan leadership development at each of these four levels of leadership:

- **Frontline:** Supervisor, team leader, location or department manager, foreman, etc.
- **Mid-level:** Leader of first-level leaders (group manager, district manager, etc.)
- **Higher-level:** Leader/Manager of mid-level leaders (director, department head, vice president, etc.)
- **Senior-level:** Executives and those in policy-making positions (CEO, COO, CFO, executive VP, senior VP, etc.)

The illustration at left shows how 12 skills grew (slowly, moderately, or rapidly) within the four leadership levels. This information can be used in two ways to design a development sequence. First, look across a row to identify the leadership level where a skill grew quickest. Targeting that skill at that leadership level (or levels) most likely will have the biggest payoff. Second, look down a column to identify (when blended with your organization's competency model and business context) high-priority growth targets for each leadership level. When development time is short and investment is limited, missing the opportunity to grow a leader when skill enhancement is most likely to stick (such as, *Coaching and developing others* at the frontline level) can be a costly omission.

In addition to the skills showing selective growth at points along the leadership ladder, three skills are worth noting because they grow at similar rates across almost all levels of leadership: *Building consensus and commitment, Communicating and interacting with others,* and *Developing networks and partnerships.* These skills will be valuable targets for foundational development regardless of leader level.

Now What !

.01 When building a leadership development sequence, consider the timing along with the content to capitalize on natural growth trajectories for leaders.

.02 Avoid missing out on high-growth opportunities for frontline and mid-level leaders. For many skills, growth rates are lower for higher- and senior-level leaders. If foundations aren't established early, future skill development will be limited.

.03 Don't neglect skills with slow but steady growth. Even basic skills such as communicating and networking remain relevant as development targets for senior leaders.

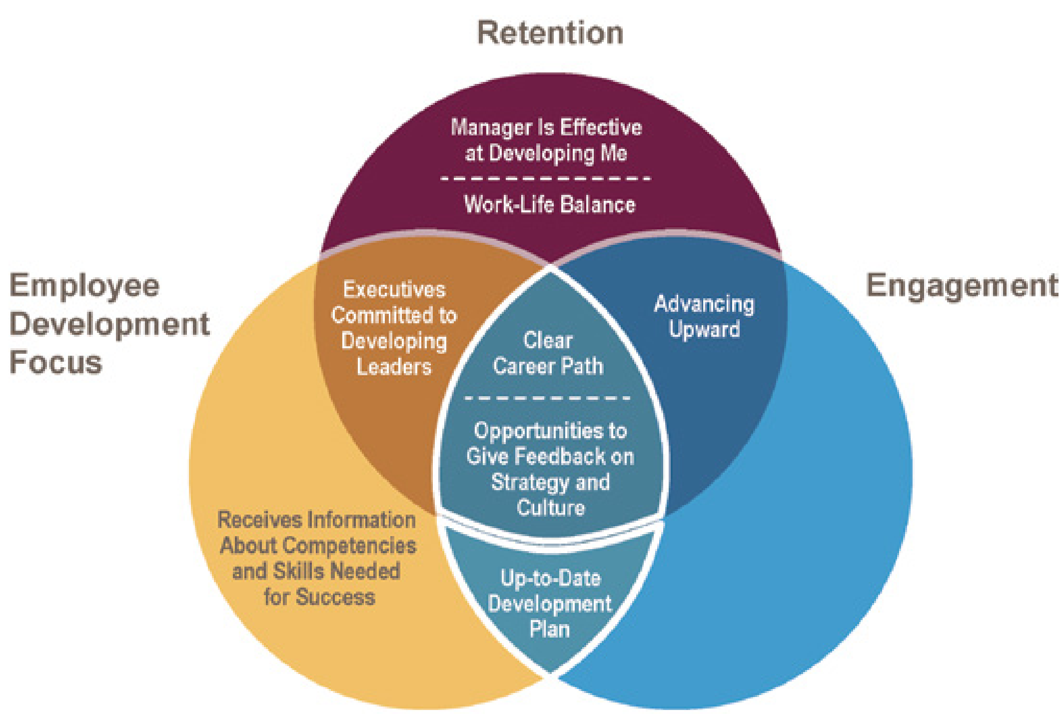
.04 Consider staggering development, focusing first on skills with growth rates that are more foundational or unique to that level of leader, and placing skills that are less so later in a leader's career.

.05 For global leadership skills, prioritize *Intercultural business communication* first at the front line, then *Integrating oneself into intercultural environments,* and finally *Leading across countries and cultures* as leaders use these skills more.

Drivers of Crucial Leader Outcomes

What Experiences Matter Most?

Strongest Influences on Employee Development Focus, Retention, and Engagement



Focus on the Overlap

A leader's immersion in the job and thoughts on staying long-term are influenced by his or her experience with a development-minded manager and the organization's approach to leadership development. We found strong links between several such experiences and three outcomes: Engagement (the leader's active involvement in the job); Employee Development Focus (the leader's active pursuit of opportunities to develop their employees), and Retention (the leader's intent to remain at the organization long-term). When everything cannot be a focus, organizations need to know which experiences most shape which outcomes to prioritize targeted leadership development practices.

We analyzed the links between the experiences of more than 13,000 leaders and these three outcomes to define more precisely what experiences matter most. The figure at left summarizes our findings, with each outcome represented by an overlapping circle. Experiences in each circle are top drivers of that outcome; experiences in areas where the circles overlap are drivers of multiple outcomes. Two factors stood out as heavy influences across all three outcomes: understanding one's career path and having opportunities to provide feedback to senior leaders about the organization's strategy and culture.

We also looked for signs of differences by leader level. Across all levels we found a nearly identical ordering of which experiences drive which outcomes, with one important exception. For Engagement, frontline leaders were heavily influenced by "Advancing Upward." This makes perfect sense because front-line leaders are early in their careers and anxious to climb the ladder. On the other hand, "Manager Is Effective at Developing Me" had a stronger impact for higher-level leaders. This suggests that, although fewer advancement opportunities are available at higher levels, the development focus and their manager's actions continue to shape engagement for mid- through senior-level leaders.

Most of the experiences listed have substantial room for improvement based on the views of the leaders in our research. Only 36 percent of leaders reported having an up-to-date development plan linked to Engagement and Employee Development Focus. All other experiences were agreed to by barely half, ranging from 52 to 57 percent, with an exception for having a "Clear Career Path" (66 percent agreement).

Now What !

.01 Work inward-out when prioritizing efforts to improve leader experiences. Start with the experiences at the center of the figure; these influence all three outcomes. To further target certain outcomes, take action to address those on the outer portions of the graphic.

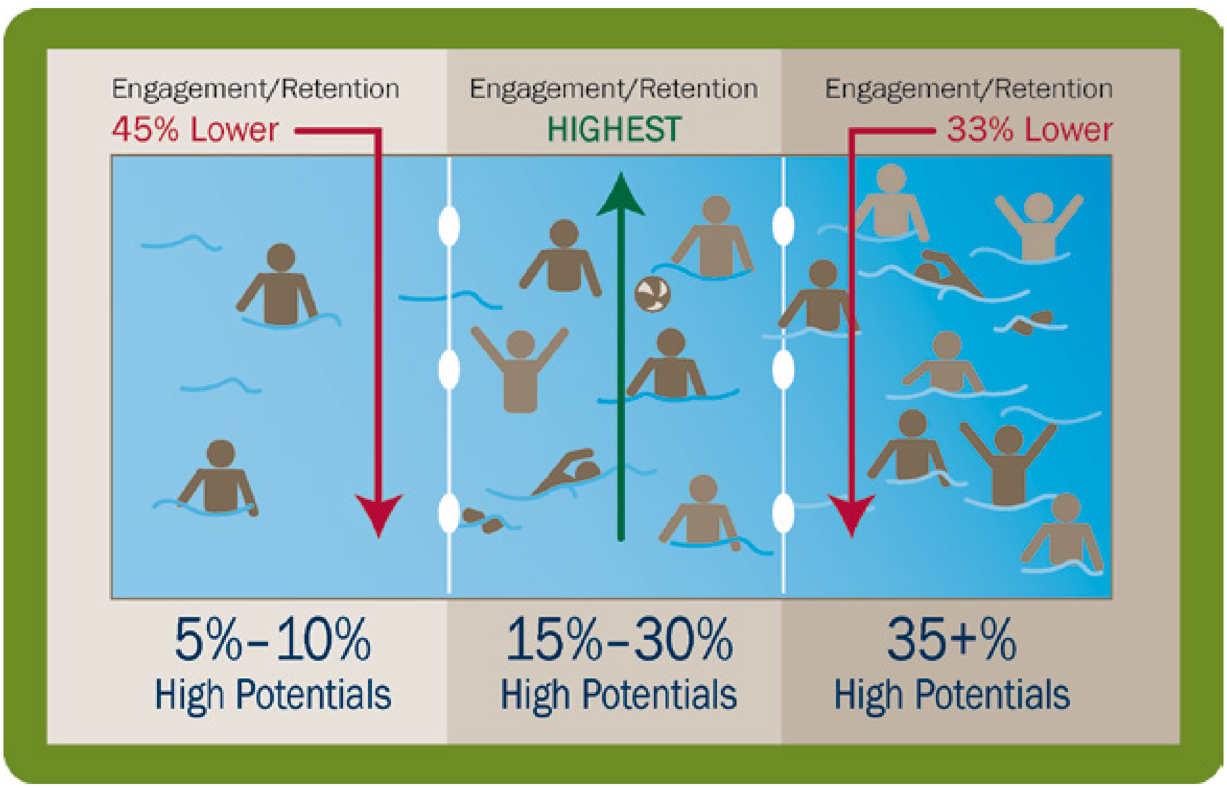
.02 Revisit the availability and awareness of processes for leaders to understand and plan their career development. Also, consider opportunities for them to openly share feedback with senior leaders about the strategy and culture. Despite the strong influence of these experiences, they often are under-communicated or lack credibility for leaders because of poor follow-through in the past.

.03 When informing leaders about what they need to be successful, consider that detailed information (for example, specific skills, behaviors, and actions) has more impact on these outcomes than general information about higher-level domains or ill-defined competencies. Evaluate the specificity of your competency models and the outputs of associated assessment and development programs to make sure they provide the level of precision leaders are seeking.

Managing the High-Potential Dilemma

Who, How Many, and What Then?

Targeting the Right Size Pool to Maximize High-Potential Engagement and Retention



If Everyone's Special, No One Is

While many leaders seek to be thought of as a "high potential"—someone who someday will do great things—the truth is that some people are above average and some are not. Identifying truly high-potential leaders is a daunting task. Even more challenging is creating an environment that allows developing leaders to achieve their potential while still retaining them within the organization.

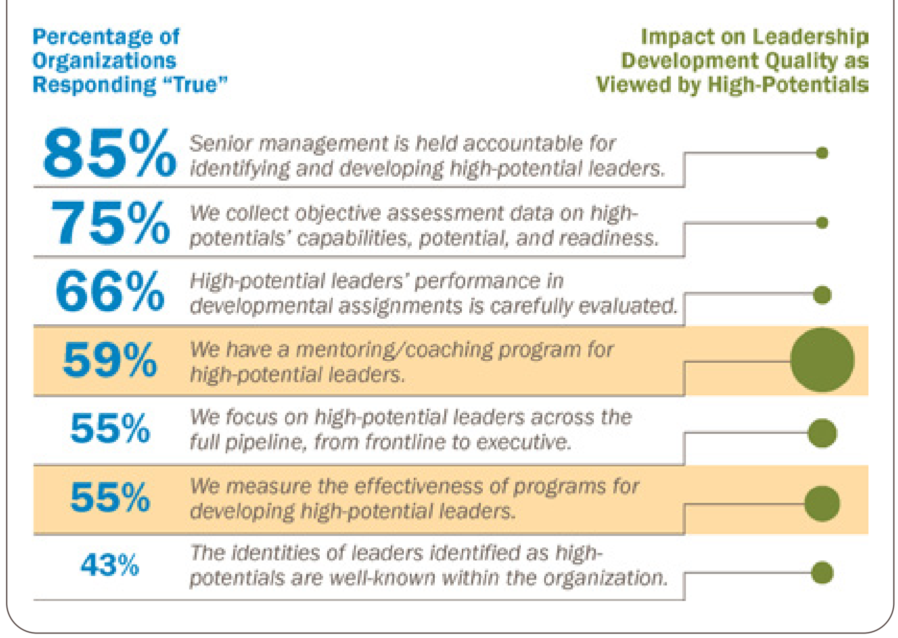
The illustration at left encapsulates the dilemma that organizations face when they have too many or too few high potentials. Organizations with a larger pool of high potentials (35+ percent) risk lower levels of engagement and retention (33 percent) than those with a smaller pool (15–30 percent), likely because the additional resources focused on the former leaders are spread too thin. Meanwhile, organizations with too few high-potential leaders (5–10 percent) have an even greater risk of generating lower retention and engagement rates (45 percent).

Now What !

.01 Revisit your process of identifying high-potential leaders to ensure you have the right people—and the right quantity of people—in your pool.

.02 Only 59 percent of HR leaders indicated that their organization has a mentoring/coaching program specifically designed to address high potentials' unique needs. Yet, when asked what development practices most affected leadership development quality, high-potential leaders selected mentoring by a significant margin. HR groups need to address this disconnect between two very important organizational constituencies.

Of the organizations we studied, 66 percent reported that they have programs for identifying and developing high-potential leaders with, on average, 25 percent of their leaders identified as "high potentials." As depicted in the figure at right, an overwhelming majority of those with high-potential programs indicated that they hold senior management accountable for identifying and developing high-potential leaders (85 percent). They report a widespread use (75 percent) of objective assessment data regarding high-potential capabilities, potential, and readiness. Also, more often than not, they report that high potentials' performance during developmental assignments is carefully evaluated (66 percent), yet only a little more than half noted that a priority is placed on measuring the effectiveness of their development programs.



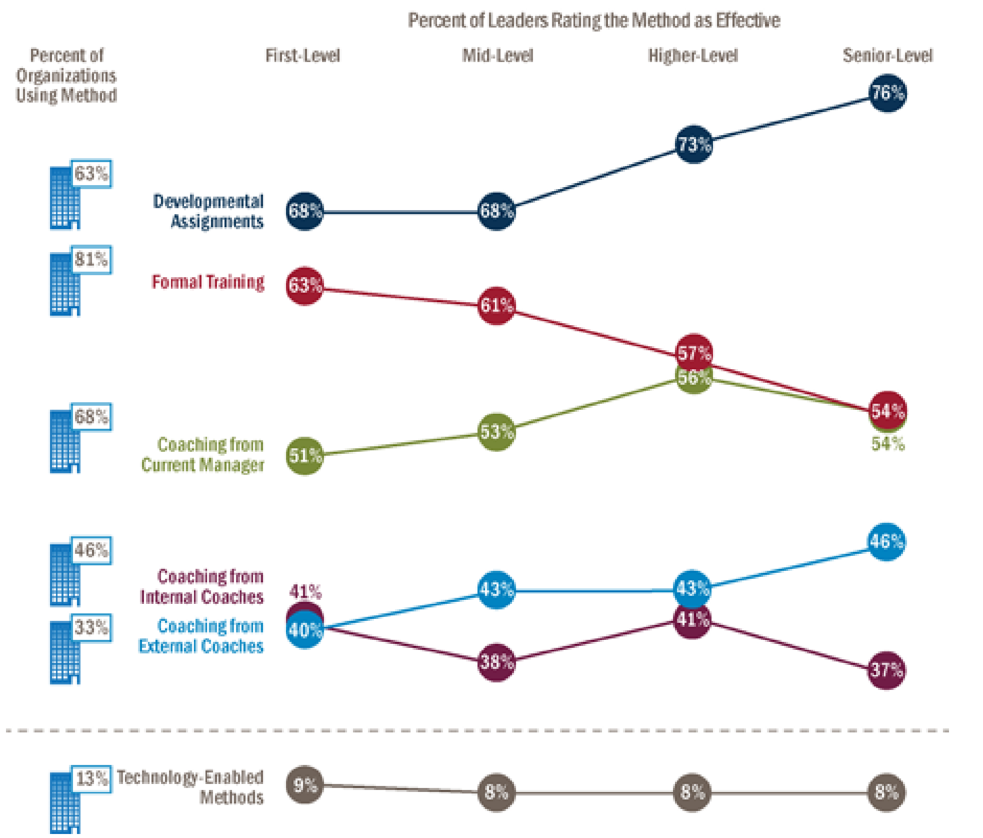
Impact of High-Potential Program Design Factors

Quality high-potential programs that are strongly supported can mean the difference between retaining or losing a high-potential leader. Roughly half the leaders who responded were considered high potentials. When asked about their level of engagement, those with weakly supported programs were twice as likely to indicate an intention to leave within 12 months (16 percent). Only 8 percent of those with strongly supported programs (half as many) indicated an intention to do the same.

Leadership Development Methods

One Size Does Not Fit All

Most Effective Leadership Development Methods at Each Management Level



Maximize Effectiveness by Level

A company that has invested energy and expense in finding and hiring the best talent will, of course, want to use the most effective methods to develop leaders and continue to grow their skills. How can an organization maximize the effectiveness of development choices?

To explore this question and to identify the most effective development methods across four leadership levels, we asked leaders to identify which methods are most effective for developing their skills. We also asked HR to tell us what methods their organizations are focusing on (see the graphic on the previous page).

We found that leaders across-the-board said in-role assignments are most effective for developing their leadership skills, followed by formal training. Formal training appears to be more valuable early in a leader's career to build the foundational skills they'll draw upon later and is increasingly replaced by the benefits they receive from developmental assignments as they rise to the top.

Coaching from one's manager was the third most effective method. It's also worth noting that even though external coaching is not heavily utilized or emphasized (only a third of organizations are using external coaching regularly), it was incrementally more effective across the pipeline and more effective than internal coaching/mentoring for all but the first level. Why? The more complex challenges facing leaders at higher levels often require a greater level of sensitivity and impartiality that makes external coaches more suitable advisors.

Ranking last in effectiveness were technology-enabled training methods, such as instructor-led online training or mobile-accessible and social learning applications. These methods may be less favorable when leaders have access to in-person development, but it is also worth considering that far fewer programs currently incorporate technology-enabled methods (only one in eight organizations), and as a result, few leaders may have exposure to or familiarity with them. Currently, these methods are more likely to be seen as supplements to formal learning or developmental assignments than as stand-alone learning methods. This is likely to change, however, as more programs incorporate these methods and as organizations integrate technology more deeply within their learning strategies.

Now What !

.01 Build options and flexibility for leader development that take into account the methods leaders find most valuable, which vary notably across leader levels.

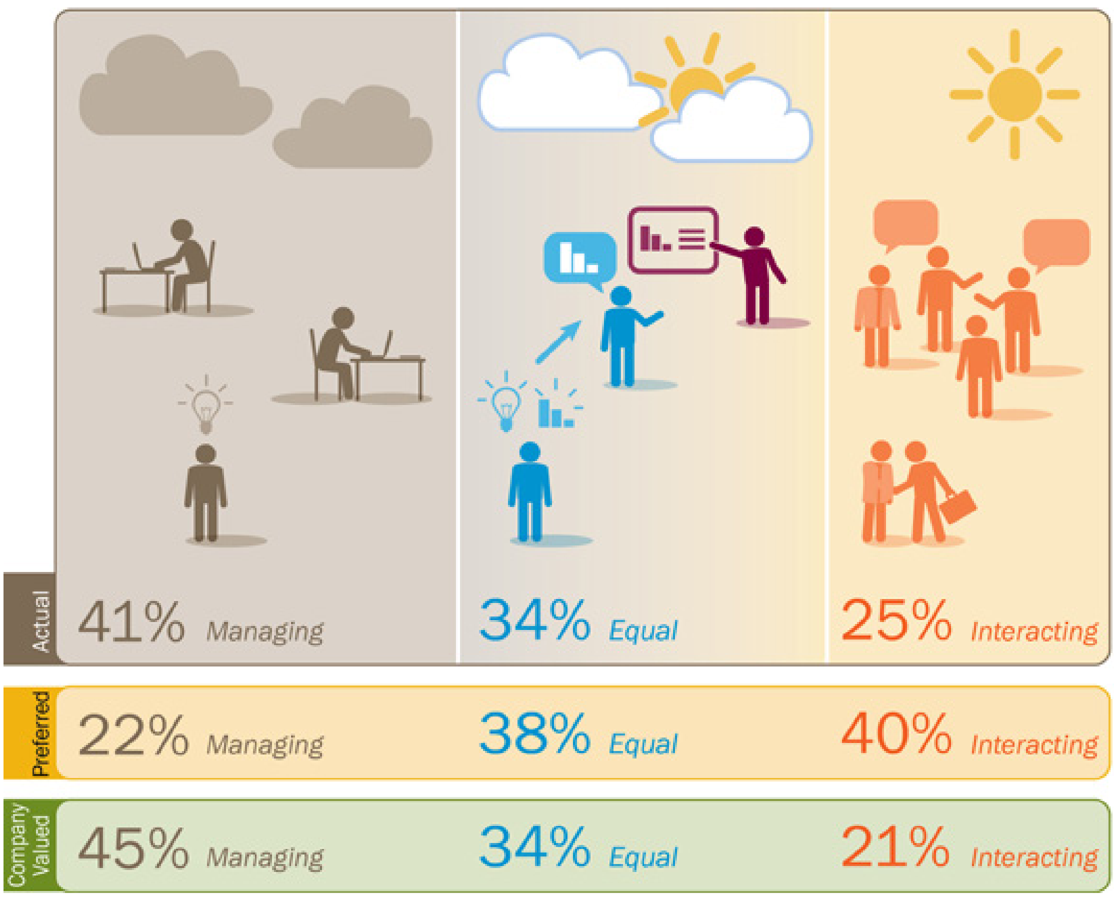
.02 Look outside the organization for coaching guidance as leaders' roles grow more complex. Leaders earlier in their careers benefit most from formal development and internal coaching, but even at mid-level, leaders indicate greater value of having external coaches.

.03 Use technology as a way to reach leaders who otherwise would have limited opportunity for development. Technology-enabled development methods will be more successful in reaching leaders who are globally dispersed.

Interacting vs. Managing

Organizations Place More Value on Managing—and That's the Problem

Leaders' Balance of Time—Actual, Preferred, and Company Valued



Practice makes perfect!

We found that leaders who spend more time interacting are more effective at these skills:

- Coaching and Developing Others
- Communicating and Interacting with Others
- Developing Strong Networks/Partnerships
- Fostering Employee Creativity and Innovation
- Identifying and Developing Future Talent

Where Should Leaders Be Spending Their Time?

Many leaders ask themselves: What's the difference between managing and leading, and which is more important? We chose to reframe the issue by taking a closer look at managing and interacting. "Managing" is time spent planning, doing administrative tasks, scheduling, etc. "Interacting" is time spent in conversation with others, such as peers, team members, supervisors, and customers. We hypothesize that interacting is far more critical to successful leadership than is managing. In a *McKinsey Quarterly* article, the authors wrote that the quality of interactions has the potential to create durable, competitive advantage, and aptly label the ability of leaders to leverage conversations as relationship capital.*

We found that leaders currently spend, on average, 41 percent of their time managing (see the figure to the left). In part, this is due to a perception among leaders that their organization's senior leaders place more value on managing competencies than on interpersonal relationships. Given a preference, leaders would nearly double the time they spend interacting and cut in half their time spent managing.

There is a high cost to organizations that neglect striving for a better balance in how leaders spend their time. A heavier focus on managing leads to less job satisfaction, higher turnover, and lower engagement among leaders. If organizations signaled that time spent interacting was as valuable as time spent managing, they likely would have a stronger leadership bench strength, which in turn would be closely linked to superior financial performance.

DDI has evaluated thousands of leaders using a highly valid assessment center process. In simulated leadership environments, we assess a wide range of competencies, but also focus on key interaction skills:

- Maintains or enhances self-esteem.
- Listens and responds with empathy.
- Asks for help and encourages involvement. *(to enhance collaboration)*
- Shares thoughts, feelings, and rationale. *(to build trust)*
- Provides support without removing responsibility. *(to build ownership)*
- Facilitates discussions.

Leader performance on these interaction skills is sorely lacking, with less than one in three displaying high proficiency.** Not surprisingly, senior managers perform as poorly as new frontline leaders.

* Matson, E., & Prusak, L. (2010, September), Boosting the Productivity of Knowledge Workers, *McKinsey Quarterly.*

** Busine, M., Watt, B., Wellins, R.S., & Boatman, J. (2013), *Driving Workplace Performance Through High-Quality Conversations: What Leaders Must Do Every Day to Be Effective,* Pittsburgh, PA, Development Dimensions International.

Now What

.01 Organizations need to hold all levels of managers accountable, in equal proportions, to their interpersonal skills and the results they accomplish. Measurement of employee engagement has come a long way in providing leaders with feedback (which can be used as benchmarks) on how others perceive them.

.02 Ensure that your selection and promotion systems include a valid measure of interaction skills. A bias remains to select or promote leaders based on their technical skills rather than their leadership skills.

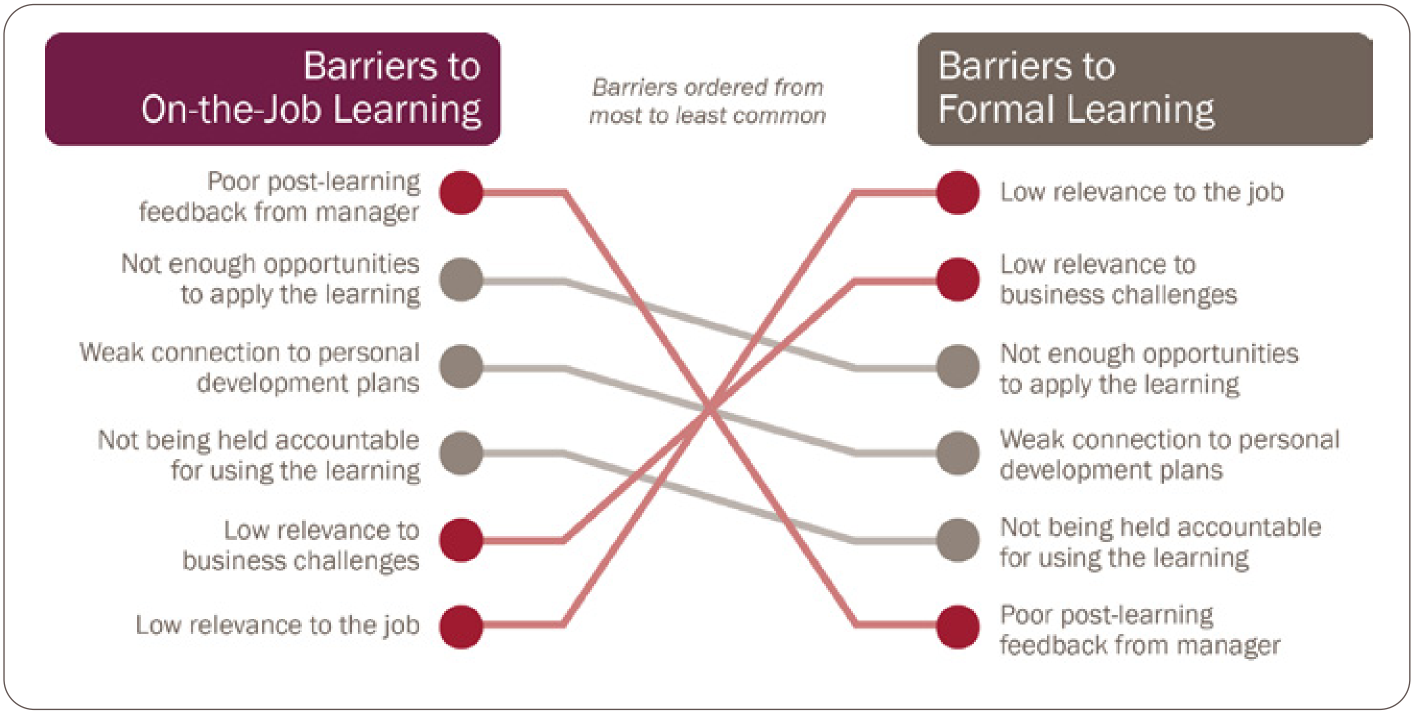
.03 Building positive interaction skills is not easy. In our experience with training thousands of leaders, with years of practice coupled with a heavy dose of self-insight, but leaders can be trained and developed to interact better with others.

Organizations That Value Interacting Benefit More

Top Barriers to Learning

Make the Course More Like the Job and the Job More Like the Course

What Is Getting in the Way of Learning? Leaders Said...



Crafting a Better Learning Experience

What makes learning work? What holds it back? All types of leadership learning have the same goal—sustained improvement of leader behaviors. But the route to achieving this goal takes a more circuitous path for some types of learning. When we compared leaders' reports of the most common barriers to formal learning (training courses, diagnostic assessments, books/articles, etc.) with those to on-the-job learning (shadowing others, networking, developmental assignments, special projects, etc.), we found a surprising pattern: The barriers aren't uniform. In fact, they are nearly exactly opposite. The factor most likely to hold leaders back from stronger development resulting from on-the-job learning—that is, poor post-learning feedback from one's manager—is rarely a barrier in formal learning. The top two barriers to formal learning—low relevance to the job and to business challenges—typically are strengths for on-the-job learning.

The figure at left illustrates this contradictory pattern clearly, listing six common barriers rated by leaders. Notice that what works for one form of learning rarely works for the other. However, there is a promising way to view this pattern too: Organizations know how to provide learning with recognized relevance, and that is rarely a barrier for on-the-job learning. They also know how to reinforce learning experiences with manager feedback, which is rarely a barrier for formal learning. In other words, organizations are demonstrating the use of the tools, processes, and information needed to ensure both relevance and post-learning manager support.

What's missing, however, is the application of this knowledge across the range of learning methods. As a result, learning experiences are too often squandered and considered only in isolation rather than as a planned sequence integrating on-the-job and formal learning opportunities. By viewing on-the-job learning more like formal learning and formal learning more like on-the-job, organizations will be better able to leverage the distinct strengths of both forms, thus generating stronger development outcomes for leaders and value for the business.

Now What !

.01 Managers of learners, by connecting learning to job and business needs and by reinforcing it after it occurs, are key to converting learning to behavior change. Hold them accountable for doing so.

.02 For formal learning, stay vigilant for how changes in organizational strategy should dictate changes in the learning's focus and how it's positioned to leaders. Don't assume leaders will spot relevance automatically. Clarify these links with both the learner and his or her manager and quickly rectify any lack of perceived relevance.

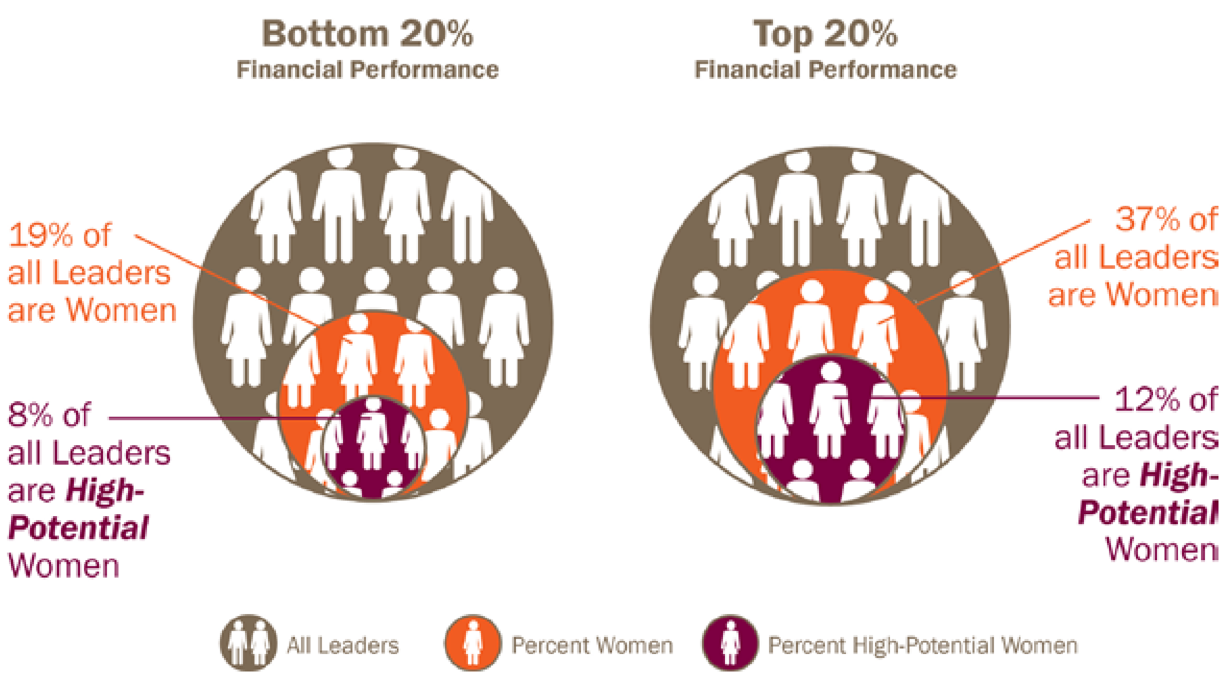
.03 Stop viewing—and allowing leaders to view—on-the-job and formal learning as distinct events. See them as counterparts in an integrated learning journey, using formal learning to build structure, planning, and reinforcement around on-the-job learning to better convert informal learning experiences into sustained changes in leader behavior.

Leader responses to the question, "What word would you use to describe your organization's approach to leadership development?"
(Text size reflects frequency of response.)

Gender Diversity

Pays Off

Organizations with Better Financial Performance Have More Women in Leadership Roles



Some Differences Count

There was no significant difference between the men and women in our study regarding leadership skills or ability to handle management and business challenges. Yet, women remain underrepresented in higher levels of leadership. What explains this imbalance?

One of the few significant differences between the sexes was level of confidence. Men considered themselves more effective as leaders (highlighted in the illustration below). This self-confidence is reflected in how highly they rated their leadership skills and ability to tackle management and business challenges. Women, on the other hand, were less likely to rate themselves as highly effective leaders compared to their peers, to have completed international assignments, to lead across geographies or countries, and most significantly, to lead geographically dispersed teams (a big opportunity gap). Missing out in these key developmental opportunities makes a difference: Leaders who had access to these global and more visible leadership experiences were far more likely to be promoted and to advance more quickly in their organizations.

These gaps are worth noting and addressing. Encouraging gender diversity in your leadership pool means greater diversity of thought, which, in turn, leads to improved problem solving and greater business benefits. Gender diversity has paid off for organizations where 30 to 40 percent of leadership roles are held by women. The difference between top and bottom financial performers is clearly illustrated at left. Organizations in the top 20 percent of financial performance counted 37 percent of their leaders as women; among organizations in the bottom 20 percent, only 19 percent of leaders were women. The same trend emerges in the percentage of leaders who were high-potential women: Among organizations in the top 20 percent for financial performance, a statistically significantly higher percent of leaders were high-potential women (28 percent).

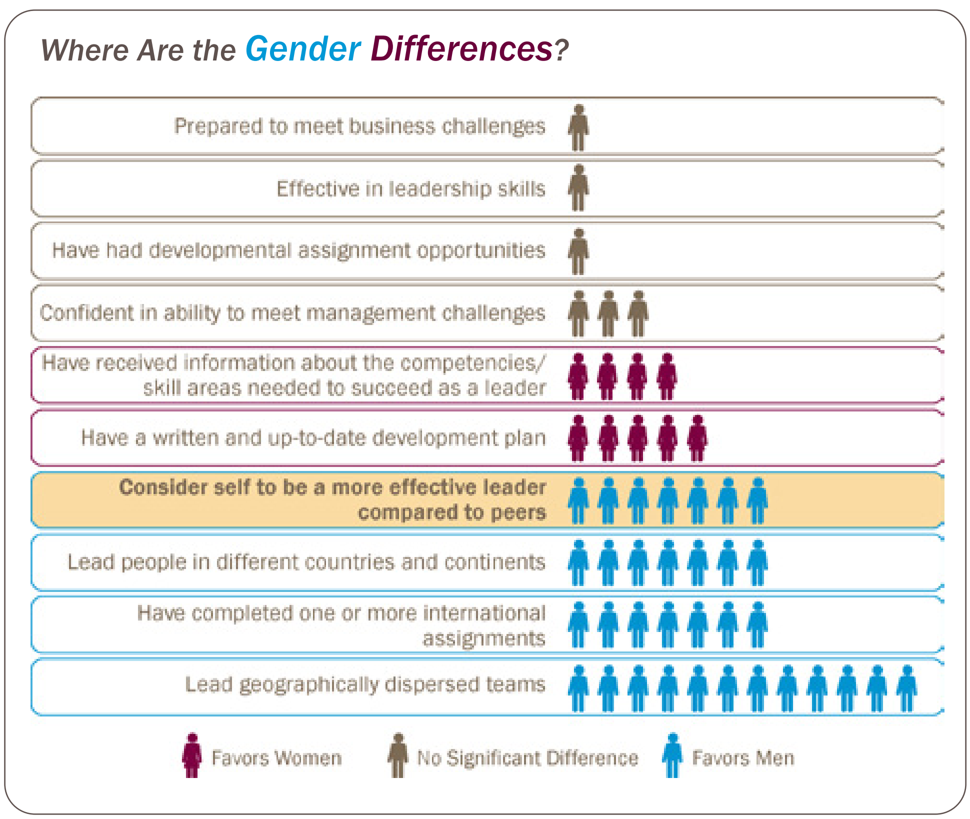
* Neal, S., Boatman, J., and Miller, L. (2013), *Women as Mentors: Does She or Doesn't She? A Global Study of Businesswomen and Mentoring,* Pittsburgh, PA, Development Dimensions International.

Now What !

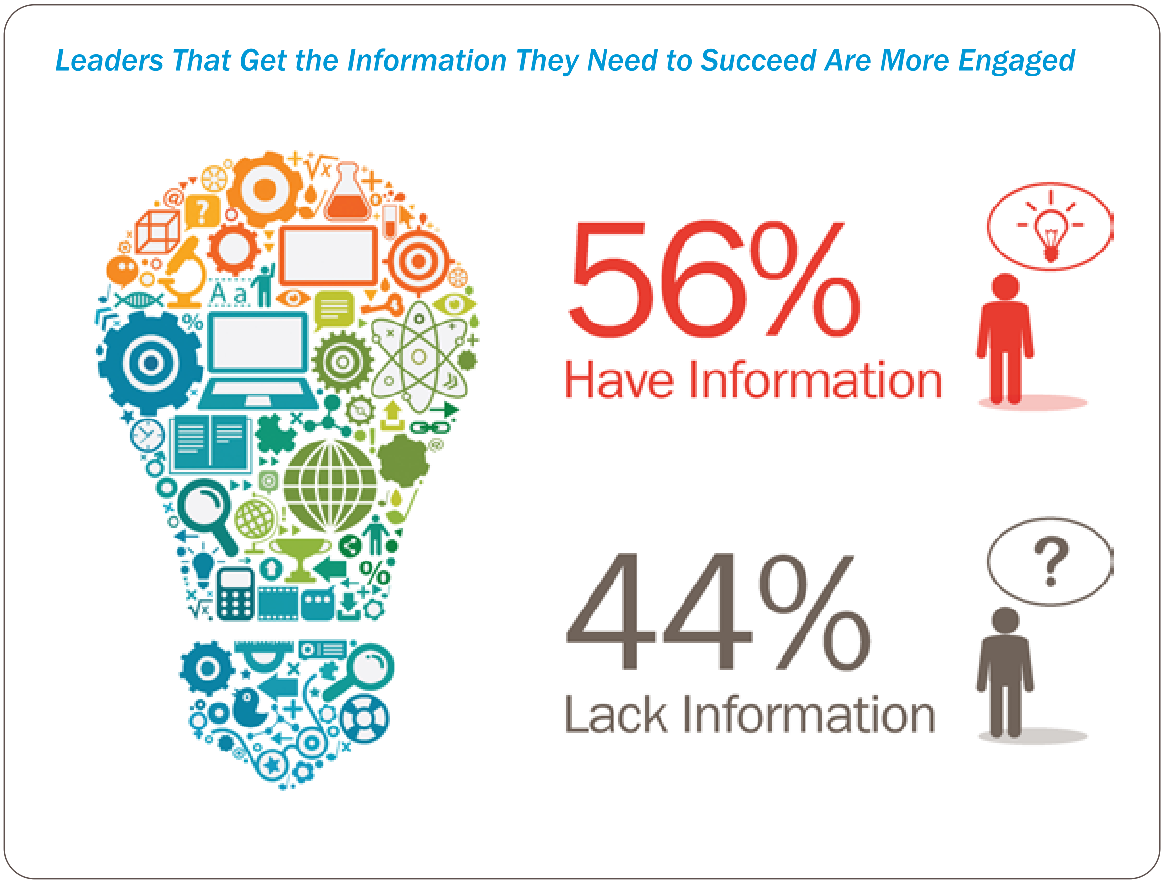
.01 Bolster current development programs or implement new practices that allow leaders, especially women, to build knowledge and skills. Development opportunities build confidence.

.02 Ensure that formal practices are in place for selecting and transitioning leaders for international and stretch assignments. Multinational organizations and those with a focus on global growth should pay particular attention to diversity and encourage women to take on global leadership roles.

.03 Strongly supported mentoring programs can play a key role in helping develop and prepare new leaders, women in particular. Women who have achieved senior leadership roles overwhelmingly report how critical mentorship was in helping them advance and grow in their careers.*



Engaging Leaders in the Information Age



Clarify Targets for Success

Almost all companies have some sort of leadership competency model and spend millions developing and maintaining it. Is there a payoff? We explored the effect on engagement and organizational outcomes of having clear information about the competencies/skill areas and the specific behaviors needed to succeed as a leader. Our analysis reveals that the answer is "plenty"—but only if the necessary level of behavioral detail is built into the model.

Only 56 percent of leaders get information about both the competencies and specific behaviors needed to succeed from their organizations, but those that do are 2.8 times more likely to be highly engaged. That's significant considering that highly engaged leaders are 4.5 times more likely to stay with their organizations.

Providing a clear picture of success better enables these organizations to hang on to their talent. In addition, organizations whose leaders say they are getting clear information are:

- 7.8 times more likely to have high leadership strength.
- 9 times more likely to have high leadership agility.
- 2.3 times more likely to have an effective performance management system in place (due to the key role competencies play in defining expectations for success).
- Much more likely to demonstrate better financial performance (60 percent of organizations who provide this information are in the top 20 percent of financial performance compared to 0 percent of organizations who don't).

While these results make a strong case for competency models, not all competency models are created equal. Those that provide the greatest level of detail—and which, in turn, can be tapped to build specific success profiles to guide assessment and inform selection, development, and promotion decisions—are the most likely to deliver the strongest returns.

Now What !

.01 To gain the full benefits of a competency approach to talent management, verify that your competency model outlines details at the behavioral level.

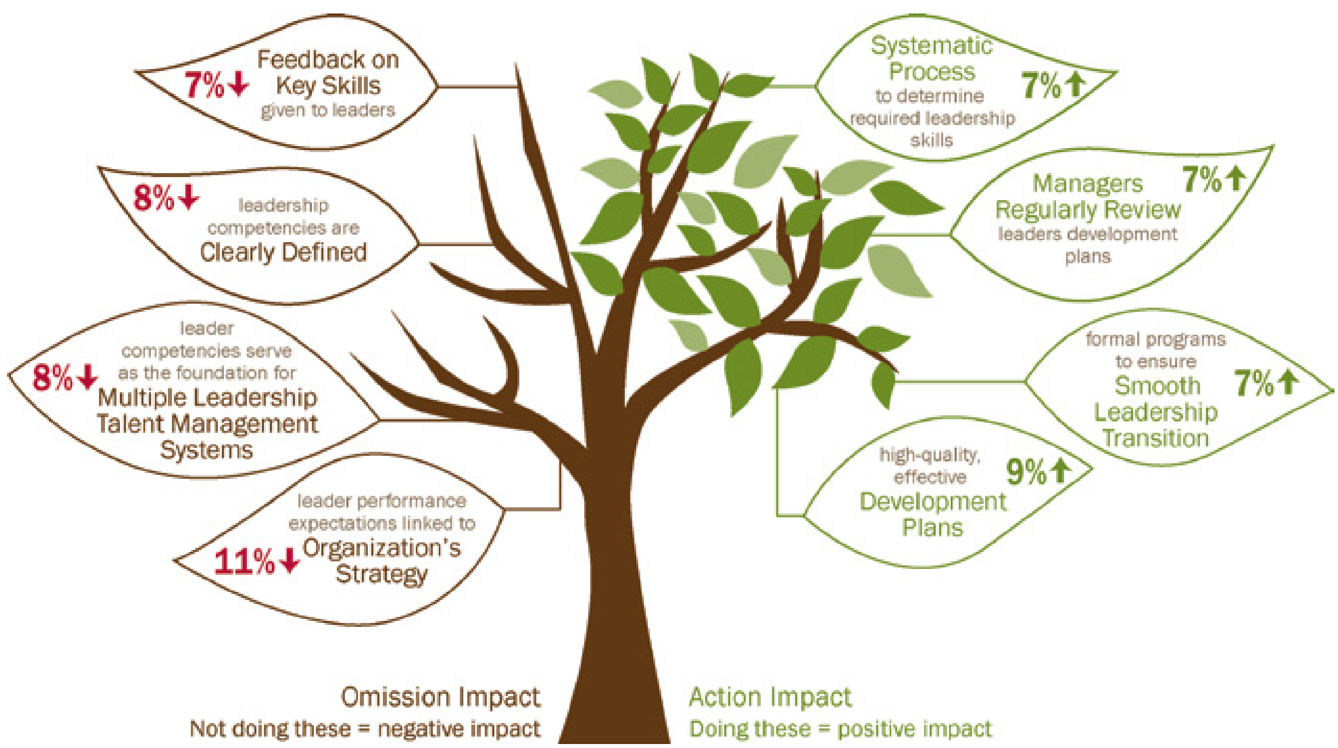
.02 Provide leaders with their targets for success, and then back them up with information about how their own performance matches up.

.03 Don't stop at one discussion, but continue the dialog. Behavioral targets should be revisited and redefined as leaders move into new roles.

Pipeline or Pipe Dream?

Avoiding the Nightmare Scenario

Talent Management Practices That Affect the Percent of Ready-Now Leaders



How Talent Management Practices Reduce Succession Risk

Growing your own leaders pays off richly. Organizations that fill a larger percentage of their positions internally have significantly higher leadership strength and financial performance (more than three times higher) than organizations that don't. Yet, the ability to actually do this varies widely; in other words, it's much easier said than done. For the average company, it's not even a coin flip despite the higher stakes. Across our entire sample, less than half (46 percent) of critical positions could be filled immediately by internal candidates, on average.

If a full, capable bench is your organization's goal, what are the best ways to increase your odds? We found that two types of talent management practices were closely linked—but in different ways—to the key metric of percent of critical positions that can be immediately filled by internal candidates. These practices are shown in the illustration on the previous page. On the left side of the tree are the practices that affected this metric through omission; that is, organizations that took these steps were still only average in their ability to fill critical positions, but those that failed to do them fell far behind their peers. The percentages in the leaves show how much the metric changes when these practices are not done. Notice that there are a few common characteristics among them. They deal with defining and providing feedback on competency skill targets for leaders, broadly using these competencies, and aligning leadership performance expectations with organizational strategy.

The practices on the right side of the tree affected organizations' ability to fill critical positions through action. Companies that failed to take these steps were only average, but those that took them boosted their bench strength noticeably compared to others (indicated by the percentages in the leaves). These practices deal with forward-facing systems and processes and a future orientation for both individuals and organizations: determining leader skills linked to success, ensuring that leader development plans are high-quality and regularly reviewed, and facilitating smooth transitions among leadership roles.

Now What !

.01 First, focus on reducing the threats of omission on the readiness of your bench. Institute, reinforce, and systematize the talent management practices on the left side of the tree.

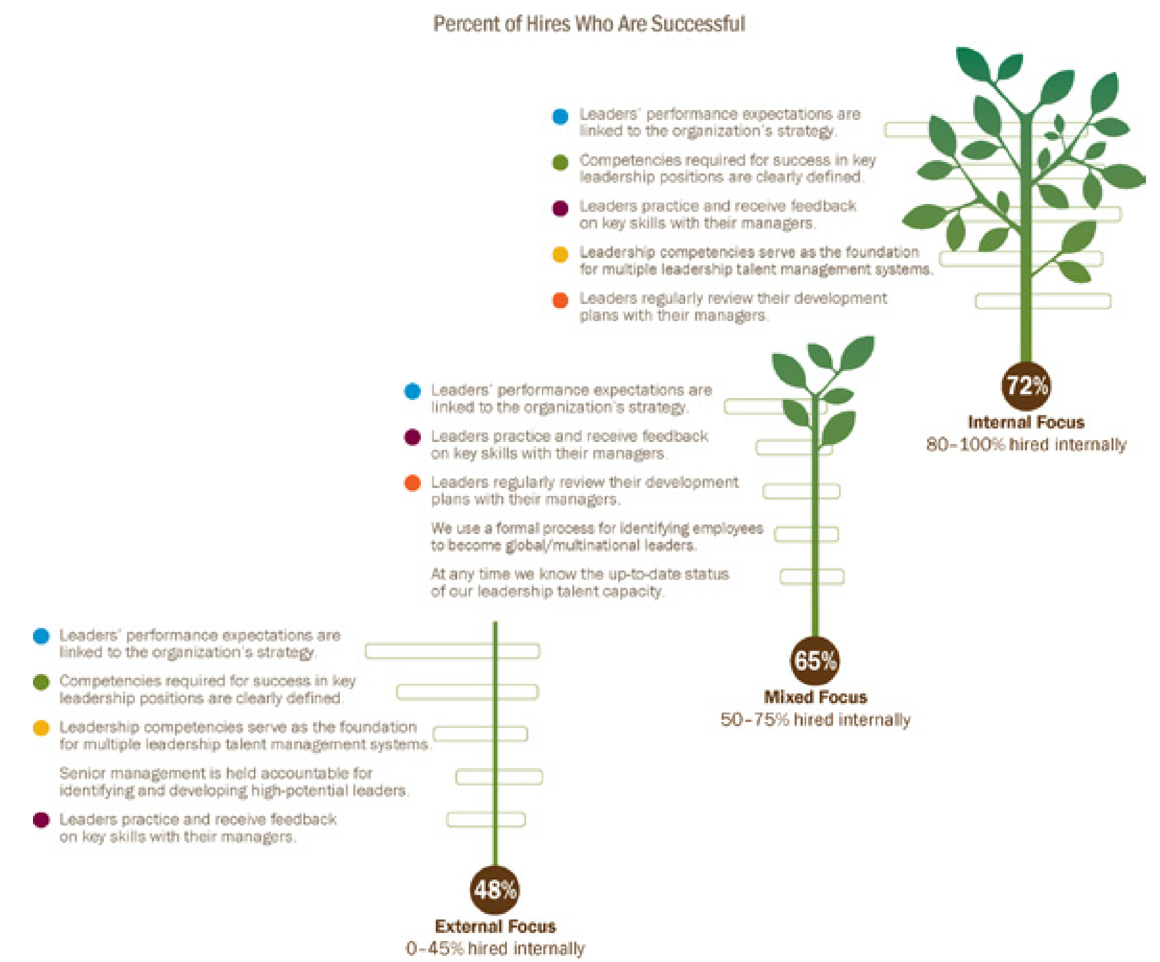
.02 Next, once these are firmly in place and functioning effectively, differentiate your organization by aggressively pursuing the actions on the right side of the tree. These future-oriented practices have a clear association with a stronger bench.

.03 Revisit these practices often to make sure they are being adhered to consistently. In particular, focus on these three practices that are not often done well but which have a large payoff: putting programs in place to ensure smooth transitions from one leadership level to the next (only 37 percent of organizations do this well), building high-quality development plans for leaders (38 percent), and ensuring regular reviews of these development plans (49 percent).

To Grow or to Grab?

Risks and Rewards of Internal Versus External Leader Staffing Strategies

Talent Practices and Leader Success Rates by Leader Staffing Strategy



Whether and How "Growing Your Own" Works Best

For many organizations a "grow your own" strategy to fill leader roles with capable internal candidates is an aspiration and hallmark of corporate culture. Internal promotions are not always desirable or feasible, however, and some organizations seek to "grab" leaders from elsewhere rather than grow their own talent pools. In our research spanning 1,500 organizations, we asked three questions to gauge the impact of various staffing approaches:

1. Do internal (80+ percent of leaders hired internally), mixed (50–75 percent), or external (<50 percent) approaches generate the best success rates?
2. What practices are the strongest drivers of leader success rates, and how do these vary by staffing approach?
3. Is there a tipping point after which growing your own becomes ineffective?

Overall, we found a consistent payoff when promotions drew heavily on internal candidates for leader success rates (shown on the previous page) and for key talent outcomes (shown below). The previous page also shows which five talent practices best differentiate higher success for each staffing approach, comparing the success rate when that practice is in place (right end of the white bar) and when it is not (left end of the white bar).

Two talent practices, linking leader performance expectations to strategy and leaders practicing key skills with managers, were uniformly linked to higher leader success rates. When leaders regularly reviewed development plans with their managers, this was a strong driver of success when half or more leader roles were staffed internally, highlighting the long view taken by companies stocking and drawing on their internal talent pool.

Rigorous competency management was a unique driver of success rates for internally and externally focused companies. These organizations have chosen their focus—either internal or external; whether they achieve success is then determined by their ability to deploy broad competency models. Contrast this with mixed-focus organizations where talent practices had a weaker impact in each case—as shown by shorter bars for those using versus not using.

Although, overall, success rates increased as more leaders were promoted from within, we did find a point of diminishing returns: Past 80 percent, the advantages of additional internal hiring were minimal. In ambiguous and complex environments requiring periodic infusions of new perspectives and ideas, the risks of an exclusively internal-focused leader staffing strategy (as compared to one that is only largely so) may outweigh the benefits.

Now What !

.01 Install frequent talent audits, strategic talent planning, and high-quality development systems that allow you to confidently promote leaders heavily from within. This approach will produce higher rates of leader success.

.02 Regardless of your staffing approach, confirm that organization strategy fully cascades down to leader performance expectations and that leaders have ample opportunities to practice key skills with managers and receive their feedback.

.03 If your staffing model is heavily weighted (80+ percent) toward internal promotions, ensure a firm and broad-based foundation of competencies to define and underlie leader success.

.04 For mixed-focus hiring, consider a more definitive shift toward either an internally or externally focused approach; organizations in the middle ground find individual talent practices have a lower impact on leader success rates.

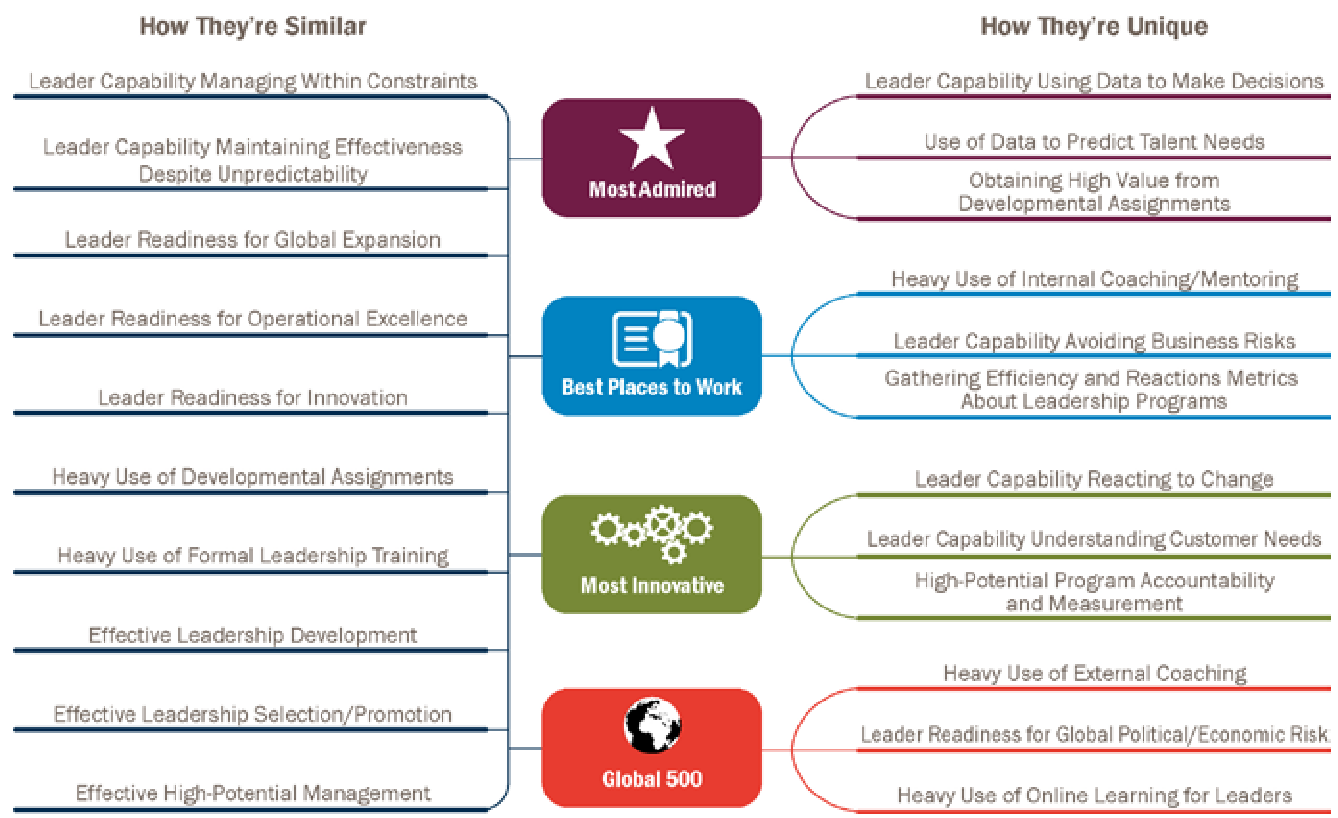
.05 For externally focused companies (45 percent or less internal), ensure strategic performance alignment, feedback for skill development, and competency management, and confirm senior leader accountability for leadership development.

Improved Leadership Outcomes for Organizations with a Higher Rate of Internal Promotion

Behind "The Best"

Talent Practices of Top-Ranked Organizations

Talent Practices Similar Across All Rankings and Unique to Specific Rankings



Prestigious Companies Manage Talent Differently

An organization known in the market as a "best company" gains valuable external recognition. Beyond mere publicity, being top ranked is an important guidepost for investors, customers, and prospective candidates. Although top-ranked companies earn prestige, almost no research exists on whether these organizations actually manage their talent differently—and if they do, how so?

We asked HR leaders whether their company was included on any rankings or lists reflecting strengths in their workforce. We consolidated their responses into three reputational categories: Most Admired, Best Places to Work, and Most Innovative. We also designated companies included on the Global 500 list as a distinct metric based on revenue.

Comparing companies ranked on each of the lists with those that were not ranked revealed two sets of talent practices. First, some practices spanned rankings, showing similarity among top-ranked companies. These practices, shown on the left side of the graphic on the previous page, were more likely to be in place for companies top-ranked on all the rankings than for unranked companies. Second, some practices were unique to just one ranking. These practices, shown on the right side of the graphic, were more likely to be in place for top companies in just one ranking, but varied little based on the other rankings.

Talent practices common across all rankings highlight the key role of leader development, selection, and high-potential management in building an employee culture that not only generates high revenue, but also is the envy of others. Top companies also have achieved strong leader readiness to meet key business challenges and place a premium on developmental assignments and formal leadership training.

Several talent practices were unique to only one ranking; that is, they mattered for companies top ranked as Most Admired, Best Places to Work, Most Innovative, or Global 500, but not for the others. The most notable examples are the use of data to make decisions and predict talent needs as distinguishing features of Most Admired companies, use of coaching/mentoring programs and leader risk avoidance for Best Places to Work, leader capabilities in change management and customer orientation for Most Innovative, and using external coaching and leader readiness to manage global risk for Global 500 companies.

Although merely emulating top-ranked companies is no guarantee that their success can be replicated, this research is unique in identifying the specific talent practices that top companies successfully pursue more consistently and effectively than their unranked counterparts.

Now What !

.01 Top-ranked companies emphasize both formal learning and developmental assignments, integrating them into development programs linking classroom and on-the-job experiences.

.02 Emulate the Most Admired by installing a culture of data-driven decision making and carefully crafted development assignments.

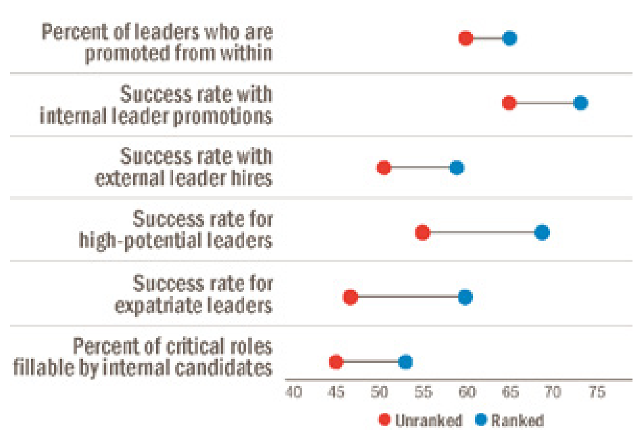
.03 Emulate the Best Places to Work by fostering coaches and mentors (beyond the immediate manager) and by seeking leaders' reactions about the talent programs they experience.

.04 Emulate the Most Innovative by bolstering leaders' skills in change management and understanding customer needs.

.05 Emulate the Global 500 by connecting leaders with external mentors and preparing them to handle global risk factors.

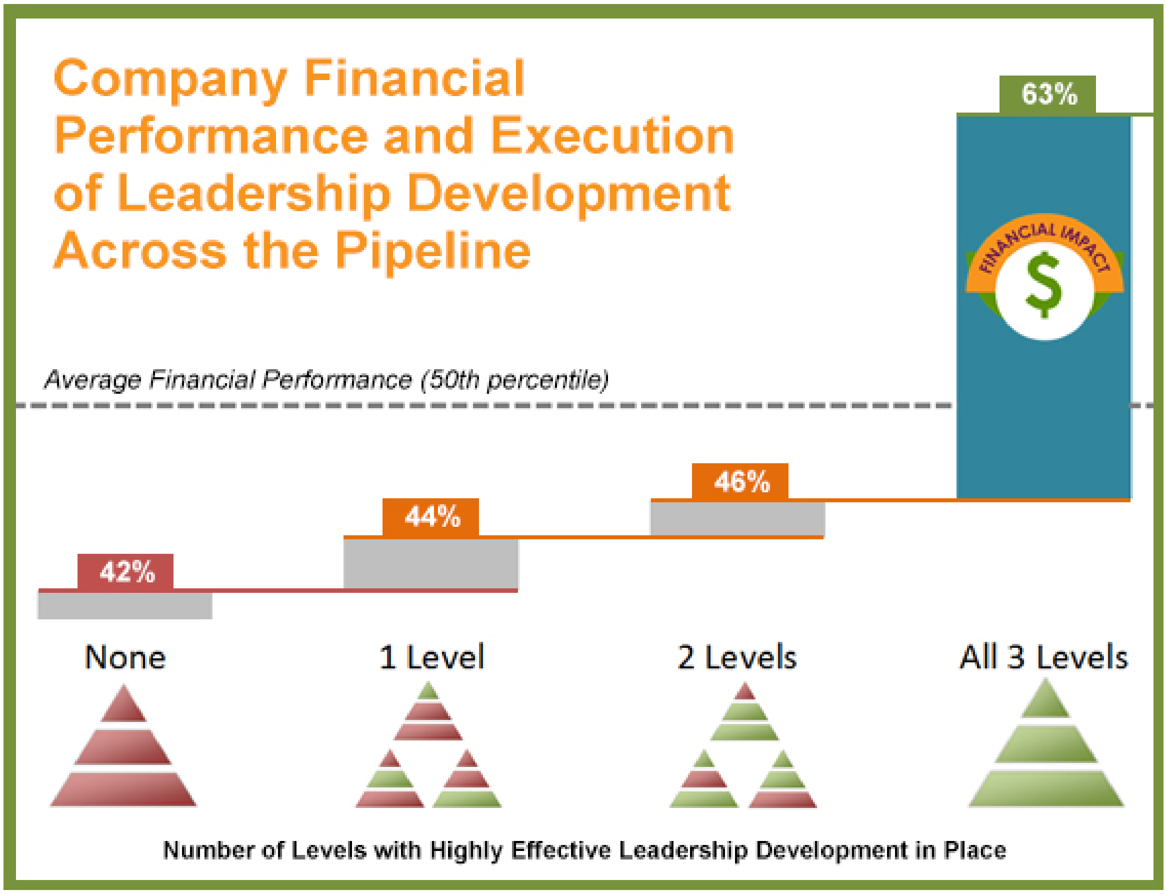
.05 Finally, recognize that being ranked as a best company is more than good publicity—companies ranked on one or more lists also outperform unranked peers on key talent metrics, as shown below.

Average Percent on Key Talent Metrics for Ranked and Unranked Companies



Developing Across the Entire Pipeline

A Key to Financial Success



Avoid Caps on and Gaps in the Leadership Pipeline

Current and projected future leadership quality largely has remained consistent—and by most measures weak—since 2011. In the *Global Leadership Forecast 2014|2015,* only 15 percent of HR professionals rate their future bench as strong. As organizations respond to deficiencies in ready-now talent, their aspirational goal often is a pipeline approach that aligns key program components (e.g., competencies required for success, transition management) across leader levels, creating a smooth flow of individual contributors into first-time leader roles and existing leaders into more advanced levels of responsibility.

Although the logic for a full pipeline model is clear, we found that fewer than 20 percent of organizations actualize it, because either they don't see the value to justify the greater levels of planning required or they are trying, but struggling with, the logistics of execution. Also, until now, research linking a pipeline model to financial outcomes was lacking due to cross-organizational sample requirements, which allow comparisons of companies with varying levels of success.

In our research we used a composite of financial metrics—profitability, earnings per share, five-year rate of return to investors, and stockholder equity—to compare four groups of companies:

1. Those without highly effective leadership development programs for any of the three levels
2. Those with high effectiveness for only one of the three levels
3. Those excelling at two of the three levels
4. Those with highly effective leadership development for all three levels

We then compared these groups based on how they fared, on average, on the external financial composite. We expected a steady and even progression of financial success with each additional level of high-quality leadership development in place. What we found, however, was different than anticipated and is shown on the previous page. The incremental increase of each new program was far from even. Successful development at each additional level was linked to a small financial advantage, but only when organizations were successfully extending their leadership development programs across all three levels did they financially outperform their peers, and decidedly so.

Now What !

.01 Target a full-pipeline approach to leadership development: Organizations that don't are much less likely to achieve even average financial performance.

.02 Create competency models that cascade and link between job levels, emphasizing cross-level commonality when appropriate. These models are key to building the common leadership language that is necessary for a full-pipeline development model.

.03 Extend high-potential programs across all levels of leadership using streamlined and scalable tools to avoid "capping" the pipeline before it can extend through the full leader ranks.

.04 Install tracking metrics as early indicators of falling short at any section of the leadership pipeline—frontline, mid-level, or senior. These gaps result in severe consequences for the overall health of the talent development system. Vigilant measurement will help to ensure they are spotted and addressed as soon as possible.

.05 When expanding or revising development programs for any level of leadership, revisit and consider adjusting programs for other levels within a similar time frame to allow program improvements for one level to transfer to other levels, keeping all programs well synchronized.

Conclusion

Looking Back to Look Ahead

Talent Management Predicts Financial Success

There's one proven way to forecast how your current talent management and leadership development practices will affect your organization's financial performance over the next three years: Learn from the past. The best forecasters spend more time looking backward than forward because they know that to forecast future trends accurately, they first must recognize historical trends.

We applied this "learn from the past" approach to this report by looking at the historical data from organizations that participated in our 2011 *Global Leadership Forecast*. When we compared their talent management and leadership development practices then with actual financial performance now, we found some compelling links (illustrated below). Organizations with highly rated leadership development programs were 8.8 times more likely to have high leadership quality and bench strength compared to those organizations with low-rated programs. This indicates that effective leadership development is a strong driver of leader quality—not just now, but also for the future. Another benefit for organizations with higher-quality programs is that they were 7.4 times more likely to have leaders who were highly engaged and inclined to stay with the organization, demonstrating how development programs positively shape a leader's experience and, in turn, affect their engagement and retention.

The 2014 Payoff of Better 2011 Leadership Development Practices

The bottom line? Leader quality helps predict financial performance. Organizations with high leader quality were six times more likely to be among the top 20 financial performers of all organizations. Although there was no evidence of a direct link between leader experience and financial impact, positive leader experiences amplified the link between leader quality and financial impact greatly: Organizations with both high levels of leadership quality and leader engagement/retention were nine times more likely to outperform their peers financially. These links point to the future impact talent management and leadership development practices can have on financial success.

Looking forward, how can you ensure the right practices are in place to help your organization be where you want it to be, both in leadership quality and financial success, in three years?

! Now What

.01 Establish or reinforce the business case for prioritized and high-quality leadership development. Achieving improved leadership quality, bench strength, and leader engagement/retention along with the resulting financial impact will be much more challenging without an integrated and solidly reinforced strategy for leader growth.

.02 Measure the effectiveness of current talent programs with a focus on improving the leader experience. The more engaged, developed, and empowered your leaders are, the more they can help drive business outcomes.

.03 Use analytics to continuously learn from historical trends and impending talent needs in order to determine where to focus and how to optimize talent programs. The key to predicting future outcomes is to track, make sense of, and guide action using the right data.

Leadership Practices Scoreboard—Across 1,500+ Organizations, Which Matter Most?

This table shows 20 leadership practices in three categories. For each practice HR professionals indicated whether it is the norm for their organization as well as what impact the practice had on four outcomes captured in the research: high-quality development; leader experience (engagement and retention); leadership strength (current and next three years); and the organization's financial performance over the prior year.

	Practice	EFFECTIVE DEVELOPMENT	LEADER EXPERIENCE	LEADERSHIP STRENGTH	FINANCIAL IMPACT	% of HR that Agreed
Talent Management Practices	Competencies required for success in key leadership positions are clearly defined.	●		●	●	68%
	Leadership competencies serve as the foundation for multiple leadership talent management systems.	●	●	●	○	71%
	Validated tests and simulations are used for making leadership promotion and selection decisions.			○	○	43%
	A systematic process (e.g., strategic talent planning) is used to identify the quantity and quality of leadership required to drive future business success.	●		●	●	44%
	We use formal programs to ensure smooth leadership transitions at all levels.	●	○	●	○	37%
	At any time, we know the up-to-date status of our leadership talent capability across the organization.	●		●		41%
	We use a formal process for identifying employees who could become global/multinational leaders.	○	○	●		41%
Development Practices	Our leaders have high-quality, effective development plans.	●		●	○	38%
	Managers who fail to develop their leaders receive negative consequences as a result.			○	○	36%
	Leadership development modules are positioned with leaders as a planned sequence rather than as independent events.	●		●	●	49%
	Leaders regularly review their development plan with their managers.	○		●	○	49%
	Leaders practice and receive feedback on key skills with their managers.	○	○	●	○	57%
	Leaders' performance expectations are linked to the organization's strategy.	○		●	○	78%
Succession Management Practices	Senior management is held accountable for identifying and developing high-potential leaders.			●		85%
	The identities of high-potential leaders are well-known within the organization.			○		43%
	We collect objective assessment data on high-potentials' capabilities, potential, and readiness.			○		75%
	We have a mentoring/coaching program specifically for high-potential leaders.	●	○	○	○	59%
	High-potential leaders' performance in developmental assignments is carefully evaluated.			●	○	66%
	We do **not** focus on high-potential leaders only as replacements for the senior and executive levels.	○				55%
	We measure the effectiveness of programs for developing high-potential leaders.	○		●	○	55%

Key: No circle = nominal impact; ○ = moderate impact; ● = strong impact

Organizational Factors Scoreboard—Across 1,500+ Organizations, Which Matter Most?

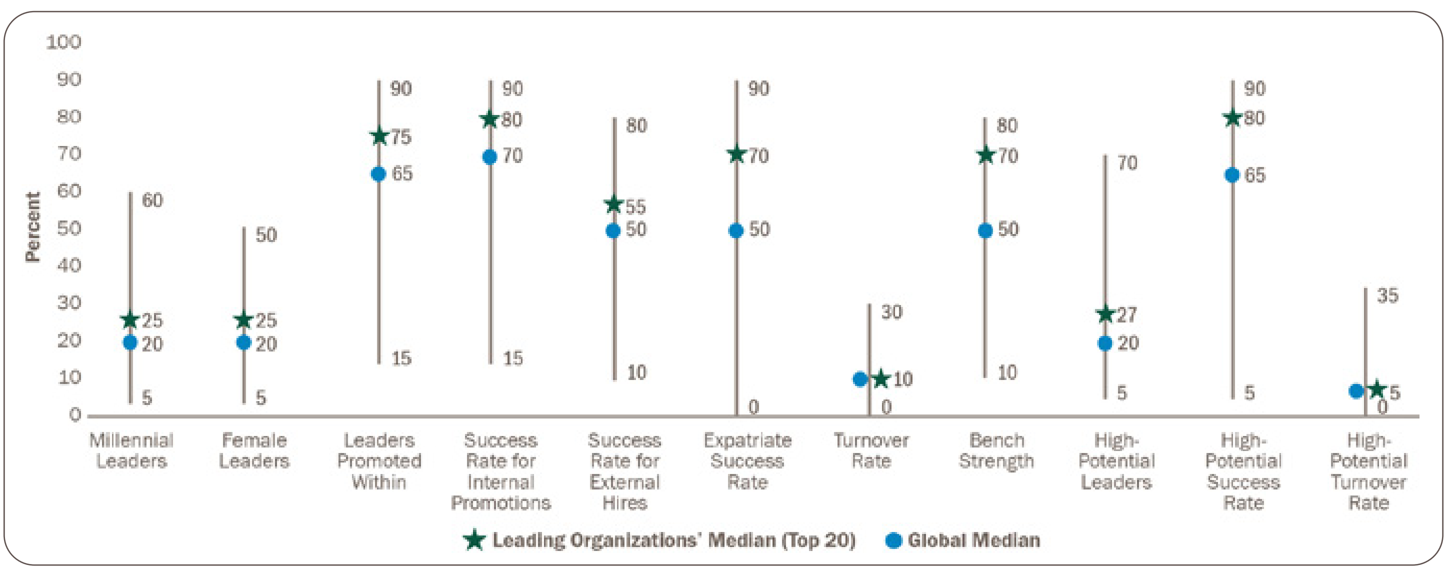
This table shows several organizational factors and their impact on four outcomes captured in this study: high-quality development, leader experience (engagement and retention), leadership strength (current and next three years), and the organization's financial performance over the prior year. Because most factors listed are supported by a range of individual leadership and talent management practices, the cumulative impact of these factors tends to be stronger than many practices on their own.

Organizational Factors	Effective Development	Leader Experience	Leadership Strength	Financial Impact
Have leaders with high VUCA capability	●	●	●	●
HR's talent plans are connected early and strongly to strategic planning	●		●	●
ANALYTICS USAGE				
Benchmark leaders against their peers within the company	○		●	
Gather efficiency and reactions metrics about leadership programs	○		●	○
Gather results metrics about leadership programs	○		○	○
Gather business impact metrics about leadership programs		○	●	
Use data to forecast future leadership talent needs	●		●	●
Value interacting more than managing	●	○	●	●
Higher percent of leaders are Millennials (more than 30%)		○	○	○
Higher percent of leaders are women (more than 30%)	●	●	●	●

Key: No circle = nominal impact; ○ = moderate impact; ● = strong impact

HR Benchmarks

We asked HR participants to provide general information about the makeup and turnover and success rates of their leaders. The figure below provides median benchmarks from organizations across the globe. The bars represent the general range of responses received from HR respondents (between the 10th and 90th percentiles); the blue dots indicate the median of all organizations; and the green stars indicate how leading organizations (represented by those with the highest leader quality and bench strength) responded on average.



Appendix

Demographics

Organization Characteristics

Industry

4%	Business Services
2%	Construction
6%	Energy & Resources
11%	Financial & Insurance
6%	Health Care
22%	Manufacturing
11%	Pharmaceuticals
3%	Retail & Consumer Business
5%	Technology & Telecommunications
14%	Transportation
16%	Other Industries

Number of Employees

11%	1–200
15%	201–500
11%	501–1,000
24%	1,001–5,000
11%	5,001–10,000
9%	10,001–20,000
9%	20,001–50,000
9%	50,001 or more

Presence in Global Market

38%	National
62%	Multinational (own, operate, or have affiliate offices outside own country)

Leader Characteristics

Leader Level

34%	First-level leader
33%	Mid-level leader
27%	Senior or Higher-level
6%	Executive or Senior-level

Organizational Tenure

6%	Less than 1 year
30%	1–5 years
21%	6–10 years
16%	11–15 years
27%	More than 15 years

High-Potential Status

52%	Yes
48%	No

Generation

7%	Millennials
78%	Generation X
15%	Baby Boomers

Age

2%	Less than 25
23%	26–35
41%	36–45
27%	46–55
6%	56–60
1%	Over 60

Gender

72%	Male
28%	Female

Responses by Region

	HR	Leader
Africa/Middle East	3%	2%
Asia	58%	58%
Australia/New Zealand	7%	3%
Europe	5%	2%
Latin America	14%	20%
US/Canada/Puerto Rico	13%	14%

About DDI's Center for Analytics and Behavioral Research

The *Global Leadership Forecast 2014|2015* is part of the continuing series of trend research conducted by DDI's Center for Analytics and Behavioral Research (CABER). CABER's publications are designed to produce actionable, evidence-based insights to advance knowledge of current and emerging talent management topics such as leadership development, succession management, and talent acquisition.

CABER also conducts, coordinates, and champions analytical research with DDI's clients to benchmark, evaluate, forecast the effects of, and optimize their talent management practices toward the goal of prescriptively aligning talent readiness with business objectives. CABER's research, including this report, is available at www.ddiworld.com.

About Development Dimensions International (DDI)

Who We Are. Development Dimensions International (DDI) is the world's premier talent management consultancy. Forty-five years ago, we pioneered the field; today we remain its chief innovator.

What We Do. We help companies transform the way they hire, promote, and develop their leaders and workforce. The outcome? People ready to instigate, understand, and execute business strategy and address challenges head-on.

How We Do It. If you have ever had a leader you revered or marveled at how quickly a new hire came up to speed, you might very well be experiencing DDI at work. Often, we are behind the scenes, creating custom training or assessments that clients can roll out on their own. Other times, we are more visible, helping clients drive big changes in their organization. Always, we use the latest methods, based on science and the test of time.

Who We Do It With. Our clients are some of the most successful companies on earth. They're Fortune 500s and multinationals, doing business across a vast array of industries, from Berlin to Bangalore and everywhere in between. We serve clients from 42 DDI-owned or closely affiliated offices.

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The Conference Board is a global, independent business membership and research association working in the public interest. Our mission is unique: To provide the world's leading organizations with the practical knowledge they need to improve their performance and better serve society.

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The Conference Board works within and across three main subject areas—Corporate Leadership, Economy & Business Environment, and Human Capital—to create a unique, enterprise-wide perspective that helps business leaders respond today, anticipate tomorrow, and make the right strategic decisions every day.

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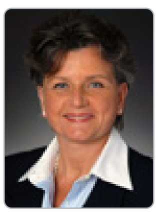

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The Association for Talent Development (ATD), formerly ASTD, is the world's largest association dedicated to those who develop talent in organizations. These professionals take the knowledge, skills, and abilities of others and help them achieve their full potential. ATD's members come from more than 120 countries and work in public and private organizations in every industry sector. ATD supports the work of professionals locally in more than 125 chapters, international strategic partners, and global member networks. Visit www.astd.org.

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The mission of the Institute of Executive Development (IED) is to drive innovation in executive development. IED supports business executives, boards, and talent management professionals to benchmark their practices, design their strategies, and create high-impact executive development services. More information is at www.execsight.com.

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The Mexican Association for Human Resources Direction (AMEDIRH) was founded in 1947, and from its inception achieved significant growth in membership as well as in services and alliances with organizations in the United States and Canada. The association partners with more than 12,500 human resources executives from its member organizations. AMEDIRH's mission is to promote the development of these executives and help them achieve their growth objectives. For more information, visit www.amedirh.com.mx.

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The Next Step

The Next Step is a specialist consulting practice in the human resource market within Australia since 1998. Its activities cover all areas of human resource recruitment, including search, advertised selection, human resource contracting, and interim human resource management. For more, see www.thenextstep.com.au.

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Neal, S., Boatman, J., & Miller, L. (2013). *Women as mentors: Does she or doesn't she? A global study of businesswomen and mentoring*. Pittsburgh, PA: Development Dimensions International.

We asked leaders what would help increase their effectiveness. They answered: My Organization Needs to STOP…

Assuming that development happens by itself without external stimulus | Implementing procedures/processes across countries without understanding local abilities | Being paternalistic | Treating leaders as technicians | Centralizing everything at a regional/global level as this is reducing our nimbleness and time to market | **Assuming that I do not want to grow as a leader** | Promoting people that have no leadership skills but are engineers, doctors, or MBAs | Creating sporadic training and management events with no relation between them | Allowing executives to use a punitive approach to get others on the right track | Accepting when leaders display inappropriate behaviors or competencies | Being secretive about development plans for future leaders | **Promoting people without adequate understanding and support for them to succeed in the initial few months** | Expecting that leadership can come only from the top | Allowing different parts of the organization to do associate training differently | Feeling the need to be involved in every decision | Not showing a real interest in creating development plans for leaders | Failing to recognize the presence of leadership potential in employees | Expecting that coaching can make up most of your time when admin work is so huge | **Introducing too many leadership models and concepts without a specific business agenda** | Denying employees a chance to grow professionally | Giving mixed messages between the importance of leadership and focusing on cost | Making decisions not based on data/objectivity | Using phrases such as "do more with less"—this is unsettling for both leaders and staff | Allowing unjustified favoritism of certain individuals/parties | **Preventing managers from focusing on each individual staff member's development needs** | Distancing frontline management from senior leadership | Not holding supervisors accountable for not training their subordinates | Giving too much priority to younger leaders | Assuming anyone can be a leader | Hiring people of the same ethnic and generational background as the most senior ranks | Talking about growing talent but neglecting to develop a strategy and accountabilities that support this | Sending employees to training that is too generic | Being too flexible and applying different yardsticks across people and geographies | **Treating "racehorses as cart horses"** | Developing and implementing new processes without cultural assessments and change management | Giving me a span of control that reduces the interpersonal time I have for individuals and team development | Assuming that top leadership is setting good role models for leaders across the organization | Looking at a narrow geographic perspective without giving empowerment/autonomy to regions | Pretending people are doing their jobs well when the data states otherwise | **Adding formal training without planning ahead so we can put it on our developmental plans** | Looking at employee development only during the appraisal period | Hiring new leaders without giving opportunities to existing leaders | Perceiving that the rest of the world is underdeveloped in its skill set, resources, and capabilities | Telling us what to do and how to do it | Promoting people with no talent to lead | Making excuses for poor performers | **Talking without commitment to their own message (practice servant leadership by not just talking a good game, but also following their own words)** | Micromanaging local business units | Limiting staff development for the newer generation | Tolerating nonperforming departments and employees | Creating territorial business units | Changing direction without engaging people in understanding why | Failing to give us a vision or a path to the future | Second-guessing decisions I make | Being prescriptive about what is appropriate for people to lead on | Letting employees find their own ways to develop their own skills | Expecting responsibility without empowerment | Resisting taking risks | Making the annual performance reviews a "check the box" process | Expecting leaders to be ready and productive from day one | Limiting opportunities to a top tier of employees | **Reinventing and redefining what leadership is** | Hiring or promoting anything but excellent talent | Pretending that we have a culture | Delegating without accountability | Failing to prioritize objectives | Introducing technology which ends up being obsolete without being used | Overloading leaders with tasks that could be done by support | Imposing rather than engaging leaders in strategy implementation | Valuing busywork that is done to make oneself visible | **Instituting change with little or no involvement of frontline leaders** | Enrolling in training programs that aren't new to us or value-adding | Burying its head in the sand that the world is changing | Promoting people on who they know rather than on merit | Recruiting senior leadership only from outside | Random hiring for key global positions | Teaching things not relevant to my job | **Forcing leaders to spend time managing upward rather than on direct reports and customers** | Overwhelming managers with roles they are not trained for |

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