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The evolution of leadership development

Challenges and best practices based on a study of European organizations

There's no doubt that leadership development is rising up the corporate agenda. But, as this study shows, more learning and development professionals need to seize the opportunity by taking a proactive approach to building skills and capabilities for success.

THE ROLE OF LEADERSHIP development in the modern corporation is evolving. Traditionally subject to economic cycles or a particular organization's fortunes, leadership development activities, budgets, and overall visibility are on the rise. HR and development professionals have asserted for many years that all corporate development, and especially leadership development, is a key driver of corporate success; management is not only listening but starting to take action and participate, invest, and make leadership development a corporate priority.

One study, *Leadership Development in European Organizations,* examines the practices in 51 of Europe's largest corporations. It reveals that, for leadership development professionals, there is no single path to managing leadership development effectively. In best practice organizations across the globe, the variety of practices is fairly wide, and within Europe one also notices clear differences. However, as we look at the findings, a few key themes emerge:

1. Increasing importance of leadership development and senior commitment.
2. Continued investment in leadership development.
3. Little use of ROI measurement or technology.

1. Importance of leadership development

The extent to which leadership development is blended with the critical business development function – almost 30 percent of survey respondents stated that these two functions are "extremely" integrated – demonstrates the strong level of importance placed on leadership development.

Additionally, the level of commitment at the CEO, board, and senior management level is strong (54 percent cite the CEO's commitment to leadership development as "extremely" strong). There's no doubt that leadership development is an executive management issue. Some of the common techniques used to gain this senior buy-in include:

Develop a compelling vision
Like any key project, has a compelling vision been created and effectively communicated to senior management? Do they find it inspiring, interesting, and most importantly, in line with their business goals?

Form an advisory board
Many organizations have formed an informal advisory board to gain the buy-in of senior managers for developmental activities in a very effective way. Having management both contribute ideas for upcoming sessions and providing feedback on past programs so they can be appropriately altered gains their implicit approval and can increase the approval process for new programs.

Demonstrate value of development in business terms
Good data on how leadership development drives
business indicators is very difficult for a business leader
to ignore. Too often, development professionals speak
of their results in "training" terms such as: "X number
of managers attended the program," or "X percent of
our leaders have the five key competencies we have
identified as crucial." Instead, they should describe
value in business terms, i.e, "Managers who have
attended our programs are hitting their performance
goals 80 percent more often than those who have not
attended the programs."

2. Continued investment in leadership development
Even during the early 2000s, when much of Europe
was still recovering economically, investment in
leadership development remained strong – 40 percent
of companies experienced greater than 10 percent
annual budget growth since year 2000. As we look
toward the next few years, we see a continued pattern
of increasing investment in this area – 38 percent
forecast steady investment; 54 percent expect budget
increases (see Figure 1, right).

Companies also plan to leverage their internal
resources more frequently in delivering leadership
development, with many companies investing their
own executive management in the process as both
facilitators and participants. For example, a number of
study participants involve their senior executives
directly in the development sessions for aspiring
executives and ask them to give functional or strategic
input or to act as assessors in development centres.

3. ROI measurement and use of technology
Despite the high level of importance and investment in
leadership development, companies examined in this
study are not measuring the impact of leadership as
much as one might expect. Despite utilizing a variety
of metrics such as 360° feedback pre- and post-
development to track the effectiveness of solutions, 63
percent reported that they never measure leadership
development ROI. Some argue that training
effectiveness assessment should be qualitative and
focused on the outcomes the organization is looking
for. In addition to this, once business development and
leadership development become closely integrated they
no longer feel it makes sense to separate out an ROI on
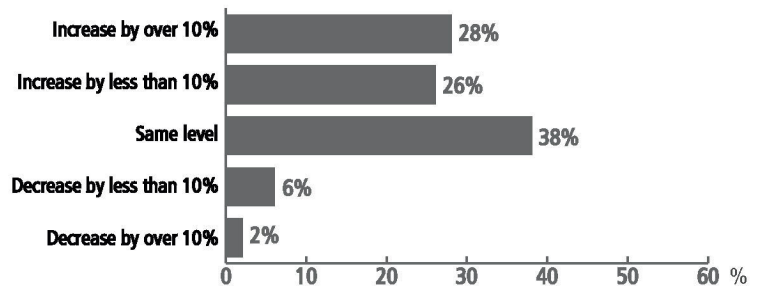leadership development in isolation.

Similarly, they are not using technology to a great
extent, either on the delivery side or for program
evaluations, while their counterparts in the US do find
such use of technology very helpful and more
common. Why is this? This may be because the US has
taken up e-learning more readily than Europe and also
has a stronger focus on knowledge input which lends
itself more to delivery through technology than
developmental, experiential activities.

Figure 1. How will your leadership development budget change in the next three years on an annual basis?

Increase by over 10% — 28%
Increase by less than 10% — 26%
Same level — 38%
Decrease by less than 10% — 6%
Decrease by over 10% — 2%

Best practices in leadership development
The following are select best practices in leadership
development solutions that emerged from the study.

Link development to strategy
Start with the organization's key strategies and conduct
a "gap analysis" to determine the shortfall in needed
talent to execute the strategy. From this, create the
development plan for executives. Many executive
development programs are still "bottom-up" – they
start the design process at the individual level and ask,
"What else does the participant need to be a well-
rounded executive?" Instead, the process should start
with the organizational needs and then determine
which skills and capabilities are needed. This, in turn,
should drive program design. Several study participants
have developed integrated strategy planning and
leadership development cycles.

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Real time feedback and modifications
Ensure that feedback is captured during the program and that learning and development professionals involved have the ability to act on it. This is especially relevant in the case of week-long programs which represent a significant time and cost investment. Nightly electronic surveys can help to capture the day's experience, and (sometimes anonymously) allow for praise or constructive criticism of the instructors, content, etc.

Customized action learning
Design program content based on the specific organization's current challenges, and allow opportunities for integrating the developmental activity into the ongoing work of the participants. For example, through projects and assignments.

Support buddy programs
Buddy programs pair two participants together and allow them to discuss the program content together, and test each other's content absorption in a non-threatening setting. Many exist beyond the program on a voluntary basis. Create informal pairs of participants and build time into the schedule when they can discuss privately the components of the program during a lunch or coffee break.

Audit impact
Utilize outside specialists to track program effectiveness on occasion to confirm internal findings. The credibility and new processes of outside specialists can help produce novel findings.

Results sharing
Determine the relevant metrics to share with various stakeholders in the organization, and proactively update them on program effectiveness. One such group, the "clients" or leaders going through the program, are most concerned with their individual progress and the effect on the business. As a result metrics such as time to full competency, change in productivity, change in quality, and new revenue generation are most useful for this constituent.

Traditional measures such as percentage of classroom filled, cost to deliver, and percentage of managers who have completed the program are useful only for those within the development group, and don't need to be shared with the business partners who are more concerned with outcomes.

Changing nature of leadership development

Leadership development is a changing field (see Figure 2, below). It's critical that corporations understand their own leadership development needs – this is a "moving target" because new individuals and new strategies are introduced all the time. Companies should proactively customize a solution based on these needs. Gone are the days of having a fixed competency wheel for an organization's leaders and simply trying, reactively, to build skills to match against this talent model over the course of several years.

Top performing organizations take a proactive approach to building leadership talent, as it's increasingly recognized that leadership development isn't just a tool to help the organization achieve its strategy, but rather a process by which it can develop a strategy in the first place. Actively engaging leaders in the strategy formulation process provides both a great

Figure 2. The changing nature of leadership development

	Present	Future
Goal	Develop skills and competencies for general management	Increase ability to execute current organizational strategies
Design style	Bottom-up and top-down	Integrated with business unit leads
Human capital management process integration	Limited	Integrated
Business unit perspective	Service provider	Partner
Corporate view on program costs	Overhead; try to minimize	Part of doing business; investment
Use of technology	Minimal, mostly administrative uses	Standard across program management – assessment, design, delivery, measurement, follow-on development
Measurement	Level 1 – Reaction typical; Level 3 – Behaviour change (via 360°) infrequent	Level 4 – Business impact measurement using development analytics
Primary supplier roles	Design and delivery	Design, co-delivery, auditing and reporting

learning process for the leaders as well as integrates their critical perspective on what the organization is actually capable of delivering.

It's also important that leadership development professionals understand the global business drivers in their organization, as these are the basis from which all solutions should be designed. Development professionals no longer train leaders to have a well-rounded set of skills; they develop leaders to achieve business results. The global aspects are highly relevant as leaders need to know how to manage across boundaries, penetrate foreign markets, and do so with a diverse employee base.

Recommendations

As we have witnessed, there are many successful best practices in leadership development solutions, and a variety of ways in which they are deployed. Here are some key recommendations to leadership development professionals based on the work presented here:

Keep a global perspective

The one certainty of business is its increasingly global nature. Leaders in corporations need to learn how to work with a variety of different worker types and customer markets. Leaders without a global perspective, or skills such as languages and market understanding, cannot lead their own teams and organizations in an effective manner.

From a tactical perspective, overseas assignments, diversity training and external market education programs will become more and more common for top leaders who plan to conduct business in new markets and with a diverse employee base.

Invest in your own knowledge

Leadership development professionals have the task of knowing much more than their own job in the organization. They need to invest heavily in knowing the roles and challenges of those they serve. Some suggest they need to understand the challenges, nuances, customers and market dynamics better than those who they serve in order to be able to create effective developmental scenarios.

As development is increasingly a business issue for top management, development professionals need to think and act in such terms and learn the vernacular. It's critical that they also understand their own limits, and augment the needs of the organization with other internal and/or external resources. Leadership professionals should think as systematically about their own growth and development as they do for others in the organization.

Leverage internal and external partners

Leadership development professionals need to understand and leverage the resources of many

KEY POINTS

- Leadership development is rising up the corporate agenda, demonstrated by senior level commitment and continued investment.
- Despite this, many learning and development professionals don't take an ROI approach to these investments.
- It's vital that leadership development is driven by the business strategy – high performing companies take a proactive, not reactive, approach.
- Involving external specialists in measuring business impact and sharing results with key stakeholders can increase buy-in.
- Leaders must have a global perspective to operate successfully in today's global markets
- Leadership development professionals must have a deep understanding of the challenges, customers and market dynamics of the people they serve.
- Professionals involved in leadership development also need to have deep relationships with internal and external stakeholders.

different constituents. They run one of the most important and simultaneously challenging virtual organizations. They report and rely on many different groups, many of which are far outside their own domain. It's critical for them to have deep relationships with others across the organization. It's also important for developmental professionals to stay abreast of all the changes in the field and be aware of new providers, as the ultimate culmination of planning and execution efforts depend on how well the network is leveraged.

Conclusions

As the modern organization is more and more dependent on people assets to perform, the stakes of the corporate learning and development function are higher than ever before. At the same time the outlook is positive. The leadership of people as an increasingly important resource is becoming evident across regions, industries and individual organizations and leadership development's strategic role is increasing beyond where it is today. **HR**

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