Mapping the Future of Leadership Development

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Summary

Professionals in executive development, leadership development, organizational learning, and human resources have achieved increasing visibility, stature, and influence in recent years. More than ever, they work as full partners with CEOs and senior executives in designing strategies to meet the strategic challenges companies face in today's highly competitive, rapidly changing global environment. And more than ever, CEOs and senior leaders realize that leadership talent is a significant competitive advantage. Yet challenges still remain—and learning is a constant imperative.

As chairman of Executive Development Associates, Inc. (EDA), I have long believed that one of the best learning resources for professionals in leadership development is the knowledge and experience of their peers. Approximately every two years, EDA conducts an extensive survey of trends in the field of executive and leadership development to uncover best practices, emerging needs, top priorities, and new approaches. The purpose of this article is to summarize this information to help those in the field advance together and stay abreast of critical trends in executive and leadership development.

In EDA's 2005 Survey, we sought to gather information on how companies are faring in meeting the bench strength imperative, which was identified in our 2004 Trends Survey as the top executive development challenge companies would be facing in the near future. (For background on the 2005 survey, see the box: Inside EDA's 2005 Executive Development Trends Survey.) The 2005 survey (sometimes referred to as the Pulse Survey here) was also designed to gather information on several closely related topics, such as succession management, integrated talent systems, the leadership

pipeline, and leadership for emerging markets. We also zeroed in on strategies executive development professionals are using to identify and accelerate the development of high-potentials. In addition, we wanted to find out how companies are using key executive development tools and approaches, such as leader-led development, action learning, on-the-job development, and on-boarding. Finally, we inquired about the use and importance of measurement in executive development and patterns of expenditures on development programs.

Throughout this article, we will present highlights from the original survey, then show what we learned in the update (pulse) survey a year later in terms of progress being made by organizations, and finally present new information on topics not covered in the original survey, such as on-boarding.

Inside EDA's 2005 Executive Development Trends Survey

In 2004 EDA conducted our extensive survey of trends in the field of executive development, with one hundred companies responding and providing great insights into the state of the art. The purpose of this 2005 shorter pulse survey was to:

- Check progress on some of the key findings from the 2004 Executive Development Trends Survey. How are we doing?

- Include some items that respondents felt needed more coverage in that survey, such as developmental job assignments and spending per executive.

- Explore emerging issues in executive leadership development.

- Test a new approach to our traditional trends survey process. Since 1983, we have conducted a major, comprehensive (and lengthy) study on trends every two years. This pulse survey is an effort to test the idea of much shorter surveys, perhaps annually, targeted on a smaller number of topics.

 If this is successful, the traditional, comprehensive survey might be done less frequently in the future.

Definitions

For the purpose of this survey, executives/leaders were defined as anyone who falls into one or more of the following groups:

- Members of the Board of Directors: the chairman of the board, the chief executive officer, the chief operating officer, and the president and all elected officers

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- Corporate vice presidents (including functional heads): heads of/presidents of groups, divisions, business units, or profit centers and their direct reports
- All people included in your executive compensation program

Development was described as any activity that is aimed at broadening executives' knowledge and experience and enhancing their capabilities.

We received one hundred responses from Global 1000-size companies. Survey respondents included chief learning officers and heads of executive and leadership development.

The Bench Strength Imperative

As we had in previous surveys, in our 2004 survey, we asked respondents to identify the objectives that would be most important to their executive and leadership development efforts in the next two to three years. In 2004, the top priority for nearly 80 percent of companies—by far the most prevalent goal for survey respondents worldwide—was to increase their bench strength and ensure replacements for key jobs or people. This was the first time in the history of the Trends Survey that this issue has ranked as companies' number one objective. Table 1 shows the top responses to the questions from our 2004 survey.

Table 1. Key Objectives of Executive Development in the Next Two to Three Years

1. Increase bench strength
2. Accelerate development of high–potentials
3. Communicate vision and strategy
4. Support change and transformation
5. Develop individual leader capabilities

The Continuing Importance of Bench Strength

In our 2005 Pulse Trends Survey, we followed up with a question asking whether respondents continue to see increasing bench strength as a top priority, specifically whether it had increased in importance, stayed the same, or decreased in importance. Nearly 72 percent of those surveyed said that increasing bench strength increased in importance, and 97 percent said it increased or stayed the same. This is simply amazing and clearly

indicates that this issue continues to dominate the collective consciousness of organizations today. Not only was it the most important and most dominating issue identified in the 2004 survey, but also it has increased in importance more than any other issue a year later!

In comments on this question, respondents offered a variety of explanations for the continued and increasing importance of bench strength. Based on our analysis of these comments, two key drivers of this trend stand out: (1) the "age bomb" (as one respondent put it) as the Baby Boom generation nears retirement and (2) the increasing complexity, competition, and pace of business companies face today, which have combined to "raise the bar" in terms of executive performance. In other words, companies are facing a one-two punch: just as their most senior executives are contemplating retirement, the demands on their replacements will be greater than ever.

Since the leading edge of the boomer generation will just turn sixty this year, it seems obvious that increasing bench strength will remain a top priority for years to come.

Integrated Talent Management Systems

An Integrated Talent Management System brings together key programs and processes that identify, attract, appraise, develop, reward, and retain talent; ensures those activities work smoothly together; and aligns them with the organization's strategic goals. In our 2004 survey, 70 percent of respondents agreed that such an integrated system would be a top priority; yet only 40 percent said that their organizations excelled in this integrated approach. As Figure 1 reveals, out of twelve best practices in executive and leadership development, integrated talent management ranked eighth, just behind succession management, in the percentage of respondents identifying it as a program in which their organization excelled.

For our 2005 survey, we decided to dig deeper into how companies saw the issue of integrated talent management. We asked respondents how they thought their companies were performing in this area, whether they had specific goals for an integrated talent management system, and what those goals were.

The results showed progress by 40 percent, while 51 percent reported that their systems were about the same. While I suppose we should be pleased that the vast majority of respondents think that their organizations are holding their own or improving, it is not encouraging that, from this entire survey, this is the lowest rating of "improvement" of all of the questions. It seems we are least satisfied with our progress in the area of creating an integrated talent management system. This jibes with my personal experience working as a consultant with many leading companies around the world—most seem to feel they are making some progress, but still are quite a way from where they would like to be.
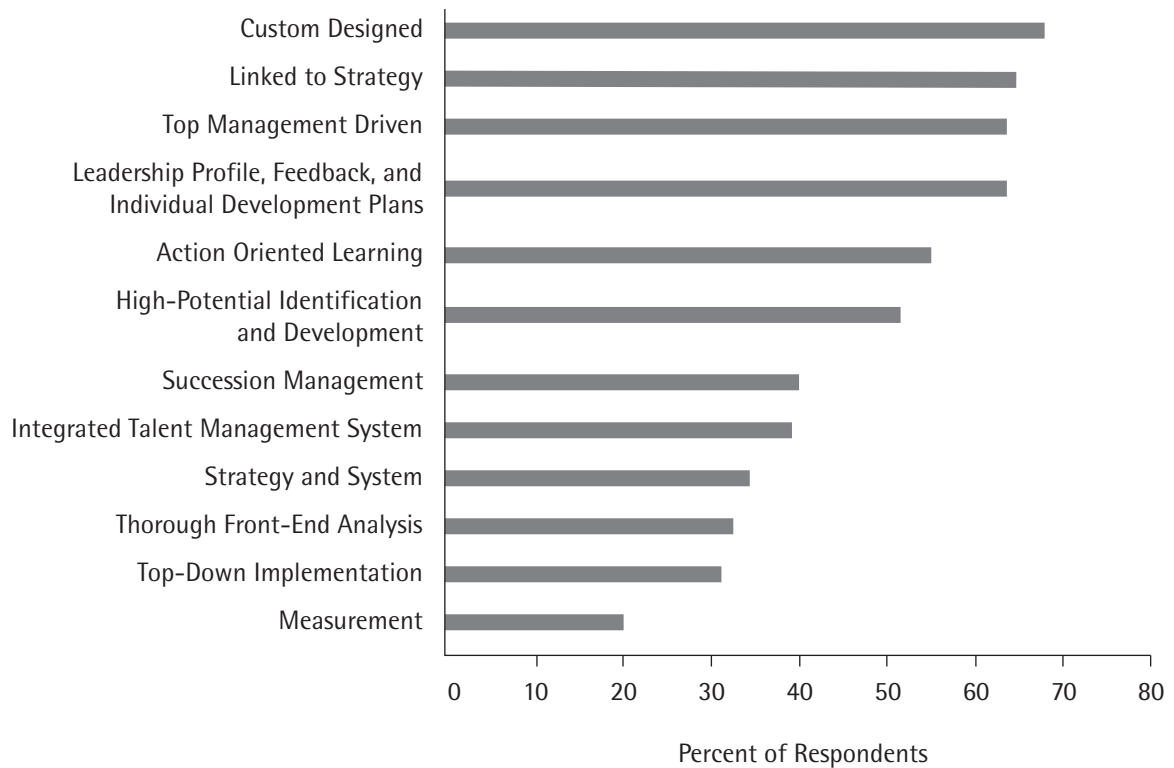
Figure 1.　Best Practices in Which Organizations Excel

On the positive side, one respondent commented, "We have a very integrated system with much more attention to rewarding our high performers with developmental assignments. We are linking strategic executive education to specific company and business strategies. Our system is better integrated today then it ever has been." Others are struggling: "The pieces are in place. Creating a mindset of how one relates to another and that together they are a system is a new idea for our organization." Still others are hopeful: "Integration of current stand-alone processes is our focus for going forward. We've made good progress on independent processes and now need to bring them together."

Goals for an Integrated Talent Management System

Fully three-quarters of respondents indicated that they have a set of goals they are working toward in the area of talent management. The goals cited tended to separate into two kinds: those who are presumably still in the process of trying to implement an integrated talent management system cited process-oriented goals involving setting up such a system; those who presumably have a relatively robust system in place cited goals involving the results they expected the talent system to achieve.

In the former category, typical goals include integration of talent management systems with succession planning; subsequent development of leadership competency

models, integrating both talent management and competency models; use of technology to track talent; and better alignment of talent acquisition, development, and assessment.

Goals that relate to the results talent management is expected to achieve include an increase in bench strength and flow of talent across the enterprise; attraction of more diverse talent; retention and accelerated development of high-potentials; and enhanced leadership continuity. The breadth and scope of these results-oriented goals clearly demonstrate that many respondents have high expectations for their talent management systems. They expect real and demonstrable results that make a strategic business impact—and they clearly see a talent management system as an effective means for increasing bench strength.

Succession Management

An effective succession management process is the foundation of an integrated management system. Therefore, it was dismal news indeed when the 2004 Trends Survey indicated that only 40 percent of respondents thought their organizations excelled in succession management. Our 2005 survey followed up with this question: How would you rate your organization today in your progress on Succession Management?

The good news is that fully 60 percent of respondents see their companies as improving in succession management. This bodes well not only for succession itself but for the possibility of having an integrated talent management system, since you can't have an effective total system if the core processes like succession are not strong. However, their comments on this question indicate that many still think they have a long way to go. As one person commented, "We . . . targeted this practice area five years ago and continue to work on this." Another respondent, much further along, observed, "We are getting better year by year. The use of assessment centers, objective data, high-potential discussions, and the difference between assessing performance and potential have all helped in this endeavor."

The Leadership Pipeline

Another way to assess the bench strength issue is in terms of the leadership pipeline. The good news is that 44 percent of respondents see real progress in filling their organizations' leadership pipelines with capable talent. Less encouraging is that 38 percent see no progress, while 16 percent actually think their leadership pipeline is less strong than it was two years ago. Of all the questions in the survey, this is the one on which respondents indicate the most backtracking, that is, where they have somehow managed to do worse than a year ago. It doesn't quite fit with the other survey findings in that we seem to be saying we are making great progress in all of the sys-

tems needed to fill the leadership pipeline, but it is not getting better as fast as we might expect. Of course, the programs and processes that we are considering here take time to take hold.

The perception of those who see their leadership pipeline as weaker may reflect the "raising of the bar" in terms of leadership needs we discussed above. As one respondent observed, "We have excellent content knowledge and excel at doing what we have always done. This may not be the skill needed to take us forward. The leadership being weaker is a reflection of growing awareness. The new CEO is expecting and demanding (rightfully) a different type of leader. This is very different from what was rewarded previously. Those who thought they were strong leaders a year ago may not be perceived that way in the future." This comment doesn't necessarily reflect a broader shift in perceptions, but it is suggestive. In fact, several articles in this *Annual* discuss the changing skills and capabilities of leaders in the global marketplace. See, for example, "Preparing Leaders for the New Competitive Landscape: New Mindsets for New Games" and "Developing Global Leaders: The Critical Role of Dilemma Reconciliation."

And what are those needs going forward—and what gaps in meeting those needs do organizations foresee? We asked respondents, "As you look down in the organization at the next generation of leadership talent (the ones who are most likely to fill executive level positions in the next three to five years), what capabilities, skills, knowledge, attitudes, competencies, etc., are most lacking?" Table 2 provides their responses.

More than half the respondents cite all of the top four next-generation gaps. And they all involve abilities that might be described as *complexes* of skills, capabilities, and attitudes, many of which are *soft* rather than technical—abilities that are not easily taught. Respondents across the board showed less concern about more technical aspects of executive performance—indeed just 4 percent were concerned that the next generation of leaders understand the technical side of the business.

Leadership for Emerging Markets

As globalization becomes ever more dominant, companies face the need to fill their leadership pipelines on an international basis. Respondents were asked to choose the two or three countries/areas where they had the biggest need to develop leadership talent to support the company's strategy. The results are shown in Table 3.

It is not surprising that China is far above any other country or region in its need for developing leadership talent. The potential size of China's market, and hence the potential opportunities for companies that invest in that market, dwarfs all others.

We also inquired about the strategies and methods companies were using to develop leaders for emerging markets. Judging from the responses, companies take a wide variety of approaches in responding to this need. Many companies have taken leadership for emerging markets very seriously, given a lot of thought and attention to

Table 2.   Gaps in Next Generation's Capabilities

Ability to create a vision and engage others so they feel ownership and passion about achieving it	58 percent
Understand the total enterprise, how the different parts work together to leverage their collective capabilities to serve customers/clients better than the competition	56 percent
Strategic thinking	55 percent
Cooperate and collaborate with other parts of the business to (1) optimize the operations of our business and (2) to leverage our collectives capabilities in the marketplace to identify and serve customers/clients better than competition	54 percent
Leadership	46 percent
Ability to attract, develop, and retain the quality of talent needed to achieve the business objectives	42 percent
Ability to inspire	32 percent
Understands global business, markets, cultural differences, etc.	30 percent
Business acumen	27 percent
Interpersonal skills	24 percent
Financial analysis and management, understand and manage the P&L	19 percent
Communication skills (oral and written)	12 percent
Understand the technical side of the business and our products and services	4 percent

Table 3.   Greatest Emerging Market Leadership Development Needs

China	77.9 percent
India	42.9 percent
Other Country/Area	29.9 percent
Eastern Europe	24.7 percent
Russia	15.6 percent
Brazil	11.7 percent
Mexico	6.5 percent
Middle East	5.2 percent
Africa	3.9 percent

the issue, and developed specific programs designed just for emerging market leaders. Others bring emerging market leaders into the regular executive development process and programs. Some have customized their regular executive development programs for specific areas. And a few companies have not really addressed the issue.

Rotational assignments were the most commonly mentioned approach. Of those companies that have developed programs specifically for executive development in emerging markets, some examples include:

- Using leader led training with action learning (we could argue that this isn't unique or specific to emerging markets, but it was mentioned as such)

- Hiring of in-country nationals who are developed through an international development program

- Assigning executives to roles in headquarters and smaller emerging markets prior to significant emerging markets

- Creating a comprehensive leadership development plan modeled on the firm process, but geared culturally to their needs

- Preparing for expansion in China by recruiting Chinese students in China and other worldwide universities, including the United States, and placing them in thirty developmental positions around the world

Developing High-Potentials

As Table 1 at the beginning of this article shows, the second-highest priority for executive development revealed in our 2004 Trends Survey was "accelerate the development of high-potentials." Identifying and developing high-potentials (executives who seem to have the potential to fill positions on the top management team reporting to the CEO) is clearly a key piece of the bench strength imperative.

Progress in the Development of High-Potentials

For our 2005 survey, we asked, "How would you rate your organization today in your progress on High-Potential Identification and Development?"

Although 35 percent said that their progress had remained about the same, a clear majority (62 percent) of those surveyed think that they are making good progress in this area. Comments that accompanied this question indicated that many companies take the development of high-potentials very seriously. One responder indicated his company's level of commitment by saying, "Elaborate processes [are] in place and all

senior leaders are actively involved, daily." Another observed that high-potentials are a "major focus" of the CEO.

Still, much work remains to be done, especially as companies grow more complex and deal with the impact of globalization. Many of the comments offered suggest that companies are having a difficult time developing company-wide high-potential systems outside of lines of business, geographic areas, or other company "silos." As one respondent put it, "We need information that helps identify and track high-potentials on a worldwide basis, not just within geographic regions."

Identifying and Accelerating Potential

We asked two open-ended questions to uncover the processes companies use to identify (1) high-potential executives (current executives who seem to have the potential to fill positions on the top management team reporting to the CEO) and (2) emerging leaders (younger leaders lower in the organization who seem to have the potential to fill executive level positions in the future).

The systems and processes companies report for identifying high-potential executives range from the unstructured and informal to the highly structured and formal. On the unstructured side, one respondent frankly observed that his/her company uses "judgment and wild guesses." At the other extreme, a representative comment was that the company uses "a rigorous, global identification system using common language and quarterly meetings to assess potential." Many companies use some form of talent review process on at least an annual basis. Others incorporate the identification of high-potentials into the succession management process or add it to the performance appraisal process. Many assess executives against some form of competency model. Common tools include assessment centers, 360-degree feedback, psychological tests, interviews, and the use of outside executive development firms. Regardless of how elaborate and formal the process or the kinds of tools that are used, executive judgment regarding the potential of their reports seems to play a large role.

For identification of younger, emerging leaders, the approaches used vary just as widely. The use of more informal methods seems more widespread for the identification of emerging leaders than for those higher up in the executive ranks, although many respondents claimed that the processes were the same in both cases.

We also asked what processes respondents found to be the most effective in accelerating the development of high-potential executives and emerging leaders. Most respondents cited a combination of developmental activities that they deemed effective. The most common methods mentioned included:

- Job rotation
- Stretch assignments

- Formal education and training

- Mentoring and/or coaching

- Exposure to top executives and/or the board

- Action learning

- Feedback through 360-degree assessments and other means

Executive Development Tools and Methods

For our 2005 survey, we wanted to assess the state of the art in executive development learning methods in order to uncover the tools and methods executive development professionals consider most effective in enhancing learning and development. We asked about leader-led development, action learning, executive coaching, on-the-job development, and on-boarding.

Leader–Led Development

As you can see in Figure 2, in our 2004 Trends Survey, the use of senior executives as teachers—or leader-led development—was the most preferred method of development, cited by 75 percent of all respondents as a learning method they would be emphasizing, followed closely by action learning.
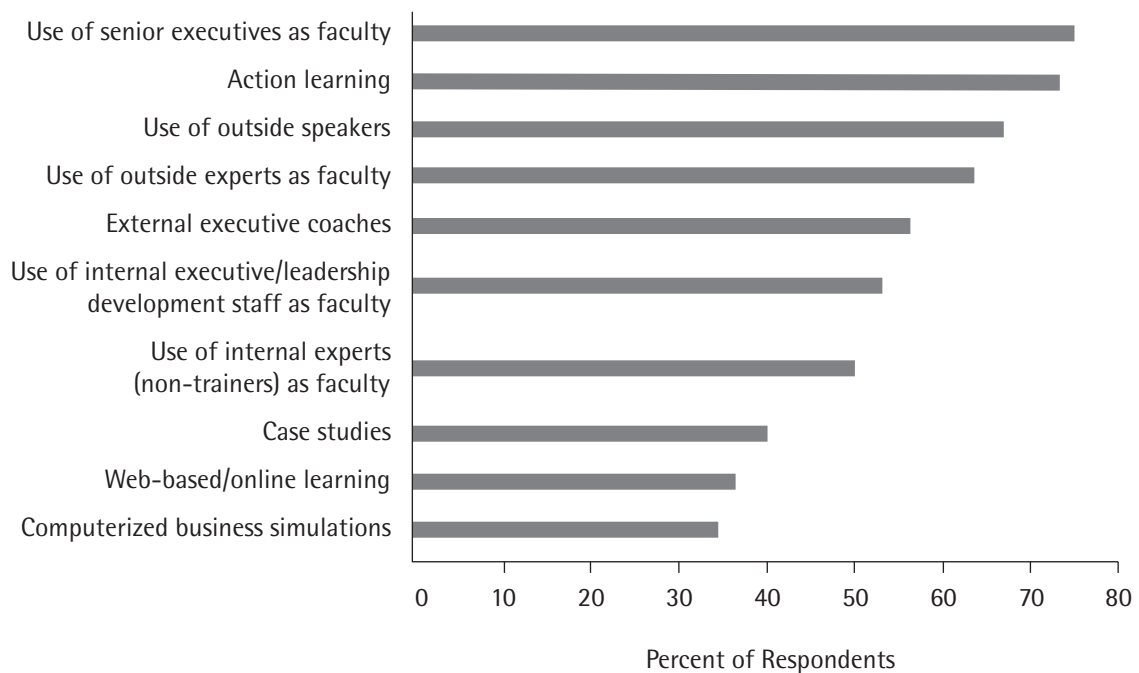

Figure 2.   Top Ten Learning Methods

For the new survey, we asked whether the use of senior executives as teachers in development programs had increased in importance, stayed the same, or decreased in importance. There was virtual unanimity, almost 96 percent, that leader-led development has stayed the same or even increased in importance. Most importantly, 43 percent said it had increased. We are seeing in practice that more and more are emphasizing this in their executive and leadership development programs, since they feel that it is beneficial for the participants in the learning programs to hear first-hand from their own executives (especially about company-specific issues such as vision, strategy, values, business challenges, and priorities, etc.) and that the executives who teach learn a great deal as well.

Those who place a major emphasis on leader-led development expressed strong satisfaction with results. One respondent commented, "We constantly hear back from participants that this is the most meaningful aspect of our programs." Another said, "This approach has clearly played a role in the high level of support for our development programs."

Of course, leader-led development requires executives who are *willing* and *able* to participate. Many respondents expressed frustration on this score. Leader-led programs "are very desirable," one respondent said, "but executive time is at a premium, and often programs are 'at risk' due to changing executive calendars." Another noted, "The difficulty actually getting the senior execs to do this is increasing." Another problem relates to executives' teaching ability: "We are finding that many executives don't have the skill set to teach in the programs. We really need to do some 'facilitation training' before putting them in the classroom."

In spite of the difficulties, however, many respondents said they are committed to strengthening leader-led development efforts.

Action Learning

Close behind leader-led learning in our 2004 survey came action learning (working in teams on real business problems or opportunities for development purposes), with nearly as many respondents (73 percent) citing it as a preferred development tool. Action learning differs from standard taskforces or projects in that the primary purpose is the development of the participants; there are typically clear developmental goals established at the onset, and there is an explicit educational component. And it differs from typical off-site team-building exercises in that participants focus on real business problems.

We found that 96 percent of our respondents think the importance of action learning is increasing or staying the same. Despite the fact that this has been the biggest fad in leadership development in the last five years or so, it still is seen as increasing

in importance by a substantial 41 percent of the respondents. Many expressed plans to leverage action learning in high-potential programs and to either continue or increase the use of such a learning methodology.

Those who saw action learning as staying the same or decreasing in importance had a varied level of commitment to this developmental tool. Some saw it as competing with demanding business challenges, while others said it was hard to make practical in their fast-paced and changing environments.

Executive Coaching

In the 2004 survey, the use of external coaches was in the top five learning methods used and was *the* most frequently used method for senior executives and vice presidents. Here again, we asked respondents to our 2005 Survey whether this learning method was increasing in importance, staying the same, or decreasing in importance. Keep in mind that, even though action learning may be the "biggest fad" in leadership development over the last five years, nothing can compare to executive coaching over the last two to three years. While it used to be a dirty little secret to have a coach—it meant you were in trouble—now, it is a status symbol.

We found that use of executive coaching is still favored by organization, with 89 percent reporting that the use has increased (51 percent) or stayed the same (38 percent). In my mind, the fact that more than half see executive coaching increasing is phenomenal! However, I was surprised to see that the value of coaching had decreased for 9 percent of the respondents, some citing lack of resources or a structure to support the interaction or a reluctance by executives to use it.

Finally, when you compare the responses for leader-led learning, action learning, and executive coaching, you get another interesting perspective on coaching.

Looking at Figure 3 you can see that executive coaching showed the highest responses for "increased in importance" *and* "decreased in importance." This might indicate that executive coaching still seems controversial in some quarters.

Developing on the Job

On-the-job development continues to be a major component of organizational efforts in virtually all companies. Indeed, the classic Lessons of Experience research at the Center for Creative Leadership estimated that 70 percent of executive learning takes place on the job. In our 2005 survey, we asked respondents to "describe your most effective use of on-the-job development, i.e., your best, most effective, or most innovative use of development on the job."
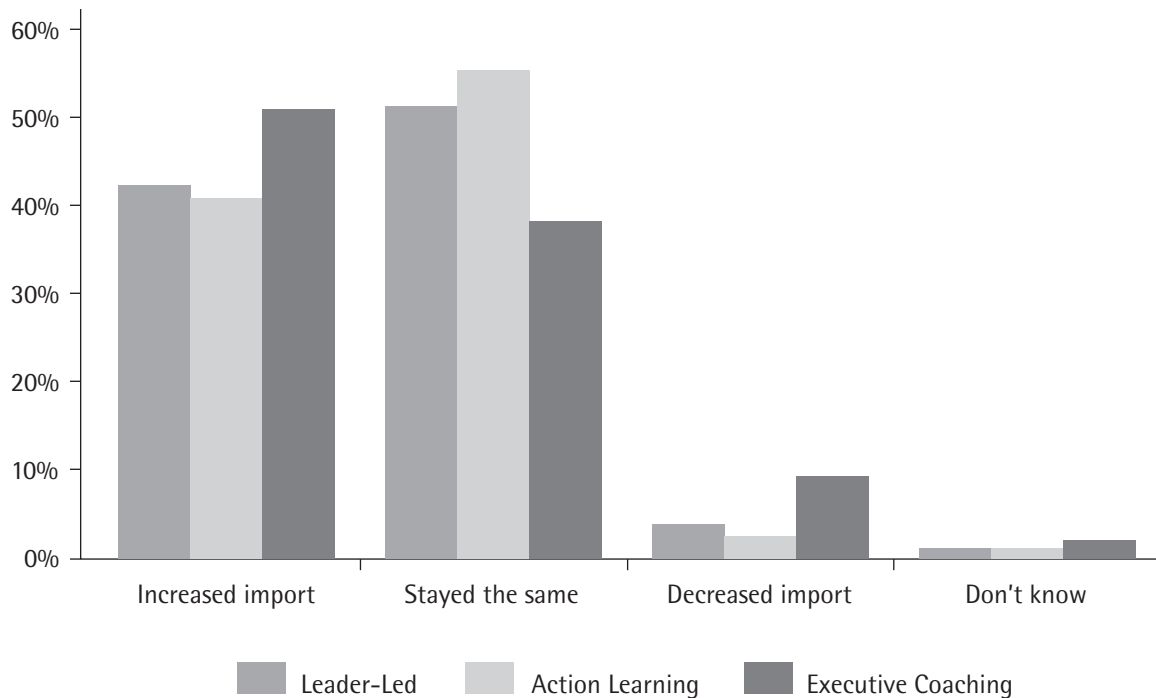
Figure 3.   Relative Importance of Development Methods

We received a wide range of responses. Many mentioned job rotations, stretch as-signments, assignment to cross-functional teams, overseas assignments, and other prac-tices. Some of the more interesting and unusual practices mentioned included these:

- We provide special assignments for key talent where they are able to join a team for twelve weeks and act as a consultant to another sales region. They consult in areas similar to their own regular assignments.

- People in leadership programs are assigned a "proven business leader" to act as a coach and mentor while on the job and to help them transfer their newly acquired skills into the workplace.

- We placed an executive on a board of directors to gain an enterprise/policy level view of leadership.

- Sending a high-potential executive to run a smaller Canadian subsidiary, prior to his being promoted to run the U.S. division of the company.

- We form [and place an executive] on a team to develop a business strategy and plan for a new market area.

- Bringing in high-performing field/line leaders to do a headquarters assignment, which requires them to lead a cross-functional team with only informal authority.

Challenges in On-the-Job Development

We also asked respondents to describe "the biggest challenge you face in optimizing on-the-job development. How do you deal with or overcome that challenge?" While many responded with frank assessments of the challenges they face, unfortunately, few provided positive solutions to those challenges. While varied, the challenges mentioned generally fell into four categories: (1) no time for or appreciation of development; (2) executives who are unwilling to give up top talent; (3) lack of developmental job slots; and (4) difficulty in actually making a development experience developmental.

Making Learning a Day-to-Day Experience

Is it possible to make learning on the job a day-to-day experience? We asked for suggestions on what could be done to make every day a more effective learning experience for the typical executive. Encouraging feedback was the most mentioned suggestion, followed closely by mentoring, coaching, providing time for reflection, and learning journals. A number of respondents also suggested that leaders who foster a culture that values learning and development could make a real impact. Representative comments include:

- FEEDBACK! We have a feedback-adverse culture (no feedback means you are doing a good job). It is a challenge to get people to be open and share ideas, thoughts, and feedback. We would see exponential change if we did this because it is so foreign to us.

- Stop and ask what we learned and what could be done differently.

- I believe that executive coaching really helps. Also having a strategic and skilled HR partner to give candid feedback on situations and meetings can really make a difference.

- Time commitment and a process to reflect on individual learning [such as a learning journal], receive consistent feedback and coaching, and apply new skills/behaviors.

- A greater cultural expectation of daily development—accountability and recognition for development well done.

- We find that when our senior executives talk about development as part of their regular communications, it helps to maintain focus. All it takes is a few well-chosen words.

On-Boarding

On-boarding can help ensure the success of leaders making critical and difficult transitions, where failure rates can be high and costly, and accelerate their "time-to-effectiveness." On-boarding can be particularly crucial for executives hired from the outside into the organization and leaders moving into the executive ranks from lower levels in the organization. Yet far fewer than half those surveyed said that their organizations had a formal on-boarding process, with just 35.4 percent responding positively to this question in our 2005 survey.

Of those organizations that have a formal process, we asked respondents to identify the key components of the on-boarding program. Some organizations have elaborate and multi-faceted programs for new hires in the executive ranks. Here are the components of one company's program identified by a respondent.

- Pre-hire assessment

- Executive welcome kit

- Personalized orientation session

- Formal immersion plan

- Feedback

- 360-degree feedback

- Peer coaches

- New leader orientation forum with CEO and top executive team

- External executive coaches

Some companies focus more on the soft side of on-boarding, stressing socialization, networking, and relationship-building. Others take a more technology and information-oriented approach. Here is a sample of the on-boarding methods respondents mentioned:

- Formal on-boarding process, checklist, mentoring for executives. We also use *The First 90 Days* by Michael Watkins as a framework.

- Pretty standard: assigning a mentor; induction workshops for the latest batch of experienced hires (globally); get to know one another; spend time explaining our business principles and company values; high-level descriptions of our company and its current issues; lots of practical "Where do I?" stuff.

- High touch. Formal introduction of executive development coach at start of employment, understanding basics of the business, and networking with key stakeholders. We are in the pilot phase of this project.

- Executive on-boarding toolkit is mailed out to the incoming executive. Toolkit is divided into first thirty days, thirty to sixty days, and sixty to ninety days, with specific activities associated with each timeframe. A template is provided to help them create a ninety-day transition plan to review with their managers and teams.

Executive Development Operations

For our 2005 survey, we focused on two aspects of executive development operations: the use of metrics, or measurement and evaluation, and expenditures on executive development.

Metrics

In the 2004 Trends Survey, 52 percent of respondents said the "use of systematic measurement/evaluation to measure the impact of your efforts" was an area they would "highly emphasize" over the next two to three years (second only to developing an integrated talent management system), yet less than 20 percent of the respondents rated it as a "best practice" in which they excelled (the lowest out of twelve practices; see Figure 1). We found this result to be surprising and noted, "Few companies have yet cracked the code on quantifying the impact of executive development."

We decided to try to obtain the underlying assumptions that executive development professionals have about measurement and evaluation. We asked them whether they agreed with one or more of the statements shown in Table 4; the results are shown to the right.

While some of these statements may seem to be contradictory, in fact, as the percentages show, at least a few respondents apparently agree with both statements A and C. A very few respondents apparently disagreed with all statements. It is not surprising that respondents would have differing views about the beliefs and attitudes of senior executives toward executive development efforts and their measurement.

Table 4.   Attitudes Regarding Measurement of Impact of Executive Development

A. It is critical that we measure the impact/results of executive/leadership development activities to prove the value of our work to key stakeholders.	51 percent
B. It doesn't matter whether we measure the impact/results. They have obvious and intrinsic value. It is a waste of time and money.	5.2 percent
C. Senior executives either believe in the value in their gut or they don't. The most elaborate metrics, such as ROI, won't convince those who don't believe, and those who do believe don't care about them.	53.1 percent
D. It doesn't matter whether senior executives need or want the metrics; we need them to make key decisions managing the executive/leadership development department.	45.8 percent

However, we did find it puzzling that less than half agreed with the statement that metrics are needed *for their own decision making.*

Respondents offered some perceptive comments on this issue. Several discussed how hard it is to determine measures that account for leadership variability. One respondent, however, told how his organization was measuring the impact at the individual level using six factors, for example, developing potential successors, and using that data for merit compensation. Another acknowledged that senior management was looking for the language of measurement, while others said that their senior teams viewed training and development as an investment. For example, feedback from business groups on changes in participants was more credible than numerical cost/benefit analysis for one organization. As you can see, the conversation regarding metrics continues. In this *Annual* one of the articles, "ROI Comes in Many Forms: Leadership Development at Baker Hughes Incorporated," further discusses measurement.

Expenditures Per Executive

In the 2004 survey, we found that the average company was spending approximately $7 million (U.S.) annually on executive development (formal classroom and other development such as coaching, developmental job experiences, etc.). However, many felt that this amount was understated. Also, well over 30 percent did not know what they spent. We were frequently asked what the average spending per executive was, but we could not determine that from our survey, so we followed up with that question for our 2005 survey. First, we asked respondents to estimate annual expenditures per executive on *formal classroom training* (external activities such as university executive education programs or internal programs, including executive education, workshops, and action learning). Then we asked for expenditures on *non-classroom development*

Table 5.   Annual Expenditures Per Executive on Formal Classroom Activities

Number of Responses	52
Minimum	0.00
Maximum	$900,000.00
Median	$5,000.00
Mean	$6,864.67

Table 6.   Annual Expenditures Per Executive on Non–Classroom Development Activities

Number of Responses	46
Minimum	0.00
Maximum	$100,000.00
Median	$5,000.00
Mean	$11,757.64

such as coaching, mentoring, developmental job assignments, and the like. Tables 5 and 6 provide a summary of the data obtained.

Because only about half the respondents offered estimates here, we need to be cautious in placing much weight on the figures. One particular note of caution: When someone entered zero, we don't know whether that meant that there was no budget for spending or that the organization was not spending anything (highly unlikely in the case of non-classroom development activities).

All in all, looking at the responses on metrics and expenditures, we have a long way to go in measuring the effectiveness of developmental efforts.

Summary of Survey Results

As we noted in our report on the 2004 Trends Survey, "It's crystal clear that increasing bench strength and accelerating the development of high-potential managers will be critical objectives." The results of our 2005 survey only amplify that point. Not only

was the bench strength imperative the most important and most dominating issue identified in the 2004 survey, but it has increased in importance more than any other issue a year later in this 2005 Pulse Survey. Three key elements that need to be in place to meeting the bench strength imperative were addressed in our 2005 survey: (1) integrated talent management systems, (2) succession management, and (3) the development of high-potentials. Summarizing the responses to our questions about progress on these crucial programs, it seems that a clear majority are making progress on the development of high-potentials, while only four out of ten are seeing improvement in their organizations' ability to implement an integrated talent management system (see Table 7). Conversely, as Table 8 shows, fully 9 percent of respondents think that their organizations have actually become worse on this crucial issue.

Clearly, many companies are making good progress in meeting the bench strength imperative, while others seem to be struggling.

Table 7.   Percent Reporting Progress in Improving Key Programs

Development of High–Potentials	62 percent
Succession Management	60 percent
Integrated Talent Management System	40 percent

Table 8.   Percent Reporting That Key Programs Had Become Worse

Integrated Talent Management System	9 percent
Succession Management	6 percent
Development of High–Potentials	3 percent

Conclusion

What does all this mean to you, your company, and the leadership development challenges you face? I encourage you to sit down with members of your team and assess your own responses to the issues presented here. How far along are you in developing an effective and integrated talent management system? What are the obstacles you face? Where are the gaps? Is succession management a top priority in your organization? What about the development of high-potentials? And are you bringing new people into the executive ranks with programs and activities that pave the way to success? How is the health of your leadership pipeline?

Also look at the development methods you are using, both in the classroom and out. Are you making good use of leader-led development, action learning, and coaching? Do your on-the-job development efforts actually aid in development, or do they just teach people to sink or swim?

Look as well at the information you gather and analyze in your leadership development activities. Do you have the information you need to make sound decisions? As I noted above, it is indeed shocking that fewer than half our respondents agreed with the statement that metrics are needed *for their own decision making.*

Virtually every organization has clear strengths as well as areas that are problematic. Whatever your assessment is of your leadership development efforts, this *Pfeiffer Annual* is designed to provide you with up-to-date, action-oriented information and specific tools you can put to use to strengthen your programs.

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