



Ready-Now Leaders:

Meeting Tomorrow's Business Challenges

Global Leadership Forecast 2014 | 2015

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. Special topical reports and separate country reports will be available at www.ddiworld.com/glf2014.



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

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So
What

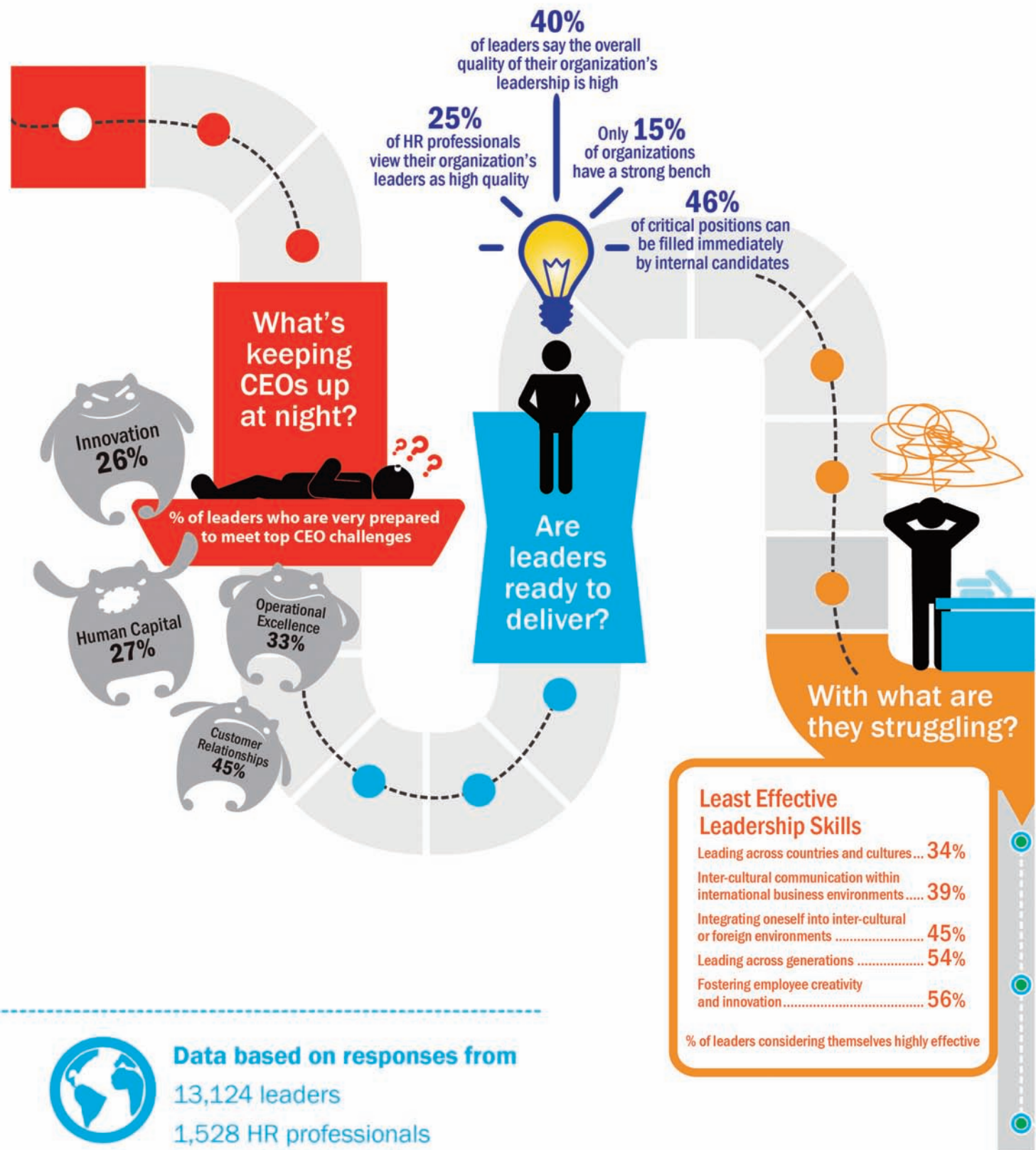
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Now
What

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The Leadership Development Road Map: 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**

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

What & who is holding them back?

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

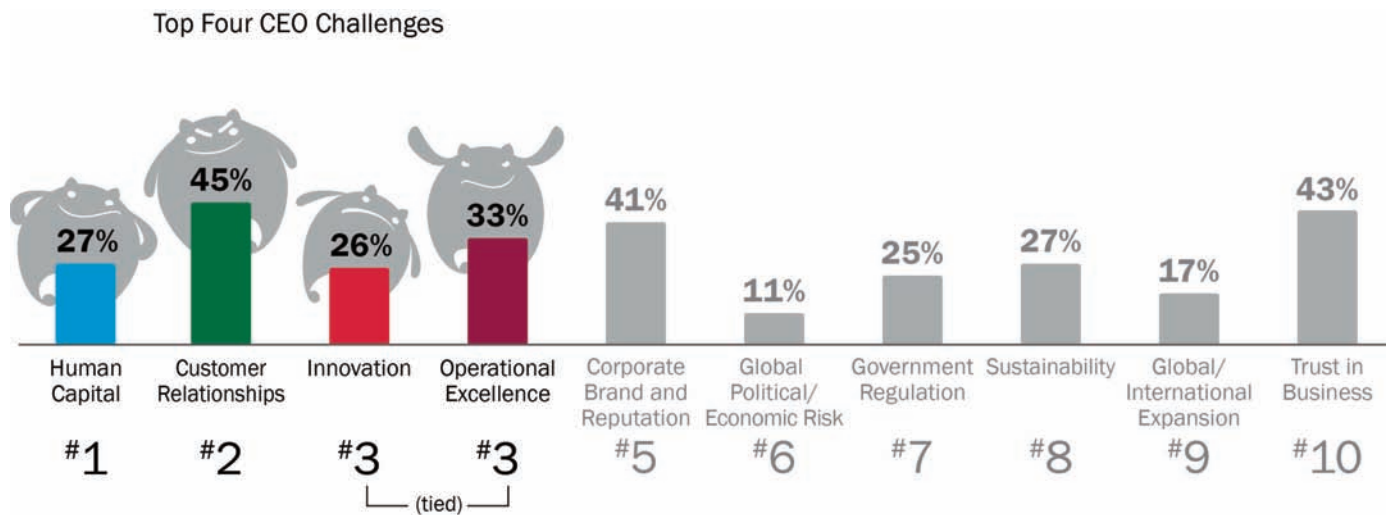
What Happens When Organizations Get it WRONG?

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

CEOs' Top Challenges

Leaders Aren't Ready

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

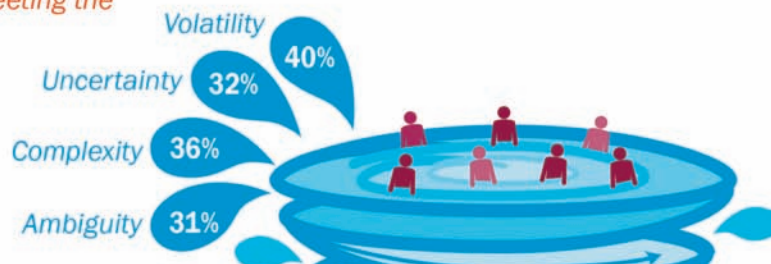
Source: The Conference Board, 2014

* 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

Percent of HR professionals who report that leaders are incapable of meeting the challenges of...



Competencies required for success in key leadership positions are clearly defined.

Leaders' performance expectations are linked to the organization's strategy.

Leadership competencies serve as the foundation for multiple leadership talent management systems.

Six Leadership Practices to Mitigate VUCA

Leaders have high-quality, effective development plans.

Leaders regularly review their development plan with their managers.

Leaders practice and receive feedback on key skills with their managers.

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.

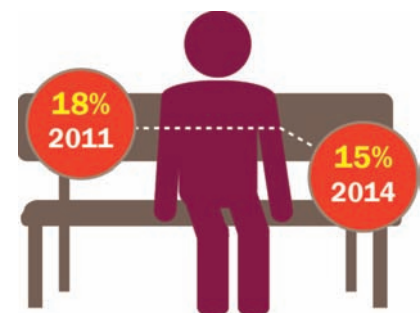
** Kellerman, B. (2012), *The End of Leadership*, New York, HarperCollins.

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			
Brazil			
Canada			
Chile			
China			
India			
Indonesia			
Japan			
Malaysia			
Mexico			
Philippines			
South Africa			
Taiwan			
Thailand			
United States of America			

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

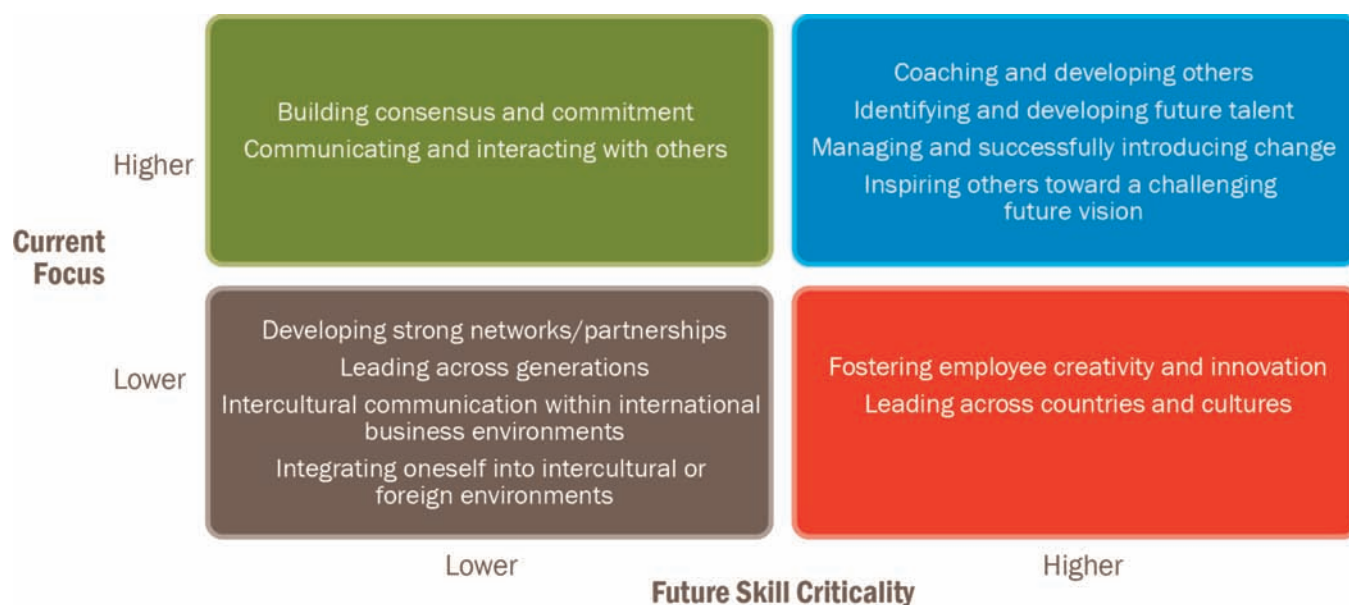


- .01** “Many Challenges, Few Leaders” and “Headed in the Wrong Direction” industries can consider expanding the pool of candidates to attract leaders from other industries and provide intense onboarding experiences (e.g., coaching, mentorship, networking opportunities) to encourage their integration 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 or undervaluing them because they are 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.

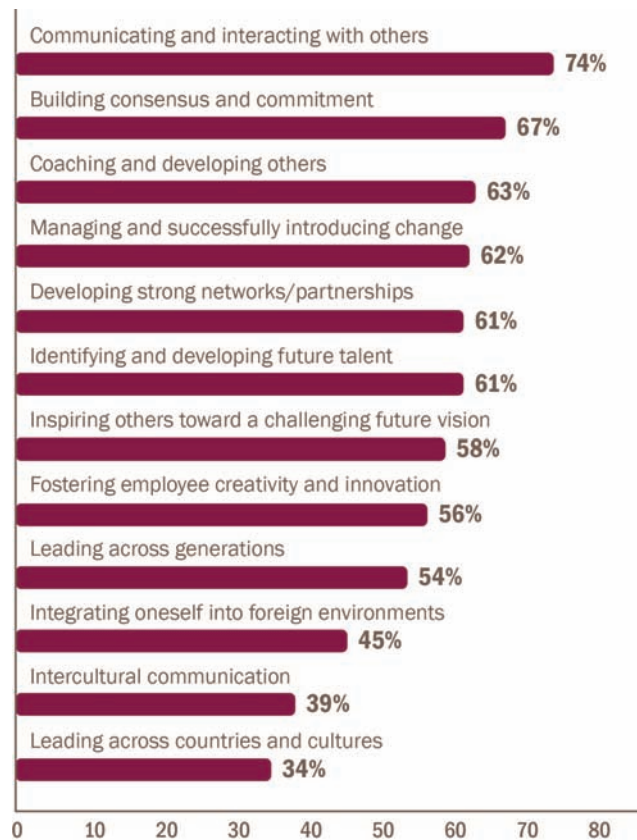
Do organizations benefit from investing in building leaders' skills in these critical areas? The answer is a resounding yes. We found that organizations that have been focusing on developing these skills, and whose leaders are now more effective, are three times more likely to rank in the top 20 percent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



Evolving HR

From Partner to Anticipator

How Do HR Professionals Contribute to Business?



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:

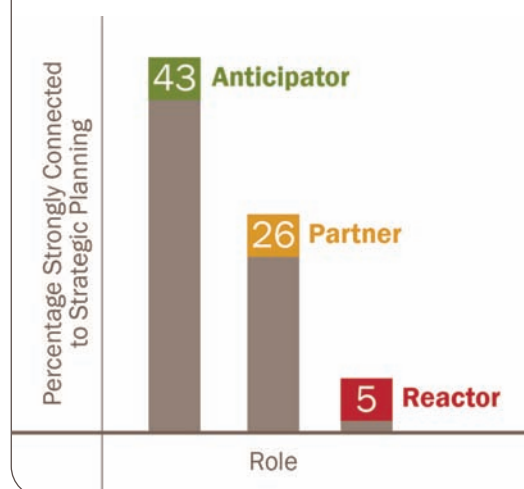
- Put a stronger focus on programs that foster employee creativity and innovation.
- Are more likely to position leadership development as an integrated journey rather than an independent series of events.
- Are more likely to institute negative consequences for managers who fail to develop their leaders.
- 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?



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



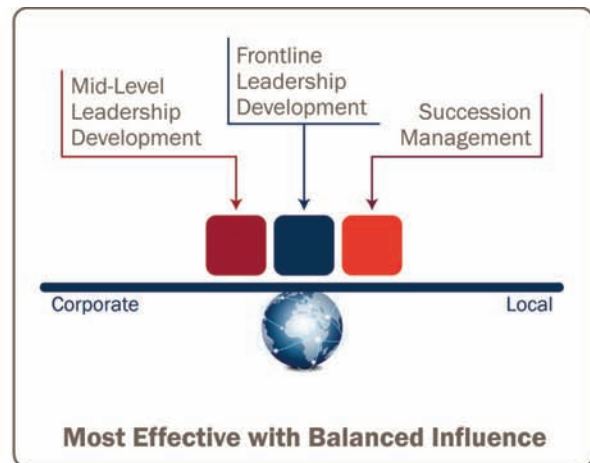
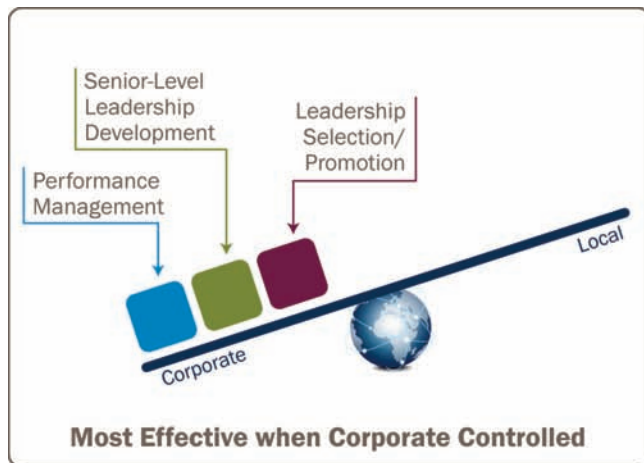
- .01** Recognize and inoculate against Big Data skepticism within the business community (both your own and in general). Although it is arriving long after other functions, HR has an opportunity to apply previously under-recognized structure, data qualification, and logic to analytics. Big Data doesn’t 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.

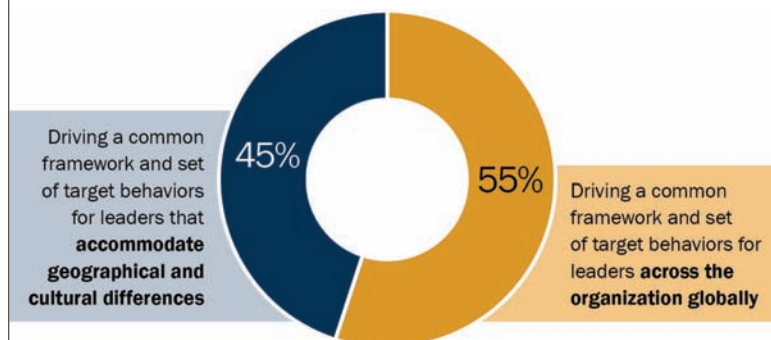
None of the leadership-focused programs we looked at were most effective when controlled locally. This does not mean that local influence is irrelevant, but it shows that negative consequences are almost certain when accommodating local perspectives becomes abdication of responsibility and an absence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

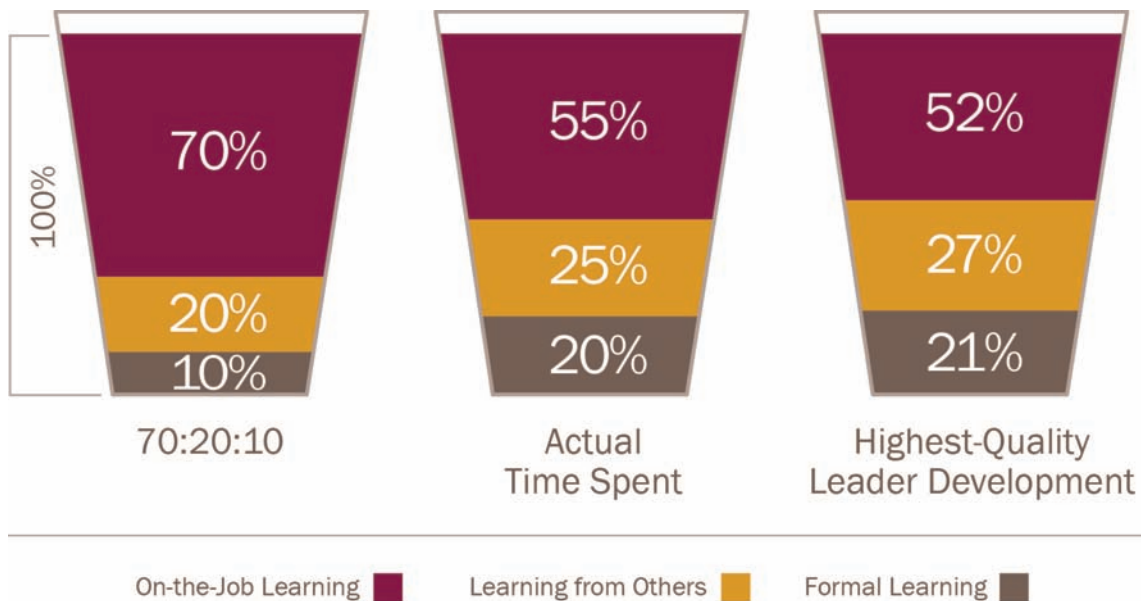


* Mitchell, S., Bolling, B., Phang, N., & Schott, T. (2013), *Talent Beyond Borders: An Organizational Guide to Delivering the Promise of Global Talent Management*, Pittsburgh, PA, Development Dimensions International.

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.

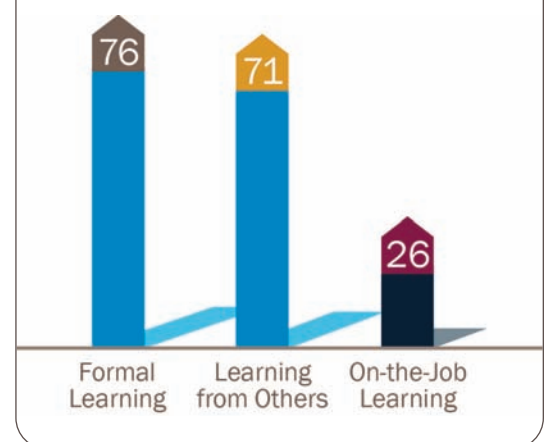
* McCall, M.W., Yost, P.R., McHenry, J.J., O'Connor, P., & Plunkett, M. (2014, May), *Beyond 70-20-10 Leadership Development*.

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	↑	↑	↑	↔
Coaching and developing others	↑↑	↑	↑	↑
Communicating and interacting with others	↔	↔	↔	↑
Developing strong networks/partnerships	↑	↑	↑	↑
Fostering employee creativity and innovation	↑↑	↑	↑	↔
Identifying and developing future talent	↑↑	↑↑	↑	↔
Inspiring others toward a challenging future vision	↑	↑	↑	↔
Integrating oneself into intercultural environments	↔	↑	↑	↔
Intercultural business communication	↑	↔	↔	↔
Leading across countries and cultures	↔	↑	↑	↔
Leading across generations	↑↑	↑↑	↑	↑
Managing and successfully introducing change	↑↑	↑	↑↑	↑

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

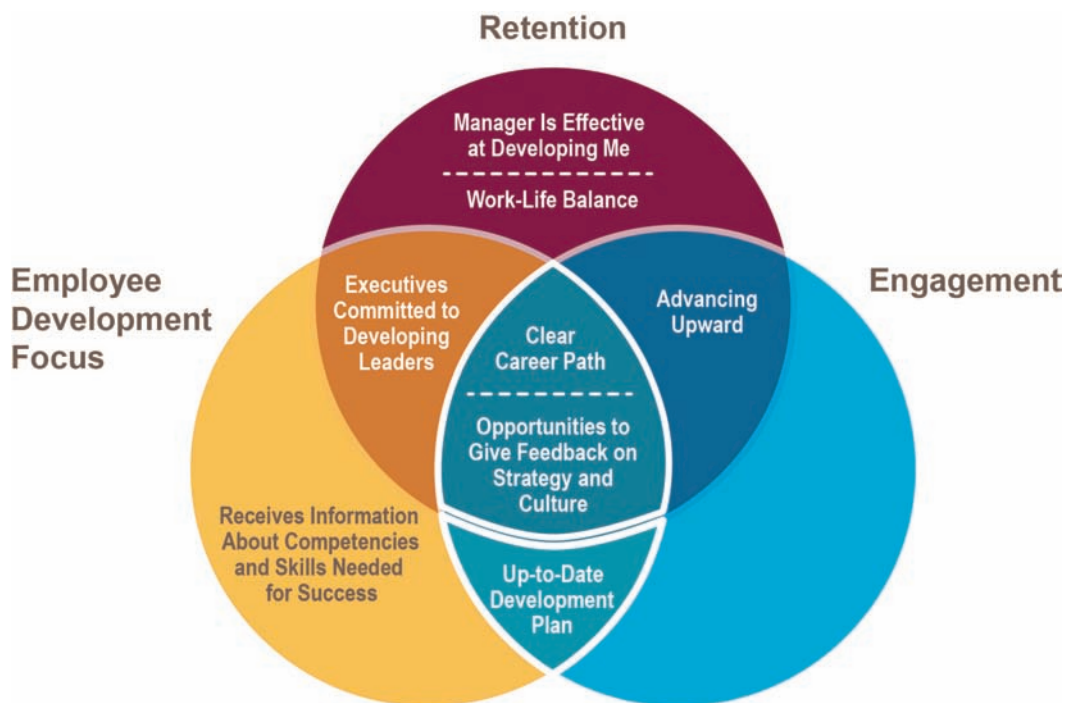


- .01** When building a leadership development sequence, consider the timing along with the content to capitalize on natural growth trajectories for leaders.
- .02** Avoid missing out on high-growth opportunities for frontline and mid-level leaders. For many skills, growth rates are lower for higher- 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

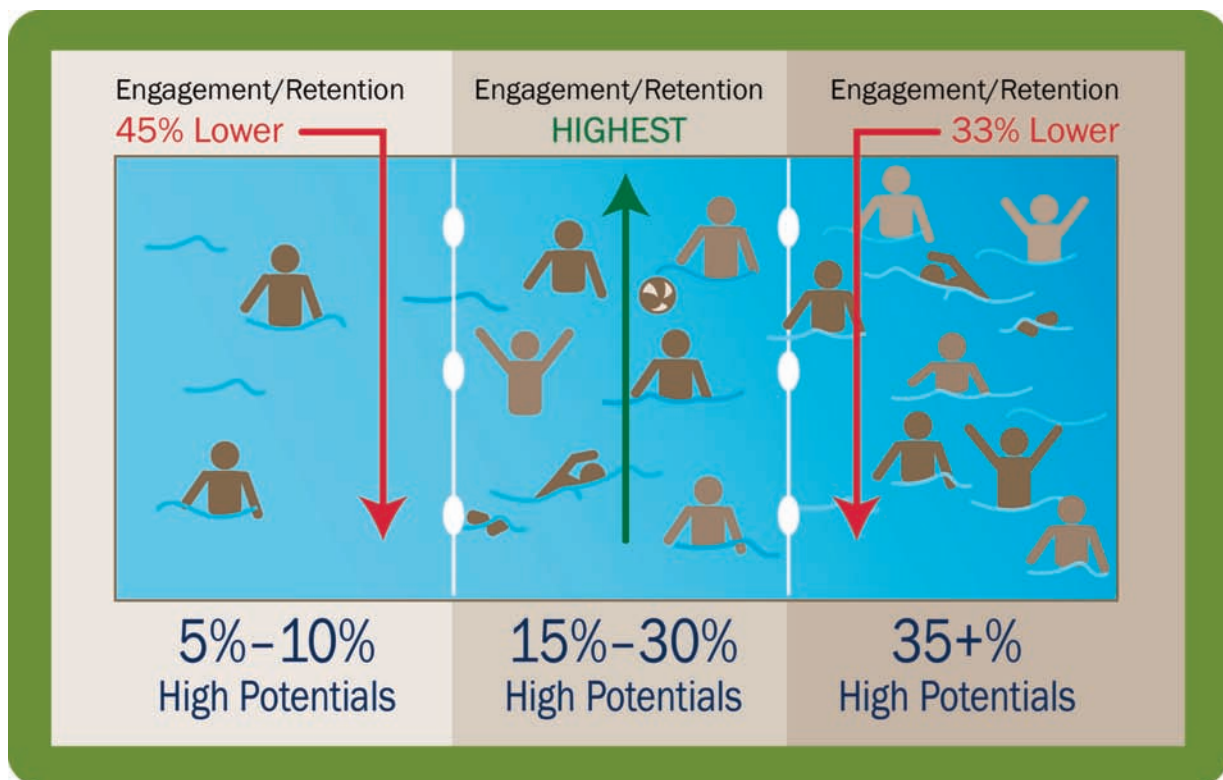


- .01** Work inward-out when prioritizing efforts to improve leader experiences. Start with the experiences at the center of the figure; these influence all three outcomes. To further target certain outcomes, take action to address those on the outer portions of the graphic.
- .02** Revisit the availability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

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.

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.

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** Fifty-nine 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.

Impact of High-Potential Program Design Factors

Percentage of Organizations Responding “True”

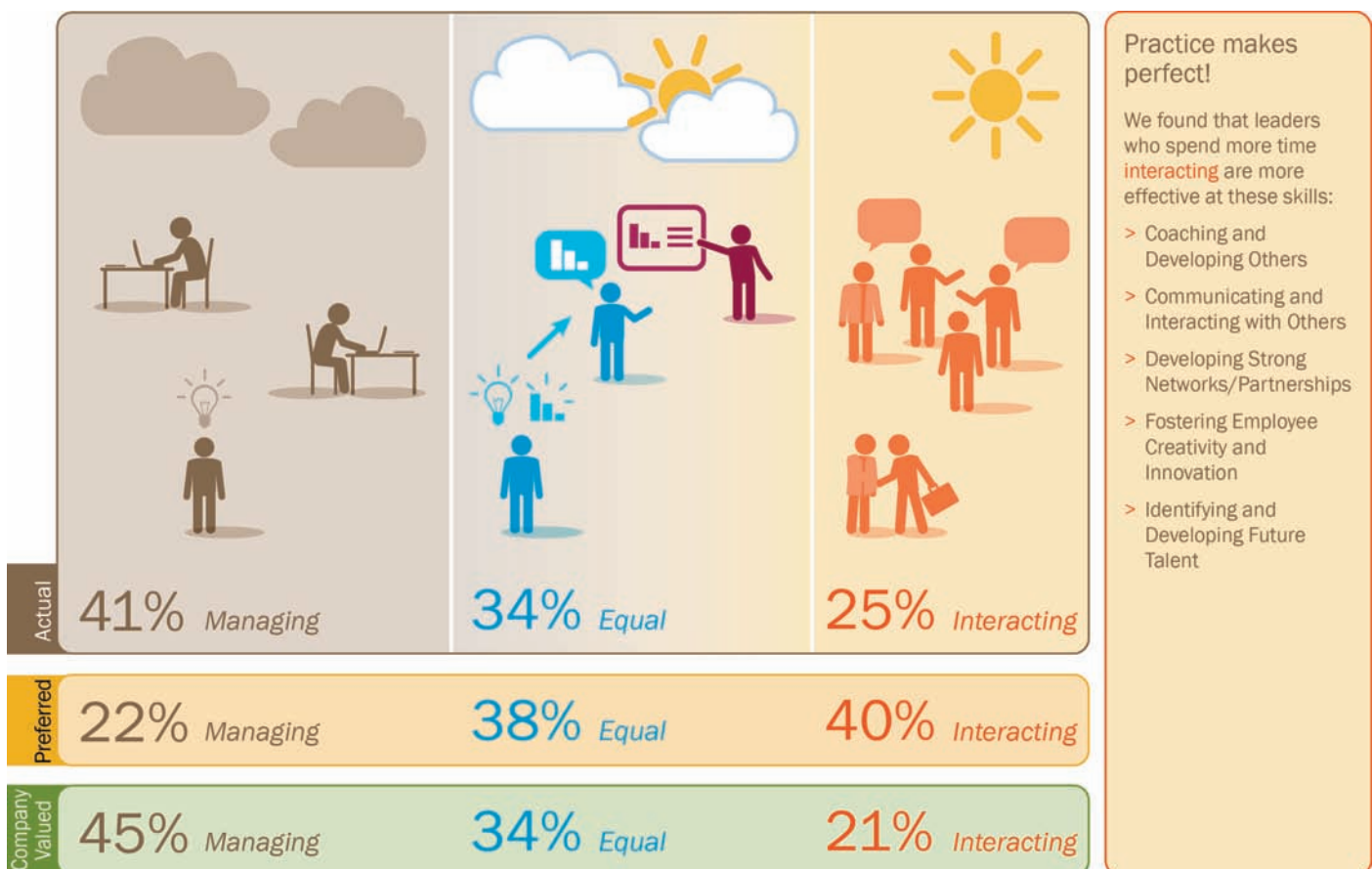
Impact on Leadership Development Quality as Viewed by High-Potentials



Interacting vs. Managing

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

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



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.

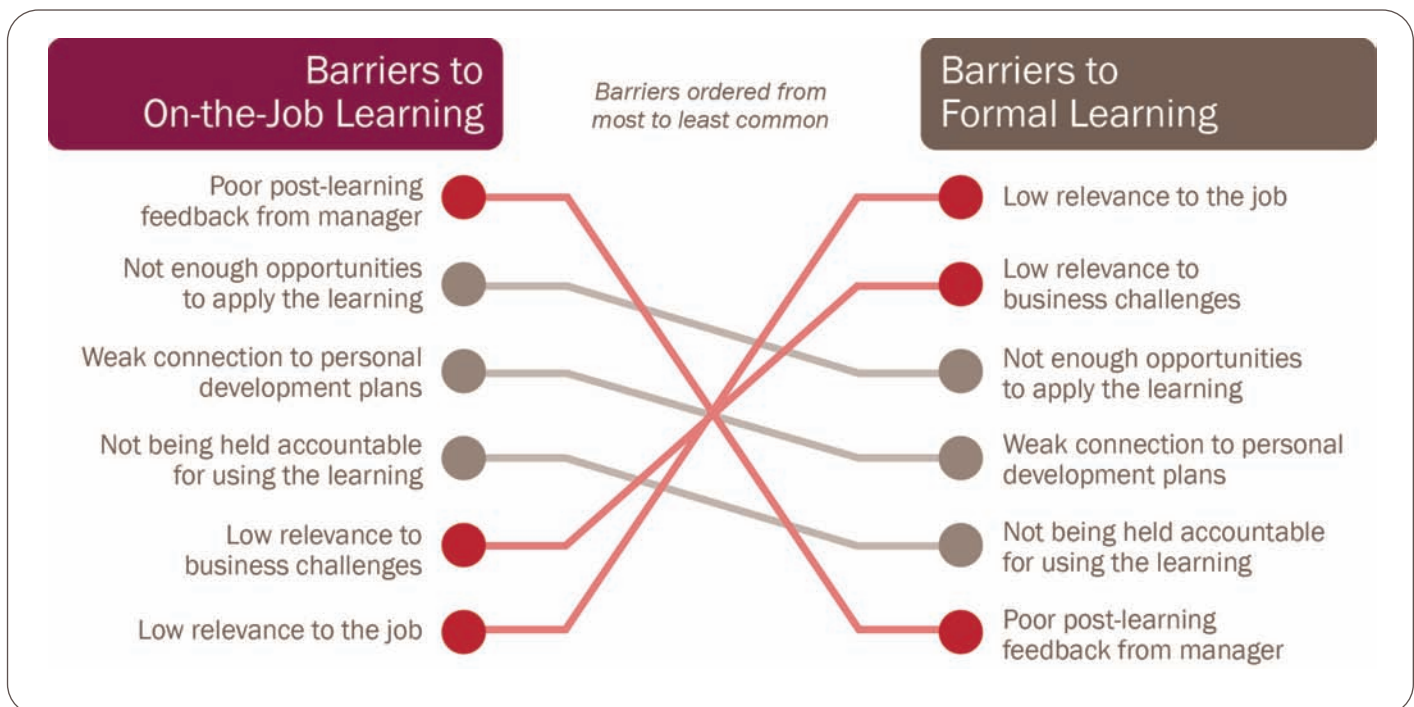
Organizations That Value Interacting Benefit More



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.

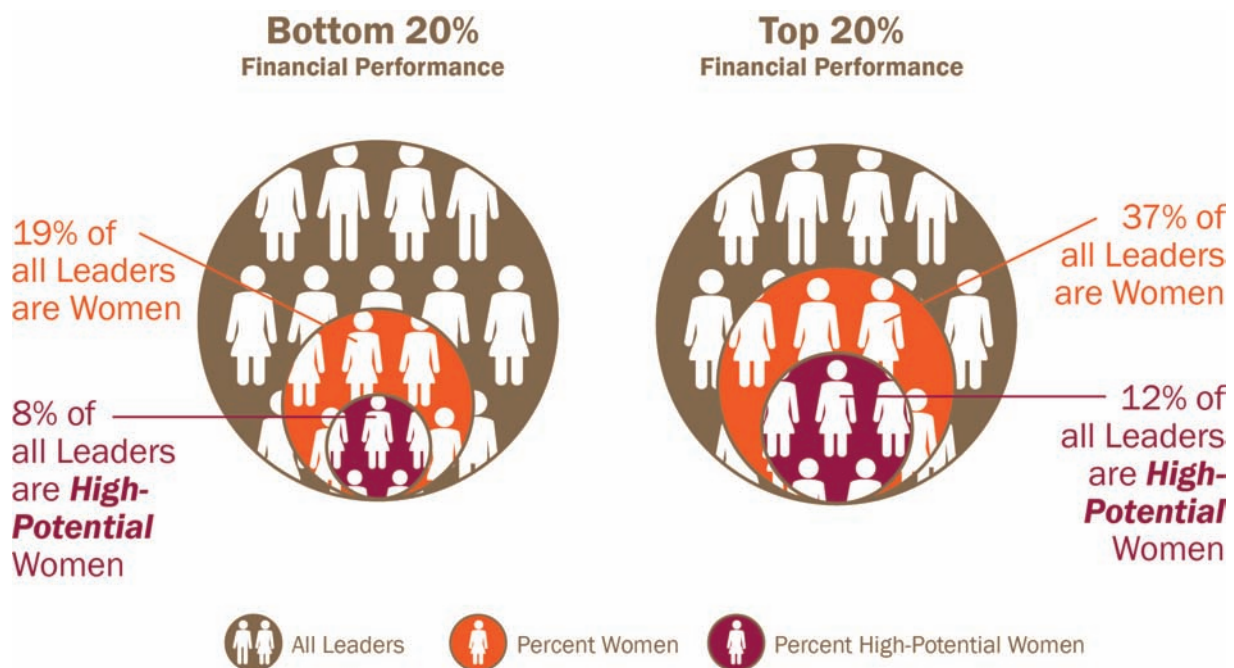
Leader responses to the question, “What word would you use to describe your organization’s approach to leadership development?” (Text size reflects frequency of response.)



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).

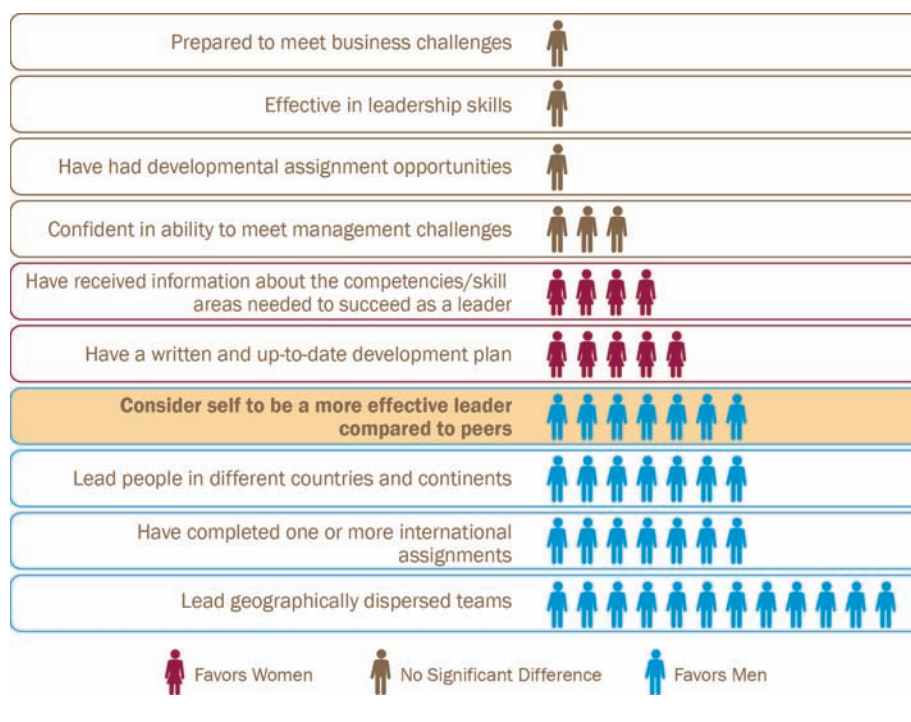
* Neal, S., Boatman, J., and Miller, L. (2013), *Women as Mentors: Does She or Doesn't She? A Global Study of Businesswomen and Mentoring*, Pittsburgh, PA, Development Dimensions International.

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.*

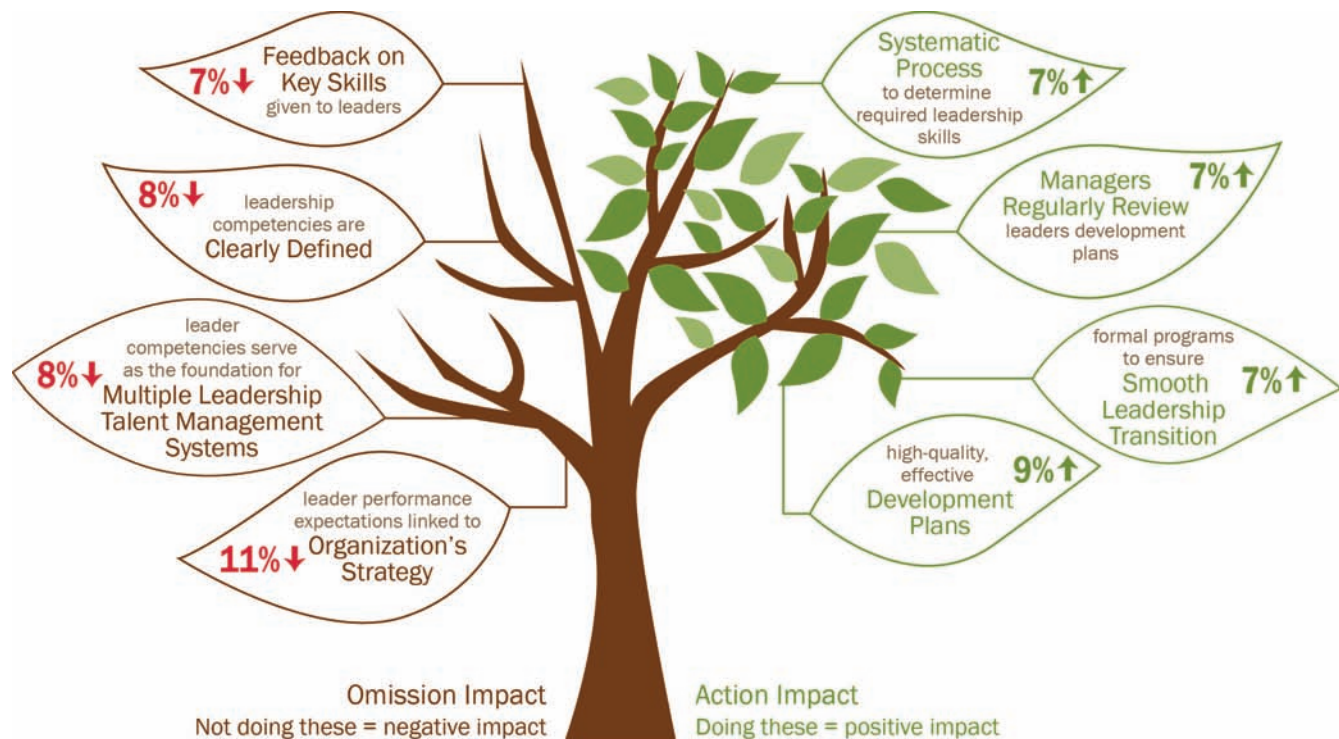
Where Are the Gender Differences?



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).

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 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?



- .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?

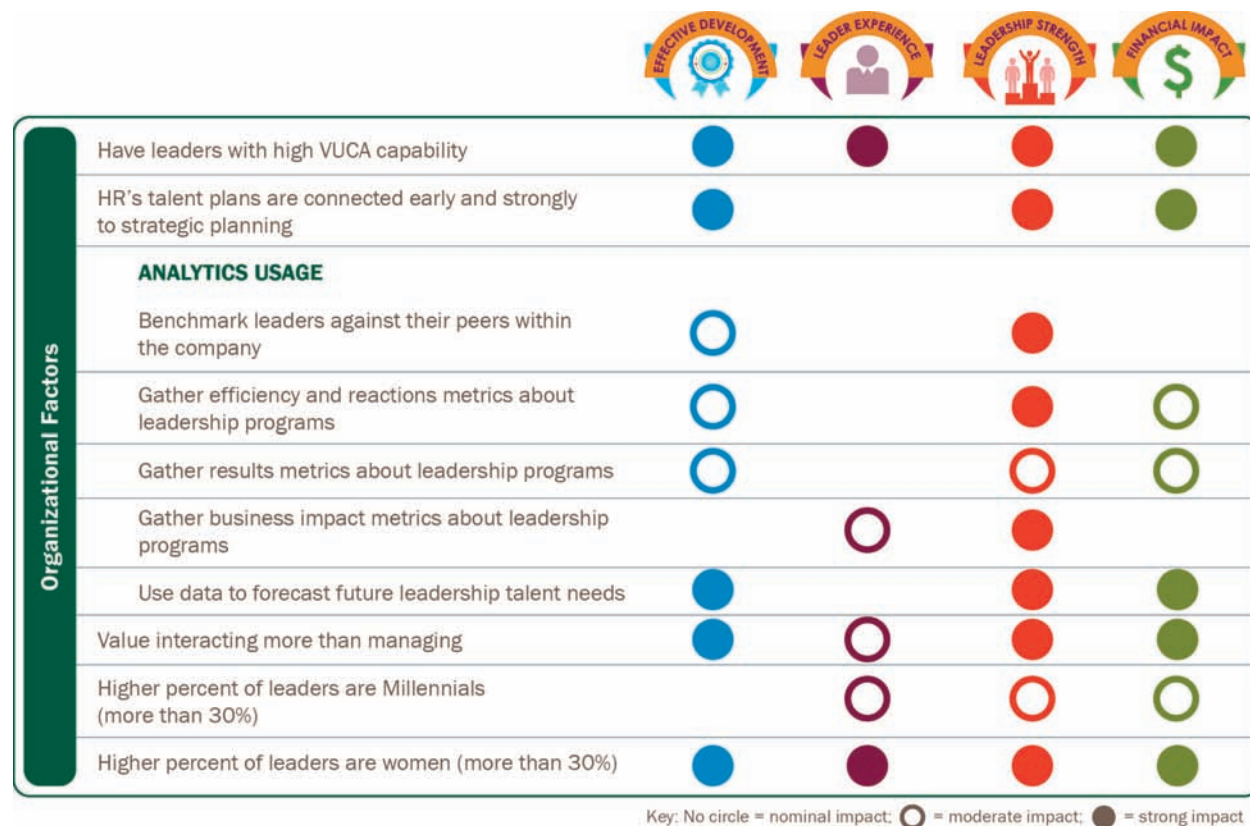
This table shows 20 leadership practices in three categories. For each practice HR professionals indicated whether it is the norm for their organization as well as what impact the practice had on four outcomes captured in the research: high-quality development; leader experience (engagement and retention);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

		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.



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.

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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.

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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 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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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