A Fully Developed Strategy is the Linchpin to Effective Leadership Development

Research Summary

Brandon Hall Group Research Team

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Strategy is the Linchpin to Effective Leadership Development

While a lack of time and resources inhibit all organizations, 19% have managed to take a mature, disciplined approach that pays off with better results across the board, according to Brandon Hall Group's latest Leadership Development Study.

KEY FINDINGS

- There is a strong correlation between a mature leadership strategy and leadership development effectiveness.

- Time and resources are overwhelmingly seen as the biggest barriers to an effective leadership development programs.

- Modalities used for LD vary considerably between leader levels, indicating that more organizations are taking a more thoughtful and strategic approach to developing leaders.

- Modalities such as on-the-job training, microlearning, action learning, stretch assignments and coaching/mentoring are increasingly utilized, in some cases overtaking instructor-led classroom learning. Assessments are also playing a larger role.

- Organizations with mature strategies are more focused on the impact of LD – such as development, and retention of current and potential leaders -- while other organizations focus more on engagement and improving leadership skills.

- Corporate culture has a significant impact on the effectiveness of leadership development.

Source: 2016 Brandon Hall Group Leadership Development Study (n=295)

Summary

Each year, Leadership Development sits atop the list of Human Capital Management priorities – and disappointments. Overall, less than 40% of organizations participating in Brandon Hall Group's 2016 Leadership Development research say their LD programs are effective, even while they plan to invest more time and money in 2017.

So why does Leadership Development have such a dysfunctional relationship between investment and success? The answer can be summed up in one word – strategy.

About 81% of organizations responding to the research survey have less than a mature strategy that does not drive business performance. Among those organizations, between 21% and 39% believe their leadership development programs are effective (depending on the leadership levels).

But for the 19% that describe themselves as "Leading" organizations with a mature strategy that drives business performance, results are dramatically better: those rating LD as effective or very effective range from 59% to 93%, depending on the leadership levels. A mature strategy includes a well-developed framework and critical leadership competencies that are aligned with business objectives.

Only one-tenth of organizations describe themselves as "Lagging," meaning they do not have any LD strategy or linkage of LD to business performance. That is an improvement of more than 60% compared with our 2014 Leadership Development Study. However, a majority of organizations (71%) still are in various stages -- "Emerging" or "Developing" – of crafting a LD strategy (Figure 1, next page). They are not at the point where their LD programs are having a significant impact on business performance.

However, the 19% of respondents that describe themselves as "Leading" organizations, which have a mature strategy that shapes and drives business performance, are having the kind of success that one would expect from the large investment most organizations are making, including:

- **A reduced leadership gap.** 49% of Leading organizations say they have a leadership gap – a rate that is 64% less than all other organizations.

- **A significant impact on the bottom line.** 51% of Leading organizations say their LD programs contribute to the business bottom line, almost 3 times more than the remaining organizations.

- **Strong alignment between the LD program and business objectives.** 82% of Leading organizations tied LD directly to business objectives – 58% more than all other organizations.

Figure 1 | The Leadership Development Landscape

The Leadership Development Landscape
Respondents described their LD programs this way:

LAGGING — No LD strategy or links to business performance — 10%

LEADING — A mature strategy that shapes and drives business performance — 19%

EMERGING — Building a LD strategy, but it is not contributing to business performance — 32%

DEVELOPING — In process of formalizing LD strategy; there is some contribution to business performance — 39%
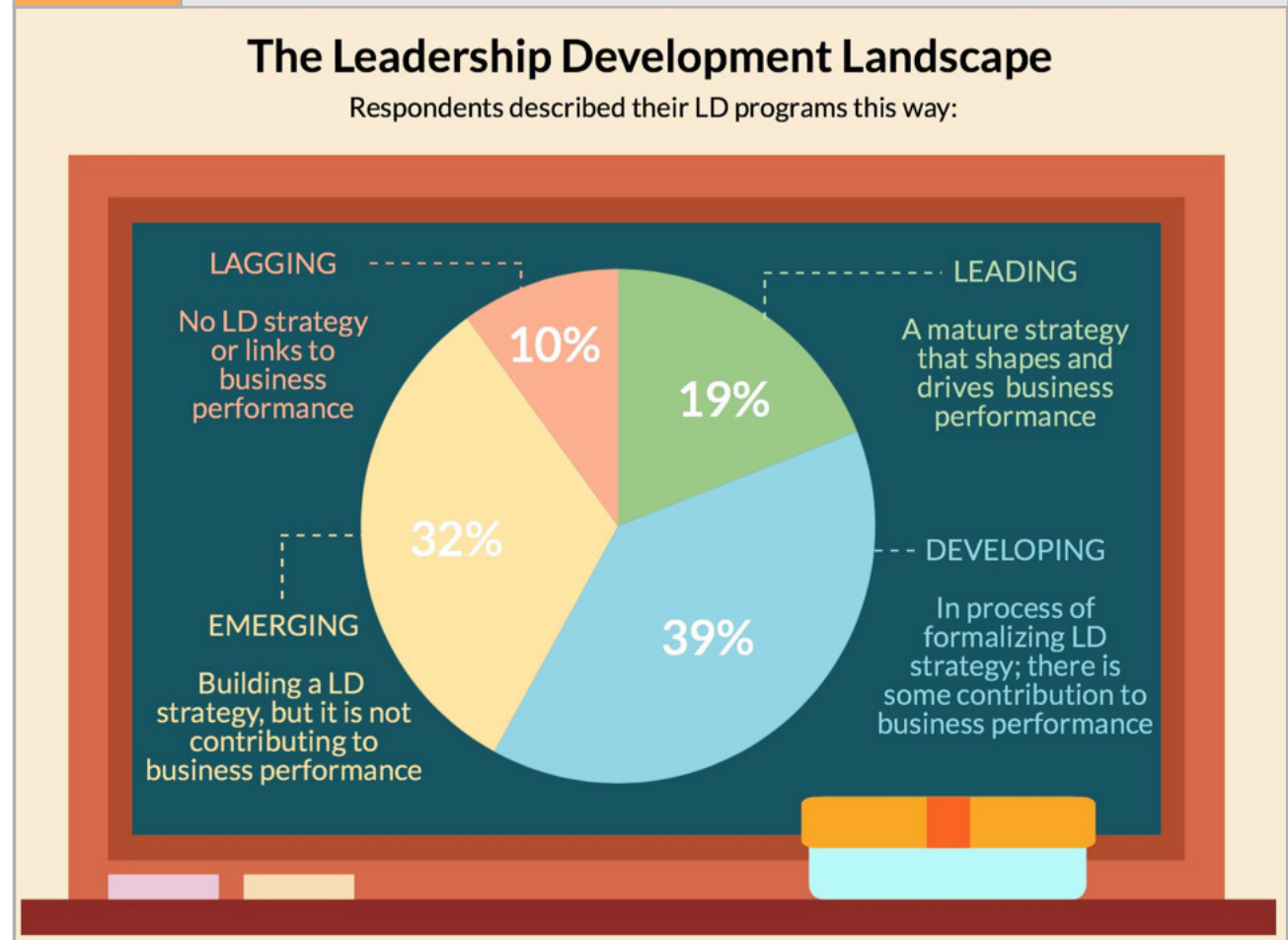
Source: 2016 Brandon Hall Group Leadership Development Study (n=275)

Figure 2 (below) illustrates the distinct difference between "Leading" organizations and everyone else related to our Leadership Development Effectiveness Indicators.

Figure 2	Key Leadership Development Effectiveness Indicators (Leading Organizations vs. All Others)

- LD has Significant Impact on Bottom Line — Leading Organizations 51%, All Other Organizations 18%
- Strong Alignment between LD and Business Objectives — Leading Organizations 82%, All Other Organizations 52%
- LD Program Essential / Critical to Business Strategy — Leading Organizations 84%, All Other Organizations 60%
- LD is a Competitive Advantage for Employer Brand — Leading Organizations 91%, All Other Organizations 41%
- More than Half of Open Leadership Positions Filled by Internal Promotions — Leading Organizations 76%, All Other Organizations 49%
- Organizations with a Leadership Gap — Leading Organizations 49%, All Other Organizations 77%

■ Leading Organizations ■ All Other Organizations

Source: 2016 Brandon Hall Group Leadership Development Study (n=295)

Like most organizations in our study, Leading organizations face significant obstacles – mostly in the form of time and resources – in creating an effective leadership development program. The difference between Leading and other organizations appears to be that they have used their limited time and resources to develop a strategy – or playbook – on how to approach LD. Based on our research and on preliminary interviews with selected respondents, which are still in progress as this summary report is written, the critical components of the strategies appear to be three-fold:

- A set of leadership competencies, linked to business objectives, for the organization overall.

- A focus on specific competencies, still linked to business goals, at each leader level -- such as high-potentials, future or emerging leaders, supervisors, mid-level managers, senior management and executive management.

- An understanding that the approaches to LD should change based on the skills, competencies, and level of individuals being developed. For instance, some skills are best addressed in an instructor-led classroom, while others are best taught through different modalities (coaching, on-the-job training, action learning, stretch assignments, etc.)

In other words, LD programs are more effective if built from a core philosophy -- backed by specific competencies -- that reflects the complexity of the business, the differences between leader levels, and the diversity of skills and backgrounds among the leaders being developed.

This research summary will provide the key findings of the research and their impact on the leadership development process. The research is based on a survey that includes 295 usable responses in 28 countries and 33 industries. The survey was conducted in September and October 2016, with results analyzed through Nov. 18, 2016. A detailed methodology appears at the back of this report.

ANALYSIS OF TOP FINDINGS

1. Effective Leadership Development has a strong correlation to a mature LD strategy.

Overall, our 2016 research showed some progress in how organizations are approaching leadership development. More organizations have developed leadership competencies, for instance, and LD programs have less focus on classroom learning than just a few years ago. However, Leading organizations (those with a mature LD strategy) are the only ones that are achieving high degrees of effectiveness.

Our survey divided LD into 6 categories – executive management, senior management, mid-level management, supervisors, high-potentials, and future/emerging leaders. Overall, only the mid-level management and supervisor levels had more than 40% of organizations saying the LD was effective or highly effective.

But when we looked at the results of Leading organizations compared with Developing, Emerging and Lagging organizations combined, the results were startling: Over the 6 levels, an average of 74% of Leading

Figure 3 | Effectiveness of Leadership Development (Leading Organizations vs. All Others)
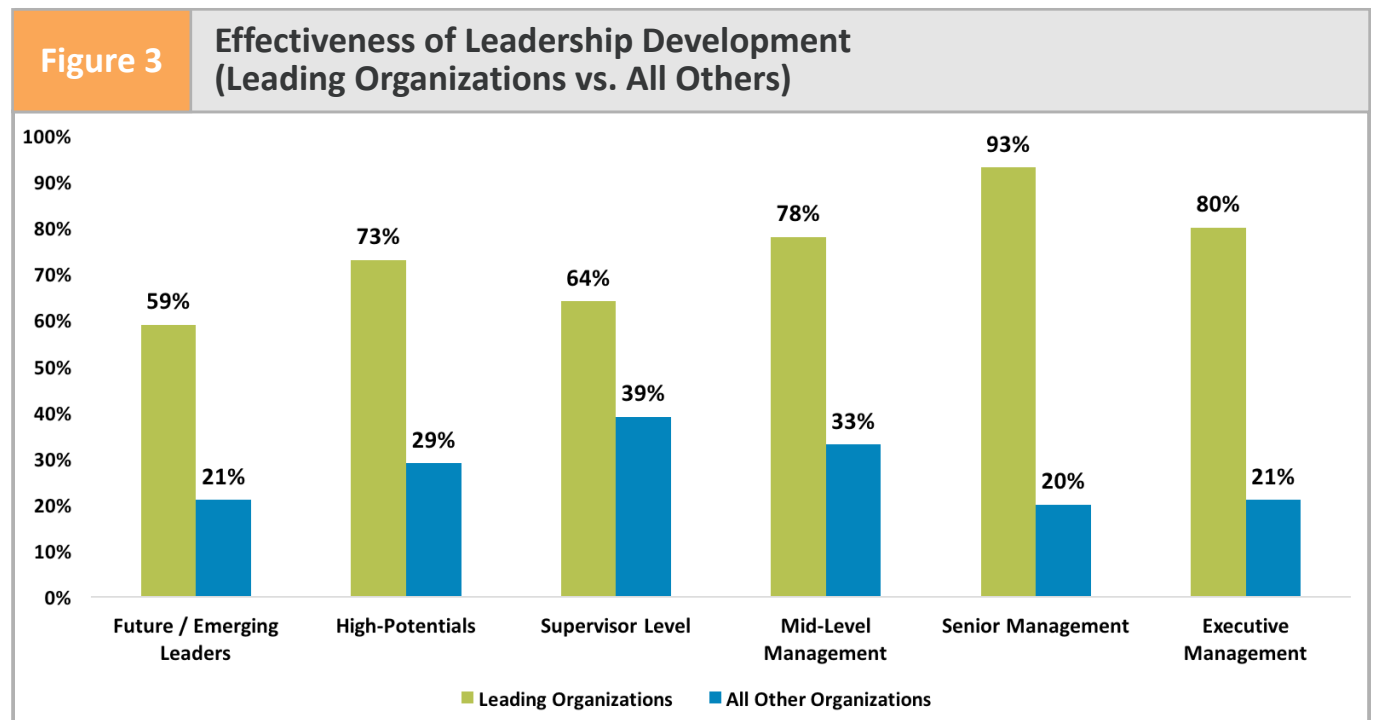
Source: 2016 Brandon Hall Group Leadership Development Study (n=275)

organizations ranked LD as effective/highly effective, while all the other organizations averaged 28% effective/highly effective.

This finding is important because it shows that even organizations that are making progress in developing a strategic, disciplined approach to LD do not get strong results until the strategy is fully developed and executed. This indicates that organizations in the Emerging and Developing levels would be wise to finish deploying their strategies as their next priority in the evolution of Leadership Development. There is always pressure to roll out more initiatives and train more leaders, but making sure in the short run that the programs are structured properly based on leadership competencies and business objectives will make LD much more effective in the long-run.

2. Time and resources are the biggest barriers to effective leadership development.

A well-developed LD strategy enables organizations to efficiently and effectively put together programs at all leader levels to deliver on business objectives. Having a clear direction is important, because our research shows that organizations do not have the money, nor the resources to waste.

| Figure 4 | Barriers to Effective Leadership Development |
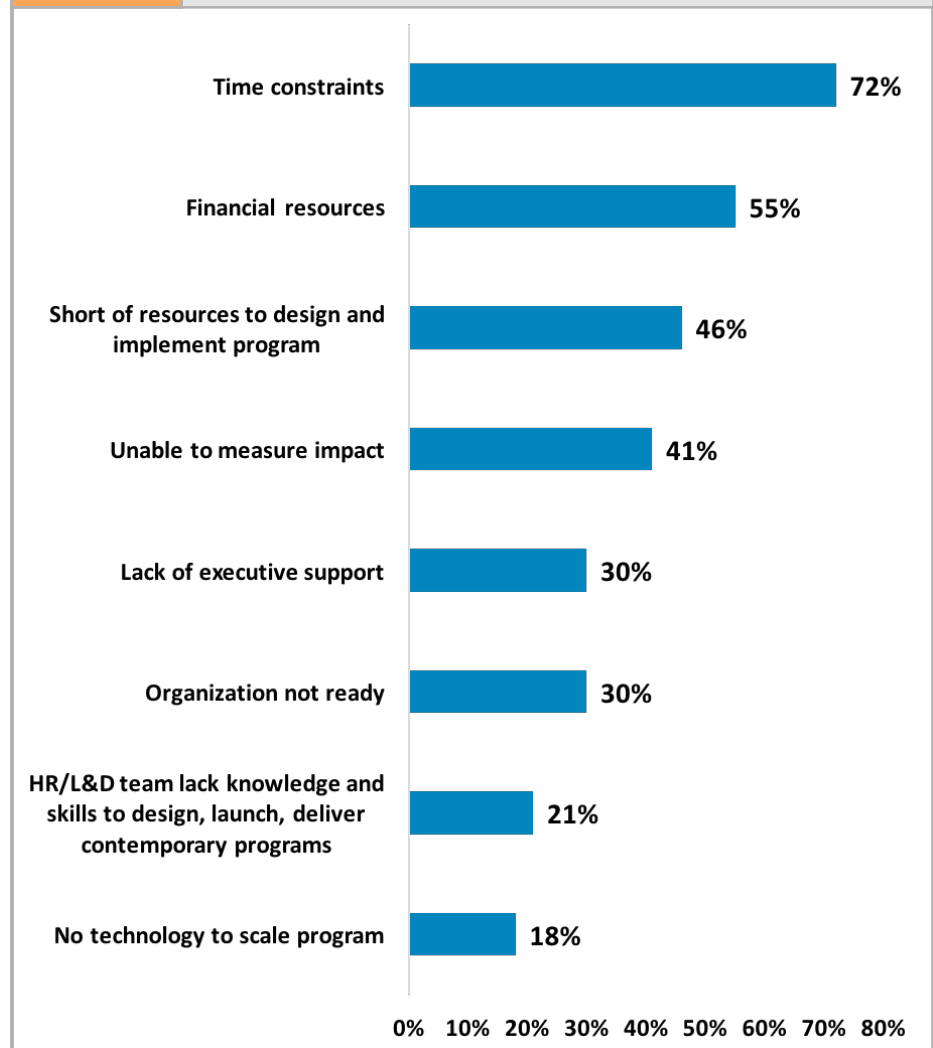
Source: 2016 Brandon Hall Group Leadership Development Study (n=272)

As Figure 4 illustrates, time and resources are the biggest barriers to effective leadership development. Time constraints are by far the biggest barrier, followed by financial resources, lack of resources to design and implement programs, and the inability to measure impact.

Interestingly, Leading organizations cite largely the same barriers, but in slightly smaller numbers. The biggest difference in barriers is lack of organizational readiness, which is more than twice as prevalent in lower performing organizations (Lagging, Emerging, Developing) than in Leading organizations. Lack of executive support is also cited 43% more often among the lower performing organizations. This illustrates the importance of a mature strategy because it is hard to have one without executive support or the organization being ready.

These statistics also raise the question of how serious organizations really are about LD. 65% of organizations say LD is essential or critical to their business strategy. It would figure then, that organizations are also putting time and money into it, but the research indicates other priorities are getting in the way.

3. Organizations are taking a more thoughtful and strategic approach to developing leaders.

Four years ago, when we launched our annual leadership development studies, 87% of organizations used classroom learning, and no other modality was within 20 percentage points. In the 2015 study, on-the-job training was a relatively close second to classroom learning in use, but coaching and mentoring still lagged far behind, though effectiveness ratings for coaching, on-the-job training, and assessments were within 5% of classroom learning.

As we head into 2017, it's a whole new world.

In terms of use, classroom ranks first only among mid-level managers/supervisors – and even then it is tied with microlearning, which was not even part of the LD lexicon three years ago. Classroom learning is still widely used – as it should be, in the right circumstances -- but this data shows that organizations are taking a much more strategic and eclectic approach to training leaders, which is a sign of real progress.

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| Figure 5 | Top 5 Modalities Used for Leadership Development (By Leader Level) |

Executives / Senior Management

71% Coaching / Mentoring

61% Assessments

57% Instructor-led learning

54% Stretch assignments

49% Action learning projects

Mid-Level Managers / Supervisors

88% Instructor-led learning

88% Microlearning

84% On-the-job training

81% Games / Simulations

76% Coaching / Mentoring

High-Potentials / Emerging Leaders

76% On-the-job training

75% Microlearning

75% Instructor-led learning

70% Assessments

67% Stretch assignments

67% Social learning

67% Coaching / Mentoring

Source: 2016 Brandon Hall Group Leadership Development Study (n=232)

There has also been a big change in how organizations see the effectiveness of modalities. What stands out is that the top six modalities are grouped within 16 percentage points of each other, whereas two years ago there was a great chasm in effectiveness between classroom and almost all other modalities. Organizations have taken the steps to try other modalities and are finding they all can be effective in the right situations. This is real progress, and bodes well for effectiveness results in the years ahead.

Figure 6	**Effectiveness of Modalities – All Organizations (Highly Effective/Effective)**
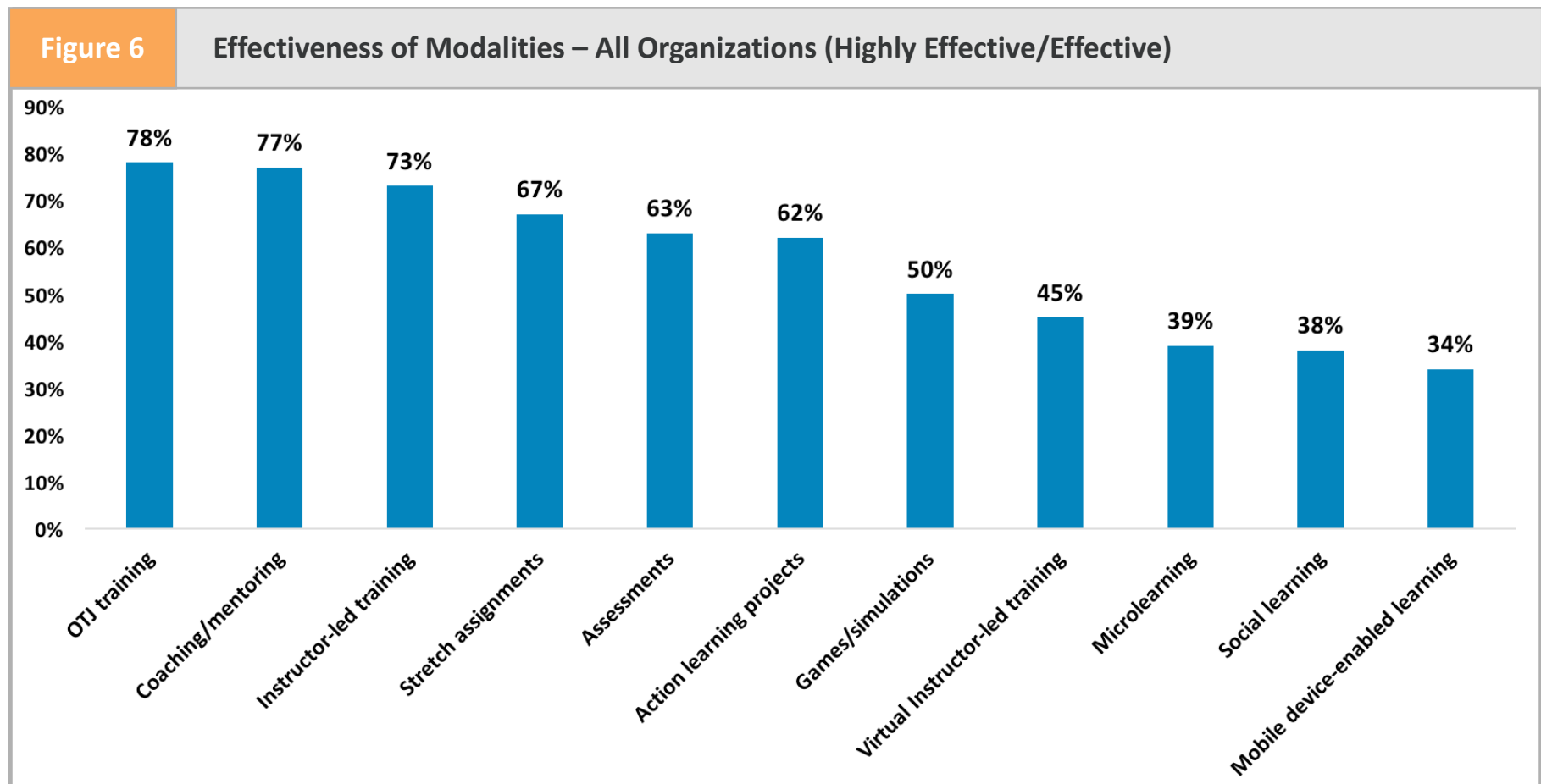
Source: 2016 Brandon Hall Group Leadership Development Study (n=230)

4. Leading organizations are more focused on competencies and metrics tied to business goals.

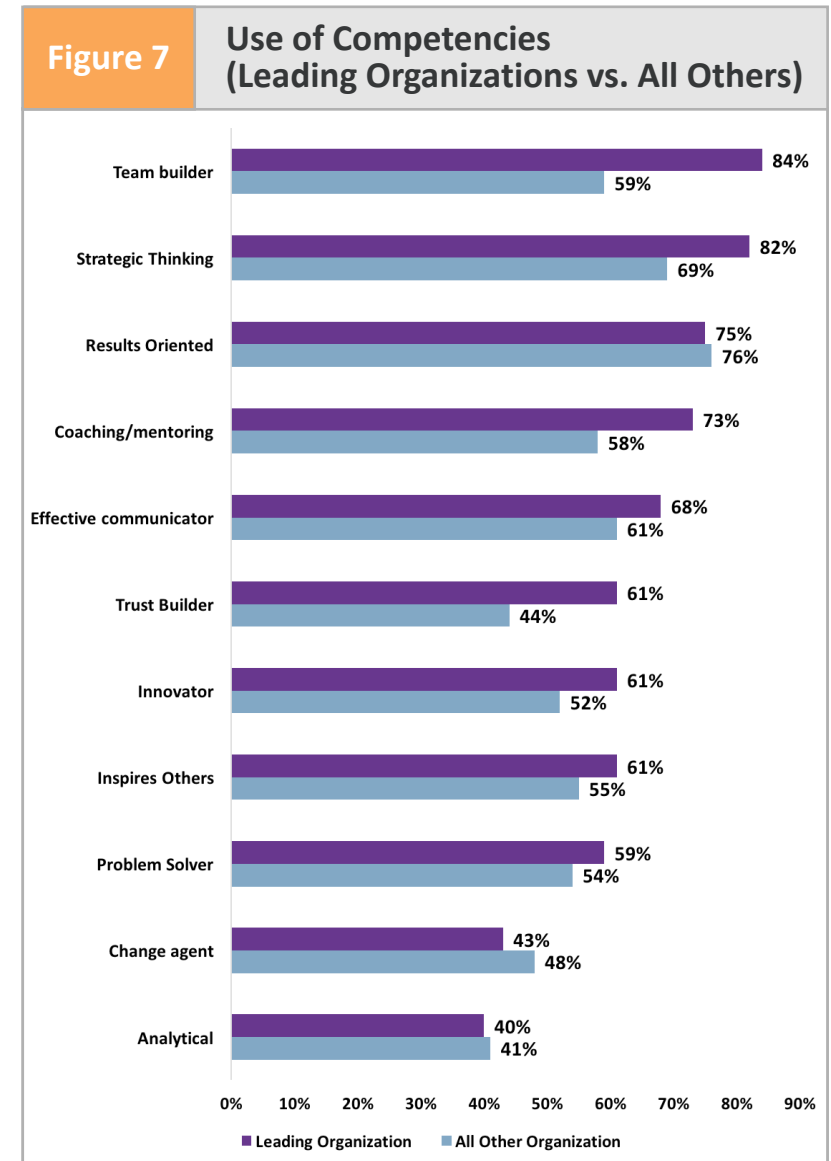Leading organizations are more than three times more likely to see LD as having an impact on the bottom line, and 58% more likely to have LD strongly aligned with business objectives. We get a better understanding of why when comparing critical leadership competencies and metrics used to measure leadership effectiveness.

Among lower-performing organizations – those in the Lagging, Emerging and Developing levels – the most critical competencies are Results Oriented (76%) and Strategic Thinking (69%), followed by Effective Communicator (61%) and Team Builder (59%). These are among the top competencies for Leading organizations as well, but a much higher percentage of organizations focus on Team Builder (84%), Strategic Thinking (82%), Effective Communicator (68%), and other competencies such as Coaching/Mentoring (73% to 58%) and Trust Building (61% to 44%). Team building is particularly telling because it is hard to get real business results unless the organization is working well together for a common purpose. Leading organizations are 42% more likely to do that than other organizations.

Most organizations are focusing on pre-requisites to outstanding leadership – i.e., being results oriented and being a strategic thinker. Leading organizations, while embracing those competencies, are more focused on

Figure 7 — Use of Competencies (Leading Organizations vs. All Others)

Competency	Leading Organization	All Other Organization
Team builder	84%	59%
Strategic Thinking	82%	69%
Results Oriented	75%	76%
Coaching/mentoring	73%	58%
Effective communicator	68%	61%
Trust Builder	61%	44%
Innovator	61%	52%
Inspires Others	61%	55%
Problem Solver	59%	54%
Change agent	43%	48%
Analytical	40%	41%

Source: 2016 Brandon Hall Group Leadership Development Survey (n=246)

competencies that are more focused on people and have more impact on results – team building, coaching, mentoring, and trust building among them.

Similar dynamics exist when looking at how LD effectiveness is measured. Most organizations are most heavily focused on improving leadership skills and improving employee engagement, which are important building blocks toward improving business performance. But Leading organizations are much more focused than their counterparts on measuring impact, such as retention of leaders (80% vs. 48%), development of high-potentials (76% vs. 39%), pool of future leaders (62% vs. 40%), and business objectives achieved (58% vs. 41%).

Figure 8	Metrics of Leadership Development Effectiveness (Leading vs. All Other Organizations)
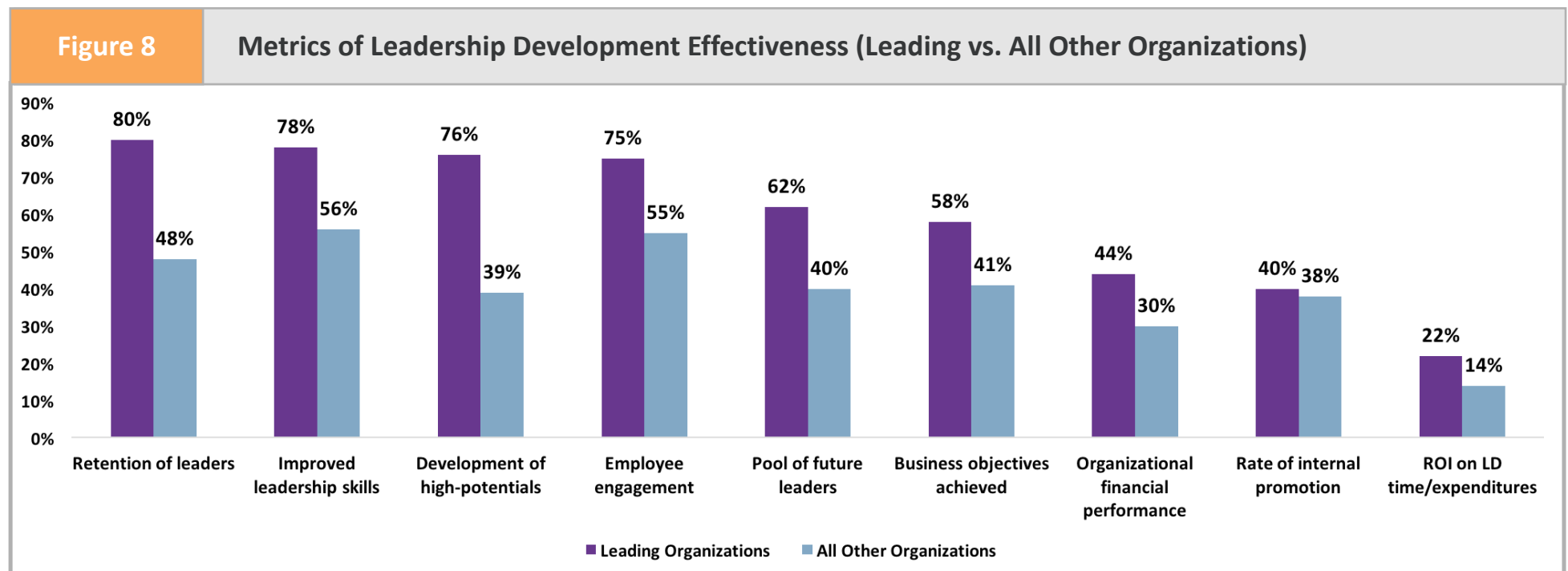
Source: 2016 Brandon Hall Group Leadership Development Study (n=251)

Looking at these results, one begins to get a good understanding why Leading organizations see better results, get more open leadership positions filled internally, see LD as a competitive advantage for the employer brand, and see LD as being more essential to business strategy.

5. Corporate culture has a significant impact on LD effectiveness.

Effective leadership development, by its nature, is a collaborative endeavor. To be effective, stakeholders need to work together to build a framework, critical competencies for each leader level, and develop the most effective approaches (classroom, action learning, stretch assignments, coaching/mentoring, etc.) for different development types. Effective LD needs strong executive support and often draws on subject matter experts from throughout the organization, as well as outside experts, which also involve collaboration.

Figure 9	Definition of Corporate Culture Types	
Collaborative culture	Open and friendly place to work where people share a lot of themselves. Leaders are incented to be mentors or support roles. Group loyalty and sense of tradition are strong. The organization places a premium on teamwork, participation and consensus.	33%
Competing culture	A results-driven organization focused on job completion. People are competitive and goal-oriented. Leaders are demanding, hard-driving, and productive. The emphasis on winning is incented in the organization. Success means market share and penetration. Competitive pricing and market leadership are important.	17%
Controlling culture	A highly-structured and formal place to work. Rules and procedures govern behavior. Maintaining a smooth-running organization is incented. Stability, performance and efficient operations are the long-term goals. Success is based on dependable delivery, smooth scheduling, and low cost. Management supports security and predictability.	30%
Creating culture	A dynamic, entrepreneurial and creative place to work. Innovation and risk-taking are embraced by employees and leaders. A commitment to experimentation and thinking differently are incented within the organization. Leaders strive to be on the cutting edge. Individual initiative and freedom are encouraged.	12%
Other	Our culture does not fit into these options (please describe your culture)	8%

Source: 2016 Brandon Hall Group Leadership Development Survey (n=230)

It is not surprising, therefore, that organizations which describe themselves as having collaborative cultures also are far more likely than other cultures – most notably Controlling and Competing cultures – to report effective leadership development.

Figure 9 defines the corporate culture types defined in the survey and the percentage of respondents in each culture designation.

Collaborative cultures, which place a premium on teamwork, participation, and consensus, and to a lesser degree Creating cultures, which are dynamic, innovative and committed to experimentation, generally do better at all leader levels (Figure 10). Collaborative cultures are as much as twice as likely as Competing and Controlling cultures to rate their LD programs effective or highly effective.

Figure 10	Highly Effective/Effective LD Programs (By Culture Type and Leader Level)				
	Overall	**Collaborative**	**Controlling**	**Competing**	**Creating**
Executives	32%	45%	23%	23%	41%
Senior Management	34%	52%	24%	20%	44%
Mid-level Management	41%	57%	37%	38%	37%
Supervisor	44%	60%	38%	47%	35%
High-potentials	35%	41%	31%	34%	37%
Future / Emerging Leaders	28%	39%	25%	18%	35%

Source: 2016 Brandon Hall Group Leadership Development Survey (n=242)

While there are certainly other variables besides culture that impact LD effectiveness, there is no question that cultures based on consensus building, innovation and trying new things (experimentation) fare better. This is significant since almost half of organizations have Competing or Controlling cultures and have some additional barriers to face than other cultures.

Brandon Hall Group's Research Methodology

PHASE 01	PHASE 02	PHASE 03	PHASE 04	PHASE 05
Evaluation of Business and Talent Landscape	**Quantitative Surveys and Qualitative Interviews**	**Scholarly Reviews and Expert Resident Knowledge**	**Market Testing and Emergent Trends**	**Analytics-Based Reports and Tools Publication**
We study current trends to hypothesize about how they might influence future events and what effect those events is likely to have on your business. We then prepare a project outline and circulate to executives and practitioners in the particular field for feedback and insights before our research survey is developed.	To test our hypothesis, we gather empirical insights through formal and informal surveys. To check assumptions generated from surveys and to add context to the empirical survey data, we talk to Executives, Chief Human Resources Officers, VPs of Talent and other business leaders as well as HR, Learning and Talent Leaders and employees.	We study and analyze renowned academic research comparing and contrasting their findings to our own and again engage in rapid debate to ensure our findings and analysis stand the tests of business usability. New perspectives are shaped and added as appropriate. Our quantitative and qualitative findings are also shared within our internal research community and rapidly debated in peer review sessions to test validity and practicality.	We fortify and validate our initial findings, leading practices and high impact processes within the analyst environment, our own Advisory Board and select other clients and prospects that offer fair assessment of the practicality and usability of our findings, practices, and processes. After studying and analyzing all collected data, we see and document patterns emerging within high-performing companies.	After verifying our position internally, in alignment with scholarly research, and the market and completing rigorous peer reviews, our findings, leading practices and high impact processes are documented and published, made available to our members, in the form of reports, tools and online searchable databases.

Client-Centered Business Goals

Employer Brand	Business Performance	Client Loyalty	Market Leadership

Brandon Hall Group's 2016 Leadership Development Study included a survey that yielded 295 usable responses from 28 countries and 33 industries. The survey was conducted in September through early November 2016, with results analyzed through Nov. 18, 2016. The came from small, mid-size and large organizations, each representing approximately one-third of total respondents. The adjacent graphic illustrates our full methodology, which includes qualitative interviews, some of which were utilized to form perspectives for this report.

About Brandon Hall Group

Brandon Hall Group is a HCM research and advisory services firm that provides insights around key performance areas, including Learning and Development, Talent Management, Leadership Development, Talent Acquisition, and HR/Workforce Management.

With more than 10,000 clients globally and 20 years of delivering world-class research and advisory services, Brandon Hall Group is focused on developing research that drives performance in emerging and large organizations, and provides strategic insights for executives and practitioners responsible for growth and business results.

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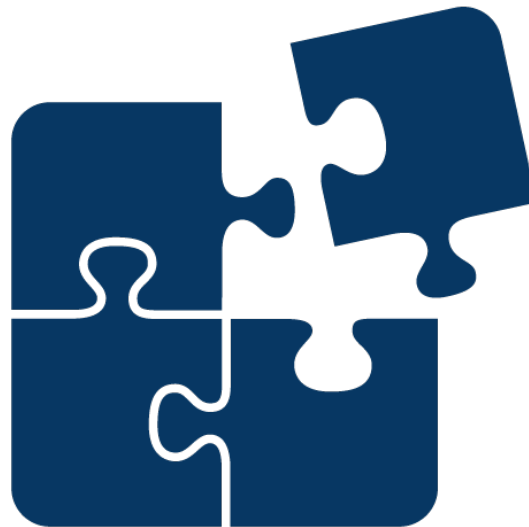- Maturity Model
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