Closing the Gaps in Leadership Development

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Our Promise

This white paper examines the knowledge, skills and abilities business leaders must have to ensure the continued success of their organizations in today's competitive global marketplace. It will introduce HR and talent management professionals to a four-step process taught at UNC's Kenan-Flagler Business School to improve leadership skills and to create a leadership culture within organizations.

Introduction

The bottom line from leadership study after leadership study: the better the leader, the better the organizational performance. According to a 2011 Development Dimensions International (DDI) leadership forecast, organizations identified in the study as the top third in overall leadership quality out-performed organizations in the bottom third in workforce retention, employee engagement,

PERFORMANCE FACTOR	LEADERSHIP QUALITY	
	Bottom 1/3	Top 1/3
Workforce Retention	24%	70%
Employee Engagement*	9%	50%
Organizational Performance (Financial performance, customer satisfaction, service quality, productivity)	13%	52%
Passion to Lead	7%	53%

Note*: Employee engagement reflects percent that are highly engaged.

organizational performance and the passion to lead. "Passion to lead" was defined in the study as "those in leadership positions who are committed to and enjoy their roles as leaders for the right reasons: helping see their company, teams and each individual they manage succeed". These organizations also report increased customer satisfaction and productivity.

Top Positions in Organizations Held by Leaders, Not Managers

In a survey of 50 global companies, research firm ISR found a direct link between effective leadership and financial performance. In organizations whose employees rated their leaders as "average", sales improved a little more than 6 percent in a year. In organizations whose employees rated their leaders as above average or higher, sales rose more than 10 percent.

Source: Symonds, 2009

HR and talent management professionals know the value of strong leadership but continue to struggle to create learning cultures in their organizations:

- According to the DDI report, 66 percent of leaders in organizations that rate their overall leadership quality as high are confident of their organization's success. Only 4 percent of leaders in organizations with low leadership quality are confident of their organization's success.

- An American Management Association study found that organizations with global leadership programs in place are more likely to report higher market performance. Only about two-fifths of respondents, however, agreed or strongly agreed with the statement that their "leadership development program is highly effective." That same study found that among companies with 1,000 or more employees and some degree of a multinational presence, approximately half had implemented one or more leadership development programs (Vickers, 2010).

- A report by Theresa Minton-Eversole, editor/manager for SHRM Online, found that only 40 percent of employers reported having a formal succession or executive coaching program in place, and only 54 percent said they had a process in place to identify high potential employees (Minton-Eversole, 2009).

Leadership Knowledge, Skills and Abilities Needed Today

An increasing number of employers understand the connection between leadership and organizational success. During the recent recession when organizations slashed training budgets, leadership development programs were retained (Mattiolli, 2009). Employers learned their lesson from previous lean times and knew that if they were to emerge from the recession in good shape, they needed to find, keep and foster good leaders to effectively lead in difficult times.

But what skills do business leaders need for today's business environment? The DDI study tried to determine whether the skill sets leaders need in today's business environment would be the same needed in the next few years. They found that some of the key skills required today, such as driving and managing change; coaching and developing others; and executing organizational strategy, would still be required. Two new skills were identified as being increasingly vital in the near future: identifying and

developing future talent and fostering creativity and innovation. These latter skills speak directly to the increasing influence of HR and talent management professionals in an organization. An IBM study also noted that creativity and innovation were critical leadership skills. Neuroscientist and founder of the NeuroLeadership Institute David Rock would add adaptability to that list (Fox, 2011).

What Makes a Good Leader? It May Be Neuroscience, Not Rocket Science

In a recent interview with HR Magazine, David Rock, founder of NeuroLeadership Institute in Sydney Australia, reported that neuroscience has discovered that self-regulation—the ability to regulate emotions, thoughts and attention—is essential to leadership. The optimal leader, then, is adaptive. The optimal leader, for example, knows when to stick to their beliefs and when to work collaboratively. They also know when to look at the big picture and when they need to get into the nitty-gritty. This means, according to Rock, that leaders have "tremendous connections across all regions of the brain." This does not mean that leadership is in the genes; Rock believes that most leaders learn the ability to adapt and self-regulate through experience.

Source: Fox, 2011

Not all organizations will need all the leadership skills DDI, IBM and others identified at the same time or in the same proportion due to differing industry and organizational needs. However, these skills are a good start when looking at the present and future needs in your own organization.

London-based competency consultant firm Worldwork has identified 10 key leadership competencies that help global business leaders become quickly effective in unfamiliar cultural settings. Although these competencies were determined with global business leaders in mind, they can easily be applied to all business leaders (Worldwork, n.d.):

1. Openness (new thinking, welcoming strangers, acceptance)
2. Flexibility (flexible behavior, flexible judgment, learning new languages)
3. Personal autonomy (inner purpose, focus on goals)
4. Emotional strength (resilience, coping, spirit of adventure)
5. Perceptiveness (attuned, reflected awareness)

6. Listening orientation (active listening)
7. Transparency (clarity of communication, exposing intentions)
8. Cultural knowledge (information gathering, valuing differences)
9. Influencing (rapport, range of styles, sensitivity to context)
10. Synergy (creating new alternatives)

Talent development and HR professionals should identify the knowledge, skills and abilities required for leaders in their organization so that they can build a framework that will support the development of these competencies.

The Global Leaders of Tomorrow Project

U.K.-based Ashridge Business School's 2008 survey found that 76 percent of CEOs and executives surveyed said it was important that senior executives have the skills and knowledge to respond to trends like climate change, resource scarcity and doing business in emerging markets. Less than eight percent felt these skills were currently being developed very effectively by their organizations.

Source: Gitsham, n.d.

A Framework for Developing Leaders

Despite the hundreds of studies and books dedicated to leadership development, a single formula has yet to emerge that will ensure an organization's success in developing good leaders. Global consulting and outsourcing firm Hewitt (now Aon Hewitt) found no single best leadership practice in their survey of top leadership qualities. Instead, they uncovered a framework that top organizations have in place to sustain their ability to build leadership talent:

- CEO and board leadership support and inspiration
- A maniacal focus on high potentials
- The right leadership practices, done right

Hewitt found that CEOs at organizations rated high in leadership development were truly passionate about developing leaders and felt it was their legacy to ensure that there were strong leaders in place throughout the organization after they left. Hewitt's study also revealed that the boards of companies with high leadership development

believed it was one of their primary responsibilities to ensure there was sufficient leadership strength to sustain their organizations for three to five years.

Not surprisingly, organizations with strong leadership development cultures (called Top Companies in the Hewitt study) identify and keep a sharp eye on their high potential employees. The Hewitt study found that 95 percent of the Top Companies in leadership development identify high potentials as compared with 77 percent of other companies. Top Companies track turnover of high potentials 72 percent of the time, versus 60 percent in other companies. In addition, the Top Companies use internal training and developmental assignments with high potential employees 90 and 89 percent of the time, respectively. In comparison, non-top companies use the same development activities just 51 percent and 43 percent. Top Companies also compensate high potential employees just for being high potential 75 percent of the time, versus 38 percent of the time for non-top companies.

Hewitt found that Top Companies develop the right leadership practices for their organization and industry and ensure accountability for their success 85 percent of the time, versus 35 percent for non-top companies. In addition, 85 percent of Top Company leaders are held accountable for developing high potentials through performance management systems versus 46 percent in non-top companies, further demonstrating the leadership development culture developed in Top Companies (Effron et al, 2005).

Top-performing companies may focus on different leadership skills to develop based on industry and organizational needs, but share the three common themes just described: top management and board-level support for leadership development, an organizational commitment to high potential employees, and accountability for the success of their leadership practices.

Talent management and HR professionals should assess whether these three factors exist in their organizations because they are vital to creating leadership learning cultures that will ultimately make their organizations stronger and more successful.

Closing the Gap with the Continuous Learning Cycle

You can spend a lifetime reading about leadership; a quick Internet search will show that there are nearly 70,000 books on the subject available through Amazon.com and more than two million research articles. Thought leaders at UNC's Kenan-Flagler

Business School have condensed the best of these publications into an effective continuous learning cycle that HR and talent management professionals can incorporate into their organizations' leadership development programs to strengthen each individual's ability to learn and adapt as a leader. The continuous learning cycle is an integrated approach that focuses on the following four core components and produces solid results in leadership development.

The Continuous Learning Cycle

1. Principles

Principles are the knowledge, skills and abilities leaders need to possess. The first step in an organization's leadership development plan begins with identifying what knowledge, skills and abilities need to be further developed in the organization. These can include such areas as:

- Leading and managing (decision-making, problem-solving, using power and authority)

- Strategy (developing a business strategy and using strategy to make informed business decisions)

- Ethics (facing ethical dilemmas and exhibiting integrity, courage, compassion and honesty)

- Management communication (clearly expressing authority, persuasion, motivation, transparency, influence and inspiration)

This is by no means an inclusive list as the results of studies by DDI, IBM and others can attest. Other areas that could be identified for development may include the ability to deal with ambiguity, working well with others (teamwork), negotiating effectively, developing self-awareness or developing open-mindedness (a development area that is vital to a global leader's success).

Corporate Example: IBM's Corporate Service Corps Development Program

In 2007, a team of 30 top leaders at IBM set out to identify the knowledge and skills that IBM would require of its future leaders. The

team discovered that in the past, it was sufficient for IBM leaders to know about the business. In the future, however, they would need to be aware of the wider political landscape in the locations in which they operate. They identified that future global leaders at IBM would need:

- A deep understanding of the business, economic and political landscape of emerging markets

- The ability to form relationships with the social sector, local governments, non-governmental organizations (NGOs), and other influencers

- Increased sensitivity toward different cultures and customs

- The ability to work with and to lead multi-cultural teams

- Awareness of core societal, educational and environmental challenges affecting the way the organization does business in the 21st century

- A commitment to understand and maintain the highest global integrity standards

To develop these needed skills, IBM's corporate citizenship and HR teams created a six-month "Service Corps" program that includes:

- Three months of pre-work (through online and wiki-enabled learning platforms) to help participants to become familiar with the language, culture, socioeconomic and political climates of the destination countries to which they would be assigned

- One month of living in the emerging market area, the focus of which is to learn the core societal, educational and environmental challenges of working with local NGOs and/or governments

- Two months of post-service work that includes synthesizing the lessons learned and participation in structured activities to share experiences with other participants and to transfer knowledge (Gitsham, M., n.d.)

> **The "Three Cs" of Important Leadership Knowledge and Skills:**
>
> **1. Context:** The ability to identify social and environmental trends and their business implications and to understand how to factor them into strategic decision making.
>
> **2. Complexity:** The ability to lead in the face of uncertainty, ambiguity and disagreement.
>
> **3. Connectedness:** The ability to understand the actors in the wider political landscape and to engage and build effective relationships with new kinds of external partners—this can mean regulators, competitors, NGOs or local communities.
>
> Source: Gitsham, n.d.

2. Practice

Identifying an area for development is not enough. Leadership studies have repeatedly shown that the best way to learn, particularly for adults, is through practical experience such as on-the-job, project-based work and action learning. Companies that excel at offering such leadership development opportunities include Unilever, IBM, Novo Nordisk, ABN Amro and BG Group. Examples of hands-on action learning opportunities include coaching others, leading a meeting, team building, or even taking an expatriate assignment.

Corporate Example: Unilever's Leadership Development Program

Unilever is a Dutch-based manufacturer of leading brands in food, home and personal care. The company offers employees identified as high potentials a variety of leadership programs, one of which was designed with Unilever's emerging and developing markets strategy in mind. Participants in this program are asked to develop an emerging and developing market strategy that will position Unilever to quickly acquire a strong share of the market as it develops. After participating in a residential workshop, employees conduct field visits over a two-month period in "next practice" organizations in the targeted emerging or developing market. "Next practice" organizations include NGOs, social entrepreneurial and micro-finance organizations.

The learning from this experience is incorporated into a second residential workshop where project teams develop business proposals and present them to Unilever executives. Successful proposals are then taken forward and implemented (Gitsham, M., n.d.).

3. Feedback

The pioneer of leadership studies Warren Bennis once said: "Make sure you have someone in your life from whom you can get reflective feedback." Honest feedback is critical to a leader's success, and as such, organizations must foster cultures where leaders can give and receive it. Feedback can come in many forms--mentoring and coaching, performance reviews, personality assessments, and monitoring reactions to written and verbal communications (e.g., combative, supportive, tense, etc.). Feedback helps individuals gather information about how others view their strengths and development opportunities.

The process of giving and receiving feedback is a leadership development opportunity in itself. If your organization does not have coaching or mentoring, peer feedback, active listening or 360-degree programs in place, this is a good time to implement one or more.

4. Reflection

In this continuing learning cycle, reflection means taking the time to put the principles, practice and feedback into context. Did the leadership development experience deliver the intended results? Why or why not?

Reflection may come in informal forms—such as meeting peers to review a project outcome—or it may be more formal and include professional development plans, career coaching, executive coaching or even reflective essays.

Ultimately, reflection may close one door and open a dozen more—which leads back to the cycle of principles, practice, feedback and reflection. As the famous educator John Dewey concisely summarized: "Experience plus reflection equals learning."

Corporate Example: InterfaceFLOR's 2020 Development Program

Atlanta-headquartered InterfaceFLOR designs, produces and sells modular flooring systems. InterfaceFLOR has manufacturing plants on four continents and offices in more than 100 countries. Its

vision is to become the world's first environmentally restorative company by 2020. To meet that vision, the company developed its Fast Forward 2020 leadership development program, consisting of three different levels:

- Level 1 is a short program to introduce key issues on sustainability and to introduce employees to the company's strategy and approach to achieve its mission. All InterfaceFLOR employees must go through this program.

- Employees who have completed the first level can apply to participate in Level 2 (about half of all employees choose to move on to this level). Level 2 is a one-day program and is customized by functional area—for example; there are customized programs for marketing, sales and operations employees. The focus is on building knowledge about sustainable development and what that means to the business. Participants are encouraged to link sustainable development to their own functional areas in general and their roles in particular. To pass this level, participants must take an exam and complete an assignment that features developing a personal action plan to help achieve the company's mission.

- Level 3 is a two-day program in which about 10 percent of InterfaceFLOR employees are chosen to participate. Participants at this level conduct research on future trends that will affect the organization. Participants develop critical analysis skills and participate in debates on difficult issues such as nuclear power, biofuels and the role of business in easing poverty. Finally, all participants are required to participate in a mock television interview, where external journalists pose challenging questions. This final step requires participants to reflect on their research (Gitsham, M., n.d.).

Conclusion

John F. Kennedy once said that leadership and learning are indispensable to each other. In today's increasingly complex business world, his words have never been more fitting. Employers must ensure that their leaders have the knowledge, skills and abilities that are crucial for their organizations to succeed today and in the future. To meet this challenge, HR and talent management professionals must help create learning cultures that nurture the development of strong leaders at all levels. Framing leadership development as a continuous learning cycle such as the one used at UNC's Kenan-Flagler Business School offers HR and talent management professionals a model in which to create long-term leadership development solutions.

About UNC Executive Development

Our approach to program design and delivery draws upon the power of real-world, applicable experiences from our faculty and staff, integrated with the knowledge our client partners share about the challenges they face.

We call this approach The Power of Experience. We combine traditional with experiential and unique learning. Through action learning and business simulation activities, we challenge participants to think, reflect and make decisions differently.

Our Approach: The Partnership

Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty and program managers. This integrated approach consistently drives strong outcomes.

Our Approach: The Results

Our executive education programs are designed with results in mind. Below are a few examples of the results our client partners have achieved:

- Leadership refocused with new strategy and cohesive vision
- Strategic plans created for the global marketplace
- Supply chains streamlined

- Products redefined
- New markets targeted
- Cost-saving measures developed
- Silos leveled
- Teams aligned

Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges. The result is stronger individuals leading stronger teams and organizations.

At UNC Kenan-Flagler Business School, leadership development is a serious commitment that we make to each individual's long-term career success. To learn more about the Leadership Initiative, visit www.kenan-flagler.unc.edu/Leadership.

Contact Us

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