



# Leading into the Future

A Global Study of Leadership: 2005–2015



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# Foreword

We are living and working in a time of great change, developing the management and economic systems that will define practices for perhaps decades to come. It's a period of stunning technological innovations, new organizational structures, unprecedented economic opportunities, political and social reforms and the emergence of a global free market.

AMA continually studies human capital needs—the skills and attitudes necessary to be successful in the challenging times ahead. Consequently, AMA chose to commission The Human Resource Institute to conduct a global study of leadership, one that explores the roles leaders now play in organizations, how the best-in-class organizations develop leaders and how leadership may well change over the next decade. It is clear that leadership is considered more important than ever before.

This global study is precedent-setting in the breadth and depth of the research. As you review the results, you will note that while the focus of this study is on leadership and what it takes to become a leader, it is also about the human condition and it compels us to re-examine ourselves, our organizations and the people who work for us.

For you personally, this study may cause you to reflect on a much broader vision of your role as a leader. Its insights may help you improve your performance and meet, if not exceed, the expectations of your various constituencies, from shareholders and customers to managers and employees.

From a professional perspective, this study can provide you and your organization with a foundation for identifying and developing tomorrow's leaders. It can also help you create a culture and an environment that breeds passion, enthusiasm, respect and, above all, integrity.

This is a period of heightened expectations and also of increased scrutiny, and the survey outlines the essential approach for a successful future both for you and your organization.

—Edward T. Reilly, President and Chief Executive Officer  
American Management Association, New York City

# Introduction

The subject of leadership goes to the root of organized human behavior. Leadership is so integral to who we are that it's difficult to imagine human history without it. Would great cities have ever been built without it? Would nations have been forged? Indeed, could *any* great endeavor have been accomplished without leadership? Very likely, no.

It is little wonder, then, that leadership continues to be a very high priority in modern organizations and promises to remain one into the foreseeable future. The Human Resource Institute's 2003-2004 *Major Issues Survey* found, for example, that among North American companies ranking 120 different issues, leadership was viewed as the single most important one in terms of its impact on workforce management. Among European companies, it was ranked third.

This isn't a new development. Since 1988, when HRI began conducting its major issues surveys of many of the top companies in the world, leadership has been ranked among the top five issues. Since 1997, leadership has always taken the top spot. In the most recent survey, fully 76% of North American respondents said it was extremely important, the highest percentage in the history of these surveys (Human Resource Institute, 2004a).

Equally important, leadership is expected to remain a top issue in the future. When asked to predict the importance of various issues ten years into the future, North Americans and Europeans again rated leadership first and third, respectively.

But leaders don't spring into the world fully formed. They need to be trained and developed, whatever their natural talents. This isn't lost on today's organizations. *Training* magazine's 2005 survey of senior training professionals included leadership and management development as the top training priorities for 2005 (Hall, 2005). Another survey, this one conducted by Right Management Consultants for the 2004 World Business Forum (Marcus, 2004), found that 65% of surveyed firms placed leadership development as one of the top five focal points for corporate strategy. This response was 20% higher than responses to a similar study conducted just eight years prior.

In this report, we take an in-depth look at the subject of leadership, the roles leaders are playing in today's organizations, and how the best-in-class organizations develop them. We also look into the future to see how leadership may change over the next decade or so. The following page is a quick review of some of our findings:

- Organizational leadership, which has always been a challenging task, has become even more stressful and difficult in recent years.
- Leadership has grown in importance due to the fast pace of change in combination with increased global competition and a growing focus on the customer.
- Today's leaders are expected to be excellent strategists and communicators.
- Business ethics will become more—not less—important to leadership over the next ten years.
- If they don't perform well, top leaders of major companies can expect to lose their jobs more quickly than ever before.
- Even while making sure their companies perform well, leaders are expected to develop other leaders.
- Technology and new organizational structures are changing the ways leaders do their jobs.
- Leaders must increasingly balance managerial control with the need to spark innovation in their organizations.
- The top barrier to leadership development is a lack of behavior measures, followed by inadequate content in development programs.
- When it comes to leadership, most companies know what's important but don't always act on this knowledge.
- Best-in-class companies are committed and unremitting in their pursuit of leadership excellence.

## A Brief History of Leadership Theory

*Leadership is a vast and complex subject that has been studied for hundreds of years. In order to get a bird's-eye view of the empirical and theoretical scholarship on leadership, it helps to divide it into five categories. These are arranged in a rough chronological order, but each area continues to be advanced by new research.*

## Approaches Based on Psychology and Biology

A common view of leadership, historically, has been that there is something about the leader as a person that provides the unique qualifications for that person's ascendancy or success. Thomas Carlyle offered the "Great Man Theory of Leadership," which mirrored the Great Person Theory of History. This work evolved into an examination of traits (Stogdill, 1948) and personality studies (Catell & Stice, 1954; Hogan, 1990). The concept of personality preferences emerged at the end of World War II with the Jungian-based Myers-Briggs Type Indicator, providing leaders with a simple language and conceptual framework with which to understand leadership behaviors (Myers, Kirby & Briggs, 1998).

This attention to personal characteristics has endured to the present day. Bennis and Nanus in 1985 said that the most prototypical leadership trait is confidence. Kouzes and Posner's 1987 empirical studies found that the central criterion for a leader's legitimacy is trustworthiness, as evidenced by the leader's honesty and competency. Maxwell in 1999 designated charisma, courage, problem-solving, openness to learning and vision as key attributes of leadership.

Recent work in this category includes the 2001 research by Collins—who questions the effectiveness of charisma as a discriminator between effective and ineffective leadership—and a renewed research focus on the idea of "multiple intelligences" (Gardner, 1983). The latter more recently was extended by Goleman (1994) to an analysis of emotional intelligence as a key component of leadership. Personality theory also describes leadership traits, such as arrogance, that are detrimental to leadership effectiveness (Brinkmeyer & Rybicki, 1998).

## Approaches Based on Sociology

Ultimately, leadership research expanded beyond an examination of the individual leader to include the group or culture the leader influences. One aspect of this research focused on relationships between leader and follower. James MacGregor Burns (1978) and those that followed him (Avolio, 1999; Bass, 1985; Bass & Avolio, 1990), for example, believed that leadership is concerned with the performance of followers and also with developing followers to their fullest potential. Transformational leaders are deeply respected by followers, who usually place a great deal of trust in them (Northouse, 2004).

In the early 1970s, Robert Greenleaf developed an approach to leadership called servant leadership, a model stressing an altruistic concern with the follower's development and satisfaction. It is an approach that has gained increased popularity in recent years (Block, 1993; DePree, 1989, 1992; Covey, 1991; Kouzer & Posner, 2003).

Another direction of sociology-based research focuses on informal leaders who take initiative even though they hold no managerial title. Work that began in the 1940s examined leadership in teams as a form of group dynamics (Beune & Sheats, 1948). The individual's ability to lead a team expanded the traditional chain-of-command focus of leadership to a more lateral, peer-based focus, sometimes known as shared leadership (Pearce, 1997; Pearce & Couger, 2003; Pearce & Sims, 2002).

Early evidence suggests that shared leadership has a greater influence on team effectiveness than do more traditional leadership approaches (Pearce & Sims, 2002; Pearce, Yoo & Alavi, 2003).

The focus on relational leadership has continued to grow, with the most recent work concentrating on leader networks. As business became global and new demographic groups entered the workforce, studies on “nontraditional” workers—such as people of color, women and people of various nationalities—have also entered the leadership picture. Cross-cultural leadership studies probe different conceptions of leadership. The complexity of leading within a multicultural environment and within a variety of organizational structures increases demands on leaders.

Some research advises that relational and team skills are not the entire answer to these new leadership challenges. Organizations must be restructured in order to accommodate teams and take advantage of diversity. Mohrman, Cohen and Mohrman (1995), for example, describe how to design and build an organization in which teams serve a central role.

### **Approaches Based on Balancing People and Tasks**

A search for a more prescriptive approach to leadership was undertaken by researchers at Ohio State around the middle of the 20th century. This work was the first to make the distinction between leadership behavior and leadership interaction, and it spurred other research in this area. Later, Bob Tannebaum and Warren Schmidt (1958) identified a continuum of leadership that offered seven situational approaches moving from “boss-centered” to “subordinate-centered.”

Some approaches—such as Contingency Theory by Fiedler and Situational Leadership by Hersey and Blanchard—look at whether there’s a proper match between leaders and followers. Another approach—that of Blake and Mouton—explains how leaders help organizations to reach their purposes through two factors: concern for production and concern for people.

During the ’70s and ’80s, a number of studies looked at specific facets of the leadership process. Examples include the Path-Goal Theory, which describes how leaders motivate subordinates to accomplish goals, and Normative Decision Theory, which considers how leaders make decisions. Charles Albano added to this body of work by showing that leaders need to adapt their styles to the situation, making them sometimes assertive and forceful while at other times supportive and enabling.

### **Approaches Based on Skills and Competencies**

A major change in leadership research occurred when attention shifted from the people (leader, follower or group) to leadership skills and competencies. Herzberg, Mausner and Snyderman started the re-examination into leadership roles, competencies, skills and knowledge. This effort was reinforced by legal requirements placed on HR departments for job analysis and validated selection criteria. As competencies were developed, an examination of differences among leadership levels ensued. By defining the differences among leaders in supervisory versus managerial or executive roles, researchers drew attention to the need to be more definitive in the use of the word *leadership*.

Prahalad and Hamel connected the ideas of leadership competency and organizational strategy. They forged these ideas into a concept called “core competency” and defined it as a competitive business advantage. Since the early 1980s, many organizations have examined competencies and developed competency models (Buckingham & Coffman, 1999; McCauley, Moxley, & Van Velsor, 1998).

General competency frameworks eventually spurred many businesses to examine unique organizational competencies. This, in turn, helped leadership thinkers examine the complex interaction within organizations and the difficulty companies have developing talent. These frameworks also highlighted the need to maintain certain kinds of knowledge within organizations (Weick, 2001). For example, recent studies of tacit leadership knowledge and how to manage it systematically have encouraged a new look at the complexities of leadership (Argyris & Schon, 1995).

### **Approaches Based on Complexity**

The pressures from business change have generated another avenue for the examination of leadership: the ability to understand complex systems and execute organizational change. Kotter (1996) dramatically expanded the focus of leadership research to encompass leaders’ responsibility for understanding and responding effectively to organizational systems, thereby ensuring organizational effectiveness in both the long and short term. Lippitt and Schmidt (1967) used the organizational life cycle to demonstrate how leadership requirements shift between those of a small business founder and those of a leader in a large integrated firm. The importance of the organizational life cycle was developed by Adizes (1999), who proposed that a psychological match was needed between leaders and life cycles of their organizations. Lippitt (2002) concentrated on the leader’s ability to identify patterns within six organizational life cycle stages in order to diagnose critical business issues and effectively balance internal and external requirements. Meanwhile, Senge (1990) drew attention to complexity by examining systems operations and organizational interdependencies.

## What's Driving Leadership Today?

*The wide range of leadership theories clearly demonstrates that, in order to grasp the state of leadership today, we must consider not just the competencies and psychology of leaders but the broader business and social environment. This includes factors such as the complexity of today's marketplace, the tasks that leaders are being asked to perform, cultural and demographic trends and the specific business contexts in which individuals are expected to lead.*

### Top 10 Drivers of Change That Will Have an Impact on Leadership Challenges

1. Increased global competition
2. Focus on the customer
3. Operating efficiency
4. Accelerating pace of change
5. Need for innovation
6. Increased government regulations
7. Talent retention
8. Product/service quality
9. Mergers/acquisitions
10. Information technology

*Leadership Development Survey 2005*

In order to get a better idea of what's influencing leadership today, AMA/HRI's *Leadership Development Survey 2005* asked respondents about what they considered the most critical drivers of change that will present challenges to leaders over the next ten years. Among the top five responses were the increase in global competition, companies' focus on their customers, the operating efficiency of their businesses, the accelerating pace of change and the need for innovation.

This section not only puts these survey responses in context but highlights some of the most important ideas that arise from the scanning of today's leadership environment.

## A Tougher Leadership Task

Leaders have a tougher job today than they did even a few years ago. This is especially true at the top of large, publicly traded corporations, according to *The Economist* magazine ("Tough at the Top," 2003). There are various reasons for this:

- These jobs have become highly complex, requiring top leaders to manage operations in many different countries while constantly adapting to market innovations, new technologies and intricate new business relationships such as joint ventures.
- Leaders are under severe scrutiny, and sometimes public criticism, thanks to corporate scandals and the subsequent emergence of corporate-governance legislation and greater activism on the part of shareholders and board members.
- Greater expectations are placed on top executives than ever before. "These days, a company's performance and, more alarmingly, its share price are often seen as largely determined by its CEO," reports *The Economist*.
- Leaders are pressed for time, being besieged by voice mail, e-mail, obligations to spend time with their direct reports and constant demands for public appearances.

In this tougher environment, companies are increasingly willing to fire top leaders who don't perform well, and they will do so quickly. Booz Allen Hamilton conducts an annual study of CEO turnover rates at the world's 2,500 largest publicly traded companies. It found that performance-related CEO turnover rates were up by a whopping 300% in 2004 compared with 1995 (Lucier, Schuyt & Tse, 2005).

As *strategy+business* magazine reports:

This is a natural response to today's difficult corporate environment—continued pressure for investment returns, geopolitical uncertainties, expanded regulatory oversight and international talent wars—along with

the perceived or real inability of many CEOs to deliver. Chief executives thus are being treated more in the manner to which other executives and middle managers have long become accustomed: Hit your numbers or hit the road. Endanger or embarrass the company, and you're history.

This demand for performance isn't just a U.S. phenomenon. In Germany, for example, performance-related CEO succession rates jumped from just 1.1% in 1995 to 6.1% in 2004, and in the UK, the numbers were 1.5% and 6.2%, respectively. The fact is, European companies dismissed CEOs for a lack of performance at an even higher rate than their U.S. counterparts: 42% of all European CEO succession events in 2004 compared with 31% in the U.S. Forced CEO turnover was lower in the Asia/Pacific region (excluding Japan) than in Europe, but overall CEO turnover was lower. Globally speaking, the average tenure of departing CEOs shrank from 8.8 years in 1995 to 6.6 years in 2004 (Lucier, Schuyt & Tse, 2005).

In short, CEOs don't last as long as they used to in their jobs, and companies tend to have a lot less patience for top leaders who don't seem to be up to snuff.

## The Challenges of Globalization

One reason for that impatience is more intense global competition. The *Leadership Development Survey 2005* found that the top driver of leadership challenges over the next 10 years is "increased global competition." Similarly, another recent survey, this one conducted by American Management Association (2004), found that 69% of respondents cited an "increasingly competitive business environment" among their top three reasons for having skilled leaders. One of the main drivers of this increased competitive environment is globalization.

But increased competition is just one of the implications of a more integrated, global economy. The need to manage across various cultures, deal with greater employee diversity and cope with a hodgepodge of national laws and values is also having an impact on leaders.

Then there's the impact of globalization on security and stability. Thomas Friedman, author of *The Lexus and the Olive Tree: Understanding Globalization*, argues that globalization is a double-edged sword. It presents many new opportunities for nations and companies, but it also presents a lot of challenges, including the spread of global terrorism. Friedman believes that, with the right leadership, globalization will present "more opportunities for people to enjoy personal freedoms and challenge authorities."

Robert Kaplan, author of *Warrior Politics: Why Leadership Demands a Pagan Ethos*, seems less optimistic. He argues that despite rising globalization, "the international bureaucracy atop it is so infantile and underdeveloped that it cannot cope with growing instability." Factors such as the growing youth population in the least-stable countries and inadequate resources combine for a complexity that may breed further instability (Friedman and Kaplan, 2002). So, it remains unclear whether globalization will cause more or less stability in coming years, but it is clear that leaders must adjust either way.

## A Tighter Focus on Customers and Quality

Modern leadership has become integrally linked to two high-business priorities: customer focus and the quality of products and services. In fact, the AMA/HRI *Leadership Development Survey 2005* found that “focus on the customer” is in a virtual dead heat with global competition as the top-ranked driver of leadership challenges over the next 10 years.

These findings are supported by other research. For example, a survey conducted by British consulting firm Prosell found that poor leadership deteriorates the quality of customer service. Of more than 570 customer service employees polled, 60% said the way their supervisors treat them influences how well they do their jobs (“Managers to Blame,” 2004).

In fact, Xerox credits its turnaround to customer-centricity. A new focus on listening to customers and placing them in a prominent role in the Xerox vision has led to customer connection at multiple levels in the organization. Some 80% of Xerox employees have direct customer contact, and those customers are recognized as the driving force on whether or not leaders remain employed and the company succeeds (Mulcahy, 2005).

Leadership styles can also have an impact on the effectiveness of quality initiatives such as Total Quality Management (TQM) and ISO 9000. One study found that the four leadership dimensions—intellectual stimulation, charisma, empowerment and contingent reward and active management-by-exception—were instrumental in successful ISO implementation (Jabnoun & Al-Ghasyah, 2005).

Quality initiatives such as Six Sigma help companies measure and reduce error rates. Such initiatives are, of course, one of the metrics for “operating efficiency,” which the *Leadership Development Survey 2005* found was the third most important driver of challenges faced by leaders over the next decade. This can be interpreted as a bow to the fact that global competition is likely to drive all companies to become more efficient in coming years.

## Technology and Change

Technology is one of the primary factors influencing the leadership paradigm and the pace of change. Not only do leaders need to master the art of using information technologies to lead people, they need to cope with the greater volatility technology brings to the business environment. Take, for example, the number of Internet hosts, international phone calls, mobile phones and people with Internet connections; they’ve all been growing at a fast rate. “These leaps in the mobility of information make it possible to disseminate new ideas more quickly and cheaply than ever before,” write Christopher Meyer and Stan Davis, co-authors of *It’s Alive*. They also believe connectivity leads to greater unpredictability. “When networks become intensely connected, they start to become ‘nonlinear;’” they write. In such circumstances, a relatively small problem in one part of the system can lead to large effects, and this creates greater volatility in the system as a whole (2003).

But while technology is one of the primary drivers of change, it is change itself that is the higher priority for leaders, suggests the *Leadership Development Survey*

2005. Seen as one of the top five factors influencing the challenges faced by leaders, the “accelerating pace of change” gives executives no rest. An organization that is on top of the heap today can easily find itself on the bottom tomorrow if it doesn’t quickly and successfully adapt to change of all sorts.

## The Need to Innovate

Right up there with change—and directly related to it in the minds of many respondents—is the “need for innovation,” another of the top five factors driving leadership challenges.

Globally speaking, spending on research and development has risen considerably over the last two decades even as the world’s labor force has become ever more highly educated and the number of science and engineering articles has been skyrocketing. Companies that don’t figure out how to generate more innovation in such an age are bound to be overrun by competitors who do (Human Resource Institute, 2004c).

But generating innovation in any large company is an uphill battle. “The problem with large companies isn’t that they fail to do large and seemingly ambitious projects,” writes Bill Joy (2004), a co-founder of Sun Microsystems, “it’s that they fail to do small, quirky, controversial projects—truly innovative projects that wouldn’t be accepted by the organization at large but that have the potential to grow.” Leaders must increasingly influence their corporate cultures to make them less resistant to true innovation.

## Demographic Shifts

### *A Shortage of Leaders?*

Some experts are predicting a severe shortage of qualified leaders in the future due to the impending retirement of baby boomers, the large U.S. generation born between 1946 and 1964. The Employment Policy Foundation estimates a shortage of 4.3 million workers by 2011, adding a sense of urgency to the need for developing new leadership talent (Hall, 2005). As baby boomer leaders leave their positions, they’ll need to be replaced by a younger generation, but the next generation in line (often known as the “Gen Xers”) represents a smaller demographic cohort.

Already, in fact, U.S. corporations are seeing a trend toward younger, less experienced leaders. A study of the top 10 executives in each of the Fortune 100 companies compared the executives of 1980 with those of 2001 and found that leaders of the more recent group are younger, are more educated and reached the top more quickly than those of two decades ago (Cappelli & Hamori, 2005). The researchers found the following:

- The average age declined to 52 from 56
- The length of time that transpired between the executive’s first job and current job decreased to 24.1 years from 28.4 years
- The number of jobs held along the way fell to 5.0 from 5.8
- The amount of time spent in each job declined to 4.0 years from 4.3 years
- The amount of tenure with the current employer declined to 15.2 years from 20.6 years

This trend might be reducing the effectiveness of leaders. Reporting on its study of CEO turnover rates, Booz Allen Hamilton notes, “The younger the CEO when hired, the higher the likelihood of being fired” (Lucier et al., 2004, p. 10). And, of course, less experience at other management levels could also have a negative impact. Some experts note that the lack of mid-management leadership can lead to declines in employee satisfaction, motivation and productivity, which, in turn, can lead to a loss of customers and an overall negative financial impact (Dev, 2004).

What’s particularly frightening about an impending loss of leadership is that companies are already experiencing scarcity. A 2004 Human Resource Institute survey of corporations showed that the most commonly cited obstacle to good succession planning is a shortage of qualified candidates. If this was a problem in 2004, then the situation could become dire when the large cohort of baby boomer leaders have to be replaced.

### ***A Diverse Workforce***

Demographic shifts dictate that leaders must manage and inspire an increasingly diverse workforce in terms of gender, nationality, ethnicity, age, religion and other characteristics. Leaders must also develop and draw from this diverse workforce as never before. The days when major corporations were managed by a mostly white male workforce have begun receding into the past, a trend that will likely accelerate in today’s multicultural and multigenerational world.

But many experts believe that, to stay ahead of the curve, top leaders will need to do a better job of developing this diverse workforce. For example, the percentage of women taking part in leadership development initiatives still doesn’t seem to match their overall representation in the workforce. Novations/J. Howard Associates surveyed nearly 1,800 HR and training professionals in 2004 and found that more than a third (36%) thought women were underrepresented (Novations/J. Howard Associates, 2004). In the U.S., women are only 37% of all managers and just 23% of chief executives, even though they represent 47% of the U.S. labor force. Some research even suggests that women’s presence in executive management positions actually decreased from 1990 to 2000 (Peopleclick, 2004).

Members of various racial and ethnic groups are also underrepresented in managerial and professional jobs in the U.S., raising questions about what is causing this “glass ceiling” effect in companies. Many observers believe that a lack of ethnic and gender diversity at top levels ultimately harms organizations by limiting the leadership talent pool on which companies can draw. Moreover, a lack of diversity is associated with other problems, such as less innovation and poor relations with a more diverse customer base.

## **The Transformation of Organizations**

### ***Flatter with Fewer Managers***

Downsizing, restructuring and outsourcing will continue to flatten organizational structures, forecast Marvin J. Cetron and Owen Davies, authors of *53 Trends Now*

*Shaping the Future* (Cetron & Davies, 2005). Organizations of the future are likely to be defined by fewer management levels, fewer managers and more dependence on collaboration among specialists, they say. And a recent American Management Association (2004) survey found that the fact that companies have “flatter organizations with more decentralized decision making” was the second most widely cited reason (after an increasingly competitive business environment) that leadership is more important than ever.

This suggests, of course, that solid leadership skills are now needed at *all* levels of organizations and not just at the top. It also suggests that, because there’s less supervision per employee, it’s more important than ever for leaders to provide a clear vision of where the organization is headed so that every worker knows what his or her role should be.

Leaders will also, however, have to concern themselves with a basic nuts-and-bolts question: how flat is too flat? There is no absolute answer for the correct ratio of employees to managers. The right number depends on a range of factors specific to each organization, such as effectiveness of management technologies, corporate structures, the degree of automation, the experience level of employees, the nature of the jobs, corporate culture and, perhaps above all, the leadership abilities of supervisors. Still, employers must keep in mind flatter isn’t always better. In fact, research from the Saratoga Institute indicates that in 2001 the organizations with the lowest median management ratio (from one to 6.5 employees per manager) actually enjoyed the highest rate of revenue growth (Davison, 2003).

### **More Networked and Dynamic**

Organizations are doing more than just getting flatter. They’re becoming more networked, more flexible and more dynamic. They’re outsourcing more and forming more strategic alliances. They also rely more on work teams, which are increasingly made up of combinations of employees, outside experts or counterparts from allied organizations.

Professor Joseph Bower of Harvard Business School states that in many organizations today managers change their roles depending on what their current tasks are. He writes, “I call this the ‘Velcro organization’ because in it, relationships need to be rearranged quickly, easily and effectively. . . . Power is in the role, not the individual. And roles are about helping the organization succeed, not about turf or internal boundaries” (Bower, 2005).

In such organizations, leadership roles will shift according to circumstances. Top leaders must do an excellent job of communicating overall strategy in this changing environment, and they must be comfortable with a certain amount of ambiguity. They must be able to define what’s mission-critical, and they must be excellent at managing partnerships (Gottfredson, Puryear & Phillips, 2005).

### **The Demand for Ethics**

Nobody wants a leader who is going to bring scandal to the organization. This is partly about preserving reputation and brand, but it’s also about upholding company

values and complying with new legal mandates. That's why ethics is seen as a major workforce issue for both the present and the future. *HRI's Major Issues Survey* shows that "ethics in business" was ranked as the third most important issue (out of 120) affecting workforce management today, and it's expected to remain a top-10 issue in the year 2013.

### ***Walking the Talk***

Employees who think that top managers act in an ethical manner are a lot less likely to question workplace conduct than other employees, according to the *National Business Ethics Survey 2003* from the Ethics Resource Center. The four leadership actions so important to preventing misconduct are (1) setting examples of ethical behavior, (2) talking about the importance of ethics, (3) keeping promises and (4) keeping workers informed. The survey suggests that if leaders are all talk and no action, ethics will not be viewed as a high priority in their organizations (Ethics Resource Center, 2003).

### ***Sarbanes-Oxley***

In the U.S., the Sarbanes-Oxley Act of 2002 (SOX) has defined a number of new requirements for publicly traded companies in an attempt to reform the accounting practices that led to the corporate scandals at organizations such as Enron and WorldCom.

One effect of the act is to encourage employees to report misconduct—particularly improper auditing and accounting practices—to federal regulatory and law enforcement authorities. It provides whistleblower protections that prohibit employers from taking retaliatory action against employees, and it exposes corporate offenders to fines and possible imprisonment. The act mandates that publicly traded companies establish confidential employee hotlines to report auditing and accounting improprieties (Nobile, 2002).

For leaders, the provisions of SOX legislation carry sobering accountability. While civil liability for retaliation does not apply to private corporations, criminal liability is a factor for both private and public employers. Individuals as well as corporate defendants can face very stiff penalties and fines (Scheer, 2003). Top managers have accountability for the accuracy of public information even if they played no role in its preparation (Glassburn, 2002). But compliance by leaders with the standards set in the November 2004 amendments to SOX may mean the difference between a mild or stiff financial penalty in a criminal case ("Does Your Ethics Policy Comply with the Sarbanes-Oxley Act?" 2005).

### ***The Boardroom***

Largely as a result of SOX and new listing standards on the New York Stock Exchange and NASDAQ, corporate boardrooms are changing fast. Audit committee membership requirements under the rules imposed by SOX and the Securities and Exchange Commission have meant some firms have had to change or add directors. In a 2003 survey by Mercer Delta Consulting of 200 of the 1,000 largest publicly traded U.S.

companies, 48% reported that their boards have an independent director who provides leadership, up from 32% in 2001 (Byron, 2004; “More Fallout,” 2004). More than half (54%) of the companies polled for a survey of North American companies by WorldatWork and Towers Perrin recruited some new directors in 2004.

Boards are taking their jobs seriously and putting a lot of pressure on top leadership. For example, boards increasingly meet in “executive sessions” that don’t include the CEO or any other company executives. And the percentage of U.S. boards that evaluate CEO performance has risen, to 82% in 2003 from 67% in 2002 (“Who Is in Charge?” 2003).

## The Conceptual Age

Today’s leaders are trying to adjust to new economic and social paradigms. In his book *A Whole New Mind*, Daniel Pink (2005) argues that modern societies—especially in developed nations—are moving from the Information Age to something he calls the Conceptual Age. He argues that this is driven by three overarching factors:

- **Abundance**—The Information Age has already brought many people to levels of material well-being and prosperity unlike anything before in human history. Pink writes, “Liberated by this prosperity but not fulfilled by it, more people are searching for meaning. . . . In both business and personal life, now that our left-brain needs have largely been sated, our right-brain yearnings will demand to be fed.”
- **Automation**—Robots, computers and information networks are increasingly replacing not only manual labor but certain kinds of jobs that require linear, logical, left-brain thinking. “Consider jobs in financial services,” writes Pink. “Stockbrokers who merely execute transactions are history. Online trading services and market makers do such work far more efficiently. The brokers who survived have morphed from routine order-takers to less easily replicated advisers, who can understand a client’s broader financial objectives and even the client’s emotions and dreams.”
- **Asia**—Pink believes that the offshoring of jobs to Asia and other parts of the world is bringing major changes to the kind of work that will be done in so-called developed nations. He writes that Asia’s “gusts of comparative advantage are blowing away only certain kinds of white-collar jobs—those that can be reduced to a set of rules, routines and instructions. . . . work such as basic computer coding, accounting, legal research and financial analysis. . . .”

Pink argues that economies and businesses will need to become more “high concept” and “high touch.” He defines high concept as a kind of artistic creativity and inventiveness and high touch as the ability to empathize and “understand the subtleties of human interaction. . . .” In order to lead well in this new age, leaders must know how to manage those with Conceptual Age skill sets as well as display such skills themselves.

## The Impact on Leadership Roles

*Warren Bennis, one of the foremost experts in the field, argues that real leadership involves four attributes that are virtually timeless: the ability to adapt, the ability to engage others in shared meaning, the ability to present an authentic voice and the existence of a positive purpose (Bennis, 2003). No doubt, other experts have their own notions of which characteristics have marked leaders throughout human history, but most would agree that leadership skills must be honed to meet the specific challenges of today's business environment.*

### Top 12 Leadership Competencies

1. Strategy development
2. Communication skills
3. Developing leaders
4. Hiring talent
5. Fostering creativity & innovation
6. Driving for results
7. Know the business
8. Role model for values
9. Business ethics
10. Know the industry
11. Building relations in organization
12. Aligning organization with the market

*Leadership Development Survey 2005*

Of course, every organization will have its own unique set of leadership needs. For example, some companies will require their leaders to be more innovative, while others will need them to be more analytical. This section takes a look at the “big picture” and highlights some of the most important roles that leaders have increasingly had to fill in recent years. A number of these roles reflect the top leadership competencies noted in the AMA/HRI *Leadership Development Survey 2005*, but others have their origins in HRI’s environmental scanning process. The roles described below are not mutually exclusive. In fact, the best leaders of today have some combination of all these attributes and can choose to display them whenever the situation requires it.

## Strategist

“Strategy development” is the most important leadership competency, both today and in the future, according to responses to the AMA/HRI *Leadership Development Survey 2005*. In an ultra-competitive world, this certainly makes sense. After all, strategists make amazingly successful leaders and, yet, some experts say, tend to be all too scarce in the corporate world.

Just 4% of leaders fall into the strategist category, according to David Rooke and William R. Torbert (2005), co-authors of *Action Inquiry: The Secret of Timely and Transforming Leadership*. They based their findings on the results of the Leadership Development Profile, a sentence-completion survey administered by various researchers over the years. Yet, four out of five strategists can be found at the senior levels of organizations, they note, a fact suggesting that strategists are more likely than other managers to be promoted to top levels of organizations.

Of course, such numbers depend on the definition of what a strategist is. According to the classifications of Rooke and Torbert, strategists are, among other things, “adept at creating shared visions across different action logics—visions that encourage both personal and organizational transformations.” Such leaders seem more likely than other types of leaders to be able to boost a company’s market share, profitability and reputation. They see organizational and social change as a “developmental process that requires awareness and close leadership attention,” and they tend to be “fascinated with three distinct levels of social interplay: personal relationships, organizational relations, and national and international developments.”

Some of the best leaders of the modern era have been great analysts who are able to execute strategies exceptionally well. They include Nissan Motor Company’s Carlos Ghosn, IBM’s Louis V. Gerstner Jr., Intel Corporation’s Craig R. Barrett and Capital One Financial Corporation’s Richard D. Fairbank, according to Bruce

Pasternack of Booz Allen Hamilton and James O’Toole of the Center for Effective Organizations at the University of California (Pasternack & O’Toole, 2002).

One of the great corporate leaders of the modern age, Jack Welch, does not view strategy as extremely complicated. “You pick a general direction and implement like hell,” he says in his book *Winning*, excerpted in *Fortune* (Welch, 2005, p. 138). Welch claims strategy implementation occurs in three simple steps: identify a “big aha” that can quickly give your firm an advantage, find the right talent to go after it, and search and adapt best practices. “Strategy is unleashed when you have a learning organization,” Welch writes.

#### Top 5 Leadership Characteristics That Make Execution of Strategy Likely

1. Openness to change
2. Interpersonal communications
3. Support for innovation
4. Flexibility
5. Group communications

*Leadership Development Survey 2005*

### Visionary Communicator

Forging a good strategy is, of course, related to “having a clear vision,” which was seen as the most important characteristic of top leaders, according to a global Korn/Ferry International survey of over 2,500 executives in 60 countries. Conducted in June 2003, it found that fully 43% said that having a clear vision is the most important trait of a leader, followed by the ability to motivate (38%) and trustworthiness (17%) (Korn/Ferry International, 2003).

But having a clear vision is not particularly useful if the top leader can’t communicate it and the ways in which it might be achieved. Moreover, for leaders at other levels of organizations, vision is less important than the ability to communicate. It’s no wonder, then, that the AMA/HRI *Leadership Development Survey 2005* shows that having “communication skills” is the second most important leadership competency both today and 10 years into the future.

Even at the line manager level, communication is often key to good employee relations. Far and away the most preferred way employees want to receive organizational information is directly from their supervisor, according to a survey conducted by HR Solutions Inc. (2002).

### Teacher and Recruiter

Developing leaders is itself a major leadership task. In fact, it was the third most highly ranked leadership competency in the AMA/HRI survey. The notion that leaders must be able and willing to help develop other leaders isn’t a new one, but it is increasingly recognized. This is driven by the fact that a number of successful business leaders, while having very different personalities, have emphasized the importance of teaching other leaders.

Among the leaders who have stood out in this area in recent years are General Electric’s Jack Welch, Allied Signal’s Larry Bossidy, Intel’s Andy Grove and PepsiCo’s Roger Enrico. Today’s new leaders must move quickly and take responsibility for the development of other leaders, encouraging *them* to become teachers

*“[A leader] is defined as someone who has a track record of business success, who can look at the environment and adapt, [who] senses the trends and knows how to execute against business issues. Finally, [leaders] can assess and hire the right people and get them into the right positions.”*

—HRI Best-in-Class Leadership Interviews

as well, according to management professors Carole K. Barnett and Noel M. Tichy (2000).

The strong link between good leadership and good teaching has turned up in other studies as well. According to a press release, a 2005 Hewitt Associates and Human Resource Planning Society study that identifies the Top Companies for Leaders in the U.S. found that of 373 companies studied, “All of the Top 20 Companies focus on developing leaders and have CEOs who are actively involved in this process. Conversely, less than 60% of other companies focus on developing leaders, and only 65% of their CEOs are involved in the process. Even more revealing, 85% of the Top 20 Companies hold their leaders accountable for developing their direct reports, compared to less than half (46%) of other companies.”

Marc Effron, a global practice leader at Hewitt, noted that the top firms “understand that programs such as executive education, assignment-based development and mentoring are all good, but the only way they truly work is if senior leadership is involved in and accountable for the success of these initiatives” (Jusko, 2005).

When a company makes leadership development key, it’s also better able to recruit people with high potential as future leaders. It makes it easier for companies to win the “war for talent.” Unless leaders are able to woo new leadership talent into their organizations, the supply will ultimately dry up. It’s little wonder, then, that the AMA/HRI survey found “hiring talent” to be another major competency.

### **Analytical Achiever**

Some experts assert that a more achievement-oriented type of leadership has emerged in recent years, one that’s often based on analytical ability. These leaders come into a situation, analyze the situation wisely and then get things done. They can be excellent strategists, but they also don’t change for change’s sake. They focus on the operational execution of the strategy (“The Leadership Challenge,” 2003). Jay Jamrog, HRI’s executive director, notes, “When people say strategy is important, they mean the execution as well as the development of strategy.”

A leader’s analytical ability may be particularly important during times of uncertainty. This model could be called “yellow-light leadership,” suggest Bruce Pasternack of Booz Allen Hamilton and James O’Toole (2002) of the Center for Effective Organizations at the University of California. Basing their conclusions on a continuing Booz Allen Hamilton study of 40 Fortune 500 organizations, Pasternack

and O'Toole conclude that yellow-light leadership is what many successful leaders are using in the real world of business. These types of leaders depend more on analysis than charisma, and leaders look closely at strategic alternatives. Once they've chosen one, they focus on the execution of their strategies.

Pasternack and O'Toole contrast this type of leadership with the "green-light" leadership model, which, they argue, was more popular in the 1990s. That model holds that leaders should create conditions in which their followers are "de facto co-leaders with requisite authority and resources to make operating decisions without approval of the person at the top." They also contrast it with "red-light" leadership, which is one typically used in times of crisis. These leaders create a "burning platform" to convince people there's a need for change, institute an action plan, and then hold people responsible for their successes and failures.

### Driver of Innovation

The AMA/HRI 2005 survey found that "fostering creativity and innovation" was the fifth most highly ranked leadership competency today, one that's going to become even more important 10 years into the future. No doubt, this issue is related to the accelerating pace of change and to the growing need to focus on customers, both of which showed up strongly in the survey as challenges faced by leaders. In fact, management scholars Robert S. Kaplan and David P. Norton (2004) have noted that leaders who are intent on the creation of value in organizations tend to display an increased focus on customers, innovation and results.

General Electric CEO Jeffrey Immelt, for example, has committed himself and his organization to radical change that embraces creativity and risk-taking on a global scale. He has helped shift the corporation's focus from a profit-through-expansion policy to one centered on organic growth, partly through building GE's worldwide research capabilities. Immelt has mandated that business leaders design at least three innovative breakthrough projects every year to expand into new business lines or new locales or to reach new customers. He also linked senior leaders' compensation to their creativity in generating new ideas to grow customer service, revenues and sales (Brady, 2005).

Since fostering creativity and innovation will only become *more* important in the future, according to the survey, companies are likely to change their leadership development programs to emphasize this role. Once leaders have learned the challenging task of how to nurture innovation amid corporate cultures, they'll need to pass this knowledge along to future generations of leaders.

### Noble, Ethical Leader

Various recent studies show that ethics has become a prerequisite for solid leadership. The AMA/HRI *Leadership Development Survey 2005* found that being a "role model for organization's values" and having "business ethics" were viewed as leadership competencies that would only become more important over the next 10 years. In fact, if these two related responses were added together, they would become the top-most response to the survey question about leadership competencies. Another sur-

vey, this one conducted in 2004 by American Management Association, found that 56% of 462 executives named ethical behavior as one of the attributes crucial to effective leadership (Gatewood, 2004).

Various leadership experts have also been arguing for the importance of other related characteristics, such as integrity and selflessness. “The greatest key to masterful leadership is the relatively unusual combination of humility and nobility working in tandem,” said Tom Morris, a philosopher and corporate advisor, at the Society for Human Resource Management’s annual conference (Human Resource Institute, 2003). Jim Collins, author of *Good to Great*, agrees that humility is often key to leadership success, especially when leaders combine such humility with ambition for their companies rather than for themselves.

Some experts even argue that spirituality has become more important to leadership. Firms that embrace “spiritual leadership” reflect their values in company programs, processes and standards, claims Dan S. Wilford, former CEO of Memorial Hermann Healthcare System in Houston and founder of the Spiritual Leadership Institute. He argues that spiritual leadership has ethics, relationships, values and balance at its core. “Organizations with spiritual leadership behave differently from other organizations,” said Wilford (Wolf, 2004).

## Collaborator

The complexity of business organizations and the global economy mean that top leaders are simply more reliant on others than ever before. That’s why collaboration has become a watchword. Leaders must delegate some responsibilities, encourage employee involvement and sometimes build consensus. Increasingly, they must also sometimes collaborate with vendors, customers and even competitors.

Collaborative leaders are able to make their strategies “reverberate at the grass-roots levels,” in the words of H. James Wilson (2004), co-author of *What’s the Big Idea?* Those who are most successful with this collaborative leadership style take into consideration their organization’s unique culture and introduce practices that all levels of the organization can embrace.

In some organizations, being a good collaborator means becoming a good team leader. But much will depend on cultural factors. For example, team leadership at the top of an organization is more of an expectation in some other nations than in the U.S. In Germany, for instance, the CEO is usually the “first among equals” on the top management team. Some experts argue that this system often results in high performance, as it has at Siemens (“Running the Show,” 2003).

Organizational culture also plays a role. Management thinker and author Charles Handy has categorized corporate cultures by personality types derived from the names of Greek gods: Zeus, Apollo, Athena and Dionysus (Fisher, 2003). A Zeus culture is one in which a single charismatic leader manages by force of will. An Apollo culture is one in which there are clearly defined rules, roles and procedures. A Dionysus culture is made up of independents who become part of an organization only to achieve their own goals. But an Athena culture is one in which flexible teams solve specific problems and then move on. This is a very collaborative culture based

on tasks, and Handy predicts it will ultimately triumph as organizations become more adaptable and less controlled from the center.

Other experts warn, however, that “anonymous, collective decision-making” is dangerous because, in a global market, such leadership just can’t align the whole enterprise quickly enough to respond to sudden changes (Lucier, Schuyt & Spiegel, 2003). Therefore, any impetus behind collaboration must be balanced against the need for strong and sometimes fast decision-making.

## E-Leader

New technologies influence the prerogatives and styles of leaders, according to Professor Bruce Avolio of the University of Nebraska and Professor Surinder Kahai of the State University of New York at Binghamton (2003). Leaders who are adept at new technologies can more easily and quickly “reach out and touch someone.” E-mail, for example, allows a CEO to send out a mass mailing to all employees, or to just a specific group of them, at very little cost. On the other hand, thanks to new technologies, leaders have less control over the dissemination of information and less time to respond to new events.

Technology has also allowed for the proliferation of virtual teams. These can be difficult for more traditional leaders to organize and facilitate, partly because leadership can shift quickly on virtual teams, depending on a person’s expertise, the status of the project and other factors. Today’s e-leaders must be able to optimize the use of technology in their communications while demonstrating a level of emotional intelligence that is critical in communicating with those far removed.

In a world where employee interactions are often mediated by information networks, leaders need to establish ways of making positive impressions via new technologies (Zigurs, 2003). Some experts argue that regardless of whether a leader has a more participative style or a more authoritarian style, there are ways to demonstrate e-leadership (Avolio & Kahai, 2003). A participative leader can, for example, set up chat rooms so that members of a virtual team can discuss ideas online. Or such a leader can use electronic polls to find out where members stand on certain positions. Meanwhile, a leader with a more command-and-control type of style may forgo such strategies while adopting others, such as making sure important messages are communicated via more than one medium so that team members recognize that these messages are a high priority. And a leader intent on inspiring others from afar can, for example, share stories via e-mail in order to communicate excitement about a new project or strategy.

E-leaders must be highly attuned to spotting conflicts and miscommunications without necessarily being able to see traditional indicators such as body language (Zaccaro and Bader, 2003). Other increasingly important attributes of e-leaders may include conflict management skills and administrative skills.

## Globalist

International experience is becoming more common among, and more critical for, today’s top leaders. According to the eighth annual *Chief Executive*/Spencer Stuart

survey, conducted in 2004, 41% of the CEOs of the largest 100 companies in the U.S. have worked abroad (Warner, 2005). In studying all C-level positions in these firms, international experience was also more prevalent, rising from 21% in 2002 to 30% in 2003 and to 33% in 2004.

“The need to find managers who can be effective in many different settings is growing more urgent,” writes Daniel Meiland, executive chairman of executive search firm Egon Zehnder International (Green et al., 2003). “In addition to looking for intelligence, specific skills and technical insights, companies are also looking for executives who are comfortable on the world stage.” In the years to come, it may well be the people who’ve lived in different cultures and who can speak at least two languages who will become the top leaders.

Global leaders must also be able to discern whether a global context or a local context is more appropriate for the application of leadership skills and so customize their approach. They realize, for example, that Western leaders tend to have a more direct approach to communication than Asians, and this is often reflected in different standards and contracts (Carey, Newman & McDonough, 2004). They know to empathize with people who share different perspectives, and they can establish their credibility and the trust of others rather than rely solely on their positions in the company hierarchy. They also know how to leverage the strengths of different people for the greater good of the firm and know how to adapt to a dynamic global environment.

## Renaissance Leader

The term *renaissance* means rebirth or revival. In history, the Renaissance was a period after the Middle Ages when there was “humanistic revival of classical influence expressed in a flowering of the arts and literature and by the beginnings of modern science” (Merriam-Webster, 2005). In common parlance, a Renaissance person is someone who has broad intellectual interests and has the ability to think in both analytical and intuitive ways.

The 21st century calls for what could be termed Renaissance Leaders, people who are well-rounded and have multiple intelligences. A high IQ is not enough. In order to thrive in networked companies where creative individuals are often the most valuable organizational resources, leaders must have not only analytical, “left-brain” thinking abilities but emotionally based “right-brain” competencies (Deemer, 2004). In an age when alliances are crucial and collaboration key, competencies such as deep listening skills, intuition, personal values and being true to oneself may be the kinds of reflective behaviors that allow leaders to balance their heads with their hearts. One recent study of leaders found, for example, that relationship building and people development were two of the most highly rated leadership competencies (Salopek, 2004). Therefore, people with the ability to use their “whole mind” rather than just the analytical part of it could increasingly become the budding high-potential leaders of the next several decades.

## Leadership's State of the Art

*One way of depicting the state of the art for leadership today is through the creation of a fictitious “ideal company” that encompasses many of today’s “best in class” leadership practices. This ideal company, which we’ll call the Composite Perfect Company (or CPC), is based on a review of the leadership literature, data from the Leadership Development Survey 2005 and a series of interviews with corporate leaders, six of them in-depth.*

*“Leadership development is seen as the key method of reinforcing a corporate identity and culture across 70 business units.”*

—HRI Best-in-Class Interviews

The Composite Perfect Company is a leadership-driven organization. That is, the CEO and her team are relentless in driving a high-performing culture through the talent-management process. It knows that a good leadership development strategy represents the single most important element of its organizational culture in terms of its ability to retain leaders. Throughout the development process, top executive support is visible and accountable. Top leaders are deeply involved and provide the necessary resources. There are six basic components of CPC’s leadership development program, which is outlined below.

**Leadership Competencies Drive These Elements of Organization-wide Talent Management**

1. Performance appraisal
2. Selection of leaders from within
3. Assessment of leaders
4. 360-degree feedback
5. Determining base pay
6. Hiring leaders from the outside
7. Succession planning
8. Determining long-term incentives

*Leadership Development Survey 2005*

**Leadership Competencies**

Leadership competencies are viewed as critical at CPC. The organization takes pains to identify the right competencies and tries to ensure that leaders and potential leaders have these competencies.

One of CPC’s principal methods for doing this is its annual off-site meeting, in which management reviews vision, strategy and mission. Once these are established, they examine the leadership competencies that the organization most needs. These will drive CPC’s state-of-the-art talent-management process.

After reviewing the leadership competencies, CPC assesses which ones are critical for employees who show high potential as leaders. A company-wide

planning process identifies the talent that’s in the company. This process is ongoing throughout the year, though there’s a special focus once a year to do a formal review of all talent within the company.

**Succession and Talent-Pool Planning**

Although talent management is driven by the CEO, it is everyone’s job to focus on development. This extends to all employees, not just leaders. The succession-planning process, however, focuses on those who are viewed as leaders, future leaders and critical individual contributors.

The process begins with a careful review of all employees in a business unit or function. So-called Performance/Potential Grids are used to assist in the process. Business units spend many hours discussing development, retention, competency achievement and potential growth opportunities for their employees.

*“Succession management is a continuous effort requiring an ongoing commitment from executives, divisional and corporate human resources staff, and business unit leaders.”*

—HRI Best-in-Class Interviews

Once a year, senior leaders meet with each business-unit leader to review talent in his or her unit. In addition, other meetings are held to review talent from the perspective of different functions, business units and global regions. These meetings are facilitated by CPC’s Global Talent Management staff. At corporate, the CEO and an Executive Development Committee openly discuss the performance and potential of the top 300 people. Executive mentors are assigned to the most promising leaders of this group.

CPC has set the following goals for the talent pool:

- 10% of the workforce will be identified for talent-management development—accountability for development is in the business unit.
- 4% of the managerial and professional workforce will be in the high-potential talent pool—accountability is in the corporate office.
- Certain high-potential individual contributors are identified and placed in the succession-planning pool; these people are viewed as critical to business success—accountability is in the business unit.
- 75% of the time, top leaders should come from the succession pool.

The key to success is the integration of the talent-management process at all levels of the company, from corporate on down. Technology also plays a critical role. It helps generate business unit and corporate reports, which leaders can review throughout the year.

The purpose of this process is mainly to identify people for leadership positions, usually executive or other high-level managerial positions. All leaders are held accountable for developing the talent in the organization.

#### **Elements with the Greatest Influence on the Ability to Develop/Retain Leaders**

1. Leadership development strategy
2. Top executive support
3. Succession planning/talent-pool planning processes
4. Recognizing that leaders must develop other leaders
5. Top executive involvement
6. Sufficient budget
7. Measuring the effectiveness of leadership development

*Leadership Development Survey 2005*

### **Development**

All employees have goals linked to the business objectives, competencies, performance reviews, feedback and a development plan. They have access to e-learning and

*“We incorporate best practices into an accelerated learning approach, interactive video, hands-on experience, etc.”*

—HRI Best-in-Class Interviews

certain core leadership training and development programs. In addition, any employees can ask to be considered for other developmental programs and assignments.

The culture of the organization considers job assignments as the most valuable development opportunities. Experience is often the best teacher. CPC has found that some jobs are pivotal to organizational success, and the company provides customized training for people in those positions. To accelerate the impact of the job assignments, HR provides on-boarding/assimilation assistance and external and internal coaching services.

But job experience and coaching are complemented and supported by a variety of other developmental tools:

- Mentoring
- Customized training
- Experiential opportunities (serving on an outside board, for example)
- Online learning
- 360-degree feedback
- External training

The “right” development practices for a particular high potential are determined within the succession process, but all high potentials receive training in core areas such as communication skills, knowing the business, ethics and other topics appropriate for their roles. These are provided via e-learning and the CPC’s corporate university.

The feeder pool is given training and cross-training job experience in preparation for moving into the leadership development curriculum. Managers review career goals and provide development in areas that are needed for future growth.

**Content and Program Design**

With its talent-management process system in place, CPC knows that it must focus on the design and content of the company’s frameworks, models and assumptions. After all, using inadequate content is one of the primary barriers to developmental efforts, as the AMA/HRI *Leadership Development Survey 2005* shows.

**Barriers to Leadership Development**

1. Lack of measurement of leadership behaviors
2. Inadequate leadership development program content
3. Lack of rewards for leadership behaviors
4. Lack of supportive culture

*Leadership Development Survey 2005*

CPC's content is based on current needs and priorities rather than on "the way it's always been done" and established modules. First, it clearly differentiates among the levels of leadership. CPC did not want to use such a broad leadership paintbrush that no one could explain the differences in roles, responsibilities, accountabilities and performance expectations among leaders at different levels. Second, CPC's HR staff carefully aligned their understanding with the understandings of top leaders and managers across the globe.

CPC defines three levels of leadership and the unique requirements of the supervisor, the manager and the executive. At the same time, the company stresses how leadership is part of everyone's job in terms of initiative, problem identification and critical thinking. By clarifying the leadership terms and expectations, CPC helps trainees hone in on the content of the courses. It also helps people understand the differences in roles and responsibilities while fostering respect and trust.

In the recent past, CPC's competencies tended to focus on specific job skills. Today's competencies focus more on the ability to deliver results, and there's more of an emphasis on integrating competencies. Before, the list was more compartmentalized and concerned with specialized functional competencies. As a kind of antidote, CPC's new competency list focuses on integration, passion, pattern recognition, partnering/collaboration, accepting challenges, mental agility and wisdom. Coaching skills and the cross-departmental knowledge—which make integration and partnering more feasible—are also stressed, echoing findings from the AMA/HRI survey.

In developing a new set of competencies, CPC's HR staff ensures that their thinking is aligned with the needs of the organization as a whole. HR professionals are aware that their views may not be completely aligned with those of management or other corporate functions. HR is also aware that different regions have different views of which competencies are most important and that this has an impact on content and design.

CPC recognizes that most leaders attribute their mastery of leadership to on-the-job experience. Leadership programs are, therefore, designed to blend formal classroom and e-learning sessions more closely with job activities. They incorporate action learning projects and post-training reinforcements. CPC's HR function monitors the outcomes of action plans that are prepared during training events. In addition, it offers post-session teleconferences. These not only reinforce learning but give participants the chance to identify the organizational barriers that hinder them from using their learning to maximum effectiveness. CPC's HR function then acts as a business partner to reduce these barriers.

#### Critical Leadership Development Needs

1. Coaching skills
2. Cross-departmental knowledge
3. Financial acumen
4. Negotiating skills
5. Business ethics

*Leadership Development Survey 2005*

**Measures of Leadership Development Effectiveness**

1. Business results
2. Participation reaction
3. Promotability
4. Competency rating
5. Manager assessment

*Leadership Development Survey 2005*

**Measuring and Tracking Talent Management**

Measuring the success of leadership behaviors is also critical to the development process. CPC measures the effectiveness of its leadership primarily via business results, and it uses both internal and external resources to develop rigorous business-impact measures.

Unlike most companies responding to the *Leadership Development Survey 2005*, CPC views the design and execution of leadership development systems as an investment rather than a cost.

That is, it's viewed as an indispensable resource that must be maintained and cultivated for sustained excellence because it is the cornerstone of competitive advantage and the foundation of the organization's culture, reputation and success.

CPC also has a system that tracks all employees through the performance management process. The system includes performance/potential ratings, interviews, observations, external training and coaching, and it provides robust data from which to make talent decisions.

*“Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it.”*

—HRI Best-in-Class Interviews

Information and data are fed into a highly integrated talent-management system that holds goals, competencies, performance reviews, compensation and succession data. It includes metrics such as:

- Number of managers promoted
- Success of managerial moves three years later
- Time to fill open positions
- Number of external hires for management positions
- Number of developmental moves
- Performance distribution

In addition, there are other measurements that CPC continues to track, including the frequency of senior leadership meetings about talent, employee morale and satisfaction, attrition and headcount analysis, recruiting costs and diversity representation in the talent pool.

By using these types of metrics, the company is able to generate a “report card” for the executive team's review. With this system in place, senior managers can be held accountable for the talent-management practices within their businesses and at the corporate level.

*“With all the methods that can be used to develop talent, most important is ensuring that the program links to the needs of the business.”*

—HRI Best-in-Class Interviews

CPC has also recognized the importance of rewarding and recognizing the behaviors that the organization thinks drive business performance. The oldest management principle says that “we get what we reward,” and CPC lives by that principle. Numerous reward systems, both formal and informal, exist within the businesses.

### **Rewarding and Recognizing High Potentials**

Developing top talent pays off only if an organization can retain that talent. Talented people expect their contributions to be acknowledged and their compensation to reflect their impact. Developing a rational, transparent and fair reward system is a key segment of CPC’s talent-management program. Base pay depends on goal achievement, and incentive compensation is used to reward competency achievement. Because pay is linked to both performance and competencies, employees are clear about expectations.

The CEO models exemplary behavior by routinely writing thank-you notes to employees and managers who do something she feels reflects behaviors based on the leadership competencies.

*“Addressing talent management is a competitive imperative. An organization that neglects to manage its employees’ development and placement not only pays the higher cost of locating appropriate external candidates but also faces the difficulties of assimilating a greater number of new hires to the organization’s culture and values.”*

—HRI Best-in-Class Interviews

Employees at CPC know they are valued. The company recognizes and rewards high potentials by including them in some senior meetings. The CEO also has a breakfast once a month with a group of high-potential employees, during which she answers questions and provides insight into business issues. Managers use a multitude of individualized ways to recognize performance.

## Leadership in the Future: Four Assumptions

*The study arrived at four broad assumptions about the future. These assumptions contain the sort of factors that are likely to change the environment in which business leaders operate. HRI used the underpinnings of these assumptions when considering how leadership development might evolve over the next decade or more.*

## Technology

Technological advancement will continue to have a huge impact on societies, businesses and governments over the next ten years. Among the most influential technologies will be artificial intelligence, radio frequency identification inventory control, internet telephony, voice recognition, robotics, biotechnology and materials sciences. In many areas, wireless technologies will allow developing nations to leapfrog over developed nations in terms of communication abilities and infrastructures.

In business, technology will continue to be used to cut costs, enable outsourcing and offshoring, manage information and communication, operate on a 24/7 basis, manage and recruit personnel and push transactions closer to the customer. Despite the perception of technology as an impersonal force, data mining will enable companies to customize their products and services as never before, and consumers and investors will gain greater access to business information. It's even possible that technologies such as 3-D printing will allow companies to push the manufacturing process closer to customers.

Worker accountability will be enhanced by data tracking, and job requirements will change as new technologies open new business opportunities. This dynamic will require lifelong learning on the part of employees. But new technologies will also aggravate certain business problems, such as difficulties in protecting intellectual property and confidential information. There may also be increased integration, standardization and control in order to assure that all the outsourced "pieces" fit, and this could also have a negative impact on creativity and autonomy.

## Global Trends

A number of global factors will have a strong influence on business. Among them are macroeconomic free trade initiatives, shifting demographic realities, conflicts and competition for scarce resources such as oil. Leaders will need to react to global insecurities and to shifting demands for labor, both skilled and unskilled. There will continue to be social conflicts among different cultural and religious factions, and disparities in the wealth of different regions will sometimes strain civility and help breed violence. Terrorism will be just one manifestation of this strain. Boycotts, support for theocracies and Luddite-like resistance to technology are also likely to occur. Shifts in geopolitical power (from the West to the East, for example) will exacerbate attempts to address global issues.

Organizations will face greater global competition, increased governmental regulations from multiple governmental entities, enhanced scrutiny by nongovernmental organizations, and disruption from regional conflicts, which seem more likely than a worldwide war. When civility is strained and divisions multiply, leaders will need strong skills in terms of crisis management, public relations, diplomacy and negotiation. Companies will need to emphasize safety in the workplace and must be resilient in the face of changes, threats or even crises. Gaining support for bold new directions will be difficult despite strong communication technologies.

## Organizational Structures

Business organizations will experience a growing interconnectedness that is driven by an expanded flow of information, technology, capital, goods, services and human resources throughout the world. This trend will not only sustain economic growth but increase interdependence among businesses and regions. The global diffusion of technology will allow medium and small organizations as well as multinational corporations to compete by producing and marketing products and services across borders. Asia will be the engine of change and will shape globalization even as it becomes the largest consumer region in the world.

The future challenge for all companies will be to develop an “agile mindset.” This will be critical when companies restructure and otherwise adjust to the dynamics of a more competitive world market. New organizations will not be confined to the traditional three-level structure of executive, middle management and front line. The standard pyramid with the vertical hierarchy of boxes, while not disappearing entirely, is likely to lead to a more overlapping and highly linked set of satellites connected by information technology. A growing number of organizations will be characterized by an integrated and dispersed set of mobile, multifunctional expert teams rather than by separate functions and distinct regional offices. The key will be to quickly focus and organize resources to support strategic initiatives.

This worldwide integration will require more contractors, partnerships, mergers, acquisitions, alliances and even shared investments with competitors. This does not mean these integrated networks of resources will operate totally independently. On the contrary, through sophisticated and timely information systems, these clusters of organizational capabilities will continue to be guided, supported and monitored to ensure that strategic goals, financial plans and performance expectations are achieved.

## Worldwide Talent Pool

The global talent pool will be deeply affected by the aging of the population, immigration trends, generational differences, evolving gender roles, improving education levels and changing societal values in many developed nations. In some of the least developed countries, however, the drivers will be quite different. They will have younger populations but will continue to struggle with issues such as extreme poverty, HIV/AIDS, illiteracy and day-to-day subsistence, as well as, in some cases, social and political disorders and the spread of terrorism.

In the middle will be up-and-coming nations that evolve from the “developing” to the “developed” category. The attractive low-cost labor of China, India and Indonesia—along with new technologies and social reforms—will continue to create a more interrelated world labor market. India will likely expand faster than any other large country in the world, with China a close second. Eventually, nations in parts of Africa are likely to follow India’s example of wealth creation by leveraging their large, young populations of English-speaking, low-wage workers.

Business leaders in developed countries in particular will need to adapt to the talent-pool dynamics with more creative human resource management approaches.

Continued outsourcing and offshoring will require the realignment and redefinition of business roles and tasks that have so far been unaffected by these trends. Anything that is “nonvalue-added” will be changed or eliminated. Leaders of the future will need to be creative, efficient and effective in terms of how they allocate their global talent. After all, their employees must work well together and share a common corporate vision despite living in different countries, being immersed in different cultures and speaking a variety of different languages.

## The Composite Perfect Company 2015

*Just as this report used the example of an “ideal company” to depict best-in-class leadership practices of today, it uses the same conceit to describe what leadership may look like in the future. We revisit the fictional Composite Perfect Company, this time in the form of an interview with an executive. This interview is set in the year 2015 and incorporates ideas from an HRI team of leadership experts as well from the Leadership Development Survey 2005. The interview is with P.G. Sampson, EVP of CPC.*

**Reporter:** Thank you, P.G., for agreeing to this interview. Let's talk about what has made CPC such an outstanding company that it was selected by AMA as the best-led firm in North America in 2015. Could we begin with your thoughts about what has led to CPC's success?

**Sampson:** Nothing really earth-shattering here. Our success comes from our people's desire to serve our customers well, to develop terrific new products and services, to seize emerging opportunities and to work intelligently together. It is a time-tested formula for success, and I'm proud that we've been able to sustain it over CPC's long history.

**Reporter:** But making those things happen—turning a success formula into reality—isn't so simple, is it? What do you do that others don't?

**Sampson:** Well, I think a lot of the credit goes to our CEO, who has done a fantastic job of ensuring alignment throughout the company for her strategy. She has energized all of us to commit to action by creating a powerful message. Like any great storyteller, she's woven a picture that has compelled all of us to take action. Of course, the picture provided direction, but it did much more than that—it provided confidence and ensured that we all knew what would be rewarded.

And she's part of a long leadership tradition at CPC. We've been emphasizing leadership development for a lot of years now. She's not only a great coach and mentor, but had some great mentors herself along the way. She listens, analyzes and tells us about the factors that led to her decision, which helps all of us execute. What's interesting is how balanced she seems to be—not just whip-smart but very socially intelligent and creative as well. I think that's one reason she's so good at attracting top-notch people in a wide variety of fields, from science and engineering to the most far-out design people. She seems to know something about everything.

But I think her greatest strength is her ability to deal with all the paradoxes present in today's global economy. For example, we need more standardization to keep the company in regulatory compliance, but we also have to stay innovative and make sure that local needs and customs are addressed. Balancing what has to be nonnegotiable—such as ethical standards and quality—while giving autonomy and trust to key players is like being a juggler trying to keep all the balls in the air. It gets tough to predict and respond to changing circumstances. There are no quick fixes or secret strategies that can work all the time and in all situations. Those days are gone, if they ever existed.

**Reporter:** So how do leaders prepare for handling these paradoxes?

**Sampson:** There is a term in chess that captures it for me; it is called "seeing the whole board." It means that leaders, like chess masters, have to recognize patterns and look beyond the next move to options four or five moves out. Today's leaders have to connect dots from all over the globe, so they must

be agile and not wed to any single viewpoint. Business circumstances just change too fast.

So, in our leadership programs, we work to develop this skill through a combination of cross-functional teams, a variety of job assignments and sophisticated training programs. We have, for example, a module that allows leaders and potential leaders to test and develop their pattern recognition and decision-making skills in risk-free computer-generated environments. We also try, without falling into the fad-of-the-week quagmire, to keep leaders abreast of what's happening in business and leadership theory. And we've developed training programs that help people generate business scenarios.

**Reporter:** How much of the need to prepare for paradoxes is related to globalization?

**Sampson:** A lot. Today's leaders have got to be genuine globalists. In fact, most of the members of our top management team have global experience, and quite a few are originally from nations outside the U.S. This wasn't always the case. Any leader who ignores a region's culture or history takes a huge risk. We actually have anthropologists involved in our leadership programs to help us really understand cultural differences. As leaders, we have to be able to recruit and effectively manage top talent from all over the world. You should see our magnificent, multilingual workforce recruitment and management database. It's a prime piece of intellectual capital at CPC.

**Reporter:** With the overwhelming growth of information these days, is it hard to find leaders with the right kind of technical expertise?

**Sampson:** The leaders of specific business units and functions still have to have a certain level of technical expertise, but that's not where the leadership-development emphasis is in our company. Leaders must know how to combine wisdom with expertise, consistency with flexibility and alignment with autonomy. They need dynamic rather than static frameworks. So, we hire and train experts, and some of them become top leaders, but the real goal is to ensure that our managers know how to collaborate well with experts. In a team environment, leadership is often fluid, flowing to whoever is the point person at that time. We train our high potentials to be good at this, to facilitate where necessary and fall back into the background when it's appropriate.

We still have a corporate hierarchy, but our organizational structures are more dynamic than they used to be. Team leadership, project leadership and multimedia-based leadership are all critical. Our CEO, for example, has really worked hard at developing her onscreen presentation skills, which became absolutely crucial during the conflicts in Asia two years ago. Our employees were frightened and uncertain, and she had to reassure them that CPC was not only going to make it through the crisis but also going to do everything it could to support the workers who were

most directly affected. She proved how wise she was not only in her contingency planning but in her ability to make people feel secure in an insecure world.

**Reporter:** Are there any other ways in which technology influences leadership these days?

**Sampson:** Gosh, where to begin? It's hard to underestimate technology's role. Our expectations of what is possible have changed dramatically. Customers demand customized and almost instantaneous responses to their needs. A big part of leadership is making sure everyone understands how crucial it is to meet their demands quickly, with so much other global competition at hand. Technology helps us track just about everything, from product components to the specific talents of our employees. The good thing is, it's also helped us curtail costs and overhead expenses.

The bad thing is that the 24/7 workplace has only intensified, despite all the e-mail filters, etc. The improvements in robotics, especially today's mobile robots, have reduced more of the physical stressors, but the mental and emotional stressors are worse than ever. Part of being a leader today is figuring out ways of protecting people from these stressors while maintaining a highly productive workplace. And leaders have also got to protect themselves because they're often overwhelmed with options, data and demands. We've got to have both the wisdom and the tools needed to do the right thing in the right way at the right time to get the right results.

**Reporter:** What's been the key to your career as a leader at CPC?

**Sampson:** I've learned a lot at CPC's Talent Management Institute over the years and have reaped tremendous benefits by serving in developmental assignments in various business units. I've also had the opportunity to get plenty of feedback on my strengths and areas for improvement. It's paid off for both the firm and me. And the best part is that I'm still growing in my job. I have an inspiring mentor and am able to tap into the best leadership thinkers in the world at our institute and in some of the best universities in the world, where we contract leadership coursework.

The Talent Management Institute has also enabled me to attend conferences and external programs that I had not known were available. Of course, it's sometimes been a challenge to fulfill my regular job duties in addition to following through on my development plans, but I think it's been worth it. A good investment for the organization *and* me.

**Reporter:** You say you're still learning. Has leadership itself changed over the last decade or so?

**Sampson:** Well, I've already mentioned the growing importance of things like pattern recognition, social intelligence, a global perspective, virtual leadership

and fluid leadership. I think another important change is that good leaders focus on talent more than ever before, and I don't just mean the old wooing of high-potential managers or the development of succession plans. Sure, high potentials have still got to be identified and coached. But today's best leaders worry more about really getting the most out of people at *every* level of the organization. They're asking, "What are the positions that have, or *could have* if we approached them differently, a great impact on the business, and how can we ensure we have the right people in those positions and are training them in the right way?" Doing this kind of analysis, and getting other leaders in the organization to do it, can really be a multiplier of success, the research has found.

Another change is that leaders, even top ones, have got to be negotiators and consensus builders to a degree not seen in the past. Of course, this means good communication skills, as in sharing information that enables employees to align their actions with the company's overall strategic plan. And it means listening to others, so leaders can be alert to new trends and opportunities. But more than that, it means being able to arrive at agreements and win-win solutions with colleagues, partners, business allies, vendors, nongovernmental organizations and the like. Today's leaders can't count on hierarchies as much as they used to. They've got to work within a complex web of relationships and this requires skills that can, to some degree, be selected for and taught. Among those skills is the ability to earn trust.

A sophisticated understanding of organizational dynamics is also a key. For instance, knowing when and how to use horizontal project teams, networked groups, vertical reporting relationships and ad hoc teams is part of it. Another part is the leader's willingness to quickly shift from being a traditional leader to being a team member or an outside advisor, as events and circumstances warrant.

Leaders also have to be willing to cope with ambiguities while taking and allowing some risks. Having dynamic organizational structures help us operate more effectively, but it's a risk to drop job descriptions and move beyond static competency lists. Today's leaders must be able to deal with resulting ambiguities via expectation setting, performance measures and rewards.

**Reporter:** How do you identify potentially great leaders?

**Sampson:** Well, we do not use a simple yes-no checklist because those are static and capture what has worked in the past rather than what will work in the future. When it comes to talent, few things are so clear-cut. A manager might, for example, demonstrate excellence in separate skill areas and yet not be able to integrate these skills into actions that help the organization meet its primary goals.

We find it valuable to look first at the results of the managers' past business challenges and at their ability to form solid relationships. For those who have demonstrated mastery of these baseline performance expectations, we look for them to distinguish themselves in these areas:

- Seeing the broad context of a situation or seeing patterns in a way that is not immediately apparent
- Balancing competing priorities effectively
- Analyzing and translating data into critical information and opportunities
- Expressing a passion for the organization's customers, stakeholders, and employees
- Seeking challenges and demonstrating initiative
- Demonstrating organizational savvy
- Accepting accountability and providing praise and encouragement to others
- Acting as a good corporate citizen within the company and the community
- Taking intelligent risks and encouraging risk-taking in others
- Demonstrating global understanding and local sensitivity
- Identifying and developing talent at all levels of the organization
- Recognizing cultural zones and providing a context for differences to be respected and used well
- Understanding themselves
- Serving as a good follower as well as a good leader

In addition, prospective leaders have to take an active interest in their own development and continue to pursue their interests throughout their career. If they are not growing and expanding their knowledge base, they can't stay successful as a leader for long.

**Reporter:** Are there any emerging approaches to leadership that you find useful?

**Sampson:** There's no definitive model showing how leadership has evolved. Even the leadership theorists continue to disagree about some of the details, and leadership still has to be tailored according to organizational needs. Having said that, I think there are some useful ideas that can guide our thinking. For example, over the last 10 years, we have seen that some incremental changes have amounted to substantial leaps, in my opinion. I've seen, for example, the slow move toward more right-brain theories of leadership and the use of systems thinking versus linear concepts.

Another thing that hit me was that leaders have got to anticipate trends and opportunities. In an age when things are happening fast, high-level

leaders need to adjust quickly, and this means being able to foresee future possibilities. A leader who can think only three months out will not be as successful as one who thinks a year or more out. This doesn't mean that leaders have to be perfect prognosticators, of course, but it does mean that they should be considering future scenarios and preparing their organizations to take advantage of a variety of contingencies. The ability to do this—an ability our company strives to develop—has become an important leadership capacity. This is quite a shift from the view that leaders have to be technically trained MBA types.

**Reporter:** How do you develop that foresight or wisdom when you know things are in constant flux?

**Sampson:** There are scenario-planning and other training exercises that help, but I'm particularly big on personal resources. By this, I mean a number of people that I trust and can use as a sounding board. I also have a work group that's great at surfacing and challenging my assumptions. Faulty assumptions can really kill you. Foresight doesn't require a crystal ball but rather a diversity of perspectives, the ability to find the gaps or missing pieces of information, and a willingness to test the conclusion in a rigorous way. It also requires an understanding of business theory. Another developmental practice I use is to ask others what they learned from their mistakes. This not only helps me, it helps the people around me share knowledge with colleagues.

**Reporter:** Is your organization's future orientation why it has such a strong record of implementing innovation?

**Sampson:** Innovation requires more than just thinking about the future. We've worked hard to develop a culture that rewards innovation. Our leadership even recognizes those whose innovative efforts faltered despite a solid concept and effective execution. While the projects that miss could be called failures, they are usually the foundation for the next successful innovation.

For leaders, the tricky part is making sure the organization is freewheeling and network-savvy enough to breed innovations and yet structured enough to keep people working on the best ideas. It's so easy for a skeptical manager or bureaucrat to kill off the next great innovation in its infancy. But I think we have a solid system for evaluating ideas.

A researcher has to convince potential funding resources—and we've set it up so that funding doesn't come from just one centralized source—of the promise of an innovation. Then, not only do the managers in a particular area evaluate an idea, but so does a "technical audit" committee of other scientists, marketers and manufacturing experts. We've also created internal processes for letting people shop around new ideas, and we have sophisticated methods of allowing our customers to innovate for us. Finally, we have a roll-out process that ensures effective communication,

monitoring and measurement so we can quickly respond to changes. At the end of the process, we conduct action reviews to determine where we could have improved.

Our leaders need to be trained to know when it's appropriate to step in and when they should let teams alone to work through the inevitable disagreements and problems. Leaders also have to make sure there's a diversity of viewpoints evaluating ideas. Groupthink is the death of innovation.

**Reporter:** Have you ever reviewed your leadership career to determine what you would do differently if you had it all to do over again?

**Sampson:** I've certainly made my share of mistakes. You are not really doing your job as a leader unless you push the envelope. But making the same mistake twice cannot be tolerated. One thing I've learned, and that I think all leaders should know, is that I don't always have the answers and that saying "I don't know" is a very smart response when you really don't know. You often have to seek out the best answers from other people. At times, I've also undervalued the power of trust and goodwill in times of crisis, and I've underestimated the desire of people to challenge themselves either early or later in their careers.

**Reporter:** What guidance would you offer the leaders of the future?

**Sampson:** I would encourage them to accept paradox and ambiguity while providing continuity and quality. Not an easy task, but this type of agility is what is required of great leaders today.

**Reporter:** Thank you very much.

## Conclusion

*From March to August 2005, HRI and a team of experts in the area of leadership and leadership development reviewed mountains of literature on leadership past and present, conducted 40 interviews (including six in-depth interviews) with companies that are considered the best-in-class in leadership development, and analyzed the results of a comprehensive global survey that had nearly 1,600 usable responses.*

Our overall conclusion is that there's a serious disconnect between what companies understand about leadership and how a lot of them put this knowledge to work. Although there are definitely better and worse leadership development practices in the business world, there are no deep, dark secrets. In general, most companies consider leadership a priority and know the basics of how to develop leaders. Leadership is, for example, considered one of the top three of 120 issues impacting organizations worldwide, both today and in the future, according to a 2004 Human Resource Institute survey.

In addition, the AMA/HRI 2005 leadership survey and our interviews show that—despite some interesting differences—the competencies required of leaders are fairly consistent around the world and in all sizes of organizations. Everyone knows how important it is to have leaders who can develop strategies and communicate well, for example. Also, the best programs and practices are widely recognized. Among them are excellent leadership development strategies, top executive support and a solid succession-planning process. Best-in-class companies do all of these things relentlessly because they know that leadership develops over time and through many different development methods.

Yet, even though so many companies know what to do to develop leaders—and spend considerable sums in a multibillion-dollar industry (external coaching alone is estimated to be a \$1 billion industry)—analysts and surveys continue to point to a scarcity of leadership in today's organizations. For example, only about a third of respondents in a survey conducted by The Conference Board think their company effectively identifies future leaders or considers their leaders' capacity to respond to business challenges as good or excellent (Barrett & Beeson, 2002).

So what is really happening with leadership development? We think the research points to three main concerns:

### **Knowing what to do, but not doing it.**

Less than half (44%) of global firms actually have a formal leadership development program, and only 29% have a formal mentoring/coaching program, according to overall results from the SHRM/SHRM Global Forum 2002 Global Leadership Survey (Collison & Cohen, 2002). And one recent survey of UK executives found that just three weeks' leadership development was average, and some received no leadership orientation at all (Reade, 2004). Many organizations know the right thing to do, but they compromise. They make trade-offs that weaken the leadership-development value proposition. They all know what it takes to make content “right,” but they cut corners on delivery and execution. Will we get sufficient budget? Will the line help us teach the content to make it relevant? Will the CEO kick it off and show passion? Will the new behaviors get reinforced back on the job? And if the answers are no to these questions, do we design a three-day training program anyway? So they make trade-offs and try to design around deficits in support or in resources. The cost to the organization is weak leadership and not enough bench strength.

### Lack of measurement and recognition.

Respondents to the 2005 AMA/HRI leadership survey said that two of the top three barriers to leadership development were the lack of measurement and recognition for leadership behaviors. Everyone in the behavioral sciences knows that what gets measured gets done and what gets rewarded gets repeated. But do we have the discipline to design the reward systems to reinforce behaviors we said we wanted, or do we settle for less? Do we really put into the system the measures that will show us when we get off course, or do we continue to say it's "soft stuff" and it can't be measured? Lots of business professionals have figured out how to measure "soft stuff," so we think that's more of an excuse.

### Developing leaders for the past, not the future.

It is clear from the literature review, interviews and survey results that a lot of the competencies we value in leadership haven't changed much. Competencies like developing and executing strategy, communication skills, etc., were important yesterday, are important today and will probably be critical in the future. But the way problems arise and the methods of solving them are changing, and not enough companies are adapting to this. Throughout the world, the job of a leader is becoming more complex, requiring the ability to blend classic management techniques with cross-cultural knowledge and to withstand increased scrutiny while delivering bottom-line results. The business environment is demanding higher levels of ethical behavior, accountability and strategy execution. In addition, the old "command and control" hierarchy of organizations is being replaced by a flatter, networked, fluid organizational structure that changes from day to day and from situation to situation. Characteristics that will help leaders succeed in such an environment are being described with terms such as *courage*, *confidence* and even *spirituality*. While left-brain competencies are often called into play in this fast-paced global environment, it may well be the emotionally based right-brain competencies such as intuition and reflection that give the edge to future leaders.

And then there are the questions about the future of leadership. Everything is moving so quickly, no one can be sure of what the next decade will bring. For example, some people still hold on to the idea that personality has a lot to do with leadership. We are getting better at understanding personalities and matching individuals to jobs. We are also getting better at determining the personality behaviors that get leaders in trouble. If Enron had conducted tests to determine how much of a "rule breaker" profile the senior team had, could the scandals have been avoided? The technology is already there, but so far companies are reluctant to use it.

Another future unknown is what it will take to become a truly excellent leader of networked organizations. In the literature review, we talked about the concept of shared leadership and the importance of lateral, peer-based relationships. Increasingly, networks get work done, not hierarchies. And the research indicates that women are better at using networks. So will women finally have the opportunity to really show their stuff over the next 10 years? Perhaps. What's fairly certain is that

leading virtually, laterally and with a multicultural workforce will continue to stretch everyone's abilities.

Information systems are also bound to have a continuing impact on leadership. Today, leaders are very eager for information on how to manage tasks and people better. We hope that in 10 years' time, technology will have moved in great strides to make things easier for everyone to manage tasks and relationships. We think leaders are going to get smarter about looking for the right resource for the right situation. They don't have the time to do anything else.

As we noted above, too many of today's companies lack the discipline and commitment they need to successfully develop great leaders. We think that 10 years out, the discipline required to manage in virtual, complex environments will be even greater. That is, the need for effective management and development systems is even greater when people come from many perspectives, live in many locations, and communicate mainly through technology rather than face to face. Once we've discovered how best to manage these kinds of world-spanning organizations, we'll need to ensure that our leaders have the right skills to keep their companies successful well into the future.

# Epilogue

This study points to the complexity that leaders face in today's world as well as to the complexity of the subject. The latter suggests that further research is needed. Following are some areas where additional research is warranted:

**Leadership in a global and cross-cultural environment.** Cultural diversity and inclusion have become a substantial challenge as the economy continues to globalize, as the workforce moves across national boundaries and as the talents of people of both genders are increasingly required in order to maximize business performance.

**Leadership in virtual environments where communication is not face to face.** Leadership dynamics change without personal connections, and more leaders are working with distant direct reports across multiple time zones. Such environments sometimes require relatively new forms of leadership, such as shared leadership.

**Leadership in temporary alliances.** These occur when partners change with various tasks/projects. Competitors may become partners and then return to being competitors, presenting potential leadership quandaries that should be explored.

**Leadership at various levels and in various kinds of organizations.** There needs to be a better understanding of the distinctions and similarities among executives, mid-level managers, supervisors or first-level managers and team leaders. There should also be a better understanding of how leadership varies by industry, by public or private sector and by organizational life cycle (e.g., whether it's a start-up, a mature company, etc.).

Until further research is conducted, we have considerable knowledge to help us, as chess players would say, "see the whole board." Research into what constitutes the "whole board" for supervisors, managers and executives may still be warranted, but we do have more knowledge than ever to enable leaders to connect the dots and develop the skills, abilities and knowledge to be successful leaders and also to build leadership throughout all levels within the organization.

Based on the clearly defined competencies and conclusions in this study, you will be able to close any gap in leadership development today. This is essential to business success, and to help you achieve it, AMA will be available.

# Leadership Development Survey Results

## Executive Summary

American Management Association (AMA) commissioned The Human Resource Institute (HRI) to conduct a global leadership development survey of 1,573 executives and managers. The core of this survey addressed three important questions:

- What are the drivers of change that have an impact on leadership challenges?
- What elements of organizational culture and processes are necessary for effective leadership development?
- What leadership competencies are most important today and will be most important in 10 years?

## Key Results

### *Top Five Drivers of Change*

- Increased global competition
- Focus on the customer
- Operating efficiency
- Accelerating pace of change
- Need for innovation

### *Top Five Elements of Organizational Culture Needed for Leadership Development*

- Leadership development strategy
- Top executive support
- Succession planning
- Recognition that it is the job of leaders to develop other leaders
- Top executive involvement

### *Top Five Leadership Competencies (in 10 Years)*

- Strategy development
- Communication skills
- Fostering innovation and creativity
- Developing leaders
- Hiring talent

### *Top Three Barriers to Developing Leaders*

- Lack of leadership behavior measures
- Inadequate leadership development content
- Lack of rewards for leadership development

## Introduction

*American Management Association commissioned The Human Resource Institute to conduct a future-oriented, large-scale and international study of leadership development. HRI used HRI staff and recruited a team of Ph.D.-level consultants, professors and business practitioners to provide input into research design and execution.*

The purpose of the study was to answer the following questions:

- What are the drivers of change that have an impact on leadership challenges?
- What elements of organizational culture and processes are necessary for effective leadership development?
- What leadership competencies are most important today?
- What leadership competencies will be most important in 10 years?
- To what extent are leadership competencies used in core organizational processes such as leadership assessment, 360-degree feedback, determination of pay, etc.?
- How do we assess leadership program effectiveness?
- At what level is leadership development managed and budgeted within organizations?
- What are the top leadership development needs?
- What are the top barriers to developing leaders?
- What leadership characteristics are most important to organizational strategy execution?
- What leadership development “tools” are most commonly used?
- How is leadership development accounted for in organizations—as training cost or as an investment?

## Study Method

**Target Survey Population:** The target survey population consisted of the HRI e-mail list of primarily senior-level human resources professionals (mostly U.S., with some international) and the American Management Association international e-mail list of individual contributors, supervisors, managers and executives across a wide range of functions, e.g., general management, finance, operations, human resources, etc. In total, 1,573 usable completed surveys were submitted.

**Survey Instrument:** The *Leadership Development Survey 2005* (see Appendix) consists of eight comprehensive demographic questions establishing (1) who the respondent is—functional area, level of responsibility, gender and age range and (2) the parameters of the respondent’s organization—number of employees and revenue; whether global, multinational, or national; organizational “maturity” (start-up vs. established); degree of organizational change; and level of business growth.

The core leadership development survey consists of 13 questions requiring respondents to rate multiple items within each core question. Consequently, each individual responds to a total of 119 choices. The core leadership survey addresses the questions raised in the above introduction.

**Procedure:** The survey was e-mailed to the target population by region during mid-June 2005. Each member of the target population received a reminder e-mail to complete and submit the survey by July 15, 2005 (the cutoff date).

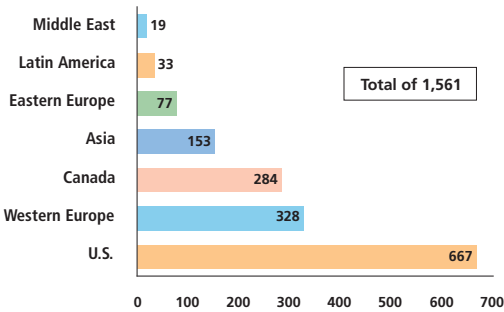
# Demographic Results

## Respondents

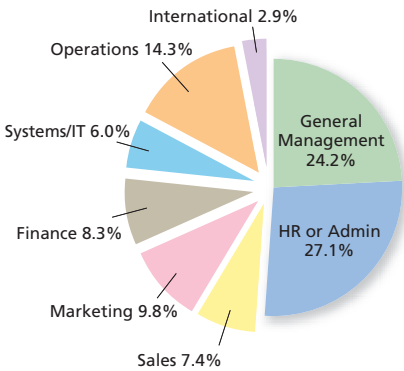
### By Region

There were 1,573 total respondents with, as expected, the majority from the U.S. (667). Europe was next with 405 respondents, of which 328 were from Western Europe and 77 from Eastern Europe. There were 284 Canadian respondents, 153 Asian respondents, 33 from Latin America and 19 from the Middle East. Most but not all survey respondents are included in the accompanying graph.

Number of Respondents by Region



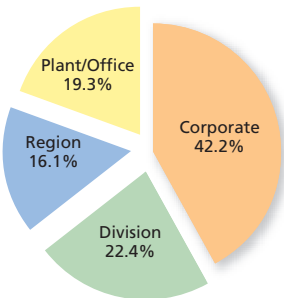
Function of Respondents



### By Function

The distribution of respondents across job functions is rather broad. Although the function most represented was Human Resources/Administration with 27.1%, General Management was close behind with 24.2%. The next largest function represented was Operations at 14.3%, followed by Marketing at 9.8%, Finance at 8.3%, Sales at 7.4%, Systems/IT at 6.0% and International at 2.9%. This was by no means just a survey of human resources professionals; the respondent base is broad enough to represent a reasonable cross-section of functions.

Level of Responsibility

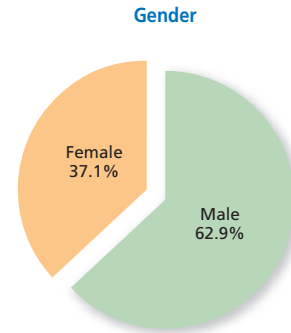


### By Organizational Level of Responsibility

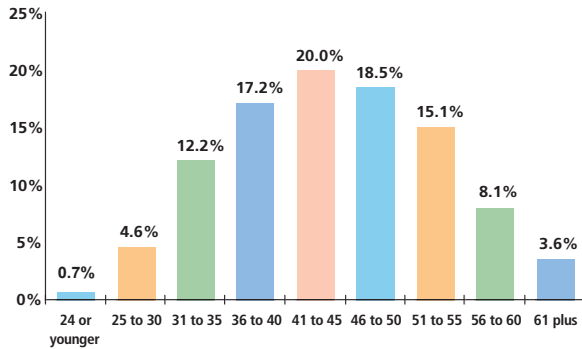
The largest percentage of respondents identified themselves as Corporate (42.2%). This was not a surprise because the HRI and AMA e-mail lists target corporate audiences. Besides, given the nature of the strategic focus of the survey, people with a broad corporate overview have the perspective needed to address longer-term, broad strategic issues. However, more than half the respondents provide a variety of perspectives.

**By Gender**

The overall respondent breakout by gender of 62.9% male and 37.1% female is slightly different from the results for the U.S. (57.7% male, 42.3% female) because of the higher representation among males in the Middle East (89.5%), Western Europe (76.8%), Asia (73.9%) and Latin America (71.4%).



**Age Range**



**By Age**

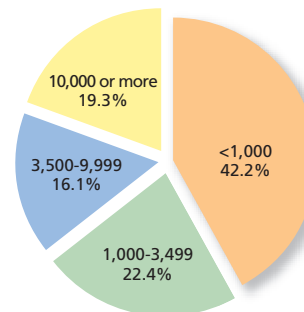
The great majority of respondents ranged from 31 to 55 years old. For Eastern European respondents, there was a concentrated narrow grouping in the age range of 31-40 (55.9%), and for the Middle East there was a large representation of respondents in the age range of 46-50 (31.6%).

**Organization**

**By Employee Headcount**

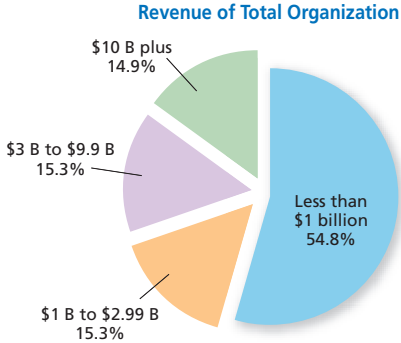
Slightly less than half of the organizations represented by respondents had fewer than 1,000 employees (42.2%), with 22.4% having 1,000-3,499 employees, 16.1% having 3,500-9,999 employees and 19.3% having 10,000 or more employees. Latin American respondents were most likely to be with small companies (81.5% had fewer than 1,000 employees), and Western European respondents were most likely to be employed by large companies of more than 10,000 employees (33.2%).

**Size of the Organization's Workforce**



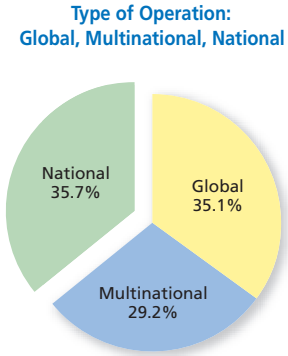
**By Organization Revenue**

More than half the respondent companies had revenues of less than \$1 billion, as would be expected given that almost half the organizations had fewer than 1,000 employees. One noteworthy result for the Middle East is that 73.7% of respondent companies had revenue of less than \$1 billion, whereas only 47.4% had fewer than 1,000 employees. Apparently, in the Middle East the respondent companies generate less revenue for their employee headcount than do respondent companies from other regions.

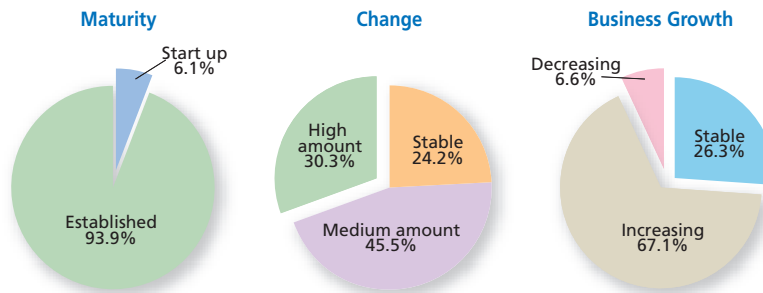


**By Type of Operation**

In this survey, we defined a global company as one with a “high level of global integration,” a multinational as one in which “global operations act independently of each other,” and a national as one having “operations in one country only.” Given that most of the respondent companies are “relatively small,” there are a surprising number of global (35.1%) and multinational (29.2%) companies. Some regions had relatively large respondent representation in global organizations (Western Europe, 50.9%) and multinational organizations (Middle East, 52.6%), while other regions were highly weighted with national operations, especially the U.S. (43.9%) and Latin America (55.6%).



### Description of the Organization



#### **By Maturity of Organization**

The vast majority of the respondent companies are “established” (93.9%) vs. “start-up” (6.1%). However, there was a much higher level of start-ups in the Middle East (21.1%), Latin America (18.5%) and Asia (15.0%).

#### **By Degree of Change**

A plurality of respondents viewed their organizations as experiencing a “medium amount” of change (45.5%), while 30.3% thought a “high amount” of change best described their companies and 24.2% chose “stable” to label their organization’s level of change. However, 44.5% of Latin American and 42.1% of Middle Eastern respondents viewed their organizations as stable. Also interesting is that 45.4% of Eastern European respondents thought their organizations were undergoing a “high amount” of change.

#### **By Business Growth**

The good news is that 67.1% of the respondents viewed their organizations as increasing in business growth, 26.3% viewed them as stable and 6.6% viewed them as decreasing. The Middle Eastern respondents saw the highest level of growth at 89.5% of companies there.

## Leadership Survey Results

Most surveys use a 1-5 Likert-type scale with a 1 rating designated as the low end of the scale (for example, “Not Important”) and the 5 as the top end of the scale (for example, “Very Important”). The problem with this type of scale for our leadership survey is that because virtually all the items will be viewed as at least moderately important, the range of item ratings by respondents will likely be very narrow—for example, 3.5 to 4.7. Consequently, the Likert-type scale would not give us the degree of differentiation across items that we desired. Instead, each survey respondent was instructed to allocate a total of 100 points across the items available with no obligation to assign points to every item. Respondents were asked to emphasize their assignment of points to those items that they perceived to be most relevant. The result, as you can see from the responses to survey item #1 below, is a rather wide spread of item scores, ranging from 3.0 to 11.76. This point allocation method was applied to survey questions #1-4 and #11.

### *Question One*

#### **What are the drivers of change that will have an impact on leadership challenges?**

While it would be difficult to dispute that any of the drivers of change are inconsequential, we included these particular driver choices because they *will* significantly influence our future business and leadership environment. The top five drivers form a highly interdependent complex of issues that meld into a formidable force. That is, increased global competition and the accelerating pace of change can be seen as “supra” drivers that influence other drivers.

#### ***Customers Demand Quality Products and Services***

The world has become a global market basket of business-to-business and business-to-consumer products and services whereby the most successful companies will do whatever is necessary to provide the quality of products/services demanded by the customer as economically as possible.

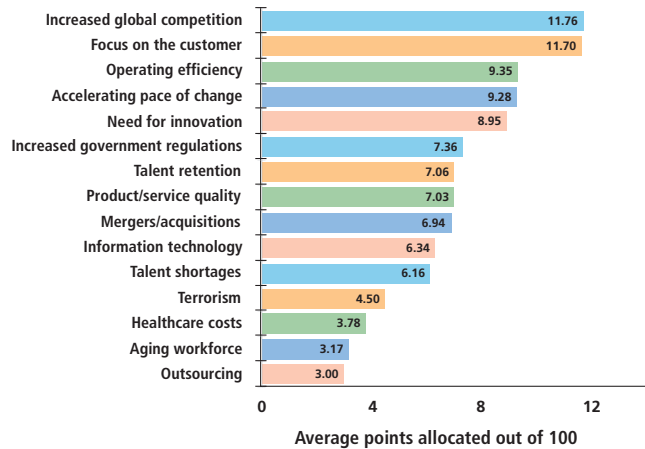
### Speed to Market and Operating Efficiency

This globally competitive environment, aided and abetted by technology, forces speed to market and operating efficiency. Product life cycles are shortening, and companies must scramble to beat the competition with the latest and greatest products and services demanded by consumers.

### Innovation and “Networks of Mad Scientists”

Innovation also takes on a whole new meaning in that increasingly it is not the “lone mad scientist” or engineer concocting the most innovative product or service. Instead, increasingly the brightest ideas are being generated by networks, some of them worldwide, of “mad scientists,” simultaneously solving big problems and generating big ideas. A case in point is the phenomenon of the Linux operating system owned by no one and continually developed by a network of global techies. Another example, identified by C.K. Prahalad and V. Ramaswamy in *The Future of Competition*, is the trend for companies and their customers to “co-create” products and services together.

The most critical drivers of change affecting leaders over the next ten years



### Regional Differences

- Middle Eastern respondents identified Terrorism as their third most important driver of change (vs. 12<sup>th</sup> overall).
- Western European respondents rated Mergers & Acquisitions as fourth (vs. ninth overall).

## Question Two

### What elements of organizational culture and processes are necessary for effective leadership development?

Our survey results indicate there are three key elements of organization culture/processes necessary for effective leadership development:

- Leadership development strategy
- Top executive support
- Succession planning

Although the top-rated item was “leadership development strategy,” anyone with extensive experience in these endeavors has learned the hard way that “top executive support” is an absolutely necessary precondition for successful development and execution of any leadership development strategy. Top executives must see the

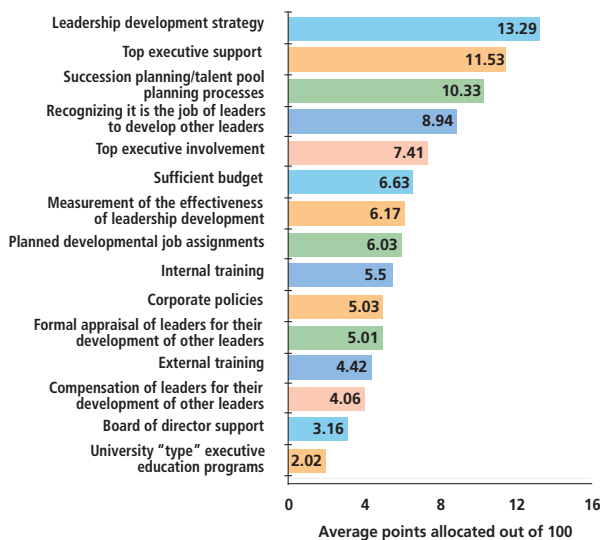
link between developing and executing business strategy and having the talent to do so. It is not uncommon for a team of top executives to go off to an off-site retreat with a high-priced consultant for three days of strategy development. The strategy is written and distributed in a three-ring binder with little thought given to the people resources needed to achieve this business strategy. In effect, it is a partial strategy because the document doesn't fully reflect reality.

### *It Is the Leader's Job to Develop Other Leaders*

Number four on our list of necessary conditions for effective leadership development is perfectly straightforward: "recognizing it is the job of leaders to develop other leaders."

In theory, it doesn't get any simpler than that. The difficult part is that while most managers and senior executives are held accountable for, and are quite skilled at, the technical components of their job, they are less likely to be held accountable for developing other leaders and they don't have the training or skill sets to fulfill this obligation. All too often, executives hand off underperforming staff to HR or outside coaches like a new father hands off a baby with a dirty diaper to his wife for changing. In neither case is it much appreciated. Organizations need to make it crystal clear that each manager is responsible for the development of his or her staff and must provide managers with the necessary tools and training to do their jobs.

#### Organizational culture and/or processes that will have the greatest influence on the ability to develop and retain leaders over the next ten years



### *Top Executive Involvement*

Ideally, the CEO and his or her team should be intimately involved in planning and implementing leadership development strategy based on the leadership implications of anticipated future business challenges/opportunities.

### *Leadership Development Strategies Should Be Business-Based*

The logical flow of this nexus between future business strategies and leadership development needs goes something like this:

- What are the drivers of change within our industry?
- What scenarios are likely to play out within our industry over the next 5 to 10 years?
- What positioning do we want to achieve within this future environment?
- What are the leadership implications of this desired future state?
- What leadership competencies will be required?
- What leadership/talent development strategies will be necessary to ensure

the company has the competencies necessary to execute future business strategies?

- What succession-planning/talent-pool planning processes do we need?
- What active roles will senior executives play in leadership development activities—training, mentoring, developmental assignments?

**Sufficient Budget: Put Your Money Where Your Mouth Is**

Number six among necessary conditions for leadership development is having sufficient budget to execute the planned strategies. Development plans and promises ring hollow without the funds to back them up.

**Measurement of Leadership Development Effectiveness: What Gets Measured Gets Done**

How will we know that our leadership development actions are effective? What business results and/or changes in leadership behavior do we expect? How will we know it when we see it? This issue is addressed further in the question about barriers to developing leaders.

*Question Three and Four*

**What leadership competencies are most important today and will be most important in the future?**

**The Twin Peaks: Strategize and Communicate Well**

The survey results are remarkably clear in highlighting two competencies that are the most important both today and for the future. “Strategy development” and “communication skills” are by far the most important leadership competencies. In fact, the results for our survey questions on drivers of change point toward these competencies like a compass seeks magnetic north.

- The top drivers of change paint a picture of a rapidly changing business environment with increasing competition from multiple global sources, many of which are located in Asia, i.e., China, Japan and increasingly, India.
- This increased worldwide competition is fueling a hectic race for operating efficiencies, better customer service and rock-bottom prices. The pace of change is brutal, and innovative products, services and delivery mechanisms are necessary to stay ahead of the pack.

**The leadership competencies needed to function effectively (1 of 2)**



- These drivers point toward an insatiable need for leaders who can adapt to, anticipate and develop strategies for this changing global business landscape.
- Leaders must be masters of communication both to articulate and drive strategy throughout the organization. They also need to maneuver across multiple business partner relationships spanning the globe.

“Strategy development” and “communication skills” can require nuanced approaches. Leaders of large organizations certainly should contribute their own views on top-level business strategy, but both modern theories of leadership and best practices indicate that leaders have the greatest impact by facilitating the development and execution of strategy, not by personally trying to be the “smartest person in the room.” The most effective leaders realize that their job is largely the development of organizational capability—that is, the organization’s core competencies, which reside in its people.

### Next in Line Are Competencies Needed to Develop and Execute Business Strategies

The next most highly rated competencies are “developing leaders,” “hiring talent” and “fostering creativity and innovation,” all of which are necessary to execute business strategies. Leaders must recognize that their most important contribution to the

organization is a legacy of “ready now” talent that can be used to take on critical business challenges:

First, the leader has to develop a pipeline of people with a high performance track record as well as the potential to successfully take on higher-level challenges. The hunter hunts where the game is, so, what are the best sources of both experienced and entry-level talent? What does this talent want? What will attract them to the leader’s organization? How does the leader keep these people interested and engaged in the work

The leadership competencies needed to function effectively



of the organization?

Second, the leader has to continually attend to the development of this talent. By providing opportunities to tackle big problems and opportunities, the leader is providing the stimulation and on-the-job growth that high-potential people live for. In addition, the leader must provide training on the core competencies necessary for the realization of the organization’s strategies. This training will likely include education on strategy development and execution, communication skills, development of staff, etc.

Third, the leader must foster creativity and innovation, both by providing the opportunity to tackle big business issues and by creating a culture where risk-taking

and decentralized decision-making are encouraged and rewarded. All too often, executives *preach* risk-taking and the encouragement of change, but *practice* control and adherence to established policies and practices. You can't have it both ways.

## Question Five

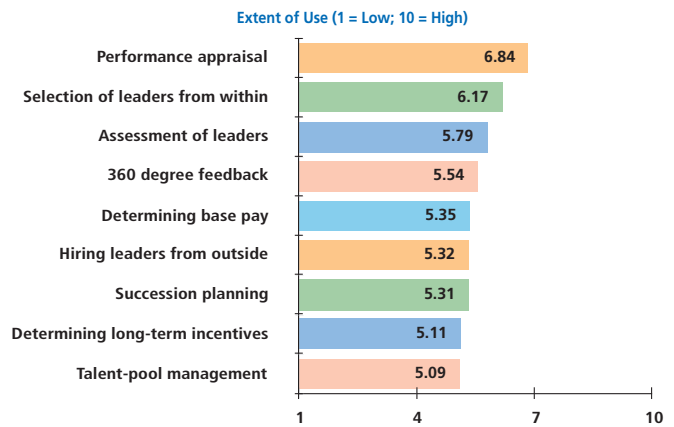
To what extent are leadership competencies used in the following programs and processes?

### The Extent of Usage Is Surprisingly Low

While it is not surprising that the top uses of competencies are in “performance appraisal,” “selection of leaders from within,” and “assessment of leaders,” it is surprising that, on average, the extent of use is so low. Responses ranged from 5.09 for “talent-pool management” to 6.84 for “performance appraisal,” on a scale where 10 = high use and 1 = low use.

Clearly, organizations—and HR in particular—need to develop the skill of using competencies across these major people-related activities.

The extent to which leadership competencies are used in the following programs and processes



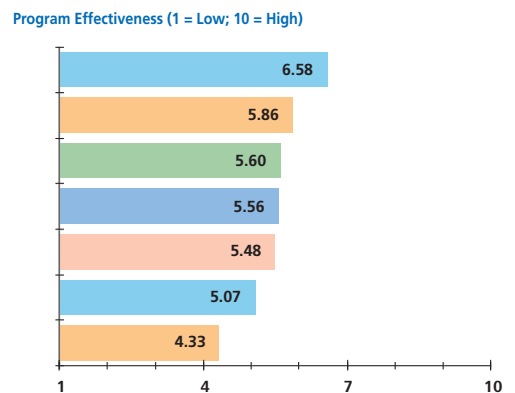
## Question Six

How does your organization assess leadership development program effectiveness?

### Companies Say They Measure the Effectiveness of Their Programs via Business Results

Of course, we hope that effective leadership development programs would result in improved business results. After all, we are making a visible investment of time, money and people in training, university executive programs, rotational assignments, etc., and we expect to have something to show for it. While it is difficult to isolate the impact of leadership development from other factors, we should give serious thought to *before* and *after* business-result measures. These should be positively influenced by our leadership programs.

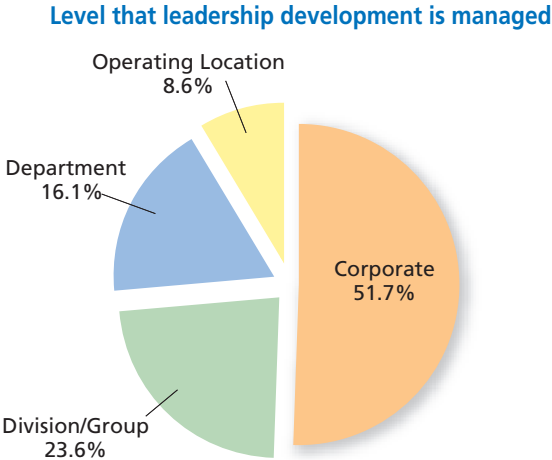
Assessing leadership program effectiveness



The old standby “participant reaction” is valuable in determining what participants think/feel about the program upon its conclusion. However, a high “feel good” result doesn’t mean the program’s learning objectives will be reflected in real, on-the-job performance. Consequently, we should consider a follow-up survey at three or six months to inquire about actual application in the workplace.

### Question Seven

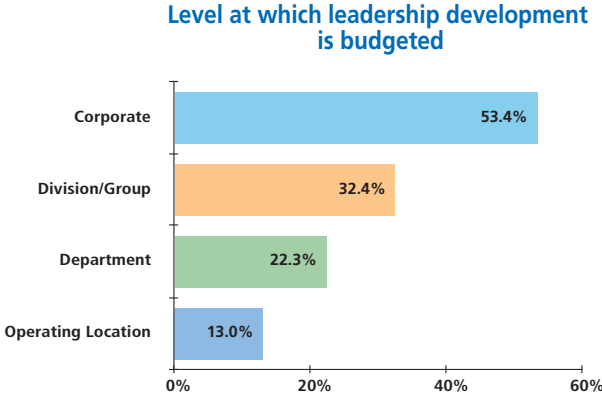
**At what level is leadership development managed within your organization?**



### Question Eight

**At what level is leadership development budgeted?**

**Expectations Met**  
As expected, leadership development is generally both managed and budgeted at the corporate level.



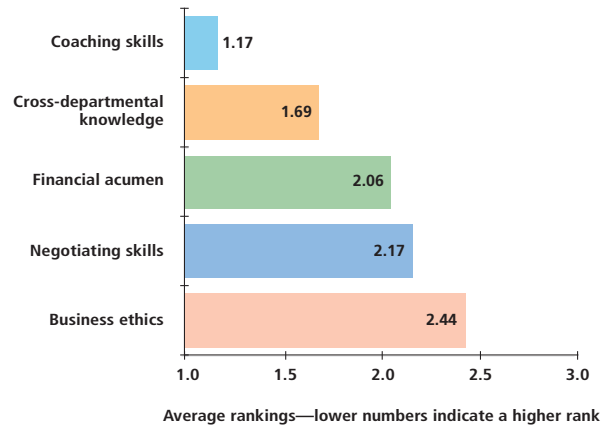
## Question Nine

### Rank your organization’s top three leadership development needs.

#### The Need for Coaching Skills

Selection of “coaching skills” as the number one leadership development need was a pleasant surprise in that it is the “softest” of the needs listed. However, coaching is a much-needed skill, given that it is the job of the leader to develop other leaders. Since most opportunities for development occur on the job, it is critical that leaders have the coaching skills necessary to guide staff in capitalizing on “teachable moments” when they occur.

Top leadership development needs



## Question Ten

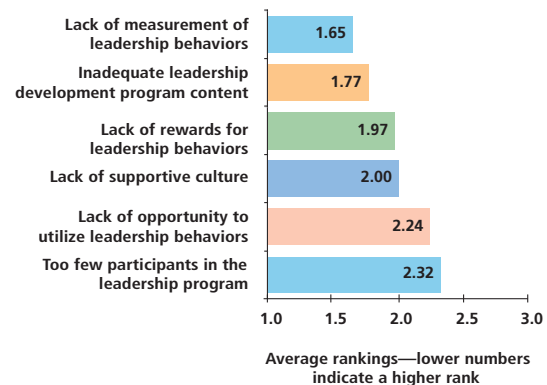
### Rank your organization’s top three barriers to developing leaders.

#### The Lack of Metrics

This survey about leadership development is all about positive change. Such positive change should be reflected in new, improved behaviors on the job, whether it is strategic planning, market segmentation or building a team. The ultimate proof of these positive behavioral changes should be improved business results. Otherwise, why are we expending resources on leadership development?

This area is a real challenge for leaders. We need to better identify those competencies that will enable the organization to beat the competition and then select, train, appraise and compensate based on those competencies. As we saw in the results for Leadership Competency Use in Key Activities, there is no evidence of extensive use of competencies across key activities. Even the highest-rated item, “performance appraisal,” received a rating of only 6.84 out of a possible 10. All the other key activities are rated in the middle range of 4 to 6. If we aren’t using and measuring competencies, then what are we measuring?

Top barriers to developing leaders



Many of the other barriers to leadership development can be overcome by:

- ensuring the relevance of program content by tying content to competencies;
- rewarding leaders for their own and others' competency development; and
- developing cultural support by involving key executive “players” in identifying leadership competencies and in developing leadership development strategy.

## Question Eleven

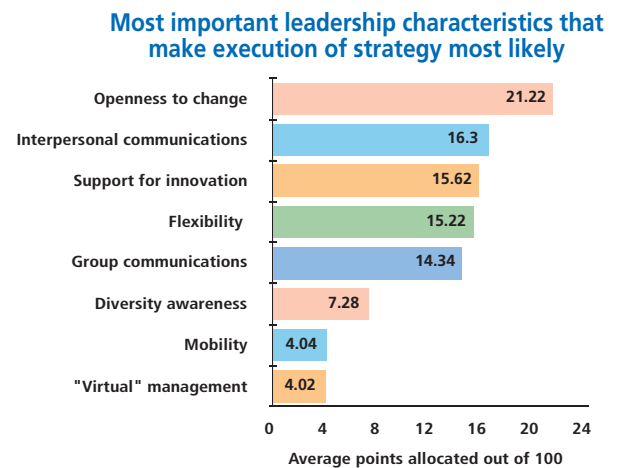
### Leadership characteristics to support strategy execution

#### Openness to Change

Clearly, “openness to change” is the key leadership characteristic in the creation of an organizational culture that supports strategy execution. After all, strategy execution is largely a function of setting the direction and then *changing course accordingly*. Leaders must model openness to change constantly in their running of the business, whether they are considering developing a new product line, changing methods of distribution, developing an overseas business partner or taking a different approach to bonus allocations. Leaders cannot preach openness to change and practice status quo.

As for the other highly rated characteristics, the survey responses make it clear that a culture of change and strategy execution must be supported by:

- constant top-down and two-way communications reinforcing strategic direction;
- the changes necessary to execute strategy; and
- support for flexibility and innovation at all levels.

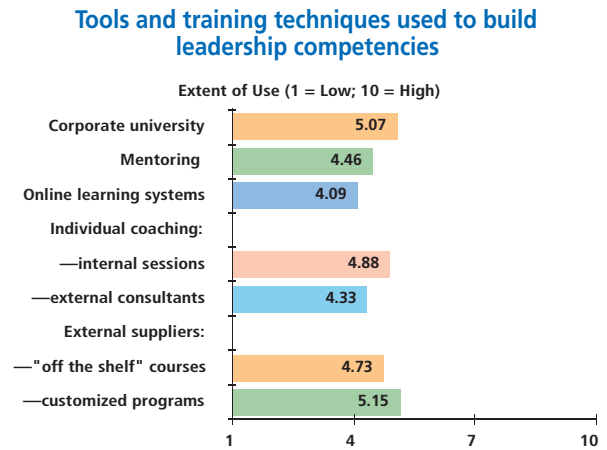


## Question Twelve

What tools and training techniques does your organization use to build leadership competencies?

### No Clear Pattern

Respondent companies tend to use some combination of these programs/processes that best meets their needs.



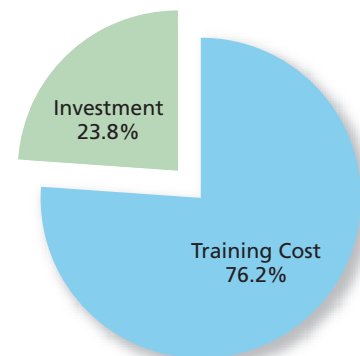
## Question Thirteen

How is leadership development accounted for in your organization? Is it a training cost or an investment?

### Leadership Development Is Viewed as a Cost

Clearly, training is on the books of the great majority of respondent organizations as a cost. When we look at results by region, however, the Middle East (57.9%) and Latin America (49.1%) are more likely to account for training as an investment.

Is leadership development a training cost or an investment?



# Appendix

## Demographic Questions

USA: United States

WE: Western Europe

EE: Eastern Europe

ME: Middle East

CAN: Canada

ASIA: Asia

LA: Latin America

*In what function do you currently work? Please check one.*

|               | Overall | USA   | WE    | EE    | ME    | CAN   | ASIA  | LA    |
|---------------|---------|-------|-------|-------|-------|-------|-------|-------|
| HR or Admin.  | 27.1%   | 25.0% | 23.2% | 32.5% | 47.4% | 25.0% | 42.5% | 37.0% |
| Sales         | 7.4     | 6.0   | 9.1   | 18.2  | -     | 6.7   | 8.5   | -     |
| Marketing     | 9.8     | 8.4   | 15.5  | 11.7  | 21.1  | 7.0   | 6.5   | 7.4   |
| Finance       | 8.3     | 10.0  | 6.7   | 7.8   | 5.3   | 8.5   | 3.3   | 14.8  |
| Systems/IT    | 6.0     | 8.2   | 2.7   | 2.6   | -     | 8.8   | 1.3   | -     |
| Operations    | 14.3    | 16.6  | 10.1  | 6.5   | -     | 20.1  | 9.8   | 7.4   |
| International | 2.9     | 1.2   | 7.6   | 1.3   | 10.5  | 0.7   | 4.6   | -     |
| General Mgmt. | 24.2    | 24.6  | 25.0  | 19.5  | 15.8  | 23.2  | 23.5  | 33.3  |

*What is your level of responsibility?*

|              | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--------------|---------|------|------|------|------|------|------|------|
| Corporate    | 42.2    | 50.1 | 35.7 | 28.6 | 26.3 | 40.5 | 33.3 | 51.9 |
| Division     | 22.4    | 20.4 | 26.8 | 20.8 | 26.3 | 20.4 | 27.5 | 14.8 |
| Region       | 16.1    | 11.1 | 11.3 | 28.6 | 15.8 | 12.0 | 15.7 | 22.2 |
| Plant/Office | 19.3    | 18.4 | 26.2 | 22.1 | 26.3 | 27.1 | 22.9 | 11.1 |

*What is your gender?*

|        | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--------|---------|------|------|------|------|------|------|------|
| Male   | 62.9    | 57.7 | 76.8 | 64.9 | 89.5 | 48.6 | 73.9 | 71.4 |
| Female | 37.1    | 42.3 | 23.2 | 45.1 | 10.5 | 51.4 | 26.1 | 29.6 |

*What is your age?*

|               | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|---------------|---------|------|------|------|------|------|------|------|
| 24 or younger | 0.7     | 0.3  | 0.3  | -    | -    | 1.4  | 2.0  | -    |
| 25-30         | 4.6     | 4.8  | 1.2  | 2.6  | -    | 6.3  | 7.2  | 11.1 |
| 31-35         | 12.2    | 11.5 | 7.0  | 23.4 | 15.8 | 14.4 | 16.3 | 14.8 |
| 36-40         | 17.2    | 13.2 | 20.4 | 32.5 | 15.8 | 19.4 | 13.7 | 22.2 |
| 41-45         | 20.0    | 18.6 | 22.6 | 19.5 | 15.8 | 19.7 | 23.5 | 18.5 |
| 46-50         | 18.5    | 18.7 | 21.3 | 13.0 | 31.6 | 16.2 | 23.5 | 11.1 |
| 51-55         | 15.1    | 16.8 | 15.5 | 7.8  | 15.8 | 15.5 | 11.1 | 14.8 |
| 56-60         | 8.1     | 10.8 | 8.5  | 1.3  | -    | 4.6  | 7.2  | 3.7  |
| 61 plus       | 3.6     | 5.1  | 3.0  | 0    | 5.3  | 2.5  | 0.7  | 3.7  |

*What is the size of your total organization's workforce?*

|              | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--------------|---------|------|------|------|------|------|------|------|
| < 1,000 emp. | 45.8    | 43.5 | 35.4 | 54.5 | 47.4 | 56.7 | 47.7 | 81.5 |
| 1,000-3,499  | 17.7    | 19.2 | 14.3 | 19.5 | 26.3 | 17.3 | 18.3 | 7.4  |
| 3,500-9,999  | 13.0    | 11.1 | 17.1 | 10.4 | 10.5 | 13.0 | 14.4 | 7.4  |
| 10,000 >     | 23.4    | 26.2 | 33.2 | 15.6 | 15.8 | 13.0 | 19.6 | 3.7  |

*What is the revenue of your total organization?*

|                  | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|------------------|---------|------|------|------|------|------|------|------|
| < \$1 billion    | 54.9    | 55.9 | 40.5 | 57.1 | 73.7 | 66.2 | 47.1 | 88.9 |
| \$ 1 B - \$299 B | 15.3    | 15.0 | 22.0 | 14.3 | 10.5 | 7.4  | 20.9 | 3.7  |
| \$ 3 B - \$9.9 B | 15.3    | 13.3 | 21.6 | 7.8  | 5.3  | 18.7 | 13.1 | -    |
| \$10 billion >   | 14.6    | 15.7 | 15.9 | 20.8 | 10.5 | 7.7  | 19.0 | 7.3  |

*Type of operation:*

|  | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--|---------|------|------|------|------|------|------|------|
| <b>Global</b><br>(High level of global integration)                          | 35.1    | 32.1 | 50.9 | 29.9 | 36.9 | 26.1 | 40.5 | 14.8 |
| <b>Multinational</b><br>(Global operations act independently of one another) | 29.2    | 24.0 | 32.3 | 42.9 | 52.6 | 29.9 | 31.4 | 29.6 |
| <b>National</b><br>(Operations in one country only)                          | 35.7    | 43.9 | 16.8 | 27.3 | 10.5 | 44.0 | 28.1 | 55.6 |

*How would you describe the majority of your organization?*

|  | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--|---------|------|------|------|------|------|------|------|
| <b>Maturity</b>  |         |      |      |      |      |      |      |      |
| Start-up   | 6.1     | 4.2  | 4.6  | 5.2  | 21.1 | 5.6  | 15.0 | 18.5 |
| Established  | 93.9    | 95.8 | 95.4 | 94.8 | 78.9 | 94.4 | 85.0 | 81.5 |
| <b>Change</b>  |         |      |      |      |      |      |      |      |
| Stable   | 24.2    | 27.6 | 16.4 | 18.2 | 42.1 | 21.5 | 27.5 | 44.4 |
| Med. amount  | 45.5    | 45.9 | 47.0 | 36.4 | 31.6 | 47.9 | 47.7 | 37.0 |
| High amt.(e.g., re-engineering, restructuring, acquisitions) | 30.3    | 26.5 | 36.6 | 45.4 | 26.3 | 30.6 | 24.8 | 18.5 |
| <b>Bus. growth</b>   |         |      |      |      |      |      |      |      |
| Stable   | 26.3    | 27.0 | 26.5 | 23.4 | 10.5 | 26.8 | 24.2 | 37.0 |
| Increasing   | 67.1    | 65.5 | 66.8 | 68.8 | 89.5 | 67.3 | 70.6 | 62.9 |
| Decreasing   | 6.6     | 7.5  | 6.7  | 7.8  | -    | 5.9  | 5.2  | -    |

## Leadership Survey Questions

### *Drivers of Change That Have an Impact on Leadership Challenges*

*What do you think are the most critical drivers of change affecting the challenges faced by leaders during the next ten years?*

|                                  | Overall | USA   | WE    | EE    | ME    | CAN   | ASIA  | LA    |
|----------------------------------|---------|-------|-------|-------|-------|-------|-------|-------|
| Increased global competition     | 11.76   | 10.20 | 14.28 | 13.81 | 18.74 | 10.57 | 12.67 | 16.00 |
| Focus on the customer            | 11.70   | 11.60 | 12.54 | 12.53 | 9.74  | 11.01 | 11.29 | 12.67 |
| Operating efficiency             | 9.35    | 9.61  | 8.79  | 8.19  | 5.42  | 10.20 | 9.24  | 9.67  |
| Accelerating pace of change      | 9.28    | 9.83  | 8.17  | 8.91  | 6.47  | 9.54  | 9.55  | 8.30  |
| Need for innovation              | 8.95    | 7.86  | 11.66 | 10.79 | 5.63  | 7.07  | 10.56 | 8.56  |
| Increased government regulations | 7.36    | 8.48  | 5.73  | 5.25  | 6.58  | 8.73  | 4.71  | 8.95  |
| Talent retention                 | 7.06    | 7.41  | 5.14  | 8.60  | 7.16  | 8.13  | 7.14  | 5.74  |
| Product/service quality          | 7.03    | 7.52  | 6.04  | 7.87  | 5.32  | 6.01  | 8.77  | 4.74  |
| Mergers/acquisitions             | 6.94    | 6.22  | 9.54  | 6.64  | 6.32  | 5.62  | 8.22  | 4.11  |
| Information technology           | 6.34    | 6.98  | 4.59  | 6.03  | 6.79  | 6.93  | 5.78  | 7.44  |
| Talent shortages                 | 6.16    | 6.46  | 4.28  | 4.44  | 6.32  | 7.77  | 6.44  | 5.74  |
| Terrorism                        | 4.50    | 6.52  | 0.65  | 0.55  | 7.42  | 6.85  | 1.41  | 4.11  |
| Healthcare costs                 | 3.78    | 6.00  | 2.34  | 2.09  | 4.16  | 2.43  | 1.28  | 0.78  |
| Aging workforce                  | 3.17    | 2.97  | 2.57  | 0.69  | 1.79  | 6.10  | 1.71  | 1.00  |
| Outsourcing                      | 3.00    | 3.18  | 3.23  | 2.95  | 2.16  | 2.68  | 2.73  | 2.30  |

## Elements of Organizational Culture and Processes Necessary for Effective Leadership Development

*What elements of organizational culture and/or processes will have the greatest influence on the organization's ability to develop and retain leaders over the next ten years?*

|   | Overall | USA   | WE    | EE    | ME    | CAN   | ASIA  | LA    |
|---|---------|-------|-------|-------|-------|-------|-------|-------|
| Leadership development strategy                                     | 13.29   | 12.93 | 14.69 | 12.21 | 10.84 | 13.64 | 12.48 | 10.56 |
| Top executive support   | 11.53   | 12.38 | 10.73 | 5.84  | 9.74  | 11.74 | 13.16 | 8.33  |
| Succession-planning/<br>talent-pool planning<br>processes           | 10.33   | 9.53  | 10.76 | 10.87 | 12.42 | 11.90 | 9.65  | 9.30  |
| Recognizing it is the job<br>of leaders to develop<br>other leaders | 8.94    | 9.26  | 8.22  | 11.75 | 5.26  | 8.90  | 8.15  | 8.93  |
| Top executive involvement   | 7.41    | 7.24  | 7.90  | 8.38  | 5.58  | 5.71  | 9.39  | 7.33  |
| Sufficient budget   | 6.63    | 7.79  | 4.60  | 4.79  | 7.95  | 7.51  | 4.78  | 8.15  |
| Measurement of the<br>effectiveness of<br>leadership development    | 6.17    | 6.02  | 6.32  | 6.84  | 11.37 | 5.94  | 5.61  | 7.33  |
| Planned developmental<br>job assignments                            | 6.03    | 5.92  | 6.83  | 5.61  | 5.00  | 5.75  | 6.21  | 3.78  |
| Internal training   | 5.50    | 5.48  | 5.32  | 4.87  | 4.00  | 6.12  | 5.12  | 7.30  |
| Corp. policies  | 5.03    | 4.38  | 5.09  | 9.92  | 5.84  | 4.20  | 7.30  | 7.26  |
| Formal appraisal of<br>leaders for their dev.<br>of other leaders   | 5.01    | 5.43  | 4.31  | 4.22  | 4.53  | 5.06  | 5.41  | 2.52  |
| External training   | 4.42    | 4.00  | 4.24  | 5.49  | 5.79  | 5.03  | 4.50  | 5.22  |
| Comp. of leaders for<br>their dev. of<br>other leaders              | 4.06    | 4.43  | 3.81  | 4.23  | 3.00  | 3.68  | 2.90  | 8.07  |
| Board of director<br>support  | 3.16    | 3.05  | 4.16  | 3.31  | 5.26  | 2.54  | 2.71  | 2.00  |
| Univ.-type exec.<br>education<br>programs                           | 2.02    | 1.93  | 2.11  | 2.03  | 3.42  | 2.07  | 1.68  | 3.56  |

## Leadership Competencies: Today and in the Future

*What do you think are the leadership competencies needed to function effectively today? How will the needed leadership competencies change over the next ten years?*

| Importance Today                           | Overall | USA   | WE    | EE    | ME    | CAN   | ASIA  | LA    |
|--|---------|-------|-------|-------|-------|-------|-------|-------|
| Strategy development                       | 11.05   | 10.96 | 12.02 | 11.53 | 10.58 | 10.45 | 11.01 | 10.07 |
| Communication skills                       | 10.24   | 10.06 | 11.07 | 7.66  | 7.95  | 10.97 | 10.37 | 7.85  |
| Development leaders                        | 6.79    | 6.96  | 5.60  | 6.31  | 6.37  | 7.92  | 7.29  | 4.93  |
| Hiring talent                              | 6.10    | 5.52  | 5.72  | 5.49  | 5.74  | 5.83  | 5.29  | 7.26  |
| Fostering creativity and innovation        | 6.06    | 5.73  | 6.51  | 6.57  | 6.11  | 6.21  | 5.62  | 5.56  |
| Driving for results                        | 6.02    | 5.34  | 6.89  | 6.51  | 8.21  | 5.56  | 7.42  | 6.26  |
| Know the business                          | 5.71    | 5.59  | 6.47  | 6.88  | 3.79  | 4.59  | 5.28  | 8.48  |
| Role model for organization's values       | 5.53    | 5.52  | 5.35  | 5.47  | 7.32  | 5.54  | 5.88  | 3.89  |
| Business ethics                            | 5.43    | 6.19  | 4.18  | 4.31  | 6.00  | 5.44  | 5.11  | 7.44  |
| Know the industry                          | 4.42    | 4.69  | 4.17  | 4.66  | 3.26  | 4.27  | 3.96  | 3.63  |
| Building relationships in the organization | 4.26    | 3.98  | 4.00  | 3.84  | 3.53  | 6.56  | 4.32  | 2.19  |
| Aligning organization with the market      | 4.21    | 4.17  | 4.97  | 3.64  | 3.84  | 3.74  | 4.07  | 4.07  |
| Aligning the internal organization         | 3.74    | 4.07  | 3.30  | 2.57  | 2.11  | 4.33  | 3.41  | 2.59  |
| Leading by influence                       | 3.62    | 3.48  | 3.72  | 3.45  | 3.58  | 4.25  | 3.23  | 3.15  |
| Building relationships in the marketplace  | 3.61    | 3.74  | 3.35  | 3.42  | 3.47  | 3.86  | 3.28  | 3.89  |
| Marketing                                  | 3.26    | 2.94  | 3.82  | 5.99  | 5.58  | 2.12  | 3.88  | 3.15  |
| Sales                                      | 2.62    | 2.87  | 2.30  | 3.29  | 2.53  | 2.04  | 2.86  | 2.96  |
| Systems                                    | 2.53    | 2.51  | 2.19  | 3.27  | 5.47  | 2.37  | 2.53  | 3.70  |
| Operations                                 | 2.42    | 2.61  | 1.99  | 2.10  | 1.00  | 2.31  | 2.54  | 6.19  |
| Finance                                    | 2.37    | 2.09  | 2.40  | 2.75  | 3.58  | 2.55  | 2.66  | 3.74  |

| Importance in 10 Years                     | Overall | USA   | WE    | EE    | ME    | CAN   | ASIA  | LA    |
|--|---------|-------|-------|-------|-------|-------|-------|-------|
| Strategy development                       | 11.45   | 11.46 | 12.02 | 12.25 | 10.21 | 10.32 | 12.76 | 10.19 |
| Communication skills                       | 10.52   | 10.37 | 11.63 | 7.03  | 7.16  | 11.25 | 10.45 | 8.04  |
| Fostering creativity and innovation        | 7.83    | 7.15  | 9.27  | 9.31  | 6.47  | 7.67  | 7.39  | 8.00  |
| Development leaders                        | 7.49    | 7.69  | 6.25  | 8.31  | 6.26  | 8.38  | 7.98  | 4.11  |
| Hiring talent                              | 6.74    | 7.09  | 6.33  | 7.27  | 6.68  | 6.87  | 5.57  | 5.87  |
| Business ethics                            | 6.26    | 6.07  | 5.67  | 5.44  | 5.21  | 6.28  | 5.92  | 8.59  |
| Role model for organization's values       | 5.69    | 5.64  | 5.81  | 6.22  | 4.22  | 5.49  | 6.16  | 4.89  |
| Driving for results                        | 5.60    | 5.16  | 6.27  | 6.06  | 6.89  | 4.63  | 7.28  | 6.70  |
| Aligning organization with the market      | 4.85    | 4.73  | 5.84  | 4.19  | 6.32  | 4.23  | 4.78  | 4.26  |
| Know the business                          | 4.72    | 4.57  | 5.18  | 5.97  | 3.79  | 4.05  | 4.20  | 7.89  |
| Building relationships in the marketplace  | 3.80    | 3.69  | 3.77  | 3.77  | 2.79  | 4.15  | 3.93  | 2.63  |
| Know the industry                          | 3.66    | 4.35  | 2.77  | 2.78  | 3.42  | 3.43  | 3.10  | 3.22  |
| Building relationships in the organization | 3.56    | 3.41  | 3.09  | 2.88  | 2.68  | 4.94  | 3.39  | 1.44  |
| Leading by influence                       | 3.28    | 3.26  | 3.55  | 3.12  | 1.95  | 3.56  | 2.79  | 3.30  |
| Marketing                                  | 3.24    | 2.93  | 3.68  | 5.12  | 7.89  | 2.05  | 3.80  | 3.56  |
| Aligning the internal organization         | 2.93    | 3.03  | 2.31  | 3.18  | 1.84  | 3.45  | 3.07  | 2.56  |
| Systems                                    | 2.47    | 2.57  | 1.75  | 1.74  | 7.32  | 2.75  | 2.24  | 4.89  |
| Sales                                      | 2.06    | 2.18  | 1.88  | 2.16  | 2.53  | 1.92  | 1.96  | 3.56  |
| Finance                                    | 2.04    | 1.99  | 1.78  | 1.99  | 4.37  | 2.39  | 1.82  | 2.04  |
| Operations                                 | 1.81    | 2.04  | 1.16  | 1.21  | 1.79  | 2.20  | 1.44  | 4.27  |

## Leadership Competency Use in Key Activities

*To what extent are leadership competencies used in the following programs and processes? Rate the extent to which you use this process.*

| Program/Process                  | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|----------------------------------|---------|------|------|------|------|------|------|------|
| Performance appraisal            | 6.84    | 6.73 | 7.02 | 7.09 | 6.95 | 6.80 | 6.87 | 6.17 |
| Selection of leaders from within | 6.17    | 6.09 | 6.25 | 5.92 | 5.79 | 6.08 | 6.53 | 6.48 |
| Assessment of leaders            | 5.79    | 5.54 | 6.03 | 6.40 | 6.00 | 5.60 | 6.28 | 5.65 |
| 360° feedback                    | 5.54    | 5.24 | 5.45 | 6.39 | 5.53 | 5.56 | 5.51 | 6.10 |
| Determining base pay             | 5.35    | 5.43 | 5.25 | 5.42 | 5.44 | 4.95 | 5.79 | 5.80 |
| Hiring leaders from the outside  | 5.32    | 5.30 | 5.25 | 4.80 | 4.72 | 5.60 | 5.51 | 4.54 |
| Succession planning              | 5.31    | 5.05 | 5.38 | 5.65 | 5.74 | 5.21 | 6.08 | 5.21 |
| Determining long-term incentive  | 5.11    | 5.11 | 5.08 | 5.00 | 4.88 | 4.91 | 5.33 | 5.32 |
| Talent-pool management           | 5.09    | 4.78 | 5.24 | 5.44 | 5.63 | 5.06 | 5.58 | 5.50 |

## Assessing Leadership Development Program Effectiveness

*How does your organization assess leadership program effectiveness?*

| Importance Today     | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|----------------------|---------|------|------|------|------|------|------|------|
| Business results     | 6.58    | 6.47 | 6.65 | 6.62 | 6.82 | 6.54 | 6.74 | 7.30 |
| Participant reaction | 5.86    | 5.79 | 6.20 | 5.36 | 5.53 | 5.77 | 5.93 | 6.30 |
| Promotability        | 5.60    | 5.49 | 5.50 | 5.39 | 6.00 | 5.68 | 6.16 | 5.38 |
| Competency ratings   | 5.56    | 5.54 | 5.52 | 5.63 | 5.50 | 5.49 | 5.77 | 5.35 |
| Manager's assessment | 5.48    | 6.01 | 5.72 | 5.73 | 6.53 | 5.98 | 6.10 | 6.15 |
| 360° ratings         | 5.07    | 4.76 | 5.36 | 5.66 | 4.44 | 5.06 | 5.14 | 4.68 |
| Before & after tests | 4.33    | 4.23 | 4.38 | 4.37 | 4.40 | 4.07 | 4.81 | 4.55 |

*At what level is leadership development managed within your organization?*

|                    | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--------------------|---------|------|------|------|------|------|------|------|
| Corporate          | 51.6    | 49.9 | 55.6 | 51.9 | 52.6 | 51.1 | 49.0 | 55.6 |
| Division/Group     | 23.6    | 22.8 | 29.2 | 23.4 | 15.8 | 20.1 | 26.1 | 18.5 |
| Department         | 16.1    | 18.0 | 10.6 | 14.3 | 5.3  | 19.0 | 11.1 | 11.1 |
| Operating location | 8.6     | 8.2  | 4.3  | 10.4 | 26.3 | 9.5  | 13.7 | 14.8 |

*At what level is leadership development budgeted?*

|                    | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--------------------|---------|------|------|------|------|------|------|------|
| Corporate          | 53.4    | 55.9 | 52.0 | 57.1 | 52.6 | 50.0 | 51.0 | 51.9 |
| Division/Group     | 32.4    | 28.2 | 45.0 | 24.7 | 26.3 | 32.0 | 30.7 | 22.2 |
| Department         | 22.3    | 22.9 | 19.1 | 27.3 | 26.3 | 26.4 | 15.7 | 18.6 |
| Operating location | 13.0    | 11.8 | 10.9 | 15.6 | 31.6 | 13.4 | 17.0 | 14.8 |

*Rank your organization's top three leadership development needs.*

|                              | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|------------------------------|---------|------|------|------|------|------|------|------|
| Coaching skills              | 1.17    | 1.54 | 1.59 | 1.78 | 1.47 | 1.62 | 1.61 | 1.56 |
| Cross-departmental knowledge | 1.69    | 1.54 | 1.66 | 1.40 | 1.26 | 1.48 | 1.45 | 1.89 |
| Financial acumen             | 2.06    | 1.95 | 1.82 | 2.14 | 1.86 | 2.05 | 1.97 | 1.63 |
| Negotiating skills           | 2.17    | 2.05 | 1.80 | 1.86 | 2.26 | 1.89 | 2.91 | 1.85 |
| Business ethics              | 2.44    | 2.26 | 2.99 | 2.12 | 2.05 | 2.31 | 2.92 | 2.30 |

*Rank your organization's top three barriers to developing leaders.*

|   | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|---|---------|------|------|------|------|------|------|------|
| Lack of measurement of leadership behaviors         | 1.65    | 1.68 | 1.75 | 1.70 | 2.26 | 1.71 | 1.73 | 1.96 |
| Inadequate leadership development program content   | 1.77    | 1.93 | 2.15 | 2.10 | 1.63 | 1.98 | 1.84 | 1.93 |
| Lack of rewards for leadership behaviors            | 1.97    | 1.83 | 1.80 | 2.10 | 2.11 | 1.97 | 1.90 | 1.85 |
| Lack of supportive culture                          | 2.00    | 2.07 | 1.80 | 1.88 | 2.05 | 2.05 | 1.97 | 1.81 |
| Lack of opportunity to utilize leadership behaviors | 2.24    | 2.16 | 2.02 | 1.77 | 1.32 | 2.03 | 2.14 | 2.00 |
| Too few participants in the leadership program      | 2.32    | 2.49 | 2.58 | 2.49 | 2.63 | 2.47 | 2.58 | 2.48 |

### Leadership Characteristics to Support Strategy Execution

What do you think are the most important leadership characteristics when judging ability to create a culture which makes execution of strategy most likely? What are the most important elements of corporate culture that they should look to build?

|                              | Overall | USA   | WE    | EE    | ME    | CAN   | ASIA  | LA    |
|------------------------------|---------|-------|-------|-------|-------|-------|-------|-------|
| Openness to change           | 21.22   | 21.05 | 23.49 | 23.27 | 16.05 | 21.16 | 19.66 | 23.15 |
| Interpersonal communications | 16.30   | 17.17 | 15.59 | 15.58 | 13.42 | 15.84 | 14.97 | 15.19 |
| Support for innovation       | 15.62   | 15.92 | 16.02 | 15.88 | 13.68 | 18.00 | 15.63 | 14.07 |
| Flexibility                  | 15.22   | 16.34 | 14.81 | 14.55 | 18.16 | 14.72 | 14.83 | 16.11 |
| Group communications         | 14.34   | 15.60 | 12.53 | 13.18 | 12.11 | 16.00 | 13.89 | 15.37 |
| Diversity awareness          | 7.28    | 6.71  | 8.44  | 9.29  | 12.37 | 5.79  | 9.19  | 4.26  |
| Mobility                     | 4.04    | 3.39  | 4.50  | 4.73  | 11.05 | 4.67  | 5.65  | 7.22  |
| 'Virtual' management         | 4.02    | 3.83  | 4.62  | 3.52  | 3.16  | 3.82  | 6.19  | 4.63  |

### Leadership Development Tools

What tools and training techniques does your organization use to build leadership competencies? Check all the tools that you use, and then indicate the extent of use.

| Program/Process          | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|--------------------------|---------|------|------|------|------|------|------|------|
| Corporate university     | 5.07    | 5.14 | 5.54 | 4.77 | 1.84 | 4.71 | 5.32 | 5.61 |
| Mentoring                | 4.46    | 4.56 | 4.44 | 4.20 | 1.93 | 4.58 | 4.69 | 5.35 |
| Online learning systems  | 4.09    | 5.26 | 4.02 | 4.46 | 1.60 | 3.93 | 4.20 | 4.20 |
| Individual coaching:     |         |      |      |      |      |      |      |      |
| —internal sessions       | 4.88    | 4.91 | 4.84 | 4.79 | 3.11 | 4.75 | 5.49 | 5.92 |
| —external consultation   | 4.33    | 4.15 | 4.43 | 4.54 | 2.47 | 4.73 | 4.54 | 4.40 |
| External suppliers       |         |      |      |      |      |      |      |      |
| —“off the shelf” courses | 4.73    | 4.84 | 4.81 | 4.51 | 1.35 | 4.97 | 4.76 | 4.95 |
| —customized programs     | 5.15    | 4.73 | 5.71 | 5.61 | 3.56 | 5.11 | 5.67 | 5.80 |

How is leadership development accounted for in your organization?

|                 | Overall | USA  | WE   | EE   | ME   | CAN  | ASIA | LA   |
|-----------------|---------|------|------|------|------|------|------|------|
| Training cost   | 76.2    | 77.4 | 74.2 | 77.9 | 42.1 | 78.9 | 63.4 | 51.9 |
| Investment line | 23.8    | 22.6 | 25.8 | 22.1 | 57.9 | 21.1 | 36.6 | 49.1 |

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## About HR Institute

For more than 30 years, The Human Resource Institute has been dedicated to providing world-class research in people management issues, trends and practices. HRI, a not-for-profit organization affiliated with the University of Tampa, is widely recognized as one of the top five institutes of its kind in the United States. HRI provides its more than 100 corporate members with accurate and timely research that helps facilitate a better understanding of all the people management issues that organizations face today as well as the trends that are shaping the future. Currently, HRI is following approximately 150 demographic, social, economic, technological, political, legal and management trends. For more information, contact Jay J. Jamrog at [jamrog@HRInstitute.info](mailto:jamrog@HRInstitute.info).

## About This Report

American Management Association commissioned The Human Resource Institute (HRI) to conduct an in-depth study of leadership—the roles leaders are playing in today's organizations, how the best-in-class organizations develop them and how leadership may change over the next decade or so. This report is based on a series of interviews with companies that are considered the best-in-class in leadership development, a comprehensive global survey that included nearly 1,600 respondents, in-depth discussions with a team of leadership experts and an extensive review of the leadership literature.

### This Report:

- » Discusses what's driving leadership today
- » Outlines how those drivers are affecting leadership roles
- » Describes today's state-of-the-art leadership development practices
- » Forecasts what will drive leadership over the next 10 years and what the best-in-class practices may look like in the year 2015
- » Draws conclusions about what's wrong with leadership development today
- » Suggests future directions for leadership theory
- » Provides a summary of the Leadership Development Survey 2005 results

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