Literature Review

Highlights of Effective Leadership Programs

Profiled Companies Include:

Key Questions:

How do companies structure the management of leadership development programs?

How do companies identify top talent? Which individuals are included in formal leadership development programs?

How do companies measure the impact of leadership development offerings?

Issue Overview: The Need for Effective Leadership Development

Companies require an effective leadership pipeline…

In an environment of uncertain economic conditions and talent mobility, leadership continuity is critical in safeguarding the competitive strength of organizations.
In addition, globalization and the retirement of baby-boomers have enhanced the war for talent in almost every industry and significantly weakened the leadership strength of many organizations.[1,2]

…which places a premium on effectively managed development programs…

Research conducted by the Development Dimensions International (DDI) indicates that three of four companies lack criteria for evaluating employee potential. Findings from the 2001 Council study, *Voice of the Leader*, reveal that when asked to rank the leadership strength of their organizations, fewer than half of the executives consider their organizations' benches to be strong in three of the four capability areas—personal characteristics, process management, strategic management, and people management.[3,4]

…to generate peak business impact.

Research confirms that investment in leadership development and training improves employee performance levels, increases profitability, produces higher quality products and services, and reduces employee turnover. Leading companies consider executive development to be an integral part of business strategy and succession planning. Published literature shows leaders who undertake continuous education may be the ultimate source of sustainable competitive advantage.[5,6]

The following research outlines how companies administer leadership development programs and how organizations identify and develop their leaders. In addition, the study shows how companies assess their leadership development offerings and offers guidelines on how to implement leadership development effectively.

Catalog No.:
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EXECUTIVE SUMMARY

Published literature reveals that companies with a strong leadership bench are more likely to represent high-performing organizations. Yet, three of four companies lack criteria for evaluating employee potential and fail to develop leaders successfully. The following brief highlights how companies may administer and manage leadership development processes effectively, as summarized below:

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

OWNERSHIP OF LEADERSHIP DEVELOPMENT

Companies typically choose one of the following two approaches for managing leadership development:

- Centrally at the corporate headquarters with business unit input
- Decentrally with business groups managing their own leadership development processes

Management of leadership development is often placed in the following corporate functions:

- Corporate education and training
- Executive education
- Human resources
- Organizational development
- Succession planning
- Workforce planning and employee development

BUDGETING FOR LEADERSHIP DEVELOPMENT

Published literature reveals that funding for leadership development typically comes from the corporate training function. In addition, companies are increasingly allocating larger budgets for leadership development.

IDENTIFYING AND DEVELOPING TALENT POOLS

Best-in-class companies establish multiple talent pools and offer leadership training to high-potential employees throughout the organization rather than limiting development to senior executives.

Some methods that companies utilize for identifying talent include the following:

- Assessment centers
- Cascading talent review processes
- Formal succession planning processes
- Global leadership competencies
- Internal talent reviews
- Management recommendations
- Self-selection
- Standardized leadership exercises

OFFERING GENERAL AND CUSTOMIZED DEVELOPMENT

Effective leadership development should incorporate both enterprise-wide, general training programs, and customized leadership development.

While some companies offer customized leadership plans for all supervisors through the CEO level, other organizations provide customized development only to individuals on the succession planning list and current leaders.

ASSESSING LEADERSHIP DEVELOPMENT

Companies utilize the following methods for assessing leadership development offerings:

- 360-degree appraisal feedback process
- Balanced scorecard
- Career paths
- Kirkpatrick model
- Performance-learning-satisfaction evaluation
- Return-on-expectations (ROE)
- Return-on-knowledge (ROK)

KEEPING LEADERSHIP DEVELOPMENT CURRENT

Learning technologies can ensure that leadership development offerings are fresh and current. Key features of case study leadership programs include the following:

- Adaptive development plan
- Just-in-time problem solver
- Leadership pulse surveys
- Leadership skills mapping and testing
- One-stop-shop reference tools

CRITICAL SUCCESS FACTORS OF LEADERSHIP DEVELOPMENT

Companies should follow the guidelines below to implement effective leadership development:

- Build scorecards for results
- Clarify the business purpose and desired outcomes
- Create a continuous development culture
- Customize development opportunities to leaders' needs
- Ensure manager accountability for leadership development
- Gain top management support
- Link competencies to results
- Put leadership development into an organizational context
- Target future leadership needs

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Ownership of Leadership Development

How centralized or decentralized is leadership development?

Key Finding—Two Approaches for Managing Leadership Development

Companies typically choose one of the following two approaches for managing leadership development:

- Centrally at the corporate headquarters with business unit input
- Decentrally with business groups managing their own leadership development processes

Published research reveals that companies typically follow one of two approaches for managing leadership development—either centrally at the corporate headquarters with business unit input, or decentrally with business groups managing their own leadership development processes.

Centralized Development with Business Unit Input

Published literature reveals the following reasons for implementing centralized leadership development that employees across business units and geographic regions can attend:[7]

- Align all learning efforts with firm strategy
- Create a cohesive culture of leadership and development
- Integrate cross-business networking during developmental activities
- Merge all development and education activities under one department

PepsiCo offers a centralized leadership development program for high-potential employees throughout the organization, as described below:[8]

Industry: Consumer Products
Employees: 140,000+
Revenue: $25+ billion

PEPSICO

Program Description: PepsiCo operates a "Building the Business" leadership development program that is cross-divisional and cross-functional, where high-potential employees travel to regional and corporate headquarters and work on projects assigned by the CEO or the head of marketing, finance, or HR.

Program Benefits: These enterprise-wide programs expose employees to the strategic realities of senior leadership and reflect the structural and cultural challenges for leaders on a global level. In addition, the training program enhances communication between different regions and business groups.

In order to ensure success in a centrally organized leadership development program, it is essential to receive support from individual business units. The involvement of business unit representatives allows planners to obtain outside input, resulting in more effective implementation of leadership development processes. While centralized leadership development programs focus primarily on strategic issues, business units often manage more tactical management skills and business-specific challenges.[9,10]

Decentralized Development by Individual Business Units

What is a case example of decentralized leadership development?

Key Finding—Managing Leadership Development Decentrally

At Centex, leadership development is decentralized and managed by individual operating companies, where training is directly linked to specific operating needs.[11]

Companies typically manage leadership development programs centrally because this ensures all individuals are developed similarly and that leadership bench strength is standardized across the organization. With that said, companies with highly decentralized organizational structures may implement decentralized leadership development that is specific to business groups in order to ensure employees develop the skills unique to their line of business.

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Ownership of Leadership Development (continued)

Who owns leadership development in organizations?

Key Finding—Placing Leadership Development in Corporate Functions

Management of leadership development is often placed in the following corporate functions:

- Corporate Education and Training
- Executive Education
- Human Resources
- Organizational Development
- Succession Planning
- Workforce Planning and Employee Development

The ownership of leadership development varies among organizations. Although the Human Resources department is often responsible for leadership development, published literature reveals that companies also place oversight of leadership development in other functions.

Using Corporate Functions to Oversee Leadership Development

Depending on whether companies view leadership development as solely for executive leaders, a component of the organization's enterprise-wide succession plans, or a division of the organization's learning and development function, profiled companies in a past Council research designate the following functions to be responsible for overseeing and managing leadership development.[12,13,14]

Table 1: Ownership of Leadership Development	
Corporate Education and Training Function	Two companies profiled in past Council research reveal that the corporate education and training groups are responsible for designing and planning leadership courses.
Executive Education Function	At a utilities company, the corporate-level Executive Education function provides detailed information regarding external leadership development courses to Leadership Development coordinators at operating companies.
Human Resources Function	At a financial services company, the Human Resources function budgets for executives to attend external leadership development courses and provides advice and counsel on leadership development.
Organizational Development Function	At one Council profiled company, the corporate Organizational Development (OD) function offers input and advice on leadership development matters to business units. The OD function is responsible for administering leadership development processes and policies enterprise-wide.
Succession Planning Function	A 2000 study conducted by the *American Society for Training and Development* (ASTD) reports that in some companies, the leadership development function and the succession planning function report to the same executive, due to the similar goals of the two groups.
Workforce Planning and Employee Development Function	At a large utilities company, the Employee Development function, which is responsible for leadership development, is part of the corporate Workforce Planning and Employee Development department.

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Budgeting for Leadership Development

What budget do companies assign to leadership development?

Key Finding—Funding Leadership Development

Published literature reveals that funding for leadership development typically comes from the corporate training function. In addition, companies are increasingly allocating larger budgets for leadership development.

In the 2001 Council study, *Voice of the Leader*, nine of eleven companies with superior economic performance have strong leadership teams, while only two of the eleven companies with weaker economic performance have strong leadership teams. As companies realize the correlation between strong leadership teams and economic performance, organizations allocate larger budgets for leadership development.[15]

A 2001 survey by the *American Management Association* (AMA) reveals that over 25 percent of participating companies spend approximately one-third of the annual training budget on leadership development. The table below indicates average annual costs for leadership development training per participant by company size.[16]

| Table 2: Average Annual Cost per Participant	
Number of Employees	**Average Participant Cost**
Less than 500	$6,148
Between 500 and 999	$6,194
Between 1,000 and 2,499	$6,531
Between 2,500 and 9,999	$6,173
More than 10,000	$7,731

Overall, companies demonstrate a trend in increasing budgets for leadership development programs:[17,18,19]

- A 2001 *Manchester, Incorporated* survey of 200 companies found that 51 percent of respondents planned to increase training budgets for employee leadership skills.
- A 2001 *Development Dimensions International* (DDI) study found that HR departments are spending 26 percent of training and development budgets on leadership development, compared with 18 percent two years ago.

A 2002 survey conducted by *Training* magazine reveals that companies allocate the following percentage of annual training budgets on leadership development:[20]

Table 3: Percentage of Annual Training Budget for Leadership Development	
Percent of Companies	**Percentage of Training Budget**
Less than 5 percent	17 percent
5 to 9 percent	16 percent
10 to 14 percent	12 percent
15 to 19 percent	9 percent
20 to 24 percent	9 percent
More than 25 percent	31 percent

The link between the training budget and leadership development suggests that funding for leadership development typically comes from training departments at organizations' corporate headquarters. Though slightly dated, a 1998 *American Society for Training and Development* (ASTD) survey indicate that leadership development expenditures are funded by the overall organizational training budget.[21]

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments
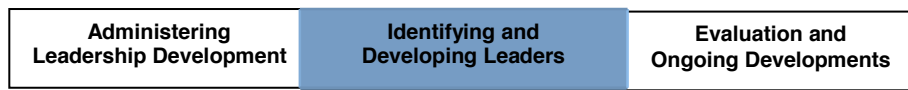
Identifying and Developing Talent Pools

Which individuals are included in formal leadership development programs?

Key Finding—Developing Multiple Talent Pools

Best-in-class companies establish multiple talent pools and offer leadership training to HIPO employees throughout the organization rather than limiting development to senior executives.

Published research indicates that large companies often develop multiple talent pools including one at the supervisory level, one at middle management level, and one directly below senior management level. Offering leadership development to HIPO employees at various levels throughout the organization allows larger companies to better reflect their organizational structure and the desired selection ratio in filling target positions. In order to ensure they identify top talent across international boundaries, functions, and business groups, companies utilize formal processes to identify high-potential employees for leadership development.[22,23,24]

Offering Leadership Development to Talent Pools Enterprise-Wide

Depending on the structure and talent management strategy of organizations, profiled companies in past Council research provide leadership development to employees at the levels described below.[25]

Table 4: Structure and Composition of Internal Talent Pools at Profiled Companies	
Companies	**Internal Talent Pool Composition**
A (20,000-60,000 employees, Manufacturing)	**Divisional Senior Leadership Team**—Direct reports of the divisional president and one level below. **Top Talent**—All employees at a certain level working in "key business processes."
B (20,000-60,000 employees, Consumer Products)	**Middle Management**—Employees with high performance review ratings at middle management level in the organization. **Executive**—Employees with high performance review ratings at executive level.
C (20,000-60,000 employees, Consumer Products)	**Entry Level**—Employees with less than 4 years experience. **Middle and Senior Management**—Employees with between four and 15 years experience.

At Unisys, any interested employee is eligible to apply for the leadership development program, rather than being reserved for a minority of high-performing individuals. The purpose of this approach is to develop leaders throughout the organization. Leadership is part of the corporate culture, and leadership training is a priority for all employees throughout the company.[26]

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments
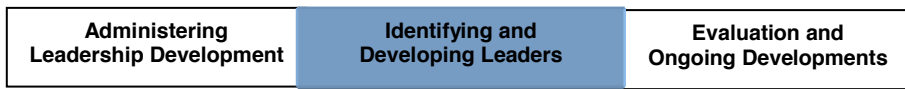
Identifying and Developing Talent Pools (continued)

What tactics do global organizations utilize to identify top talent?

Key Finding—Implementing Global Criteria for Identifying Worldwide Talent

Global companies utilize the following methods for identifying HIPO employees across regions and business groups:

- Develop leadership criteria
- Implement a global database
- Rank individuals by competencies

Developing Common Criteria to Identify Top Talent

Published literature reveals that global organizations utilize a global common language and identify enterprise-wide core competencies to asssess top talent across dispersed business groups. At Philips Semiconductors, a core management team assesses employees across business units and regions on a company-wide set of leadership competencies as shown below. [27,28]

Industry: Electronic Products
Employees: 30,000+
Revenue: $4+ billion

PHILIPS

Philips Semiconductors relies on explicit leadership competencies to provide a common language for discussing the potential of individual employees by following the steps below:

1. **Rank Individuals by Competencies**—Individuals are scored, weighted, and ranked on the following six core competencies:

   - Ability to develop self and others
   - Solutions-oriented thinker
   - Determination to achieve excellent results
   - Exemplifies strong market focus
   - Inspires commitment
   - Portrays a demand for top performance

2. **Identify Strengths and Weaknesses**—A core management team uses these competencies to identify strengths and weaknesses of key individuals and to map out a specific development plan.

3. **Enroll in Assessment Centers**—Once identified, top potential leaders may participate in a two to three-day program at the assessment center. Participants engage in exercise formats to provide a total picture of their skill sets.
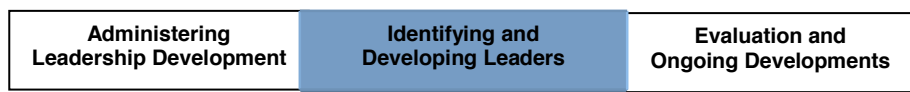

British American Tobacco utilizes a global database to track global talent and monitor the movement of high-potential employees within the organization. [29]

Industry: Consumer Products
Employees: 80,000+
Revenue: $1+ billion

BRITISH AMERICAN TOBACCO

British American Tobacco (BAT) uses a "Global Common Language" to identify top talent in a consistent manner throughout the company's 180 business unit locations. BAT employs the following tactics to ensure consistent HIPO identification:

1. **Develop Leadership Criteria**—Develops consistent identification criteria to ensure that employees from different business units around the world are measured against the same equitable standards.

2. **Involve Business Units**—Secures senior management's support of the talent management program by continuously soliciting input and feedback from all unit locations throughout the development of both the database and the criteria.

3. **Implement a Global Database**—Tracks high-potential development throughout the organization through the use of a global database, accessible to managers, that monitors high-potential movement within the company.

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

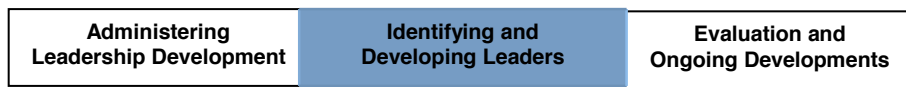## Identifying and Developing Talent Pools (continued)

Using Talent Reviews and Assessment Centers to Identify Top Talent

Council research indicates that large, decentralized companies often designate line managers and individual business units to be responsible for identifying high-potential (HIPO) employees. Profiled companies in past Council research utilize the followng tactics for talent identification purposes.[30]

Table 5: Talent Identification Methods	
Assessment Centers	To avoid hoarding of talent, companies often bring together potential managerial candidates at assessment centers where they complete business simulations. This is a useful tool for decentralized companies as it ensures objectivity when identifying HIPOs.
Cascading Talent Review Processes	Global companies often use a "bottom-up" HIPO identification process whereby discussions of potential candidates are conducted at various levels within the organization until all senior management identifies those employees to be selected.
Internal Talent Reviews	Line managers and business units are best positioned to identify HIPOs within their particular functions. This is done by creating either organization-wide competencies or more often core competencies that incorporate cultural nuances.

A 2002 *Society for Human Resources* (SHRM) Global Leadership survey indicates that companies utilized the following methods for identifying top talent:[31]

Table 6: Methods for Assessing Talent at Surveyed Companies	
Identification Methods	**Percentage of Companies**
Management recommendations	67 percent
Performance management processes	65 percent
Senior management selects potential candidates	49 percent
Hire in leadership talent	42 percent
Formal succession planning process	39 percent
Facilitated group discussions among managers for further input	36 percent
Reassess candidate choices at regular time intervals	20 percent
Self-selection	13 percent
Other	5 percent

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Offering General and Customized Development

How customized is leadership development?

Key Finding—Supplementing General Training and Customized Development

Effective leadership development should incorporate both enterprise-wide, general training programs and customized leadership development to ensure leaders possess core competencies the organization requires as well as added training that focus on individual weaknesses.

Published literature suggests that while companies often offer standardized development programs to all employees, personalized development is more effective in providing individuals the targeted training they require. Indeed, findings from the 2001 Council research, *Voice of the Leader*, which surveyed over 8,000 companies, reveals that customizing leadership development plans represents the most effective leadership development tactic.[32]

In order to enhance their leadership development programs, companies should offer both enterprise-wide, general training programs and customized leadership development. Enterprise-wide training ensures that individuals have the necessary core competencies the organization requires of its leaders and customized development ensures that future leaders receive the added attention and training they need to overcome weaknesses.

Described below and on the following pages are examples of development programs that organizations offer to employees company-wide and examples of development planning tailored to individual needs.

General Leadership Development

Published research reveals that leadership training at companies typically includes a combination of structured learning opportunities, targeted on-the-job experiences, and mentoring or coaching relationships.

TRW's *Global Leadership Development Program* incorporates a variety of training modules to develop global leadership competencies in the company's talent pool, facilitate organizational learning, and foster network-building.[33]


Industry: Automotive and Transport
Employees: 60,000+
Revenue: $10+ billion

TRW

TRW's *Global Leadership Development Program* is offered to HIPO employees at the executive level and lasts 20 days. The program aims to devlop individuals' ability to adopt multiple leadership styles, tolerate ambiguity, and leverage diversity.

TRW's leadership program consists of three modules, as highlighted below:

Duration of Training	Components of Curriculum	Method of Learning
Module I 10 days on campus	• Cross-cultural communication • Global strategy • Team building	Classroom-based curriculum
Module II Seven days in global location	• Application of learned skills • Cultural adaptation	Action learning projects
Module III Three days at corporate headquarters	• Exposure to senior TRW executive leadership • Focus on "live" TRW challenges and strategies	Debrief and presentation
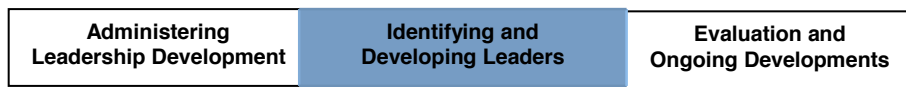
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Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Offering General and Customized Development (continued)

Key Finding—Incorporating Various Training Methods into General Leadership Programs

In order to ensure they develop well-rounded leaders, companies such as TRW and Deutsche Bank incorporate multiple training methods into their leadership programs including structured learning opportunities, targeted on-the-job experience, and mentoring sessions.

General Leadership Development (continued)

Similar to TRW's leadership development program that offers various training modules, Deutsche Bank's *CEO-Led Action-Learning Challenge for Leaders* program provides an array of activities such as coaching and individual development planning. The program enables participants to lead fundamental cultural and operational organizational change at Deutsche Bank.[34]

Industry: Financial Services
Employees: 90,000+
Revenue: $60+ billion

Deutsche Bank

Deutsche Bank's leadership program is targeted for 20 HIPO candidates who are typically direct reports to the executive committee. The program lasts for six months and training objectives focus around learning in support of strategy, just-in-time learning, and self-managed learning.

In addition to action-learning projects, candidates participate in skill-building activities, which include the following:

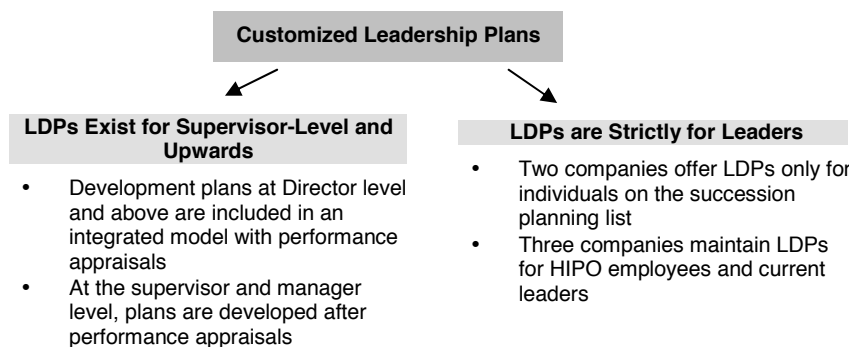| Competency Assessment	Pre-program multi-rater feedback on leadership competencies
Development Planning	Personal coach-supported planning for leadership enhancement
Executive Coaching	Group and individual in-person and distance coaching
Expert Instruction	Classroom-based executive education in management theory and practice
Distributed Learning and Collaboration	Use of online tools for virtual teamwork and remote contract with tutors and advisors

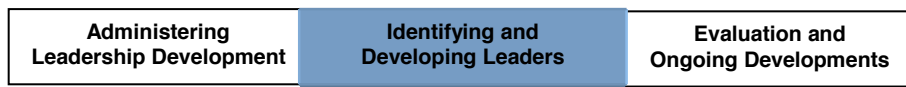**Key Finding—Offering Customized Leadership Development**

While some companies offer customized leadership plans for all supervisors through the CEO level, other organizations provide customized development only to individuals on the succession planning list and current leaders.

Customized Leadership Development

The figure below summarizes employee populations at Council profiled companies where customized leadership development plans (LDPs) become a key developmental focus.[35]

Figure 1: Customized Leadership Plans by Employee Levels

Customized Leadership Plans

LDPs Exist for Supervisor-Level and Upwards

- Development plans at Director level and above are included in an integrated model with performance appraisals
- At the supervisor and manager level, plans are developed after performance appraisals

LDPs are Strictly for Leaders

- Two companies offer LDPs only for individuals on the succession planning list
- Three companies maintain LDPs for HIPO employees and current leaders

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Offering General and Customized Development (continued)

How customized is leadership development?

Key Finding—Customizing Development Based on Pre-Defined Guidelines

At Goldman Sachs, while senior management may create customized leadership development plans, individuals are required to incorporate activities across the various developmental categories including job-based assignments, relationship-building projects, and formal training.

Customized Leadership Development (continued)

In order to ensure senior management receives the training it requires for individual career development, Goldman Sachs creates individual development planning templates, which both provide standard developmental guidelines and allow individuals to customize developmental efforts according to their needs.[36]

Leadership development remains standardized in that LDPs are expected to incorporate types of developmental programs in the designated proportions. However, individuals may choose the specific activities they want to include in each developmental category. Shown below is a sample customized leadership development plan for a senior management employee at Goldman Sachs.[37]

Figure 2: Customized Leadership Development at Goldman Sachs

Development Needs	Development Actions		
	Job-Based Assignments: 70 percent	Relationships: 20 percent	Formal Training: 10 percent
Management and Leadership Skills	• Assignment with formal managment responsibilities • Increased size and scope of existing management platform	• Non-profit board membership • Serve as a mentor to an individual outside of current division	• Accelerated development program for emerging leaders • "Speaker" series
Cross-Selling	• Opportunity to run group meetings • Serve as a task force leader	• Manager feedback regularly • Mentor from other division	• Individual coaching • Presentation skills training

Johnson & Johnson personalizes leadership development for each employee based on a common framework called the Standard of Leadership. HIPOs have a variety of programs at their disposal for leadership development, including the following:[38]

- **International Development Program**—Provides developmental opportunities outside home countries to HIPOs, experienced professionals already with the company.
- **Leadership Development Programs**—Attracts and nurtures recent university graduates with high leadership potential.
- **Succession and Development Planning Process**—Aligns personal development plans with the organization's need for future leaders.
- **The i-Lead Process**—Guides the creation of personal development plans.

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments
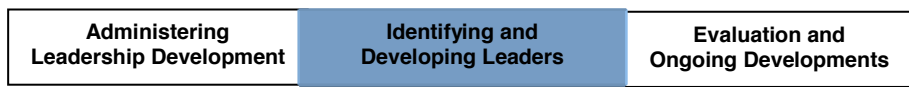
Using Vendors for Leadership Development

In developing their leadership offerings, do companies use the services of vendors?

Key Finding—Partnering with Vendors and Universities for Leadership Training

In addition to offering leadership development in-house, companies partner with the following vendors and universities for leadership training:

- American Management Association
- Center for Creative Leadership
- Envision Institute
- Harvard University
- Kirby Resources
- Northwestern University
- Smartwork Network
- Stanford University

In addition to developing individuals for future leadership roles internally, published literature indicates it is common for HIPO employees to attend development programs at universities and for companies to partner with external vendors for additional training courses. Attending executive development programs and working with external trainers help individuals think through issues and challenges innovatively and expands networks both inside and outside the organization.[39,40]

EXTERNAL EXECUTIVE PROGRAMS AND CENTER FOR CREATIVE LEADERSHIP

Profiled companies in past Council research indicate that companies do not have any executive education programs they consider "leading" in leadership development. Instead, companies send individuals to different programs depending on their development needs. With that said, executive education programs at the Center for Creative Leadership (CCL) are most popular among companies.[41]

CCL offers a range of leadership development programs and customized development programs. Additional information about CCL is available on its Web site at http://www.ccl.org.[42]
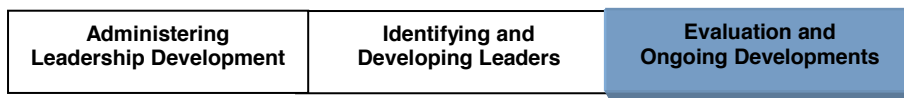
Companies profiled in past Council research observe the following benefits CCL provides for developing employees:[43]

- 360-degree feedback
- Leadership assessments
- One-on-one coaching
- Team and personality development

PARTNERING WITH EXTERNAL FACILITATORS

Companies partner with universities and consulting companies for the following training objectives. Organizations most often utilize external facilitators for executive coaching. Indeed, the Council's 2003 study, *Maximizing Returns on Professional Executive Coaching* reveals that executive coaching is among the top five developmental interventions for leadership development.[44,45]

Table 7: External Facilitators at Profiled Companies	
Institutions and Vendors	**Training Purposes**
• Envision Institute • Kirby Resources • Smartwork Network	• Assessing and improving leadership style • Driving organizational change • Executive coaching

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Assessing Leadership Development

What is the most common method for evaluating training?

Key Finding—Using the Kirkpatrick Model for Leadership Assessment

Companies most often use the Kirkpatrick model to assess leadership offerings, which includes the following measurements:
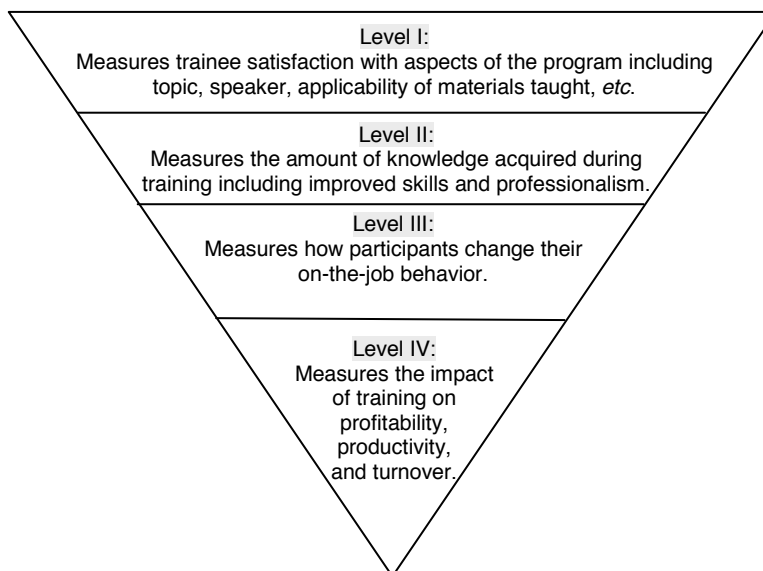
- Level 1—Measures trainee satisfaction
- Level II—Measures amount of knowledge acquired
- Level III—Measures change in job behaviors
- Level IV—Measures impact of training on company performance

In order to determine if leadership development offerings are effective and successful, companies should implement formal evaluation mechanisms for leadership programs.

TRADITIONAL EVALUATION METHODS

Published literature indicates that the Modified Kirkpatrick Model is the most common method of measuring training effectiveness. The Modified Kirkpatrick Model assesses various metrics connected to training effectiveness with each level progressively building on the previous. The levels include the following:[46,47]

Figure 3: Key Levels and Metrics of Kirkpatrick Model

Level I:
Measures trainee satisfaction with aspects of the program including topic, speaker, applicability of materials taught, *etc*.

Level II:
Measures the amount of knowledge acquired during training including improved skills and professionalism.

Level III:
Measures how participants change their on-the-job behavior.

Level IV:
Measures the impact of training on profitability, productivity, and turnover.
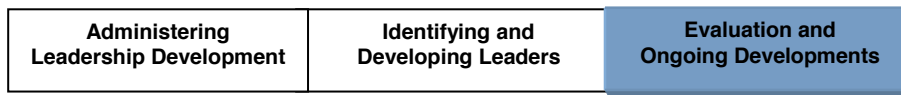
The fifth level allows organizations to obtain hard data that compares costs and benefits of training programs statistically by assigning dollar values to intangible benefits like increased staff efficiency. However, organizations rarely use the fifth level because it is more difficult and costly to implement.[48]

ALTERNATIVE ASSESSMENT METHODS

Metrics for development training in areas such as interpersonal skills cannot easily be quantified. Hence some training professionals are moving from utilizing return on investment (ROI) to assessing new measures, such as return on expectations (ROE) and return on knowledge (ROK), in order to demonstrate the value of workforce development programs.[49]

ROE asks stakeholders to evaluate training outcomes, in terms of what they expect employees to do differently as a result of training. ROK evaluates the knowledge required for a particular job function, and determines what bottom-line benefit is obtained from having that knowledge in the organization.[50]

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Assessing Leadership Development (continued)

How do companies measure the impact of their leadership development offerings?

Key Finding—Alternative Assessment Tactics

Aside from the Kirkpatrick model, companies utilize the following methods for evaluating leadership development:

- 360-degree appraisal feedback process
- Balanced scorecard
- Career paths
- Performance-learning-satisfaction evaluation
- Return-on-expectations (ROE)
- Return-on-knowledge (ROK)

ALTERNATIVE ASSESSMENT METHODS (CONTINUED)

Other alternative measures to ROI that companies utilize to measure the success of leadership development programs include the following:[51]

Table 8: Alternative Evaluation Methods	
360-Degree Appraisal Feedback Process	This performance evaluation system draws on input from all employee levels including appraisers, supervisors, and peers to assess performance.
Performance-Learning-Satisfaction Evaluation	This method includes conceptual components and data processing to assess how training impacted the business and financial results of organizations.
The Balanced Scorecard	This method tracks key elements of a company's strategy using both financial and operational measures and evaluates four primary perspectives: - *Customer perspective*—How do customers see the company? - *Financial perspective*—How shareholders view the company? - *Internal perspective*—In which dimensions must the company excel? - *Learning perspective*—Can the company continue to improve and create value? For example, if results from the balanced scorecard show that customers and shareholders think the company is lacking in innovation, an organization may want to invest in leadership training that focuses more on creative thinking.

Ford measures the effectiveness of its *Leadership Development Center* by using two distinct tactics:[52]

- **Career Paths**—Ford monitors the career paths of alumni of the Leadership Development Center. This helps the company assess whether the programs produce sucessful leadership.
- **Cost Savings**—The company tracks cost savings produced by each project associated with the Learning Development Center.

Described below is IBM's approach for evaluating the impact of its leadership development offerings.[53]

Industry: Information Technology
Employees: 300,000+
Revenue: $80+ billion

IBM

IBM uses a Web-based assessment tool to evaluate its leadership development training. The company administers this tool in the following way:

1. Distribute Questionnaire—Participants receive a questionnaire at least six months after completing the development training.

2. Assign Monetary Value to Training—The questionnaire asks for feedback on how the training impacted participants' behaviors and asks them to assign a monetary value to the training they received.

3. Match Responses to Training Programs—Responses are correlated to the departments and functions of participants, which helps IBM understand which training components are most valuable to specific employee groups.

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Keeping Leadership Development Current

How do companies keep their leadership approach and offerings fresh and contemporary?

Key Finding—Providing Up-to-Date Leadership Development

IBM and Cisco Systems leverage technology to ensure their leadership development offerings are current and fresh. Key features of their leadership programs include the following:

- Adaptive development plan
- Just-in-time problem solver
- Leadership pulse surveys
- Leadership skills mapping and testing
- One-stop-shop reference tools

In order to ensure individuals possess the skills and competencies they require to be effective leaders, companies need to keep their leadership programs fresh and reflect the changing developmental needs of individuals and business trends.

Described below are case examples of how IBM and Cisco Systems utilize technology to keep their leadership offerings current. Features of IBM's training portal include one-stop-shop reference tools and leadership simulations.[54]

Industry: Information Technology
Employees: 300,000+
Revenue: $80+ billion

IBM created a training portal to meet the need for real-time problem resolution support and customized, self paced, long-term leadership development. IBM's leadership homepage contains the following:

- **Adaptive Development Plan**—Combines competency assessment results with responses to diagnostic questionnaires to determine development needs. Sends periodic e-mails to remind leaders to work towards development goals.
- **Classroom Preparation Learning Path**—Provides leaders with a personalized list of pre-class activities.
- **Just-in-Time Problem Solver**—Filters and prioritizes portal's inventory of online tools and reference materials based on queries regarding individual leadership or people-management problems.
- **Leadership Development Simulations**—Forty-five interactive simulations of business leadership scenarios allow leaders to practice leadership skills.
- **Learning communities**—Online tool allows for peer-to-peer learning in development programs or communities of interest.
- **One-Stop-Shop Reference Tools**—Provide best-practice thinking on over 100 leadership and people management topics as well as printable worksheets and checklists.

Cisco System's online leadership development center includes classroom training alerts and leadership pulse surveys.[55]

Industry: Information Technology
Employees: 30,000+
Revenue: $15+ billion

Cisco partnered with e-learning provider Quisic to create a leadership development center, "Leadership Express," which provides just-in-time tools and information to enable leaders to better execute against "in the moment" activities. The Web site content is detailed below:

- **Central Location for Third-Party Content**—Centralized point of access to modules and tools provided by third-party e-learning vendors.
- **Classroom Based Training Catalogs and Alerts**—Up-to-date announcements for classroom training opportunities.
- **Content Aggregation Tool**—Simple topic search enables access to an inventory of courses and tools pertaining to specific leadership issues.
- **Direct Links to Internal Managerial Tools**—Direct access to other Cisco management tools and learning resources.
- **Just-in-Time Content**—"Need It Now" content on current topics.
- **Leadership Pulse Surveys**—Monthly poll gauges opinions on a variety of managerial issues.
- **Leadership Skills Mapping and Testing**—Tools include video and text based overviews of the firm's core leadership criteria, a managerial self-assessment, and an overview of Cisco's leadership principles.

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Critical Success Factors of Leadership Development

What are success factors of leadership development?

Key Finding—Features of Effective Leadership Development

Companies should follow the guidelines below to implement effective leadership development:

- Build scorecards for results
- Clarify the business purpose and desired outcomes
- Create a continuous development culture
- Customize development opportunities to leaders' needs
- Ensure manager accountability for leadership development
- Gain top management support
- Link competencies to results
- Put leadership development into an organizational context
- Redefine required leadership profiles
- Target future leadership needs

Research reveals that although leadership development varies across organizations depending on company culture, employee population, organizational structure, and industry type, there are certain factors that are critical to the success of leadership development in general.

Findings from the Council's 2001 study, *The Leadership Imperative*, and *Training and Development* indicate that in order to ensure leadership development is successful in their organizations, companies should consider the guidelines highlighted below.[56,57]

Figure 4: Drivers of Effective Leadership Development

1. Redefine Required Leadership Profiles—Precisely analyze the organization's needs to determine the skills and attributes most important to effective leadership.

2. Clarify the Business Purpose and Desired Outcomes—Without clarity about the business purpose for leadership development, it is impossible to evaluate the effectiveness of training activities.

3. Customize Development Opportunities to Leaders' Needs—Maximize the impact of development by creating a development plan specific to each leader, offering highest-return development activities, and targeting experience, programs, and opportunities to each leader's and organization's significant capability gaps.

4. Gain top management support—Every effective leadership development program must have the full endorsement of senior-level managers. Additionally, leadership development is more effective when senior executives serve as instructors.

5. Link Competencies to Results—Competencies will make the most sense to participants if they can see the link clearly between a competency and the organization's desired results.

6. Target Future Leadership Needs—Consider probable changes in the leadership skill mix over time and proactively manage the development of leadership potential at all levels in the organization.

7. Create a Continuous Development Culture—Leverage organizational resources such as technology, to support and enhance the "beyond the classroom" impact of leadership development programs.

8. Put Leadership Development Into an Organizational Context—Programs should develop individuals in the context of the nature of the organization, which includes its norms, cultures, values, history, work processes, and services.

9. Build Scorecards for Results—Scorecards motivate individuals to focus and perform with intensity. Without scorecards, a leadership development activity might be an enjoyable exercise, but neither the company nor executives can expect much in the way of results.

10. Ensure Manager Accountability for Leadership Development—Provide managers with the tools and incentives they need to accelerate leaders' development.

Administering Leadership Development	Identifying and Developing Leaders	Evaluation and Ongoing Developments

Critical Success Factors of Leadership Development (continued)

Key Finding—Differentiating Features of Successful Leadership Development

Summarized below are some factors of leadership development at GE and Ford, which are both known for their leadership development strategies:

- Align leadership development with corporate strategy
- Appoint leaders to serve as instructors
- Develop enterprise-wide core competencies
- Manage leadership development centrally
- Provide cross-functional development activities

Reflecting the success factors of effective leadership development identified on the previous page, General Electric Company (GE) solicits support throughout the organization for its leadership training and aligns leadership development with the corporate strategy as shown below:[58,59]

Industry: Diversified
Employees: 300,000+
Revenue: $100+ billion

GENERAL ELECTRIC

General Electric, which is often cited as a leader in succession planning and leadership development identifies the following four features as being critical to its leadership development process:

1. Align Leadership Development with Corporate Strategy—Alignment with corporate strategy and culture produces an executive cadre that supports GE's strategic direction and values.
2. Solicit Support Throughout the Organization—Multi-level stewardship ensures GE souces talent from across its operations.
3. Develop Enterprise-Wide Core Competencies—Rigorous assessment against key competencies supports the validity of talent assessment across GE divisions and the targeted development of competencies that are key to GE's strategic vision.
4. Manage Leadership Development Centrally—Central ownership of talent facilitates the efficient allocation of GE's development resources and also reinforces accountability.

Likewise, as suggested by published literature, Ford implements development evaluation and accountability processes into its leadership development programs to ensure training effectiveness.[60]

Industry: Automotive
Employees: 300,000+
Revenue: $150+ billion

Ford Motor Company approaches leadership development strategy from a grassroots perspective while at the same time aligning development with business results. Highlighted below are success factors of Ford's leadership development processes:

1. Appoint Leaders to Serve as Instructors—Leaders themselves do the teaching because it is believed that teaching will make them better leaders.
2. Develop Individuals with Well-Rounded Skills—The company strives to create "total leaders" who can effectively integrate work with family and community.
3. Provide Cross-Functional Development Activities—Group work is encouraged as a way to promote employees' understanding of Ford as a whole.
4. Implement Development Evaluation and Accountability Processes—The company demands feedback and accountability.

THE RESEARCH PROCESS IN BRIEF

Research Methodology

The Corporate Leadership Council conducted a comprehensive search of published materials regarding leadership programs, drawn from previous Corporate Executive Board research, trade press journals, other research organizations, and the Internet. This report represents the findings from these secondary sources.

Project Aims

Administering Leadership Development

1. How centralized or decentralized is leadership development?
2. Who owns leadership development in organizations?
3. What budget do companies assign to leadership development?

Identifying and Developing Leaders

4. Which individuals are included in formal leadership development programs? What is the timing in indivduals' careers when they go through these leadership development opportunities?
5. How do organizations identify top talent?
6. What approach do companies utilize for developing leaders? (*I.e.*, structured learning opportunities, targeted on the job experiences, mentoring and coaching?)
7. What audiences are leadership offerings targed to?
8. How customized is leadership development? At what level in the organization does customization or individual development planning become the primary focus?
9. In developing their leadership offerings and approach, do companies use the services of vendors? What vendors do companies use and where did vendors provide the most value?

Evaluations and Ongoing Developments

10. How do companies measure the impact of their leadership development offerings?
11. How do companies keep their leadership approach and offerings fresh and contemporary?
12. What are factors that are critical to the success of leadership development?

Guide to Tables and Figures

WAS THIS BRIEF USEFUL?	*The Corporate Leadership Council welcomes feedback as a vital part of our continuous improvement. If you would like to comment on the quality of this brief—in general, or specifically regarding usefulness—please e-mail CLCshortanswer@executiveboard.com.*

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