2016 Survey on Leadership Development
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Executive Summary

The 2016 Leadership Development Survey conducted by Borderless Research\textsuperscript{sm} captured insights from close to 1,000 senior executives across a range of industries.

The high rate of response and depth of feedback demonstrate that leadership development is of high relevance and is considered as an enabler of business strategy and growth.
Executive Summary

Key findings

- Leadership Development is believed to be a main driver for ensuring delivery of business results (43%) and business growth (20%).

- Being able to adapt to changes in strategic direction (34%) and having enough capable leaders (29%) are the top two internal challenges faced by organizations.

- Respondents cite the following 3 main leadership challenges: managing change & innovation (31%), ensuring that people take personal accountability & ownership (27%) and silo mentality (17%).
Executive Summary

Key findings

A large majority (nearly 60%) are dissatisfied with their organization’s investment in leadership development activities, and more than 65% state that the level of their organization’s investment in these activities has, in recent years, declined or stagnated.

Nearly half of respondents (44%) characterize leadership development in their organization as poor, and more than half (54%) describe it as ineffective.

29% of respondents are not aware of their organization having any kind of leadership coaching or mentoring program.

A majority (56%) believe support from top management to be a critical success factor for ensuring effective leadership development within organizations.
Executive Summary

The **Borderless** perspective

The level of satisfaction with effectiveness and investment in leadership development is **low**, suggesting that either too little effort is made by organizations to establish leadership development programs or that what has been established fails to meet the expectations of executives.

In prioritizing all of the elements that go into building a successful business, it would seem that **many corporate heads consider leadership development to be a low priority “nice to have”** instead of a strategic imperative.
Executive Summary

The Borderless perspective

While most argue that effective leadership is necessary to achieve positive business results, the lack of focus on development suggests that leaders are expected to possess all essential leadership skills innately. This is reflected in corporate in the trend to "hire in" senior executives instead of growing and advancing executives from within. Over-reliance on external hiring can frustrate and demotivate teams, and could consequently exacerbate internal organizational challenges.
Executive Summary

Borderless Leadership Development

Organizations must accelerate the development of less experienced executives to fill the emerging leadership gap, accentuated by ageing executive populations in many ‘traditional’ industries.

The active involvement of top executives in leadership development is necessary and accountability should be held by the CEO.

Effective leadership development programs need to be grounded in real-life business challenges.

Job rotation, which has the added advantage of creating higher levels of understanding and cooperation between functions, deserves higher priority if organizations are to develop executives with broad-based general management skills.

Leadership development drives profitability and growth, so active engagement in leadership development should never be optional.

Top six Borderless Leadership Development recommendations

1. In building leadership programs, a balanced approach focusing on both business acumen and soft skills, and understanding the interrelationships between these two elements, is required.

2. The active involvement of top executives in leadership development is necessary and accountability should be held by the CEO.

3. Organizations must accelerate the development of less experienced executives to fill the emerging leadership gap, accentuated by ageing executive populations in many ‘traditional’ industries.

4. Effective leadership development programs need to be grounded in real-life business challenges.

5. Job rotation, which has the added advantage of creating higher levels of understanding and cooperation between functions, deserves higher priority if organizations are to develop executives with broad-based general management skills.

6. Leadership development drives profitability and growth, so active engagement in leadership development should never be optional.
About survey respondents
Which of the following best describes the sector in which you work?

- Chemicals & Converting
- Life Sciences
- Food & Drink
- Oil & Gas
- Other

Other industries cited:
- Automotive
- FMCG
- Aerospace & Defense
- Engineering
- Construction
- Manufacturing
- Packaging
- Consultancy HR
- Telecommunications
- Maritime
- Financial
- Print and Media
- IT
- Advertising
- Transportation
Which of the following best describes your position?

- 37% Director - Vice President
- 16% C-Suite (CEO, CFO, COO, CM...)
- 15% Functional Expert
- 7% Other
- 3% Board Member
- 22% Report to Director

Other positions cited:
- Senior Manager
- Head of R&D
- Consultant
- Owner
- General Manager
- Advisor
- Sales and Marketing
- Accreditation Specialist
- Partner
Which of the following best describes your function?

- General Management: 23%
- Human Resources: 10%
- Sales: 9%
- Research & Development: 8%
- Operations / Manufacturing: 8%
- Other: 7%
- Marketing: 6%
- Business Development: 5%
- Finance & Administration: 4%
- Consulting: 3%
- Project Manager: 3%
- Quality / Regulatory: 3%
- Procurement: 3%
- Corporate Strategy: 2%
- Medical / Clinical: 2%
- Public Affairs / Marketing: 2%
- IT: 1%
- Engineering: 1%

Other functions cited:

- Sustainable Development
- Supply Chain
- Investor Relations
- Risk management
- Legal
- Pharmacovigilance
- Regional president
Where is your organization's HQ located?

- Western Europe: 54%
- Central & Eastern Europe: 11%
- North America: 27%
- South America: 2%
- Asia Pacific: 3%
- Middle East & Africa: 3%
What is the size of your employee population globally?

- Greater than 25,000: 26%
- Between 10,000 - 25,000: 13%
- Between 5,000 - 10,000: 9%
- Between 1,000 - 5,000: 18%
- Less than 1,000: 32%
Leadership Development: definition and scope
In your view, which of the following best defines leadership development?

- **34%** It strengthens the ability to take full responsibility for guiding others to achieve results.
- **24%** It is the expansion of a person’s capacity to be effective in leadership roles.
- **18%** It increases the capacity to influence through skills and behaviors.
- **14%** It is a specific effort that provides opportunities to learn, grow and change.
- **8%** It is a program that makes people become better leaders.
- **1%** It is the teaching of leadership qualities.
- **1%** Other.

**Leadership development strengthens the ability to take full responsibility for guiding others to achieve results.**
Leadership is defined by survey respondents as the act of taking ownership for business results delivered by people.

This definition supports a call for a more balanced approach to leadership development, which stands on two pillars: the development of skills to visualize, plan and monitor business results, and the development of interpersonal (‘people’) skills to deliver them.
In your view, what are the three most important skills a leader needs to have?

<table>
<thead>
<tr>
<th>Skill</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Communication</td>
<td>49%</td>
</tr>
<tr>
<td>Decision making</td>
<td>36%</td>
</tr>
<tr>
<td>Self-management</td>
<td>3%</td>
</tr>
<tr>
<td>Self-motivation</td>
<td>5%</td>
</tr>
<tr>
<td>Managing diversity</td>
<td>7%</td>
</tr>
<tr>
<td>Coaching and mentoring</td>
<td>25%</td>
</tr>
<tr>
<td>Diplomacy</td>
<td>2%</td>
</tr>
<tr>
<td>Strategic thinking</td>
<td>53%</td>
</tr>
<tr>
<td>Innovative approaches</td>
<td>6%</td>
</tr>
<tr>
<td>Willingness to take risk</td>
<td>11%</td>
</tr>
<tr>
<td>Being results driven</td>
<td>14%</td>
</tr>
<tr>
<td>Multifunctional expertise</td>
<td>4%</td>
</tr>
<tr>
<td>Dealing with ambiguity</td>
<td>12%</td>
</tr>
<tr>
<td>Motivating others</td>
<td>33%</td>
</tr>
<tr>
<td>Emotional intelligence</td>
<td>32%</td>
</tr>
<tr>
<td>Intercultural experience</td>
<td>5%</td>
</tr>
<tr>
<td>Multi-language skills</td>
<td>1%</td>
</tr>
<tr>
<td>Finance skills</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Others**

- Vision and influence
- Self-awareness
- Walk the talk
- Leading by example

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The top five selected leadership skills are:

- Strategic thinking
- Communication
- Decision-making
- Motivating others
- Emotional intelligence

Or in other words… soft skills.

This implies that the skills most required to deliver business results and growth are related to interpersonal skills (communication, motivating others, emotional intelligence) more so than to hard skills such as functional or financial expertise.

In building leadership development programs and in daily activities, a balanced approach is required, focusing on both business acumen and soft skills, and how they interrelate.
What is the main driver for developing the leadership skills of executives in your organization?

- Ensuring delivery of business results: 43%
- Ensuring leadership continuity: 14%
- Improving competitiveness: 9%
- Retaining talent: 8%
- Business growth: 20%
- Other: 5%

Leadership Development is essential for organizations to achieve primary business objectives - profitability & growth.
What is the main driver for developing the leadership skills of executives in your organization?

“At corporate level and in other units I’ve worked for, leadership development has been a powerful tool to ensure delivery of business results, retain talent and improve competitiveness. In the current unit, however there is a strong gap between the "talk" and the "walk".” - survey respondent
What critical success factors most influence your organization’s leadership development initiatives?

- **44%**: Having rewards or incentives
- **57%**: Support from top management
- **18%**: Having sufficient resources (time and budget)
- **14%**: Absence of barriers to implement leadership development initiatives
- **30%**: Ability to assess the strengths and weaknesses of key employees
- **30%**: Having a formal leadership program
- **22%**: An organizational focus on people and talent management
- **48%**: Ability to measure improvements
- **Other (3%)**
The top three critical success factors for effective leadership development within organizations are:

1. **Support from management**
2. An organizational **focus on people and talent management**
3. Having **sufficient resources**

Unsurprisingly **support of top management scores highest** as a factor that influences leadership development initiatives. Experience tells us that too often leadership development initiatives are ‘parked’ in the Human Resources function and lack the necessary backing of the company’s most senior executives.

While it may make sense to ensure ownership for designing and supporting leadership programs lies within HR, the active involvement of top executives is necessary, and overall accountability should be held by the CEO.

“In general, I sense a lack of support from top management. Too much 'stick' and not enough 'carrot.'” - survey respondent
Leadership Development inside organizations...
What external challenge most impacts leadership development within your organization?

- Increasing global competition: 32%
- Shareholder demands: 16%
- Regulatory pressures: 4%
- Tighter profit margins: 24%
- Differences in career expectations across generations: 14%
- Shifting demographics: 4%
- Other: 7%

Global slowdown

Cultural differences
Globalization is perceived as a significant driver for leadership development.

In our view, there needs to be greater understanding of the impact of changing demographics, specifically ageing executive populations in many ‘traditional’ industries. It’s time for organizations to take risks and accelerate the development of less experienced executives to fill the emerging leadership gap.

One in four respondents believe their organization is constrained by tightening profit margins. We assume that for organizations that believe leadership development is a non-essential, programs may well disappear altogether.

“External challenges, involving all the above, are ALWAYS part of the working environment and must not be allowed to impede leadership development any more than the ‘I don't have time’ argument should be allowed to impede personal health.” - survey respondent
What is the most significant internal challenge faced by your organization?

- **34%**: Adapting to change in strategic direction
- **29%**: Having enough capable leaders
- **21%**: Becoming cost effective
- **10%**: Continuity through a merger acquisition
- **6%**: Other

**Meeting Shareholder expectations**

**Focus on short term vs long term**

**Differentiating from competitors**

- Aging demographic and loss of technical competence
- Lack of leadership continuity

Other

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Adapting to a change in strategic focus is considered a significant internal challenge and is in line with earlier responses emphasizing leadership development’s capacity to deliver on business results.

Traditional leadership development programs have tended to emphasize business skills. In our view, an effective leadership program must focus on developing both the hard and soft skills in equal measure, grounded in real-life business challenges.

Not having enough capable leaders was also cited as an organizational challenge, which clearly supports the case for investment in leadership development.

“Our company has moved towards decentralization, with more autonomy given to regions (instead of headquarters). The challenge is to exert leadership in an increasingly horizontal environment. Leadership must increasingly focus on influencing instead of directing.” - survey respondent
What is the main leadership challenge in your organization?

- Managing change & innovation: 30%
- Inadequate communication: 0%
- People taking personal accountability & ownership: 7%
- Understanding how to mentor & coach: 27%
- Lack of diversity: 5%
- Insufficient talent pipeline: 12%
- Silo mentality: 17%
- Work-life balance: 2%
- Transparency of decisions: 30%
- Hiring from the outside vs. developing and promoting from within: 27%
- Other: 7%
- Other: 5%
What is the main leadership challenge in your organization?

“The focus right now is ‘delivering on business goals’, not on future leadership. Leaders are often brought in from outside; there is little internal advancement.” - survey respondent
How would you characterize your organization’s overall approach to leadership development?

Nearly half of respondents characterize leadership development within their organization as poor.
How effective are leadership development activities in your organization?

Leadership development programs are mostly perceived as ineffective.
How satisfied are you with the level of investment in leadership development in your organization?

A great many executives are **dissatisfied** with the level of investment in leadership development in their organizations.
How has your organization's level of investment in leadership development changed in the last 3 years?

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td>Declined</td>
<td></td>
<td>19%</td>
</tr>
<tr>
<td>Stayed the same</td>
<td></td>
<td>46%</td>
</tr>
<tr>
<td>Increased</td>
<td></td>
<td>29%</td>
</tr>
<tr>
<td>Increased Substantially</td>
<td></td>
<td>6%</td>
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</table>

And most executives do not believe investment in leadership development has evolved within their organization in recent years.
A majority of respondents (>54%) rate the leadership development activities in their own organization as ineffective.

A large majority of respondents (almost 60%) say they are dissatisfied with the investment in leadership development in their organization.

A large majority of the respondents (>65%) believe that the level of investment in leadership development in their organization has, in recent years, declined or stayed the same.

We note that executives perceive that too little focus is placed on developing leaders and/or that the efforts made fall below expectations.

Executives are so often caught up in the day-to-day that leadership development is considered an extra task on the to-do list rather than a necessary activity. To counter this, organizations need to connect leadership development initiatives to business reality. Effective leadership development programs are organized as on-the-job-training, grounded in real-life business.

“My former employer would not invest in developing leadership skills as a company policy or strategy. It was considered a 'sunk cost' in relation to their short-term profit view...” - survey respondent
Leadership Development programs & measurement
Which tools or programs are used by your organization to develop leaders?

- Customized individual development programs: 35%
- Coaching/Mentoring: 57%
- eLearning/online training: 32%
- Leadership seminars/workshops: 54%
- Rotating roles across functions & BUs: 31%
- Multicultural multi-country experiences: 33%
- None: 12%
- Other: 4%
Which tools or programs are used by your organization to develop leaders?

“Generally there is a lack of consistency in the implementation of rotational roles and multi-country experiences, and there is poor management of succession planning for returning employees.” - survey respondent
In your organization, which approach is most used in coaching executives for future leadership roles?

- **24%** Internal coaching by Senior Executives
- **3%** Coaching by peers
- **12%** External executive coaches
- **24%** Hybrid Approach (internal and external coaching)
- **29%** We do not have a coaching / mentoring program in my organization that I am aware of
- **1%** Other
In your opinion, how effective are coaching/mentoring programs for developing future leaders

- Very ineffective: 5%
- Rather ineffective: 17%
- Rather effective: 55%
- Very effective: 23%
Almost a third of respondents state that **e-learning is part of their organization’s approach to leadership development.** This is unsurprising as e-learning can be both time and cost-efficient.

**Job rotation**, which has the added advantage of creating higher levels of understanding and cooperation between functions, in our view deserves higher priority if organizations are to develop executives with broad-based general management skills.

While **coaching is considered effective** by almost 80% of respondents, qualitative responses suggest that coaching initiatives leave room for improvement. Developing high-quality coaching and mentoring initiatives (internal and/or external) can be key to leadership development.

In our view, insufficient attention is paid to the qualifications and experience of coaches, and in particular their ability to relate to the ‘real life’ situations faced by executives.

“In order to lead you have to inspire people and support them to become better leaders themselves. Coaching is imperative to reach both these aspects.” – survey respondent
How do you measure leadership performance in your organization?

- **Business results**
  - Balanced scorecard: 15%
  - 360° feedback: 40%
  - Annual Performance review: 79%
  - OKRs (Objectives & Key Results): 41%
  - Employee surveys: 10%
  - None: 3%
  - Other: 42%

- **Talent reviews and succession planning**
  - Ongoing informal reviews and feedback
  - Client feedback

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Performance reviews are considered the main measure of performance for both business objectives and leadership development objectives. Most companies struggle, however, with how to formulate comprehensive reviews and carry out effective discussions. Leadership therefore tends to be measured by business results alone.

Many organizations lack the expertise to describe and measure leadership in terms of observable behavior. They struggle between identifying and evaluating the qualitative versus the quantitative.

In establishing KPIs and setting measurements, organizations should focus on what a leader should do, demonstrating example behaviors, as well as delivering business results.
Leadership development programs in your organization are:

For everyone:
- Mandatory: 6%
- Voluntary: 11%

For Select individuals:
- Mandatory: 31%
- Voluntary: 52%
The key is not to establish a one-size-fits-all approach, but rather to develop targeted activities for different audiences, based on a number of shared values and leadership principles.

Also interesting is that within two-thirds of organizations, leadership development participation is voluntary. While it is advisable to allow participants to determine how they will take part (via mentoring, e-learning, coaching, and so on), if leadership development really drives profitability and growth, then active engagement in development programs should never be optional.

“The grass isn’t greener on the other side. It’s where you water it.” – anonymous
Thank you