Leadership Development
Yesterday and *Today*
Approaches that Work

POINT
of
VIEW

Decades ago, formal training and development models, exemplified at the time by those at IBM, GE and Unilever, thrived and produced outstanding leaders who ran highly successful businesses. These organizations hired hundreds of graduates a year, who were rotated through different jobs, functions and geographies and sent through executive training. Twenty-five years later, if all went well, some portion of them became senior executives.

Much has changed since the heyday of programs like those, which, of course, have evolved over time. Several factors have influenced the evolution of leadership development:

➢ **Pace.** The pace of change is faster. Traditional leadership development and supply systems were designed for a world where change happened on a more predictable, linear course than the exponential change we see today. With market and competitive conditions changing so rapidly, how effective can long-lead development approaches be?

➢ **Mobility.** Careers in general are more mobile and one of the tradeoffs is that individuals have had to assume greater responsibility for their own personal development.

➢ **Culture.** Appreciation has grown for the important role of corporate culture in guiding the everyday decisions and behaviors of employees that contribute to — or detract from — business performance. What's the role of leaders in shaping the culture, and how are leaders influenced by the organizational culture that surrounds them?

➢ **Organization.** Strict hierarchies have given way to flatter, more dispersed and flexible (and often global) organizations at most companies, while the emergence of "boss-less" or self-management structures at several high-profile companies have some questioning the relevance of traditional notions of leadership.

➢ **New models.** Of course, companies born in the computer era like Apple and Google have developed their own approaches to talent and leadership development to fit their cultures and business models, in some cases creating their own versions of the corporate university.

In light of these shifts, how has leadership development evolved, and what does it mean to be a leader today?

We would argue that a leader's ability to help the organization adapt to a changing business context is especially important today. CEOs and other senior leaders always have had to scan the external environment for forces that could affect the business and translate those risks and opportunities into strategy. Today, given the dynamism of markets and competition, organizations must respond at a faster pace, requiring leaders who are able to quickly build new organizational capabilities and create a culture that enables a diverse, global workforce to change and adapt to new business objectives.

"The point where the past and the future come together is leadership," according to Sandy Ogg, a former operating partner in Blackstone's Private Equity Group and former chief human resources officer for Unilever who founded executive advisory firm CEO.works. "Leaders have to help bring strategy and culture together. The role of leaders in an exponentially changing world is to bring people with them."

Not surprisingly, no single, prevailing model has emerged for developing leaders with the breadth of knowledge, skills and experience that top leaders require. To explore how leadership development has evolved, we spoke with several accomplished thinkers and experienced practitioners in leadership and executive development. What emerged were four critical drivers of the most effective leadership development approaches today.

CEO ownership and participation

Though General Electric's management development institute in Crotonville, N.Y., opened in the mid-1950s and continuously evolved, the institute emerged as a critical tool for promoting business and cultural change under CEO Jack Welch. Welch invested in Crotonville and devoted significant time to participating in programs there, which was renowned for producing top leadership talent.

"Leadership development programs are only as good as the CEO wants them to be," says Bill Conaty, GE's most senior human resources leader for nearly 15 years and now an adviser on talent issues for private equity firm Clayton Dubilier & Rice. "If a CEO really believes in leadership development initiatives, then the rest of the organization has to step up and make it happen. If the CEO is not really supportive and doesn't serve as a visible role model, the rest of the organization fakes it and these programs eventually fall off the cliff."

Leadership coach Marshall Goldsmith tells the CEOs he works with that they must do more than support talent development initiatives, they must model the behaviors that they want other leaders to embrace.

"What I always tell CEOs is, 'If you want everybody else to do this, you go first. Let them watch you do it. Before you start preaching to everybody else, let them see that you're serious about this and you're doing it yourself,'" Goldsmith says. "After that, then they can begin to address the development of the next level of management so that they're also role models at their level, ultimately spinning it out in a larger sense so the whole company is going in the same direction."

Defining and measuring leadership success

A failing of many leadership development programs is that they don't measure whether executives have actually become better leaders, Goldsmith argues. "What typically gets evaluated in a leadership development program? The speakers, the lunch that was served, the room where the program was held. What almost never gets evaluated is the leaders!"

Goldsmith co-authored a study of leadership development programs in eight major corporations that employed a variety of development methodologies, including off-site training, coaching, classroom-based training and on-the-job interaction. The companies went beyond measuring "participant happiness" at the end of a program and instead measured the perceived increase in leadership effectiveness of participants over time in the eyes of their co-workers and stakeholders. Regardless of the training method, the executives who showed the most improvement were those who discussed their improvement priorities with co-workers, and then regularly followed up with these co-workers. Leaders who did not pursue ongoing feedback from colleagues showed improvement that barely exceeded random chance, the study found.

Measuring leadership performance was central to Ogg's work at Blackstone. After joining the firm in 2011, he set out to improve the firm's track record of hiring for senior roles, especially CEOs of its portfolio companies. In addition to re-engineering the hiring process to be more evidenced-based — improving the success rate of their selections — he began to define the leadership activities that led to higher portfolio company returns and to track what he calls the "return on a change in leadership" and the "speed to value" of new leaders.

"What we looked at was, does the job deliver what we expect it to deliver with this person in it? There is a history of return before the arrival of the new leader, so we can see whether the person changes the trajectory of the investment. We were looking to take these businesses from linear growth to exponential growth, so looking at the metrics of return on a change in leadership and the speed to value, we were able to identify what the 'curve beaters' do, and think about ways to help other leaders do this work," Ogg said.

Leadership design that supports the strategy and desired culture

"Culture eats strategy for breakfast — in the absence of leadership," Ogg argues. CEOs and management teams sometimes underappreciate their ability to influence the organization's culture and change-readiness through leadership design.

"If you want to change a company quickly, the highest leverage point is the leadership and management culture. What sits behind the leadership and management culture is leadership design: What is it that we actually do? How do we select leaders, train leaders and promote leaders? What meetings do we have? How are decisions made? How is power allocated?" Ogg said. "There are a finite number of things that make up the leadership DNA of a company. Most people assume that those things are already decided and they are what they are, but if you are the CEO, you can change the design."

The way a company identifies, promotes and develops future leaders communicates a lot about the culture an executive team is trying to build, so the board and CEO should think carefully about how the company is developing and promoting emerging talent, especially those who may be contenders for the CEO role. To make sure that the next generation of executive talent aligns with the culture that the company wants for the future, talent management and development programs and employee evaluations must reflect the mindsets, behaviors and capabilities that will be needed. For example, if the organization needs to move to a more driven, results-focused culture, then training, development programs, the way meetings are run and how executives communicate all may need to evolve to signal to emerging leaders how to be successful in the future culture.

Small bursts of highly relevant executive training

Even companies that do a great job of hiring can fall down when it comes to assessing, developing and retaining their most promising people. Leadership development primarily results from experience on the job — learning by doing — and watching and learning from bosses and colleagues, including receiving coaching and feedback. Formal executive training represents a smaller but important third component of leadership development. Given the speed of change today, however, corporate training models that take people out of work for a couple weeks or more have given way to shorter, more targeted and concentrated training experiences that some compare to making fuel stops on the highway.

Technology, including online learning, and the shift toward shorter, more targeted training promises to improve the relevance of training programs and increase retention in a world where attention spans are short and the way people consume information has changed.

"In the past, you might go to a week-long program this year and another one next year. Many of those were wonderful programs, but, first, I would question the retention after a week-long program and, second, typically there was no follow-up to measure whether people were adopting what they learned," Goldsmith explains. "Today, especially with the advent of new technology, it's possible to give people shorter bursts of content and build in ongoing follow-up and measurement, so that these programs can actually focus on execution. It takes a lot of work to keep something in somebody's head today because we are barraged with emails, voicemails, and most people today feel busier than they ever felt in their entire lives."

For companies, investing in executive training provides the benefit of motivating and breeding loyalty in the leaders tapped for the programs — something Conaty saw at GE among those selected for programs at Crotonville and he still believes is valuable today. "You can attract great talent to an organization, but in my mind there is some obligation as a hiring company to further develop and assess those individuals. Many companies don't do such a great job at that, and then those people are back on the talent market in a couple of years."

<div align="center">***</div>

Effective hands-on leadership and mentoring has never been more crucial, and its impact directly correlates to overall business performance. In an environment of rapid change, leaders must lay the path for organizations to adapt to a continually changing business context. The leadership development approaches that are most likely to produce these executives have several common elements. In these situations, the CEO directly supports and participates in development efforts, and ensures that the overall leadership design and culture aligns with the leadership development goals. Results of development initiatives must be continually measured. And the best executive training must always remain relevant and highly targeted. Finally, the most effective leadership training and development approaches must evolve over time as the needs of business change in order to nurture the next generation of great talent.

Authors

David Daniel (Stamford), Greg Welch (Chicago)

SpencerStuart

About Spencer Stuart

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning 56 offices, 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment and many other facets of organizational effectiveness.

For more information on Spencer Stuart, please visit **www.spencerstuart.com**.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.

[f] [in] [rss] [twitter] @Spencer Stuart

Amsterdam
Atlanta
Bangalore
Barcelona
Beijing
Bogotá
Boston
Brussels
Buenos Aires
Calgary
Chicago
Copenhagen
Dallas
Dubai
Frankfurt
Geneva
Hong Kong
Houston
Istanbul
Johannesburg
Lima
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis/St. Paul
Montreal
Moscow
Mumbai
Munich
New Delhi
New York
Orange County
Paris
Philadelphia
Prague
Rome
San Francisco
Santiago
Sao Paulo
Seattle
Shanghai
Silicon Valley
Singapore
Stamford
Stockholm
Sydney
Tokyo
Toronto
Vienna
Warsaw
Washington, D.C.
Zürich